CHEMTRADE LOGISTICS INCOME FUND

Management's Discussion and Analysis

For the Year Ended December 31, 2022

February 22, 2023

2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This MD&A should be read in conjunction with the audited consolidated financial statements of Chemtrade for the year ended December 31, 2022.

Chemtrade's financial statements are prepared in accordance with IFRS. Chemtrade's reporting currency is the CAD. In this MD&A, amounts are presented in thousands of CAD unless otherwise indicated. This MD&A is current as at February 22, 2023 and was approved by the Board on that date.

This MD&A contains certain non-IFRS financial measures and ratios which do not have standard meanings under IFRS. Therefore they may not be comparable to similar measures presented by other issuers. Further information and reconciliations of these measures to the most directly comparable measures under IFRS may be found at **Non-IFRS and Other Financial Measures** on page 50.

This MD&A also contains statements and information about our expectations about the future. Please refer to the cautionary statement in **Caution Regarding Forward Looking Statements** on page 48.

Definitions

MD&A means Management's Discussion & Analysis

Fund means Chemtrade Logistics Income Fund

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

IFRS means International Financial Reporting Standards

SWC means our Sulphur and Water Chemicals reportable segment

EC means our Electrochemicals reportable segment

More terms and definitions are explained on page 56.

Where to find it

About Chemtrade

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

Sulphur and Water Chemicals (SWC) and

Electrochemicals (EC).

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

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

FINANCIAL HIGHLIGHTS

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

	Three months ended		Year ended		
($'000 except per unit amounts)	**December 31, 2022**	December 31, 2021	**December 31, 2022**	December 31, 2021	December 31, 2020
Revenue	$ 456,746	$ 353,766	$ 1,813,383	$ 1,368,479	$ 1,379,639
Net (loss) earnings (1)(2)	$ (11,747)	$ (180,524)	$ 109,115	$ (235,209)	$ (167,478)
Net (loss) earnings per unit (1)(2)(3)	$ (0.10)	$ (1.74)	$ 1.01	$ (2.31)	$ (1.81)
Diluted net (loss) earnings per unit (1)(2)(3)	$ (0.10)	$ (1.74)	$ 0.99	$ (2.31)	$ (1.81)
Total assets	$ 2,157,073	$ 2,048,970	$ 2,157,073	$ 2,048,970	$ 2,500,326
Long-term debt	$ 370,024	$ 373,531	$ 370,024	$ 373,531	$ 776,914
Convertible unsecured subordinated debentures	$ 533,218	$ 670,173	$ 533,218	$ 670,173	$ 445,895
Adjusted EBITDA (2)(4)	$ 104,250	$ 92,535	$ 430,868	$ 280,380	$ 265,268
Cash flows from operating activities	$ 104,610	$ 93,229	$ 369,191	$ 219,039	$ 270,183
Distributable cash after maintenance capital expenditures(2)(4)	$ 43,396	$ 25,677	$ 215,112	$ 84,105	$ 58,968
Distributable cash after maintenance capital expenditures per unit (2)(3)(4)	$ 0.38	$ 0.25	$ 1.98	$ 0.83	$ 0.64
Distributions declared	$ 17,400	$ 15,685	$ 65,760	$ 61,467	$ 64,998
Distributions declared per unit (5)	$ 0.15	$ 0.15	$ 0.60	$ 0.60	$ 0.70
Distributions paid, net of distributions reinvested	$ 14,464	$ 13,314	$ 54,753	$ 51,944	$ 66,670

(1) Results for the year ended December 31, 2022 include a gain of $17.4 million or $0.16 per unit relating to the sale of an idled acid plant in Augusta, GA. Results for the three months and year ended December 31, 2021 include an impairment charge of $130,000 before tax, or $1.25 and $1.28 per unit, respectively. Results for the year ended December 31, 2020 include a goodwill impairment charge of $56,000 before tax, or $0.60 per unit. See Goodwill and Impairment on page 14. Results for the three months and year ended December 31, 2021 include a gain on sale of KCl and vaccine adjuvants businesses of $7,601, or $0.07 per unit. See Results of Operations by Reportable Segment - SWC on page 8. Results for the year ended December 31, 2020 include a write-down of assets of $19,193 before tax, or $0.21 per unit.

(2) Results for the three months and year ended December 31, 2021 include a $17,709 before tax, or $0.17 per unit, net recovery related to settlement of the NATO Lawsuit. See Results of Operations by Reportable Segment - Corporate on page 8.

(3) Based on weighted average number of units outstanding for the period.

(4) See Non-IFRS and Other Financial Measures on page 50.

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

FOURTH QUARTER 2022 HIGHLIGHTS

- Revenue of $456.7 million, an increase of $103.0 million or 29.1% year-over-year, reflecting strong double-digit growth in both operating segments.
- Net loss of $11.7 million, a decrease of $168.8 million year-over-year.
- Adjusted EBITDA of $104.3 million, an increase of $11.7 million or 12.7% year-over-year, primarily owing to increased revenue. Excluding corporate costs, which included a $17.7 million gain in Q4, 2021, Adjusted EBITDA for our two operating segments increased by 42.0% year-over-year.
- Cash flows from operating activities of $104.6 million, an increase of $11.4 million or 12.2% year-over-year.
- Distributable cash after maintenance capital expenditures of $43.4 million, an increase of $17.7 million or 69.0% year-over-year.

FULL YEAR 2022 HIGHLIGHTS

- Revenue of $1,813.4 million, an increase of $444.9 million or 32.5% year-over-year, reflecting strong double-digit growth in both operating segments and supported by higher selling prices across numerous key products. This revenue represents the highest annual revenue in our history.
- Net earnings of $109.1 million, an increase of $344.3 million year-over-year.
- Adjusted EBITDA of $430.9 million, an increase of $150.5 million or 53.7% year-over-year, primarily owing to increased revenue. The strong year-over-year growth was achieved despite the prior year period's inclusion of a $17.7 million gain on the settlement of a lawsuit and $14.2 million of Adjusted EBITDA from businesses sold in Q4 2021, as well as a $17.1 million negative impact from the biennial maintenance turnaround of the North Vancouver chlor-alkali plant in Q2 2022. 2022 Adjusted EBITDA also marked a record high for us.
- Cash flows from operating activities of $369.2 million, an increase of $150.2 million or 68.6% year-over-year.
- Distributable cash after maintenance capital expenditures of $215.1 million, an increase of $131.0 million or 155.8% year-over-year.
- Continued balance sheet improvement, as demonstrated by a Net Debt/Adjusted EBITDA ratio[1] of 2.2x at year-end, as compared to 4.2x at the end of 2021.
- Reaffirmed 2023 Adjusted EBITDA guidance of $360.0 million to $400.0 million, the midpoint of which would represent the second highest level we ever generated, trailing only our record 2022 results. Given the very strong start to 2023, we now expect to be above the mid-point of this range.

[1] Net Debt is a capital management measure that includes Net Debt, which is a non-IFRS financial measure. See **Non-IFRS and Other Financial Measures**

RECENT DEVELOPMENTS

Superior Lawsuit Judgment

In December 2022, we received a judgment in our favour related to a $25.0 million lawsuit against Superior Plus Corporation (“Superior”). The lawsuit involved the failed attempt by Superior to acquire Canexus, prior to our 2017 acquisition of Canexus. In January 2023, we received a payment of $25.0 million, however, Superior has filed an appeal against the judgment. We have not recorded any gain due to the inherent uncertainties associated with the outcome of the appeal.

Sale-and-leaseback transaction

Due to the recent sharp decline in the real estate sector, we have elected to suspend the sale-and-leaseback process of our North Vancouver chlor-alkali facility. We ended the year with available liquidity under our Credit Facilities of $511.0 (US$377.0) million and cash and cash equivalents of $72.6 million and we are well positioned to continue to execute on our investment in our growth projects given our available liquidity.

CONSOLIDATED OPERATING RESULTS

	Three months ended December 31, 2022 vs 2021	Year ended December 31, 2022 vs 2021	Year ended December 31, 2021 vs 2020
F/X Rate	US$1.00 = $1.36 in 2022 compared with US$1.00 = $1.26 in 2021. The weaker Canadian dollar during 2022 compared with 2021 had a positive impact on consolidated revenue, gross profit and EBITDA of $22.3 million, $7.7 million and $9.2 million, respectively.	US$1.00 = $1.30 in 2022 compared with US$1.00 = $1.25 in 2021. The weaker Canadian dollar during 2022 compared with 2021 had a positive impact on consolidated revenue, gross profit and EBITDA of $44.4 million, $16.5 million and $19.0 million, respectively.	US$1.00 = $1.25 in 2021 compared with US$1.00 = $1.34 in 2020. The stronger Canadian dollar during 2021 compared with 2020 had a negative impact on consolidated revenue and EBITDA of $65.6 million and $17.5 million, respectively.
Revenue	Consolidated revenue for Q4 2022 was $456.7 million, which was $103.0 million higher than revenue for 2021. The increase was primarily due to: • higher selling prices of merchant acid, water solutions products, sodium nitrite and Regen acid, and • higher selling prices of chlor-alkali products in the EC segment, partially offset by: • revenue of $4.0 million relating to the KCl and vaccine adjuvant businesses which was included in Q4 2021 but not in Q4 2022, as these businesses were sold during the fourth quarter of 2021.	Consolidated revenue for 2022 was $1,813.4 million, which was $444.9 million higher than revenue for 2021. The increase was primarily due to: • higher selling prices of merchant acid, water solutions products, Regen acid and sodium nitrite in the SWC segment, and • higher selling prices of chlor-alkali products in the EC segment, partially offset by: • revenue of $41.9 million relating to the KCl and vaccine adjuvant businesses which was included in 2021 but not in 2022, as these businesses were sold during the fourth quarter of 2021, and • lower sales volumes of sodium chlorate in the EC segment.	Consolidated revenue for 2021 was $1,368.5 million, which was $11.2 million lower than revenue for 2020. The decrease was primarily due to: • lower sales volumes for water solutions products and specialty chemicals and lower sales volumes and selling prices for ultra pure sulphuric acid in the SWC segment, and • lower selling prices and sales volumes for sodium chlorate in the EC segment, partially offset by: • higher volumes and selling prices for chlor-alkali products in the EC segment and higher selling prices for sulphur products in the SWC segment.

	Three months ended December 31, 2022 vs 2021	Year ended December 31, 2022 vs 2021	Year ended December 31, 2021 vs 2020
Adjusted EBITDA	Adjusted EBITDA for Q4 2022 was $11.7 million higher than the Adjusted EBITDA for the same period of 2021, which included a gain of $17.7 million relating to the settlement of a law suit and Adjusted EBITDA of $1.1 million relating to the businesses sold in the fourth quarter of 2021. Adjusted EBITDA during 2022 for the two operating segments (SWC and EC) was $40.0 million (or 42.0%) higher than 2021, partially offset by higher corporate costs as corporate costs in 2021 were unusually low as they include the gain on the settlement of a lawsuit recorded in 2021.	Adjusted EBITDA for 2022 was $150.5 million higher than 2021, which included a gain of $17.7 million relating to the settlement of a lawsuit and Adjusted EBITDA of $14.2 million relating to the businesses sold in the fourth quarter of 2021. Adjusted EBITDA during 2022 for the two operating segments (SWC and EC) was $183.6 million (or 53.5%) higher than 2021 partially offset by higher corporate costs as corporate costs in 2021 were unusually low as they include the gain on the settlement of a lawsuit recorded in 2021.	Adjusted EBITDA for 2021 was $15.1 million higher than the Adjusted EBITDA for the same period of 2020. The increase in Adjusted EBITDA was primarily due to: • higher Adjusted EBITDA for the EC segment, and • the recovery of the NATO Lawsuit settlement of $17.7 million, partially offset by: • lower Adjusted EBITDA for the SWC segment.
Net Earnings (loss)	Net loss for Q4 2022 was $168.8 million lower than 2021 primarily due to: • a $130.0 million impairment of intangible assets and PPE in the EC segment recorded during the fourth quarter of 2021 (see Goodwill Impairment on page 14), • higher Adjusted EBITDA, • lower net finance costs in 2022 (see Net Finance Costs on page 16), and • higher unrealized foreign exchange gains, partially offset by: • higher income tax expenses (see Income Taxes on page 17).	Net earnings for 2022 were $344.3 million higher than 2021 primarily due to: • a $130.0 million impairment of intangible assets and PPE in the EC segment recorded during the fourth quarter of 2021 (see Goodwill Impairment on page 14), • higher Adjusted EBITDA, • lower net finance costs in 2022 (see Net Finance Costs on page 16), • lower depreciation and amortization expense, and • a gain of 17.4 million relating to sale of an idled acid plant in Augusta, GA, partially offset by: • higher income tax expenses (see Income Taxes on page 17)	Net loss for 2021 was $67.7 million higher than 2020 primarily due to: • a $130.0 million impairment of intangible assets and PPE in the EC segment recorded during 2021 compared with a goodwill impairment of $56.0 million and a write-down of assets of $17.6 million related to SWC in 2020, and • an income tax expense in 2021 compared with a recovery during 2020, partially offset by: • higher Adjusted EBITDA, • a gain of $7.6 million from the sale of the KCl and vaccine adjuvants businesses during the fourth quarter of 2021, and • lower net finance costs in 2021 as 2020 included a significant loss from the change in the fair value of Debentures.

RESULTS OF OPERATIONS BY REPORTABLE SEGMENT

SULPHUR AND WATER CHEMICALS (SWC)

($'000)	Three months ended December 31, 2022	Three months ended December 31, 2021 [1]	Year ended December 31, 2022	Year ended December 31, 2021 [1]
Revenue	$ 264,724	$ 212,081	$ 1,074,732	$ 845,233
Gross profit	30,628	19,933	166,467	104,211
Adjusted EBITDA	57,101	53,584	243,824	216,592

[1] During the three months and year ended December 31, 2021, SWC included $4.0 million and $41.9 million, respectively, of revenue, $1.1 million and $14.2 million, respectively, of gross profit and $1.1 million and $14.2 million, respectively, of Adjusted EBITDA, relating to the KCl and vaccine adjuvants businesses which were sold in the fourth quarter of 2021.

	SWC OPERATING RESULTS	
	Three months ended December 31, 2022 vs 2021	**Year ended December 31, 2022 vs 2021**
Revenue	The increase shown above was primarily due to: • higher selling prices of merchant acid, water solutions products, sodium nitrite and Regen acid, which more than offset: • revenue of $4.0 million relating to the KCl and vaccine adjuvant businesses which was included in Q4 2021 but not in Q4 2022, as these businesses were sold during the fourth quarter of 2021.	The increase shown above was primarily due to: • higher selling prices of merchant acid, water solutions products, Regen acid and sodium nitrite, and • higher sales volumes of merchant acid and water solutions products, which more than offset: • revenue of $41.9 million relating to the KCl and vaccine adjuvant businesses which was included in 2021 but not in 2022, as these businesses were sold during the fourth quarter of 2021.

<table>
<tr><th></th><th colspan="2">SWC OPERATING RESULTS</th></tr>
<tr><th></th><th>Three months ended December 31, 2022 vs 2021</th><th>Year ended December 31, 2022 vs 2021</th></tr>
<tr><td>Gross Profit</td><td>Gross profit shown above was higher due to:
• higher selling prices for sodium nitrite, merchant acid and water solutions products,
partially offset by:
• gross profit of $1.1 million earned in Q4 2021 by the KCl and vaccine adjuvant businesses which were sold during the fourth quarter of 2021.
Higher selling prices for water solutions products offset higher sulphur costs.</td><td>Gross profit shown above was higher due to:
• higher selling prices for merchant acid, Regen acid and sodium nitrite, and
• a gain of $17.4 million relating to the sale of an idled acid plant in Augusta, GA during the second quarter of 2022,
partially offset by:
• higher sulphur costs, and
• gross profit of $14.2 million earned in 2021 by the KCl and vaccine adjuvant businesses which were sold during the fourth quarter of 2021.
Higher selling prices of water solutions products offset higher sulphur costs.</td></tr>
<tr><td>Adjusted EBITDA</td><td>The factors that affected revenue and gross profit also resulted in higher Adjusted EBITDA in Q4 2022.</td><td>The factors that affected revenue and gross profit also resulted in higher Adjusted EBITDA in 2022.</td></tr>
</table>

ELECTROCHEMICALS (EC)

($'000)	Three months ended December 31, 2022	Three months ended December 31, 2021	Year ended December 31, 2022	Year ended December 31, 2021
North American sales volumes:				
Sodium chlorate sales volumes (000's MT)	80	87	343	361
Chlor-alkali sales volumes (000's MECU)	46	43	184	181
Revenue	$ 192,022	$ 141,685	$ 738,651	$ 523,246
Gross profit	55,377	(113,984)	187,437	(108,058)
Adjusted EBITDA	78,262	41,757	282,793	126,401

	EC OPERATING RESULTS	
	Three months ended December 31, 2022 vs 2021	**Year ended December 31, 2022 vs 2021**
Revenue	The higher revenue shown above was primarily due to: • an increase in selling prices for all three chlor-alkali products (caustic soda, chlorine and HCl) resulting in an increase of approximately $770 in realized MECU netbacks (i.e. selling price less freight). Selling prices for all three chlor-alkali products were significantly higher due to improved market conditions driven by caustic soda in NE Asia, chlorine in North America and HCl in North America due to increased demand from oil and gas fracking, and • higher revenue in Brazil.	The higher revenue shown above was primarily due to: • an increase in selling prices for all three chlor-alkali products (caustic soda, chlorine and HCl) resulting in an increase of approximately $865 in realized MECU netbacks (i.e. selling price less freight), and • higher revenue in Brazil, partially offset by: • lower sales volumes of sodium chlorate in the EC segment.

<table>
<tr><th></th><th colspan="2">EC OPERATING RESULTS</th></tr>
<tr><th></th><th>Three months ended December 31, 2022 vs 2021</th><th>Year ended December 31, 2022 vs 2021</th></tr>
<tr><td>Gross Profit</td><td>Gross profit shown above was higher due to:
a $130.0 million impairment of intangible assets and PPE in the EC segment recorded during the fourth quarter of 2021 (see Goodwill Impairment on page 14), and
higher selling prices for all three chlor-alkali products.</td><td>Gross profit shown above was higher due to:
higher selling prices for chlor-alkali products, and
a $130.0 million impairment of intangible assets and PPE in the EC segment recorded during the fourth quarter of 2021 (see Goodwill Impairment on page 14),
partially offset by:
lower sales volumes of sodium chlorate,
approximately $17.1 million negative impact related to the biennial maintenance turnaround at the North Vancouver chlor-alkali plant during Q2 2022, and
$3.9 million expense recorded during Q2 2022 related to the provisions for an onerous contract resulting from closure of our Beauharnois, QC sodium chlorate facility.</td></tr>
</table>

	EC OPERATING RESULTS	
	Three months ended December 31, 2022 vs 2021	**Year ended December 31, 2022 vs 2021**
Adjusted EBITDA	Adjusted EBITDA shown above was higher due to: • higher selling prices for all three chlor-alkali products. Realized MECU netbacks during Q4 2022 were approximately $770 higher than Q4 2021. Approximately 40% of this was due to higher realized prices for caustic soda and the balance due to higher realized prices for chlorine and to a lesser extent for HCl. Asian caustic soda fundamentals (which drive our selling price) were supported by reduced supply in Europe due to very high costs for electricity, the main input cost for chlor-alkali. Demand for HCl was strong due to increased fracking activity in North America. Chlorine benefited from reduced supply in the industry.	Adjusted EBITDA shown above was higher due to: • higher selling prices for all three chlor-alkali products, partially offset by: • lower sales volumes of sodium chlorate, and • the negative impact related to the biennial maintenance turnaround at the North Vancouver chlor-alkali plant during Q2 2022 and expense related to the closure of our Beauharnois, QC sodium chlorate facility. Realized MECU netbacks during 2022 were approximately $865 higher than 2021. Approximately 50% of this was due to higher realized prices for caustic soda and the balance due to higher realized prices for chlorine and to a lesser extent for HCl. Asian caustic soda fundamentals (which drive our selling price) were supported by reduced supply in Europe due to very high costs for electricity, the main input cost for chlor-alkali. Demand for HCl was strong due to increased fracking activity in North America. Chlorine benefited from reduced supply in the industry.

Corporate Costs

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

	Three months ended		Year ended	
($'000)	**December 31, 2022**	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Cost of services (Adjusted EBITDA)	(31,113)	(2,806)	(95,749)	(62,613)

<table>
<tr><th></th><th colspan="2">CORPORATE COSTS</th></tr>
<tr><th></th><th>Three months ended December 31, 2022 vs 2021</th><th>Year ended December 31, 2022 vs 2021</th></tr>
<tr><td>Cost of Services</td><td>Corporate costs shown above were higher primarily due to:
• the settlement of the NATO Lawsuit, resulting in a recovery of $17.7 million in Q4 2021,
• $3.3 million realized foreign exchange losses compared with foreign exchange gains of $1.8 million during 2021,
• $4.0 million higher legal costs in Q4 2022 relative to 2021,
• $1.0 million higher deferred unit plan costs due to fair market value adjustments in Q4 2022 relative to 2021, and
• higher discretionary spending in Q4 2022 relative to 2021,
partially offset by:
• $1.2 million lower short-term incentive compensation costs.</td><td>Corporate costs shown above were higher primarily due to:
• the settlement of the NATO Lawsuit, resulting in a recovery of $17.7 million in Q4 2021,
• a $5.8 million government grant recognized in relation to the CEWS and the CERS in 2021, whereas, there were no grants claimed in 2022, and
• $3.1 million realized foreign exchange losses compared with foreign exchange gains of $4.4 million during 2021, and
• higher discretionary spending in 2022 relative to 2021.</td></tr>
</table>

Goodwill Impairment

During the fourth quarter of 2021, we performed our 2021 annual test for goodwill impairment. 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 $130.0 million and therefore, impairment losses of $42.8 million, $38.9 million and $48.3 million were allocated to goodwill, customer relationships and PPE, respectively in cost of sales and services. Following the impairment recognized in the Chlorate CGU, its recoverable amount equalled its carrying value.

We performed our 2022 annual test for goodwill impairment in the fourth quarter of 2022. The recoverable amount of all CGUs and CGU groups exceeded their carrying values.

Foreign Exchange

We have certain operating subsidiaries that use the USD as their functional currency. As we report in CAD, our reported net earnings are exposed to fluctuations in the CAD/USD exchange rate. If the CAD weakened by one-cent (for example, from $1.36 to $1.37 for US$1.00), on an unhedged basis, this would have the impact as below:

Measure	Impact
Annual net earnings	+ $3.0 million
Adjusted EBITDA	+ $4.2 million
Annual distributable cash after maintenance capital expenditures	+ $3.2 million

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

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

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

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

All foreign exchange contracts are under ISDA agreements. Contracts in place at December 31, 2022 include future contracts to sell the following amounts for periods through to March 2024:

Amount ($'000)	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

The purpose of these contracts is to manage foreign exchange risk on specific transactions in a foreign currency. The amount of the related derivative is recorded at fair value at the period end and is included with prepaid expenses and other assets or trade and other payables on the consolidated statements of financial position. The resultant non-cash charge or gain is included in selling and administrative expenses. The impact of this non-cash charge or gain is excluded from Adjusted EBITDA and Distributable cash after maintenance capital expenditures. See **Non-IFRS and Other Financial Measures** on page 50.

We have hedged our investments in foreign operations that use the USD as their functional currency with our USD-denominated bank debt. As a result, any gains and losses arising from the USD-denominated debt will be offset by the foreign currency gain or loss arising from the investment in the foreign operations. The gains and losses on the translation of the designated amount of USD-denominated debt and investment in foreign operations are recognized on a net basis in other comprehensive income. The changes recorded in the accumulated other comprehensive income account since December 31, 2021 were a result of changes in the CAD/USD exchange rate between December 31, 2021 and December 31, 2022. For the three months and year ended December 31, 2022, a foreign exchange gain of $7.3 million and a foreign exchange loss of $31.3 million, respectively, on the revaluation of the USD-denominated debt and investment in foreign operations was recognized in other comprehensive income, compared with foreign exchange gains of $3.2 million and $6.6 million, respectively, during the three months and year ended December 31, 2021.

The rate of exchange used to translate USD-denominated balances has increased from a rate of US$1.00 = $1.26 at December 31, 2021 to US$1.00 = $1.36 at December 31, 2022. See **Risks and Uncertainties** on page 34 for additional comments on foreign exchange.

NET FINANCE COSTS AND INCOME TAXES

Net Finance Costs

During the three months and year ended December 31, 2022, net finance costs were $37.2 million and $50.0 million, respectively, compared with net finance costs of $56.9 million and $116.2 million, respectively, during the same periods of 2021.

<table>
<tr><th>Three months ended December 31, 2022 vs 2021</th><th>Year ended December 31, 2022 vs 2021</th></tr>
<tr><td>Net finance costs were $19.7 million lower during the fourth quarter of 2022 relative to 2021. The decrease was primarily due to:
$1.8 million income reclassified from other comprehensive income due to the de-designation of swaps during 2022 compared with a $9.8 million loss due to the termination of original swaps during the fourth quarter of 2021,
$5.9 million relating to transaction costs on the issuance of Debentures during the fourth quarter of 2021,
$5.1 million debt extinguishment costs due to amendment of our credit agreement during the fourth quarter of 2021, and
lower debt levels in 2022 relative to 2021, which resulted in a lower interest expense of $3.1 million,
partially offset by:
$6.4 million higher losses related to the change in fair value of Debentures during the fourth quarter of 2022 compared with the same period of 2021 (additional details are shown below).</td><td>Net finance costs were $66.2 million lower during the year ended December 31, 2022 relative to 2021. The decrease is primarily due to:
$6.0 million income reclassified from other comprehensive income due to the de-designation of swaps during 2022 compared with a $13.2 million loss reclassified from other comprehensive income due to the termination of original swaps during 2021,
lower debt levels in 2022 relative to 2021, which resulted in lower interest expense of $13.4 million,
$12.3 million lower losses related to the change in the fair value of Debentures in 2022 compared with 2021,
$10.7 million gains during 2022 related to the change in the fair value of interest rate swaps,
$5.9 million relating to transaction costs on the issuance of Debentures during the fourth quarter of 2021, and
$5.1 million debt extinguishment costs due to amendment of our credit agreement during the fourth quarter of 2021.</td></tr>
</table>

The Debentures are recognized at fair value with changes in fair value due to changes in the risk free interest rate presented in net finance costs and changes in our own credit risk presented in other comprehensive income rather than net earnings. During the three months and year ended December 31, 2022, the fair value of the Fund's Debentures increased by $34.5 million and $6.8 million, respectively, and increased by $4.3 million and $94.3 million, respectively, during the same periods of 2021.

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

		Three months ended December 31,			Year ended December 31,		
($ million)	**Recorded in**	**2022**	**2021**	**Variance**	**2022**	**2021**	**Variance**
Increase (decrease) due to a change in risk free rate and a change in the conversion option fair value	Net finance costs	$ 25.2	$ 18.9	$ 6.3	$ 7.6	$ 19.9	$ (12.3)
Increase (decrease) due to a change in our credit risk, net of taxes	Other comprehensive income	1.5	(16.6)	18.1	(4.7)	47.4	(52.1)
Tax recovery (expense) due to credit risk	Other comprehensive income	7.8	2.0	5.8	3.9	27.0	(23.1)
Increase (decrease) in fair value of Debentures		$ 34.5	$ 4.3	$ 30.2	$ 6.8	$ 94.3	$ (87.5)

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

The weighted average effective annual interest rate of the Credit Facilities at December 31, 2022 was 3.1% (December 31, 2021 - 4.4%). See **Liquidity and Capital Resources - Financial Instruments** for information concerning swap arrangements on page 21.

Income Taxes

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

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

	Three months ended December 31, 2022 vs 2021	Year ended December 31, 2022 vs 2021
Current Income taxes	Current income tax for the fourth quarter of 2022 was an expense of \$2.4 million compared with \$7.3 million during the same period of 2021. The change was primarily due to: • lower income taxes and lower BEAT tax in 2022 compared to 2021 which included taxes from the gain on disposal of assets in the U.S., and • decreased income tax due to a tax incentive in Brazil.	Current income tax for year ended December 31, 2022 was an expense of \$12.0 million compared with \$8.6 million during the same period of 2021. The change was primarily due to: • increased income tax due to higher operating income in 2022, and • fewer loss carry forwards available to shelter income in Brazil in 2022, partially offset by: • lower income taxes and lower BEAT tax in 2022 compared to 2021 which included taxes from the gain on disposal of assets in the U.S.
Deferred Income taxes	Deferred income tax for the fourth quarter of 2022 was an expense of \$30.2 million compared \$14.7 million during the same period of 2021. The change was primarily due to: • a valuation allowance for deferred tax assets associated with interest deduction carryforwards in the U.S., and • utilizing loss carry forwards to shelter the increase in operating income in Canada and Brazil, partially offset by: • the utilization of operating losses to offset the gain from disposal of assets held for sale in U.S. in the fourth quarter of 2021.	Deferred income tax for the year ended December 31, 2022 was an expense of \$48.1 million compared with \$6.3 million for the same period of 2021. The change was primarily due to: • utilizing loss carry forwards to shelter the increase in operating income in 2022 in Canada, the U.S. and Brazil, and • a valuation allowance for deferred tax assets associated with interest deduction carryforwards in the U.S.

	As at December 31, 2022 vs December 31, 2021
Deferred tax assets and liabilities	Deferred tax assets decreased by \$42.4 million which was primarily due to: • the utilization of the loss carry forwards to shelter higher operating income in 2022 in the U.S., Canada and Brazil, and • a valuation allowance for deferred tax assets associated with interest deduction carryforwards in the U.S. Deferred tax liabilities decreased by \$0.6 million, which was primarily due to: • the depreciation of non-deductible fixed assets in Brazil.

The effective tax rate for the year ended December 31, 2022 differs from the statutory tax rate primarily due to the deduction of taxable income distributed to Unitholders, difference in domestic corporate and trust tax rates, international income tax rate differences, valuation allowance for deferred tax assets associated with interest deduction carryforwards in the U.S. and certain permanent differences.

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

DISTRIBUTIONS

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

Record Date	Payment Date		Distribution Per Unit [1]		Total ($'000)
Three months ended December 31:					
October 31, 2022	November 25, 2022	$	0.05	$	5,795
November 30, 2022	December 23, 2022		0.05		5,800
December 30, 2022	January 26, 2023		0.05		5,805
Sub-total			0.15		17,400
Three months ended September 30, 2022		$	0.15	$	16,841
Three months ended June 30, 2022		$	0.15	$	15,784
Three months ended March 31, 2022		$	0.15	$	15,735
Total for the year ended December 31, 2022		**$**	**0.60**	**$**	**65,760**

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

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

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

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

Treatment of our distributions for Canadian income tax purposes for 2021 and 2022 is as follows:

	Other Income	Dividends [(1)]	Foreign Non-Business Income	Total
2021	0.0%	32.0%	68.0%	100%
2022 [(2)]	0.0%	36.0%	64.0%	100%

(1) These dividends are not considered to be eligible dividends for Canadian resident Unitholders and therefore not eligible for the enhanced tax credit.
(2) Represents anticipated tax characterization of planned distributions. The actual tax treatment of 2022 distributions will be determined by March 1, 2023.

LIQUIDITY AND CAPITAL RESOURCES

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

Cash Flows from Operating Activities

Cash flows from operating activities for the fourth quarter of 2022 were an inflow of $104.6 million, compared with $93.2 million for the same period of 2021. The increase in cash flows from operating activities of $11.4 million was primarily due to higher Adjusted EBITDA, lower interest paid and lower income taxes paid, partially offset by changes in working capital.

Cash flows from operating activities for the year ended December 31, 2022 were an inflow of $369.2 million, compared with $219.0 million for the same period of 2021. The increase in cash flows from operating activities of $150.2 million was primarily due to higher Adjusted EBITDA and lower interest paid, partially offset by higher income taxes paid and changes in working capital.

Investing Activities

Capital expenditures were $39.9 million in the fourth quarter of 2022, compared with $39.5 million in the fourth quarter of 2021. These amounts included $32.7 million in the fourth quarter of 2022 and $35.9 million in the fourth quarter of 2021 for maintenance capital expenditures[1]. Non-maintenance capital expenditures[2] were $7.2 million during the fourth quarter of 2022, compared with $3.6 million during the fourth quarter of 2021.

Capital expenditures were $115.4 million for the year ended December 31, 2022, compared with $86.1 million for the year ended December 31, 2021. These amounts included $99.8 million in the year ended December 31, 2022 and $75.3 million for the year ended December 31, 2021 for maintenance capital expenditures[1]. Non-maintenance capital expenditures[2] were $15.7 million during the year ended December 31, 2022, compared with $10.9 million during the year ended December 31, 2021.

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

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

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

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

Financing Activities

At December 31, 2022, our Credit Facilities were comprised of a $881.0 million (US$650.0 million) revolving credit facility.

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

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

In June 2022, we amended certain terms of our Credit Facilities to allow for the investment in the KPCT joint venture and to recognize any cash distributions received from this joint venture in the calculation of EBITDA for debt covenant purposes.

Prior to September 2022, our Credit Facilities bore variable rates of interest based on the U.S. LIBOR and Canadian Bankers' Acceptance rates. In September 2022, we amended certain terms of our Credit Facilities and interest rate swap arrangements to replace US LIBOR with SOFR.

There was a net decrease in borrowings from our Credit Facilities of $0.1 million during the three months ended December 31, 2022 and a net decrease of $34.6 million during the year ended December 31, 2022 compared with net increases of $81.7 million and $18.3 million, respectively, during the same periods of 2021. The decrease in borrowings for the year ended December 31, 2022 was a result of an equity offering during the third quarter of 2022 plus cash flows from operations. During the fourth quarter of 2021, we issued a new series of Debentures and used the net proceeds of $130.0 million to temporarily repay our Credit Facilities. These funds were then drawn from our Credit Facilities during the first quarter of 2022 to finance the redemption of the Fund 2016 5.00% Debentures. Excluding this, the net decrease in borrowings from our Credit Facilities for the year ended December 31, 2022 was $164.6 million as opposed to the $34.6 million noted above. The decrease was as a result of an equity offering plus cash flows from operations.

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

During the fourth quarter of 2021, we completed the Fund 2021 6.25% Debentures offering. We incurred transaction costs of $5.9 million which included underwriters' fees and other expenses relating to the offering. Proceeds from the offering were used to repay outstanding indebtedness under our Credit Facilities during the fourth quarter of 2021. During the first quarter of 2022, we borrowed on our Credit Facilities to redeem all of the Fund 2016 5.00% Debentures.

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

Distributions paid to Unitholders, net of distributions reinvested during the three months and year ended December 31, 2022 were $14.5 million and $54.8 million, respectively, compared to $13.3 million and $51.9 million, respectively, for the same period of 2021. The increase in distributions paid for the three months and year ended December 31, 2022 relative to 2021 was primarily due to an increase in the number of units following the equity offering in the third quarter of 2022.

Financial Instruments

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

During the first quarter of 2021, we blended and extended our existing US$325.0 million interest rate swaps until October 2024 to align with the maturity date of the term bank debt. We 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, we 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 were reclassified into net earnings over the term of the original swaps until December 24, 2021, when we reclassified these changes in fair values to net earnings.

On December 24, 2021, we amended our 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, we reclassified $8.1 million during the fourth quarter of 2021 relating to the fair value of the effective portion from other comprehensive income to net earnings.

During the first quarter of 2022, we re-designated our 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, we de-designated our interest rate swaps and hedge accounting on these swaps was discontinued prospectively. As a result of the de-designation, we reclassified $6.0 million relating to the changes in fair value of the effective portion of the swaps from other comprehensive income to net earnings.

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

During the third quarter of 2021, we entered into cash-settled unit swap arrangements which fixed the unit price on a portion of the RSU component of our LTIP awards. During the first quarter of 2022, we rolled over the hedged units maturing on March 31, 2022, into 2023, 2024 and 2025. In addition to a portion of the RSU component of our LTIP awards, these arrangements fixed the unit price of a portion of the PSU component of our 2022 - 2024 LTIP awards. The RSU component of our LTIP awards is a phantom plan which is payable in cash at the end of the performance period. The PSU component of our LTIP awards gives a right to the participants to receive cash payments upon the achievement of performance goals during the performance periods. The swap arrangements are based on a portion of RSUs and PSUs outstanding for all of our existing LTIP awards. As at December 31, 2022, the notional number of units hedged was 2.8 million 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.

Cash Balances

At December 31, 2022, we had net cash balances of $72.6 million (December 31, 2021 - $13.9 million) and a working capital deficit of $29.8 million (December 31, 2021 - $206.9 million). The working capital deficiency is amply covered by availability on the Credit Facilities. We define working capital as current assets less current liabilities. Cash we generate will be used to fund cash distributions to Unitholders, capital requirements, interest, general corporate purposes and other legal obligations.

Future Liquidity

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

Capital Resources

At December 31, 2022, we had Credit Facilities of approximately $881.0 million (US$650.0 million). At December 31, 2022, we had drawn $370.0 million on our Credit Facilities. Additionally, we had committed a total of $19.8 million of our Credit Facilities towards standby letters of credit.

At December 31, 2022, we had four series of Debentures outstanding with an aggregate par value of $517.4 million (market value of $533.2 million) and maturity dates ranging from May 31, 2024 to August 31, 2027.

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

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

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

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

Debt Covenants

As at December 31, 2022, we were compliant with all debt covenants contained in our credit agreement.

FINANCIAL CONDITION REVIEW

The consolidated statements of financial position contain certain categories as set out below. Since the end of the year, there have been material variances in these categories, which are explained below.

($'000)	**December 31, 2022**	December 31, 2021	$ Change	% Change
ASSETS				
Cash and cash equivalents	$ 72,569	$ 13,908	58,661	422
Trade and other receivables	123,214	96,371	26,843	28
Inventories	147,380	111,742	35,638	32
Investment in joint venture	5,495	—	5,495	100
Other assets	36,334	7,316	29,018	397
Deferred tax assets	82,711	125,098	(42,387)	(34)
LIABILITIES and UNITHOLDERS' EQUITY				
Trade and other payables	316,437	229,985	86,452	38
Provisions (1)	22,822	11,535	11,287	98
Convertible unsecured subordinated debentures (1)	—	143,894	(143,894)	(100)
Other long-term liabilities	21,571	40,527	(18,956)	(47)
Accumulated other comprehensive income	255,328	207,621	47,707	23

(1) Included in Current liabilities

Cash and cash equivalents	Increase is due to the cash flows from operations, partially offset by the cash flows used in investing and financing activities.
Trade and other receivables	Increase is primarily due to higher revenue in SWC and EC segments during the fourth quarter of 2022 relative to the fourth quarter of 2021.
Inventories	Increase is primarily due to increased inventory volumes and higher raw material costs contained within certain inventories.
Investment in joint venture	Increase relates to capital contributions made during the third quarter of 2022 in KPCT Holdings LLC, which is the parent of the KPCT joint venture less share of loss for the year ended December 31, 2022.
Other assets	Increase is primarily due to changes in the fair value of the interest rate swaps during the year ended December 31, 2022.
Deferred tax assets	Decrease is primarily due to: • the utilization of loss carry forwards to shelter income in the U.S., Canada and Brazil, and • a valuation allowance for deferred tax assets associated with interest deduction carryforwards in the U.S.

Trade and other payable	Increase is primarily due to higher inventory volumes and higher raw material costs contained within certain inventories in SWC and EC segments during the fourth quarter of 2022 relative to the fourth quarter of 2021 and higher accruals for share-based payment awards during 2022 relative to 2021.
Provisions (1)	Increase is primarily due to reclassification of decommissioning and environmental liabilities from non-current to current liabilities.
Convertible unsecured subordinated debentures	Decrease is due to the redemption of the Fund 2016 5.00% Debentures.
Other long-term liabilities	Decrease is primarily due to: • the reclassification of the accrual for the 2020 - 2022 LTIP awards from long-term liabilities to current liabilities, and • changes in the fair value of the interest rate swaps during the year ended December 31, 2022.
Accumulated other comprehensive income	Increase is primarily due to: • foreign currency translation differences for foreign operations, • the effective portion of change in the fair value of cash flow hedges, and • the change in fair value of the Debentures due to own credit risk, partially offset by: • a loss on the net investment hedge of foreign operations.

(1) Included in Current liabilities

SUMMARY OF QUARTERLY RESULTS

($ millions)	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Revenue	$ 456.7	$ 519.9	$ 446.4	$ 390.3	$ 353.8	$ 365.0	$ 337.3	$ 312.4
Cost of sales and services	(370.7)	(410.7)	(366.5)	(311.5)	(447.8)	(320.0)	(313.0)	(291.5)
Gross profit (loss)	86.0	109.2	79.9	78.8	(94.1)	45.0	24.3	20.9
Selling and administrative expenses:								
Unrealized foreign exchange gain (loss)	10.9	(17.2)	(5.7)	2.4	2.7	(4.0)	(5.8)	(0.4)
Realized foreign exchange gain (loss)	(3.3)	(2.8)	(2.0)	5.5	1.3	(1.7)	3.4	(0.8)
LTIP	(6.9)	(3.8)	(6.0)	(4.2)	(7.2)	(9.5)	(3.3)	(5.6)
Lawsuit settlement	—	—	—	—	17.7	—	—	—
Other	(28.2)	(23.1)	(24.8)	(25.2)	(22.1)	(23.1)	(20.1)	(21.7)
Total selling and administrative expenses	(27.5)	(46.8)	(38.5)	(21.5)	(7.6)	(38.3)	(25.8)	(28.5)
Share of loss from joint venture	(0.4)	—	—	—	—	—	—	—
Operating income (loss)	58.1	62.3	41.3	57.3	(101.7)	6.7	(1.6)	(7.5)
Net finance costs:								
Mark-to-market on Debentures	(25.2)	28.8	4.4	(15.6)	(18.9)	0.9	0.3	(2.3)
Debt issuance and extinguishment costs	—	—	—	—	(11.0)	—	—	—
Income (loss) reclassified from other comprehensive income	1.8	4.2	—	—	(9.8)	—	—	—
Change in the fair value of interest rate swaps	0.9	7.9	—	1.9	—	—	—	—
Other	(14.7)	(15.0)	(14.2)	(15.1)	(17.2)	(19.6)	(19.4)	(19.2)
Total net finance costs	(37.2)	25.9	(9.8)	(28.8)	(56.9)	(18.7)	(19.1)	(21.5)
Income tax (expense) recovery	(32.7)	(12.9)	3.3	(17.8)	(21.9)	(8.2)	6.6	8.6
Net (loss) earnings	$ (11.7)	$ 75.3	$ 34.8	$ 10.7	$ (180.5)	$ (20.2)	$ (14.1)	$ (20.4)
Adjusted EBITDA	$ 104.3	$ 137.1	$ 81.7	$ 107.8	$ 92.5	$ 67.3	$ 65.2	$ 55.4
Net (loss) earnings per unit	$ (0.10)	$ 0.69	$ 0.33	$ 0.10	$ (1.74)	$ (0.19)	$ (0.14)	$ (0.21)
Diluted net (loss) earnings per unit	$ (0.10)	$ 0.38	$ 0.18	$ 0.10	$ (1.74)	$ (0.19)	$ (0.14)	$ (0.21)

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

Revenue and Gross Profit

Gross profit for the year ended December 31, 2022 was higher due to the business conditions, particularly in the EC segment which were significantly better during 2022 relative to 2021. Gross profit for the fourth quarter of 2021 was lower due to a $130.0 million impairment of intangible assets and PPE related to the sodium chlorate business due to a decline in sodium chlorate demand combined with increased competitive pressure resulting in lower levels of gross profit and lowered expectations of business recovery to pre-pandemic levels. In addition, a loss of $7.1 million was recorded in SWC's cost of sales and services related to the sale of the KCl and vaccine adjuvants businesses during the fourth quarter of 2021. Gross profit for the second quarter of 2021 was lower due to lower chlor-alkali and sodium chlorate selling prices and lower sales volumes of sodium chlorate in the EC segment and an increase in the cost of raw materials in the SWC segment. Gross profit for the first quarter of 2021 was lower due to lower sales volumes of sodium chlorate in the EC segment, reduced demand and lower sales volumes of acid products in the SWC segment and lower sales volumes of water solutions products in the SWC segment due to disruptions caused by the severe winter storm experienced in large parts of the U.S.

Selling and Administrative Expenses

Selling and administrative expenses for the second, third and fourth quarters of 2022 included $2.0 million, $2.8 million and $3.3 million, respectively, of realized foreign exchange losses. Selling and administrative expenses for the fourth quarter of 2021 include a net recovery of $17.7 million relating to the settlement of the NATO lawsuit. Selling and administrative expenses for the second quarter of 2021 included $3.4 million of realized foreign exchange gains. The change in fair value of our LTIP obligation recorded in any quarter depends on changes in the various factors used in arriving at the fair value of the obligation.

Net Finance Costs

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

Net finance costs for the third and fourth quarters of 2022 include gains of $1.8 million and $4.2 million, respectively, relating to the reclassification of accumulated fair value on the effective portion of cash-flow hedges from other comprehensive income to net earnings as a result of de-designation of swaps. Net finance costs for the third quarter of 2022 included a $7.9 million gain relating to the change in the fair value of interest rate swaps. Net finance costs for the fourth quarter of 2021 included $9.8 million loss relating to the reclassification of accumulated fair value on the effective portion of cash-flow hedges from other comprehensive income to net earnings mainly as a result of repayment of the term bank debt, $5.9 million of transaction costs on the issuance of Debentures and $5.1 million of debt extinguishment costs relating to the substantial modification of the credit agreement.

OUTSTANDING SECURITIES OF THE FUND

As at February 21, 2023 and December 31, 2022, the following units and securities convertible into our units were issued and outstanding:

	February 21, 2023		December 31, 2022	
	Convertible Securities	Units	Convertible Securities	Units
Units outstanding		**115,634,449**		**115,536,668**
4.75% Debentures [(1)]	**201,115**	**7,532,397**	**201,115**	**7,532,397**
6.50% Debentures [(2)]	**100,000**	**6,329,114**	**100,000**	**6,329,114**
8.50% Debentures [(3)]	**86,250**	**11,734,694**	**86,250**	**11,734,694**
6.25% Debentures [(4)]	**130,000**	**13,000,000**	**130,000**	**13,000,000**
Units outstanding and issuable upon conversion of Debentures		**154,230,654**		**154,132,873**
Deferred units plan [(5)(6)]	**$ 5,607**	**586,517**	**$ 5,234**	**583,501**
Units outstanding and issuable upon conversion of Debentures and Deferred units		**154,817,171**		**154,716,374**

(1) Convertible at $26.70 per unit

(2) Convertible at $15.80 per unit

(3) Convertible at $7.35 per unit

(4) Convertible at $10.00 per unit

(5) Based on $9.56 and $8.97, the closing price of a unit on the TSX on February 21, 2023 and December 31, 2022, respectively

(6) 413,483 and 416,499 deferred units were available for future grants as at February 21, 2023 and December 31, 2022, respectively

CONTRACTUAL OBLIGATIONS

Information concerning contractual obligations at December 31, 2022 is shown below:

Contractual Obligations *($'000)*	**Total**	**Less Than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Long-term debt	$ 370,024	$ —	$ —	$ 370,024	$ —
Debentures	517,365	—	287,365	230,000	—
Purchase commitments	83,211	50,517	32,694	—	—
Interest on Debentures	96,517	31,509	46,042	18,966	—
Interest on long-term debt	66,148	11,591	34,091	20,466	—
Lease payments	153,107	50,950	62,041	26,818	13,298
Trade and other payables	316,437	316,437	—	—	—
Distributions payable	5,805	5,805	—	—	—
Total contractual obligations	$ 1,608,614	$ 466,809	$ 462,233	$ 666,274	$ 13,298

RELATED PARTIES

Key Management Personnel Compensation

Key management personnel is comprised of our trustees and the senior leadership team. Trustees receive compensation in the form of an annual retainer. In addition to their salaries, we also provide other benefits to the senior leadership team. One such benefit is the contribution to a post-employment defined contribution plan on their behalf. We provide 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 we match each dollar contributed up to 2% for a total of 6% of base salary. Contributions to the defined contribution plan vest immediately.

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

The Annual Incentive Compensation ("Annual IC") plan entitles the senior leadership team to annual cash awards based on (i) our 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 our annual consolidated financial statements is designed to align the interests of the participants with the interests of Unitholders. It is a cash plan where payment is triggered upon the successful achievement of pre-defined performance criteria. Each year the Compensation and Corporate Governance Committee determines the performance period over which performance will be measured. The annual LTIP awards granted have been based on a three-year performance period and the awards vest at the end of the three-year period, other than the 2020-2022 LTIP which 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.

We have in place a deferred unit compensation plan for our non-management trustees, pursuant to which the trustees can elect to take all or a portion of their compensation in the form of our deferred units, with the remainder as a cash payment. Currently, the trustees must take at least 50% of their compensation in the form of our deferred units. As at December 31, 2022, the market value of these deferred units, which is included in trade and other payables was $5.2 million (2021 - $4.2 million).

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

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

FINANCIAL OUTLOOK

We are reaffirming our 2023 guidance set out below which was previously issued in January 2023. Although Adjusted EBITDA in 2023 is expected to be below the record level achieved in 2022, the mid-point of 2023's Adjusted EBITDA guidance range ($380.0 million) would represent the second highest level we have ever generated. Further, given the strong start to 2023, we now expect to be above the mid-point of our 2023 Adjusted EBITDA range.

		Year ended Actual	
(*$ million*)	**2023 Guidance**	**December 31, 2022**	**December 31, 2021**
Adjusted EBITDA	$360.0 - $400.0	$430.9	$280.4
Maintenance capital expenditures [(1)]	$80.0 - $105.0	$99.8	$75.3
Growth capital expenditures [(1)]	$110.0 - $140.0	$21.6	$10.9
Lease payments	$50.0 - $60.0	$52.4	$51.6
Cash interest [(1)]	$50.0 - $55.0	$51.7	$65.9
Cash tax [(1)]	$10.0 - $20.0	$12.0	$3.5

[(1)] Maintenance capital expenditures, Cash interest and Cash tax are supplementary financial measures. Growth capital expenditures is a non-IFRS financial measure. See Non-IFRS and Other Financial Measures on page 50.

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

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

Key Assumptions	2023 Assumption	2022 Actual	2021 Actual
Approximate North American MECU sales volumes	170,000	184,000	181,000
2023 realized MECU netback being lower than 2022 (per MECU)	$340	N/A	N/A
2023 average CMA NE Asia Caustic spot price index being lower per tonne than the 2022 average	US$185	N/A	N/A
Approximate North American production volumes of sodium chlorate	310,000	343,000	361,000
USD to CAD average foreign exchange rate	1.280	1.302	1.254
LTIP costs (in millions)	$10.0 - $15.0	$21.0	$25.7

The lower expected Adjusted EBITDA for 2023 compared to 2022 is attributed to the following key factors:

- Lower average selling prices for caustic soda due to lower average CMA NE Asia caustic spot index prices.
- For 2023, we are expecting realized MECU netback to be lower than 2022 by $340/MECU, with approximately 60% of that due to caustic soda and the balance due to chlorine and to a lesser extent, HCl.
- Lower MECU sales volumes of chlor-alkali products due to lower expected demand.
- Lower sales volumes of sodium chlorate.
- Higher spending at sulphuric acid plants for reliability improvements.

The factors above are partially offset by the following:

- Significantly higher selling prices for sodium chlorate.
- Higher sales volumes and pricing of ultrapure sulphuric acid.

Our long-term objective is to deliver sustained earnings growth and generate value for investors. To accomplish this we have identified a number of organic growth projects including two large ultrapure sulphuric acid growth expansion projects in Cairo, OH and Casa Grande, Arizona. Following a ground-breaking ceremony at the Cairo project in December 2022, the project is underway and all of the long lead-time equipment required has been ordered. Construction completion continues to be expected in the first quarter of 2024, with commissioning and start-up expected later in 2024. In respect of the Casa Grande project, the Front End Engineering Design study remains on track and we expect to provide an updated capital cost and schedule estimate for this project by the middle of 2023. We also plan to invest in hydrogen and water chemicals projects as well as other smaller organic growth projects. We are targeting to achieve an incremental $45.0 million in Adjusted EBITDA growth by 2025 and $75.0 million in Adjusted EBITDA growth by 2027.

RISKS AND UNCERTAINTIES

We operate a diversified business providing industrial chemicals and services to customers in North America and around the world. We are 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. We are a leading regional supplier of sulphur, chlor-alkali products, liquid sulphur dioxide, and zinc oxide. Additionally, we provide industrial services such as processing by-products and waste streams. We face various risks associated with our business. These risks include, amongst others, a general reduction in demand for our products, the loss of a portion of our customer base, the interruption of the supply of products or raw materials, price fluctuations in the products sold and/or raw materials purchased, industry capacity, capital project execution, acquisition integration and operational, transportation and product hazard risks associated with the nature of our business. We import key raw materials and products from overseas and as such have additional risks associated with the sourcing activity. We make extensive use of the railway system to transport material within North America. Certain locations are serviced by a sole carrier and thus a disruption in service or changes to the regulatory environment relating to transportation could have a significant negative impact on results. In addition, we sell a significant portion of our major products to large customers. While many of these customers are under contract, there can be no assurance that these contracts will be renewed. As our business is international in nature, we are exposed to foreign exchange risks related to the payment of dividends and other transactions by our foreign subsidiaries. For a more detailed discussion of our risks, please refer to the **RISK FACTORS** section of the most recently filed AIF.

We manage the risks associated with our customer base and sales prices by seeking to obtain contractual protection to mitigate these risks. We also seek to differentiate our products and services with customers to mitigate price fluctuations and use our scale to obtain beneficial raw material contracts.

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

Commodity Price, Raw Materials & Other Input Cost Exposure

Industrial chemicals sold by us and those purchased by us as raw materials are subject to market price fluctuations. Although we generally seek to enter into contracts with our industrial producers to share or eliminate the risk of changes in selling prices of products obtained as by-products from industrial producers, no assurance can be given as to our continued ability to enter into such contracts nor do such contracts apply to all of the products we sell. In addition, whether or not we have entered into such contracts, market price fluctuations could have a negative impact on our financial condition and results of operations. We also utilize a number of raw materials which are subject to price fluctuations beyond our control. Market price fluctuations of these raw materials could have a material adverse effect on our business, financial condition and/or results of operations. There can be no assurance that the price of our raw materials will not increase in the future nor that we will be able to pass on such increases to our customers.

There has generally been a lag time before such increases and decreases could be passed on to our customers. A significant increase in the price of raw materials that cannot be passed on to customers could have a material adverse effect on our business, financial condition and/or results of operations. We have a number of key raw materials. There may be a risk associated with limited availability of such raw materials in the event one of our suppliers fails to perform or ceases production of such raw material. Either event could have a material adverse effect on our business, financial condition and/or results of operations.

We are also a large consumer of electricity. Electricity constitutes approximately 75% of our variable production costs for sodium chlorate and approximately 50% of our variable production costs for chlor-alkali products. Accordingly, any increase in the cost of electricity leads to a direct increase in our production costs. While we have attempted to mitigate the effect and unpredictability of power costs by locating facilities in regions that have relatively low-cost, regulated, hydroelectric power markets, we are susceptible to changes in power prices in any of the markets in which we operate. While this risk is greater in deregulated electricity markets such as Brazil, there is always a risk of regulatory or governmental changes in currently regulated jurisdictions. The prices for electricity are generally influenced by regional or domestic factors. As a result, we may pay higher prices for electricity than our competitors in other regions of North America or other parts of the world, which may negatively affect our competitiveness and financial performance.

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

Sales price and volumes for sodium chlorate and chlor-alkali

Every $50 change in the price per MT of North American produced sodium chlorate would have an impact on earnings before income taxes of approximately $17.2 million per annum. Every $100 change in the price per MECU of chlor-alkali products produced in North America would have an impact on earnings before income taxes of approximately $18.4 million 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.

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 $2.9 million per annum. A change in sales volumes for North American chlor-alkali products of 5,000 MECU would have an impact on earnings before income taxes of approximately $7.0 million per annum.

Sulphuric Acid Pricing

A change in sulphuric acid pricing, net of freight, of $10 per tonne would have an impact on annual revenues in North America of approximately $10.2 million. In any specific period, the exact impact would depend upon the volumes that is subject to sales contracts where pricing has been fixed for a period of time. The magnitude of realized price changes also depends upon regional market dynamics. It is difficult to reliably estimate the impact of price changes on earnings as this depends upon the volumes subject to risk-sharing supply contracts and changes in sulphur costs for manufactured sulphuric acid. These factors lessen the impact of price changes on earnings relative to revenue.

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

Electricity Price

Every four percent change in the price of electricity in North America would have an impact on earnings before income taxes of approximately $4.4 million 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.

Salt Costs

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

Sulphur Costs

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

Reliance on Key Facilities

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

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

Cyclicality of the Electrochemicals Segment

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

Exchange Rates

We have certain operating subsidiaries that use the USD as their functional currency. As we report in CAD, our reported net earnings are exposed to fluctuations in the CAD/USD exchange rate. If the USD strengthens by one-cent, on an unhedged basis, this would have a negative impact of approximately $2.7 million on our net earnings because of our USD-denominated term debt and vice-versa. See **Foreign Exchange** on page 14 for additional comments on exchange rates related risks. We hedge our investment in foreign operations that use the USD as their functional currency with our USD-denominated bank debt. See **Liquidity and Capital Resources - Financial Instruments** on page 21 for information concerning hedges.

Uncertainty regarding tax treatment

We are 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 in our tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments. This could have a material adverse effect on our business, financial condition and/or results of operations.

Interest Deductibility

On February 5, 2022, the Department of Finance Canada (Finance) released draft legislation to implement, among other things, some of the tax measures included in the 2021 Federal Budget (the Proposals). Included in the Proposals are the excessive interest and financing expense rules (EIFEL Rules) that may limit the amount of interest that certain taxpayers may be able to deduct for tax purposes. On November 3, 2022, Finance released proposed revisions to the EIFEL Rules (Revised Proposals), with a comment period ending on January 6, 2023. Among the changes, the Revised Proposals are intended to be effective for taxation years beginning on or after October 1, 2023. The EIFEL Rules are intended to limit the deductible interest and financing expenses (IFE) of a taxpayer to 30% (40% in limited cases) of the taxpayer's adjusted taxable income before interest, tax, depreciation and amortization expenses. In certain cases, the 30% limit on the IFE may be increased based on the taxpayer's actual third party IFE. Management is reviewing the interest rules to assess the impact, if any, on the Fund.

Geopolitical Risk and Potential Trade Restrictions and Disputes

The escalation of geopolitical tensions in Europe caused by the conflict in Ukraine is having significant global effects, including high energy prices and the erosion of business confidence. Currently, increased energy prices in Europe are benefiting our EC segment, but this effect may reverse at any time. Sanctions imposed on Russia by Ukraine's allies have also aggravated supply shortages, particularly energy, across the global economy. Trade tensions between China and the United States remain elevated, as the competition for technology dominance intensifies and both the United States and China seek to lessen economic dependence on each other. This could adversely affect business investment. It is difficult to predict and mitigate the potential economic and financial effects of trade-related events on the Canadian and U.S. economies. We actively monitor global and North American trends and continually assess our business in the context of these trends. We also depend on the free flow of goods across the Canada-U.S. border and have significant exposure to disruptions in Canadian-U.S. trade relations. Trade restrictions, including tariffs, quotas, embargoes, safeguards, and customs restrictions, could increase the cost or reduce the supply of products available to us and our customers, or could require us to modify our current business practices. Any of these concerns related to Geopolitical Risk and Potential Trade Restriction and Disputes could have a material adverse effect on our business, financial condition, and/or results of operations.

General Economic Conditions

Our business, financial condition and results from operations are affected by the general economic conditions prevailing in Canada, the United States and other jurisdictions in which we conduct business. In the past year, global economies continued to recover from the effects of the COVID-19 pandemic. Across North America, growth is slowing due to aggressive monetary tightening, weaker global demand, rising interest rates, supply constraints, labour shortages and high inflation rates.The recovery faces headwinds generated by ongoing disruptions to global supply chains, the conflict in Ukraine, COVID-19 impacts in China, volatile oil and natural gas prices, price and wage inflation and labour market challenges. Rising geopolitical tensions are expected to contribute to a decline in growth rates in North American economies through the coming year. Refer to the **Geopolitical Risk and Potential Trade Restrictions and Disputes** section for further discussion of these risks. Any one or more of these conditions could have a material adverse effect on our business, financial condition, and/or results of operations.

Work stoppages

35 percent of our workforce is represented by collective agreements with 32 bargaining units/unions, which puts us at risk of work stoppages. In our 22-year history, only one plant has experienced work stoppages consisting of a lockout lasting less than 24 hours and a legal strike lasting 5 days. During 2023, we will be negotiating 13 collective bargaining agreements which include employees at our Brandon, MB chlorate facility and our North Vancouver, BC

chlro-alkali facility. We generally have good relations with our employees but there can be no assurance that we will be successful at entering into new collective agreements without work interruptions. Many of our producers, suppliers, service providers, and customers also have employees represented by collective agreements, which could result in work stoppages. A lengthy work interruption could have a material adverse impact on our business, financial condition, and/or results of operations.

Risk of Joint Venture

In order to build and operate an ultrapure sulphuric acid facility in Casa Grande, Arizona, we have formed a joint venture entity, KPCT Holdings LLC ("KPCT Holdings"), with a joint venture partner, KPPC Advanced Chemicals Inc. ("KPPC"). KPPC owns a 51% interest and we own a 49% interest. While the arrangements are structured to provide us a vote on certain key decisions, our minority interest position nevertheless carries the risk of our partner making decisions for KPCT Holdings which are contrary to our interests. KPPC's ultimate ownership includes parties based in Taiwan, which makes KPCT subject to possible complications in the event of geopolitical disruptions in Taiwan (see **Geopolitical Risk and Potential Trade Restrictions and Disputes**). In addition, as with any partnership, it is possible that disagreements will arise between us and KPPC which may cause KPPC or us to exit the joint venture and there is no guarantee that there would be a buyer for seller's interest, nor a buyer willing to pay the amount at which the seller values its interest. There is no guarantee that the business for which the joint venture has been formed, namely to build and operate an ultrapure sulphuric acid facility, will succeed in earning an adequate return on investment, whether due to construction project cost overruns or delays, difficulties in obtaining building or operating permits, lack of demand, market conditions, labour shortages or disruptions, or other reasons. Any of these concerns related to the joint venture could have a material adverse effect on our business, financial condition, and/or results of operations.

Credit risk

Credit risk arises from the non-performance by counter-parties of their contractual financial obligations. We manage credit risk for trade and other receivables through established credit monitoring activities. We do 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. We believe our credit risk of counter-party nonperformance continues to be relatively low. We are in regular contact with our customers, suppliers and logistics providers, and to date have 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 us. Our maximum exposure to credit risk at the reporting date is the carrying value of our receivables and derivative assets.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. We manage liquidity risk by maintaining adequate cash and cash equivalent balances, and by appropriately utilizing our lines of credit. We believe 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 our currently anticipated financial obligations, and will remain available in the current environment.

Currency risk

We are exposed to fluctuations in the exchange rate of the USD relative to the CAD as a portion of our earnings are in USD, with earnings positively affected when the USD strengthens relative to the CAD. We cannot predict changes in currency exchange rates, the impact of exchange rate changes on our operating results, nor the degree to which we will be able to manage the impact of currency exchange rate changes. Such changes could have an impact on our business, results of operations and financial condition.

Unit price risk

Unit price risk is the risk that changes in our 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 our LTIP awards, are revalued each period based on our unit price. Net cash flows from operating activities are affected when these cash-settled RSUs and PSUs are ultimately settled. We enter into cash-settled unit swap arrangements to fix the unit price on a portion of the RSU and PSU components of our LTIP awards to mitigate a portion of the unit price risk.

Interest rate risk

We have 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 $3.7 million on our net earnings per annum. As at December 31, 2022, we had fixed interest rates on 100% of our senior debt until October 2024 and 0% thereafter until December 2026.

SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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

Significant judgments

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

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

(ii) Leases - We estimate 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. We make certain qualitative and quantitative assumptions when deriving the value of the economic incentive.

(iii) Investment in Joint Venture - 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 the unanimous consent of the parties sharing control. We apply judgment in determining whether we have joint control of the joint venture.

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

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

We are subject to litigation in the normal course of business. We have made judgments as to the likelihood of any claim succeeding in recording provisions.

(vi) Financial Instruments - We make significant judgments in determining whether our financial instruments qualify for hedge accounting, including our 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.

Key sources of estimation uncertainty

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

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

(ii) Leases - 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. We estimate 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, our incremental borrowing rate, to measure the lease liability.

(iii) Intangible assets - When determining the value in use of goodwill and intangible assets during impairment testing, we use 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.

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

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

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

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

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

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

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

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

We obtain actuarial valuations for our post employment benefit plans.

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

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

STANDARDS AND INTERPRETATIONS

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 our consolidated financial statements.

Standards and interpretations not yet adopted:

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

- Amendments to IAS 1, *Presentation of Financial Statements* 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 taxable and deductible 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 January 1, 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).

We are assessing the impacts, if any, the amendments to existing standards will have on our consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

We maintain a set of disclosure controls and procedures designed to ensure that information required to be disclosed in the reports that the Fund publicly files is recorded, processed, summarized and reported within a timely manner and that such information is accumulated and communicated to our Management, including our CEO and CFO, as appropriate, to allow timely decisions regarding disclosure. Our CEO and CFO have evaluated our disclosure controls procedures as of December 31, 2022 through inquiry and review. Our CEO and CFO have concluded that, as at December 31, 2022, our design and implementation of the controls were effective.

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

Our Management, including our CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting and evaluating its effectiveness. Management has used the COSO framework (2013) to evaluate the effectiveness of our internal control over financial reporting as of December 31, 2022. Based on this evaluation, Management has concluded that as at December 31, 2022, our internal controls over financial reporting were effective. There have been no changes to the design of internal controls over financial reporting that occurred during the year ended December 31, 2022 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

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

- It typically includes words about the future, such as anticipate, continue, estimate, expect, expected, intend, may, will, intend, project, plan, should, believe and others (see examples below).
- It represents our current views, and can change significantly.
- It is based on a number of material assumptions, including those we have listed below, which may prove to be incorrect.
- Actual results and events may be significantly different from what we expect, due to the risks associated with our business. We recommend you review other parts of this document, including **Risks and Uncertainties**, which starts on page 34, which includes a discussion of material risks that could cause actual results to differ significantly from our current expectations.

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

Examples of forward-looking information in this MD&A

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

- our expected Adjusted EBITDA range for 2023 and placement within the range;
- the sufficiency of our resources to invest in the growth of our business;
- our ability to access tax losses and tax attributes:
- the tax characterization of planned distributions:
- sources, use, availability and sufficiency of cash flows:
- statements in the Financial Outlook section, including:
    - our expected Adjusted EBITDA range for 2023 and placement within the range:
    - the expected range of maintenance capital expenditures and growth capital expenditures, lease payments, cash interest, and cash tax:
    - our expectations regarding lower 2023 Adjusted EBITDA compared to 2022 due to expected lower average CMA NE Asia caustic spot index prices, lower demand for chlor-alkali products, realized MECU netback (and its quantum and division), lower sodium chlorate sales volumes and higher capital spending at sulphuric acid plants; partially offset by expected higher sodium chlorate selling prices and higher sales volumes and pricing of ultrapure sulphuric acid;
    - our ability to achieve our long-term objective of sustained earnings growth and unitholder value generation via growth projects including two large ultrapure sulphuric acid projects;
    - our ability to invest in hydrogen, water chemical and other organic growth projects;

    - our targeted incremental Adjusted EBITDA growth by 2025 and 2027.
- the risks set out in the risk factors section of this MD&A:
- the effect of changes in interest rates and exchange rates and our ability to offset U.S.-dollar denominated debt:
- the effect of changes in the price and volume of certain products (sodium chlorate, chlor-alkali and sulphuric acid) and in the price of certain key inputs (electricity, salt and sulphur);
- our adoption and timing of certain accounting rules and their anticipated effect;
- the effectiveness of disclosure controls procedures and internal controls and of their design and implementation; and
- long-term incentive compensation amounts.

Material assumptions

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

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

NON-IFRS AND OTHER FINANCIAL MEASURES

Non-IFRS financial measures and non-IFRS ratios

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

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

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

Distributable cash after maintenance capital expenditures

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

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

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

Distributable cash after maintenance capital expenditures per unit

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

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

Payout ratio

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

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

	Three months ended		Year ended		
($'000)	**December 31, 2022**	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**	**December 31, 2020**
Cash flows from operating activities	$ 104,610	$ 93,229	$ 369,191	$ 219,039	$ 270,183
(Less) Add:					
Lease payments net of sub-lease receipts	(13,560)	(12,764)	(52,360)	(51,563)	(56,010)
Decrease in working capital	(17,184)	(23,651)	(5,989)	(10,078)	(80,041)
Changes in other items [(1)]	2,238	4,769	4,036	1,972	(753)
Maintenance capital expenditures	(32,708)	(35,906)	(99,766)	(75,265)	(74,411)
Distributable cash after maintenance capital expenditures	**$ 43,396**	**$ 25,677**	**$ 215,112**	**$ 84,105**	**$ 58,968**
Divided by:					
Weighted average number of units outstanding	115,339,042	104,036,397	108,445,732	101,730,342	92,686,735
Distributable cash after maintenance capital expenditures per unit	$ 0.38	$ 0.25	$ 1.98	$ 0.83	$ 0.64
Distributions declared per unit	$ 0.15	$ 0.15	$ 0.60	$ 0.60	$ 0.70
Payout ratio (%)	39 %	60 %	30 %	72 %	109 %

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

Excess cash flows and net earnings over distributions paid

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

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

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

	Three months ended		Year ended		
($'000)	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	December 31, 2020
Cash flows from operating activities	$ 104,610	$ 93,229	$ 369,191	$ 219,039	$ 270,183
Net (loss) earnings	$ (11,747)	$ (180,524)	$ 109,115	$ (235,209)	$ (167,478)
Cash distributions paid during period	$ 14,464	$ 13,314	$ 54,753	$ 51,944	$ 66,670
Excess of cash flows from operating activities over cash distributions paid	$ 90,146	$ 79,915	$ 314,438	$ 167,095	$ 203,513
(Shortfall) excess of net (loss) earnings over cash distributions paid	$ (26,211)	$ (193,838)	$ 54,362	$ (287,153)	$ (234,148)

Net Debt

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

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

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

($'000)	At December 31, 2022	At 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

[1] Principal outstanding amount

[2] Presented as current liabilities in the consolidated statements of financial position

Growth capital expenditures

Most directly comparable IFRS financial measure: Additions to PPE

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

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

	Three months ended		Year ended	
($'000)	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Capital expenditures	$ 39,881	$ 39,512	$ 115,440	$ 86,141
Maintenance capital expenditures	(32,708)	(35,906)	(99,766)	(75,265)
Non-maintenance capital expenditures	7,173	3,606	15,674	10,876
Investment in a joint venture	—	—	5,931	—
Growth capital expenditures	$ 7,173	$ 3,606	$ 21,605	$ 10,876

Total of segments measures

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

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

Adjusted EBITDA

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

	Three months ended		Year ended		
($'000)	**December 31, 2022**	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**	**December 31, 2020**
Net (loss) earnings	**$ (11,747)**	$ (180,524)	**$ 109,115**	$ (235,209)	$ (167,478)
Add (less):					
Depreciation and amortization	**54,922**	60,068	**216,950**	239,622	253,912
Net finance costs	**37,187**	56,905	**49,969**	116,182	140,296
Income tax expense (recovery)	**32,669**	21,932	**60,068**	14,969	(47,464)
Impairment of intangible assets	**—**	81,657	**—**	81,657	56,000
Impairment of PPE	**—**	48,343	**—**	48,343	—
Change in environmental liability	**—**	561	**—**	561	8,170
Net loss (gain) on disposal and write-down of PPE	**2,152**	(796)	**(15,304)**	(373)	20,999
Loss on disposal of assets held for sale	**—**	7,135	**478**	7,135	—
Unrealized foreign exchange (gain) loss	**(10,933)**	(2,746)	**9,592**	7,493	833
Adjusted EBITDA	**$ 104,250**	$ 92,535	**$ 430,868**	$ 280,380	$ 265,268

Capital management measures

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

Net Debt/Adjusted EBITDA

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

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

Supplementary financial measures

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

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

Maintenance capital expenditures

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

Non-maintenance capital expenditures

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

Cash interest

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

Cash tax

Represents current income tax expense adjusted to exclude current income tax expense related to the disposal of assets held for sale.

TERMS AND DEFINITIONS

Terms

AIF	Annual Information Form
AZ	Arizona
BC	British Columbia
BEAT	Base Erosion and Anti-Abuse Tax
Board	Board of Trustees
CAD	Canadian Dollar
CEO	Chief Executive Officer
CERS	Canada Emergency Rent Subsidy
CEWS	Canada Emergency Wage Subsidy
CMA	Chemical Market Analytics by OPIS, a Dow Jones Company (formerly IHS Markit Base Chemical)
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CFO	Chief Financial Officer
GA	Georgia
HCl	Hydrochloric acid
IASB	International Accounting Standards Board
ISDA	International Swap and Derivatives Association
KCl	Potassium Chloride
LIBOR	London Interbank Offered Rate
LTIP	Long Term Incentive Plan
LTM	Last Twelve Months
MB	Manitoba
MECU	MECU is a Metric Electrochemical Unit, consisting of 1.0 tonne of chlorine and 1.1 tonnes of caustic soda
MT	Metric Tonne
NATO	North American Terminal Operations
PPE	Property, Plant and Equipment
PSU	Performance Share Unit
Q1	First Quarter
Q2	Second Quarter
Q3	Third Quarter
Q4	Fourth Quarter
QC	Quebec
Regen	Regenerated Acid Services
ROU	Right-of-use
RSU	Restricted Share Unit
SOFR	Secured Overnight Financing Rate
SIFT	Specified investment flow-through trust
TSX	Toronto Stock Exchange
USD	U.S. Dollar

Definitions

Credit Facilities	Senior credit facilities
Debentures	We have $201,115 principal amount of 4.75% of convertible unsecured subordinated debentures outstanding (the "Fund 2017 4.75% Debentures"), $100,000 principal amount of 6.50% of convertible unsecured subordinated debentures outstanding (the "Fund 2019 6.50% Debentures"), $86,250 principal amount of 8.50% of convertible unsecured subordinated debentures outstanding (the "Fund 2020 8.50% Debentures") and $130,000 principal amount of 6.25% of convertible unsecured subordinated debentures outstanding (the "Fund 2021 6.25% Debentures"). We also had $143,750 principal amount of 5.00% of convertible unsecured subordinated debentures outstanding (the "Fund 2016 5.00% Debentures"), which were redeemed during the first quarter of 2022.
KPCT joint venture	KPCT Holdings LLC, a joint venture between Chemtrade and KPPC Advanced Chemicals Inc.
LTIP costs	Corporate costs include LTIP expenses, which relate to the 2020 - 2022, 2021 – 2023 and 2022 - 2024 LTIPs which we operate and pursuant to which we grant cash awards based on certain criteria. The 2020-2022 LTIP payout is payable in the first quarter of 2023. The 2021 - 2023 LTIP payout is payable in the first quarter of 2024. The 2022 - 2024 LTIP payout is payable in the first quarter of 2025. The 2020 - 2022 and 2021 – 2023 LTIP awards have a performance based component and 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 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 for achievement of Environmental, Social and Governance goals to be achieved by the end of performance period. The RSU component of the LTIP awards is a phantom plan which is payable in cash at the end of the performance period. The nature of these calculations makes it difficult to forecast the amount of LTIP expenses that will be recorded in any period, as it is based upon a valuation model which considers several variables.

OTHER

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

February 22, 2023