CHEMTRADE LOGISTICS INCOME FUND

Management's Discussion and Analysis

For the Year Ended December 31, 2023

February 20, 2024

2023

CHEMTRADE

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This MD&A should be read in conjunction with the audited consolidated financial statements of Chemtrade for the year ended December 31, 2023.

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 20, 2024 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 55.

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 53.

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 IFRS Accounting Standards as issued by the IASB

SWC means our Sulphur and Water Chemicals reportable segment

EC means our Electrochemicals reportable segment

More terms and definitions are explained on page 61.

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, 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 sodium nitrite. Until November 8, 2023, SWC also manufactured phosphorus pentasulphide (P_2S_5), see **Recent Development** on page 5. SWC products are marketed primarily to North American customers.

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

FINANCIAL HIGHLIGHTS

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

	Three months ended		Year ended		
($'000 except per unit amounts)	**December 31, 2023**	December 31, 2022	**December 31, 2023**	December 31, 2022	December 31, 2021
Revenue	$ 422,016	$ 456,746	$ 1,846,766	$ 1,813,383	$ 1,368,479
Net earnings (loss) [1]	$ 11,677	$ (11,747)	$ 249,319	$ 109,115	$ (235,209)
Net earnings (loss) per unit [1][2][3]	$ 0.10	$ (0.10)	$ 2.15	$ 1.01	$ (2.31)
Diluted net earnings (loss) per unit [1][2][3]	$ 0.10	$ (0.10)	$ 1.52	$ 0.99	$ (2.31)
Total assets	$ 2,109,232	$ 2,157,073	$ 2,109,232	$ 2,157,073	$ 2,048,970
Long-term debt	$ 246,545	$ 370,024	$ 246,545	$ 370,024	$ 373,531
Convertible unsecured subordinated debentures	$ 437,517	$ 533,218	$ 437,517	$ 533,218	$ 670,173
Adjusted EBITDA [2][4]	$ 84,648	$ 104,250	$ 502,637	$ 430,868	$ 280,380
Cash flows from operating activities	$ 98,607	$ 104,610	$ 401,463	$ 369,191	$ 219,039
Distributable cash after maintenance capital expenditures [2][4]	$ 13,511	$ 43,396	$ 283,012	$ 215,112	$ 84,105
Distributable cash after maintenance capital expenditures per unit [2][3][4]	$ 0.12	$ 0.38	$ 2.44	$ 1.98	$ 0.83
Distributions declared	$ 17,631	$ 17,400	$ 70,140	$ 65,760	$ 61,467
Distributions declared per unit [5]	$ 0.15	$ 0.15	$ 0.60	$ 0.60	$ 0.60
Distributions paid, net of distributions reinvested	$ 14,381	$ 14,464	$ 58,031	$ 54,753	$ 51,944

[1] Results for the three months and year ended December 31, 2023 include a gain on sale of the P_2S_5 business of $24,337, or $0.21 per unit. 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 year ended December 31, 2021 include an impairment charge of $130,000 before tax $1.28 per unit. Results for the year ended December 31, 2021 include a gain on sale of KCl and vaccine adjuvants businesses of $7,601, or $0.07 per unit.

[2] Results for the 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.

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

[4] See Non-IFRS and Other Financial Measures on page 55.

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

FULL YEAR 2023 HIGHLIGHTS

- 2023's Adjusted EBITDA of $502.6 million is the highest level of Adjusted EBITDA ever earned by Chemtrade. It is $71.8 million or 16.7% higher than 2022, which was the previous record level of Adjusted EBITDA. The increase was primarily due to higher selling prices for sodium chlorate and for water solutions products and the benefit of a weaker Canadian dollar in 2023 relative to 2022.
- Cash flows from operating activities of $401.5 million, an increase of $32.3 million or 8.7% year-over-year.
- Distributable cash after maintenance capital expenditures of $283.0 million, an increase of $67.9 million or 31.6% year-over-year.
- Revenue of $1,846.8 million, an increase of $33.4 million or 1.8% year-over-year, mainly due to the weaker Canadian dollar during 2023 compared with 2022. Higher selling prices across numerous key products offset lower volumes of merchant sulphuric acid and sodium chlorate.
- Net earnings of $249.3 million, an increase of $140.2 million or 128.5% year-over-year.
- Continued balance sheet improvement, as demonstrated by a Net debt to Adjusted EBITDA[1] ratio of 1.7x at December 31, 2023, a significant reduction from the end of 2022 when it was 2.2x. We brought down our Total debt[2] by $215.3 million or 24.3%.

FOURTH QUARTER 2023 HIGHLIGHTS

- Adjusted EBITDA of $84.6 million, a decrease of $19.6 million or 18.8% year-over-year reflecting reduced revenues, which more than offset improved margins for several products.
- Cash flows from operating activities of $98.6 million, a decrease of $6.0 million or 5.7% year-over-year mainly due to lower Adjusted EBITDA and higher income taxes paid, partially offset by lower interest paid and changes in working capital.
- Distributable cash after maintenance capital expenditures of $13.5 million, a decrease of $29.9 million or 68.9% year-over-year, reflecting lower cash flows from operating activities and higher maintenance capital expenditures during Q4 2023.
- Revenue of $422.0 million, a decrease of $34.7 million or 7.6% year-over-year driven by lower prices for merchant acid, sulphur products and caustic soda, which was partially offset by higher prices for water products, sodium chlorate, Regen acid and chlorine.
- Net earnings of $11.7 million, an increase of $23.4 million, mainly due to lower income tax expenses in Q4 2023.

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[1] Net debt to Adjusted EBITDA is a capital management measure. See **Non-IFRS and Other Financial Measures**

[2] Total debt is a Non-IFRS financial measure. See **Non-IFRS and Other Financial Measures**

RECENT DEVELOPMENTS

Disposal of P_2S_5 business

On November 8, 2023, we completed the disposal of our P_2S_5 business which was included in the SWC segment before, for gross proceeds of approximately US$43.0 million ($58.9 million), which consisted of cash of approximately US$39.4 million ($53.9 million) and the assumption of Indebtedness (as defined in the sales agreement) of approximately US$3.6 million ($4.9 million). After deducting a net working capital adjustment of approximately US$1.0 million ($1.4 million), we recorded a gain of US$14.6 million ($20.1 million). We also reclassified the cumulative amount of foreign exchange difference of $4.3 million from AOCI to net earnings. Combined, the total gain on disposal recorded was $24.3 million. We recorded total taxes of $4.0 million on the sale of our P_2S_5 business. The net proceeds were used to reduce borrowings from the Credit Facilities.

CONSOLIDATED OPERATING RESULTS

	Three months ended December 31, 2023 vs 2022	Year ended December 31, 2023 vs 2022	Year ended December 31, 2022 vs 2021
F/X Rate	US$1.00 = $1.36 in 2023 remained unchanged from 2022.	US$1.00 = $1.35 in 2023 compared with US$1.00 = $1.30 in 2022. The weaker Canadian dollar during 2023 compared with 2022 had a positive impact on consolidated revenue, gross profit and Adjusted EBITDA of $55.1 million, $24.7 million and $21.3 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 Adjusted EBITDA of $44.4 million, $16.5 million and $19.0 million, respectively.
General comments	—	There were two events that had a negative impact on 2022 results. The biennial maintenance turnaround at the North Vancouver chlor-alkali plant had a negative impact of approximately $15.0 million on revenue and approximately $17.1 million on gross profit and Adjusted EBITDA. Additionally, the closure of our Beauharnois, QC sodium chlorate facility had a negative impact of approximately $3.9 million on gross profit and Adjusted EBITDA in 2022.	

	Three months ended December 31, 2023 vs 2022	Year ended December 31, 2023 vs 2022	Year ended December 31, 2022 vs 2021
Revenue	Consolidated revenue for 2023 was $422.0 million, which was $34.7 million lower than revenue for 2022 primarily due to: • lower selling prices for merchant acid and sulphur products due to lower sulphur costs and lower sales volumes of sodium nitrite and merchant acid in the SWC segment, and • significantly lower prices for caustic soda and lower sales volumes of chlor-alkali products and sodium chlorate in the EC segment, partially offset by: • higher selling prices for sodium chlorate, chlorine and HCl in the EC segment, and • higher selling prices for water solutions products and higher volumes of Regen acid in the SWC segment.	Consolidated revenue for 2023 was $1,846.8 million, which was $33.4 million higher than revenue for 2022. Excluding the impact of foreign exchange and the other items noted above, revenue was $36.7 million lower primarily due to: • a decrease in sales volumes of sodium chlorate and chlor-alkali products as well as lower selling prices of caustic soda in the EC segment, and • lower selling prices for merchant acid and sulphur products due to lower sulphur costs and lower volumes of merchant acid and sodium nitrite in the SWC segment, partially offset by: • higher selling prices for sodium chlorate, chlorine and HCl in the EC segment, and • higher selling prices for water solutions products and Regen acid in the SWC segment.	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 sale of KCl and vaccine adjuvants 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.

	Three months ended December 31, 2023 vs 2022	Year ended December 31, 2023 vs 2022	Year ended December 31, 2022 vs 2021
Adjusted EBITDA	Adjusted EBITDA for 2023 was $84.6 million, which was $19.6 million lower than the Adjusted EBITDA for 2022 primarily due to: • lower gross profit for sodium nitrite and merchant acid in the SWC segment, and • significantly lower selling prices for caustic soda in the EC segment, partially offset by: • lower corporate costs.	Adjusted EBITDA for 2023 was $502.6 million, which was $71.8 million higher than the Adjusted EBITDA for the same period of 2022. Excluding the impact of foreign exchange and the other items noted above, Adjusted EBITDA was $29.4 million higher primarily due to: • increased gross profit for sodium chlorate, chlorine and HCl in the EC segment, and • higher gross profit for water solutions products and Regen acid in the SWC segment, partially offset by: • lower sales volumes of sodium chlorate and chlor-alkali products in the EC segment, • lower volumes of sodium nitrite in the SWC segment, and • higher corporate costs.	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 included the gain on the settlement of a lawsuit recorded in 2021.
Net Earnings (loss)	Net earnings for 2023 were $23.4 million higher than 2022 primarily due to: • lower income tax expenses recorded during 2023 (see Income Taxes on page 18), • lower net finance costs during 2023 (see Net Finance Costs on page 17), and • $24.3 million gain on sale of our P_2S_5 business, partially offset by: • lower Adjusted EBITDA.	Net earnings for 2023 were $140.2 million higher than 2022 primarily due to: • higher Adjusted EBITDA, and • lower net finance costs during 2023 (see Net Finance Costs on page 17), and • lower income tax expenses recorded during 2023 compared with the same period of 2022 (see Income Taxes on page 18).	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, • higher Adjusted EBITDA, • lower net finance costs in 2022, • 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.

RESULTS OF OPERATIONS BY REPORTABLE SEGMENT

SULPHUR AND WATER CHEMICALS (SWC)

	Three months ended		Year ended	
($'000)	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Revenue	$ 243,835	$ 264,724	$ 1,077,157	$ 1,074,732
Gross profit	14,448	30,628	152,291	149,049
Adjusted EBITDA	40,783	57,101	253,171	243,824

<table>
<tr><th></th><th colspan="2">SWC OPERATING RESULTS</th></tr>
<tr><th></th><th>Three months ended December 30, 2023 vs 2022</th><th>Year ended December 31, 2023 vs 2022</th></tr>
<tr><td>F/X Rate</td><td>US$1.00 = $1.36 in 2023 remained unchanged from 2022.</td><td>The weaker Canadian dollar during 2023 compared with 2022 had a positive impact on revenue, gross profit and Adjusted EBITDA of $32.0 million, $8.3 million and $5.7 million, respectively.</td></tr>
<tr><td>Revenue</td><td>Revenue for 2023 was $20.9 million lower than revenue for 2022 primarily due to:
• lower selling prices for merchant acid and sulphur products due to lower sulphur costs,
• lower volumes of sodium nitrite due to an extended turnaround, and
• lower volumes of merchant acid due to reduced by-product supply,
partially offset by:
• higher volumes of Regen acid, and
• higher selling prices for water solutions products.</td><td>Revenue for 2023 was $2.4 million higher than revenue for 2022. Excluding the impact of foreign exchange, revenue was $29.6 million lower primarily due to:
• lower selling prices for merchant acid and sulphur products due to lower sulphur costs, and
• lower volumes of merchant acid and sodium nitrite,
partially offset by:
• higher selling prices for water solutions products and Regen acid.</td></tr>
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<table>
<tr><th></th><th colspan="2">SWC OPERATING RESULTS</th></tr>
<tr><th></th><th>Three months ended December 31, 2023 vs 2022</th><th>Year ended December 31, 2023 vs 2022</th></tr>
<tr><td>Adjusted EBITDA</td><td>Adjusted EBITDA for 2023 was $40.8 million, which was $16.3 million lower than Adjusted EBITDA for 2022 primarily due to:
lower volumes of sodium nitrite due to an extended turnaround and disposal costs for a related by-product, and
lower volumes of merchant acid due to reduced by-product supply,
partially offset by:
higher volumes of Regen acid, and
an improvement in margins for water solutions products.
Lower selling prices for merchant acid and sulphur products were offset by lower costs for sulphur and by reduced costs due to risk shared supply contracts, where selling price changes are shared with suppliers.</td><td>Adjusted EBITDA for 2023 was $253.2 million, which was $9.3 million higher than Adjusted EBITDA for 2022. Excluding the impact of foreign exchange, Adjusted EBITDA was $3.6 million higher due to:
higher selling prices and lower raw material costs for water solutions products and higher selling prices for Regen acid,
partially offset by:
lower volumes of merchant acid and ultrapure sulphuric acid, and
lower volumes of sodium nitrite due to an extended turnaround and disposal costs for a related by-product.</td></tr>
<tr><td>Gross Profit</td><td>Gross profit for 2023 was $14.4 million, which was $16.2 million lower than gross profit for 2022. In addition to the factors that affected Adjusted EBITDA, gross profit was also affected by:
a change in environmental and decommissioning liability, and
higher depreciation and amortization,
partially offset by:
a gain on disposal of PPE in 2023 compared to a loss in 2022.</td><td>Gross profit for 2023 was $152.3 million, which was $3.2 million higher than gross profit for 2022. Excluding the impact of foreign exchange, gross profit was $5.2 million lower. In addition to the factors that affected Adjusted EBITDA, gross profit was also affected by:
higher depreciation and amortization, and
a change in environmental and decommissioning liability,
partially offset by:
a gain on disposal of PPE in 2023 compared to a loss in 2022.</td></tr>
</table>

ELECTROCHEMICALS (EC)

($'000)	Three months ended December 31, 2023	Three months ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022
North American sales volumes:				
Sodium chlorate sales volumes (000's MT)	72	80	283	343
Chlor-alkali sales volumes (000's MECU)	41	46	181	184
Revenue	$ 178,181	$ 192,022	$ 769,609	$ 738,651
Gross profit	47,690	55,377	268,355	187,437
Adjusted EBITDA	73,313	78,262	350,758	282,793

	EC OPERATING RESULTS	
	Three months ended December 31, 2023 vs 2022	**Year ended December 31, 2023 vs 2022**
F/X Rate	US$1.00 = $1.36 in 2023 remained unchanged from 2022.	The weaker Canadian dollar during 2023 compared with 2022 had a positive impact on revenue, gross profit and Adjusted EBITDA of $23.1 million, $16.3 million and $16.8 million, respectively.
General comments	—	Revenue, gross profit and Adjusted EBITDA for 2022 were negatively affected by the North Vancouver maintenance turnaround and Beauharnois closure costs as noted above in the consolidated operating results section.

	EC OPERATING RESULTS	
	Three months ended December 31, 2023 vs 2022	**Year ended December 31, 2023 vs 2022**
Revenue	Revenue for 2023 was $178.2 million, which was $13.8 million lower than revenue for 2022 primarily due to: • lower sales volumes of chlor-alkali products, • significantly lower selling prices of caustic soda, and • lower sales volumes of sodium chlorate, partially offset by: • higher selling prices for sodium chlorate, and • higher selling prices for chlorine and HCl. MECU netbacks declined by approximately $220, excluding the impact of foreign exchange. Higher netbacks for chlorine and HCl offset approximately 30% of the decline in caustic soda.	Revenue for 2023 was $769.6 million, which was $31.0 million higher than revenue for 2022. Excluding the impact of foreign exchange and the other items noted above, revenue was $7.2 million lower primarily due to: • significantly lower selling prices of caustic soda, and • a decrease in sales volumes of sodium chlorate and chlor-alkali products, partially offset by: • a significant increase in selling prices for sodium chlorate reflecting the global shift in operating rates, • a significant increase in selling prices for chlorine and HCl resulting in an increase of approximately $30 in realized MECU netbacks (i.e. selling price less freight). Selling prices for chlorine and HCl products were significantly higher due to improved market conditions for chlorine in North America and increased demand for HCl from oil and gas fracking in North America, and • higher revenue in Brazil due to favourable market conditions for most products.

	EC OPERATING RESULTS	
	Three months ended December 31, 2023 vs 2022	**Year ended December 31, 2023 vs 2022**
Adjusted EBITDA	Adjusted EBITDA for 2023 was $73.3 million, which was $4.9 million lower than Adjusted EBITDA for 2022. The decrease in Adjusted EBITDA was primarily due to: • lower sales volumes of chlor-alkali products, • significantly lower caustic soda prices, and • lower sales volumes of sodium chlorate, partially offset by: • significantly higher selling prices for sodium chlorate, and • higher selling prices for HCl and chlorine. Realized MECU netbacks declined by approximately $220, excluding the impact of foreign exchange. Higher netbacks for chlorine and HCl offset approximately 30% of the decline in caustic soda.	Adjusted EBITDA for 2023 was $350.8 million, which was $68.0 million higher than Adjusted EBITDA for 2022. Excluding the impact of foreign exchange and the other items noted above, Adjusted EBITDA was $30.2 million higher. The improvement over 2022 was primarily due to increased profitability for sodium chlorate and Brazil, partially offset by decreased profitability for chlor-alkali products. The increase in Adjusted EBITDA was primarily due to: • higher selling prices for sodium chlorate, • higher selling prices for chlorine and HCl, and • higher revenue in Brazil due to favourable market conditions for most products, partially offset by: • a decrease in sales volumes of sodium chlorate and chlor-alkali products, and • lower selling prices for caustic soda. Realized MECU netbacks during 2023 were approximately $30 higher than 2022 despite realized pricing for caustic soda being slightly lower than 2022. A large part of the increase in realized MECU netbacks was due to chlorine which continued to benefit from reduced supply in the industry. Demand for HCl was strong due to increased fracking activity in North America.
Gross Profit	Gross profit for 2023 was $47.7 million, which was $7.7 million lower than gross profit for 2022. In addition to the factors that affected Adjusted EBITDA, gross profit was also affected by: • a change in environmental and decommissioning liability, partially offset by: • lower depreciation and amortization.	Gross profit for 2023 was $268.4 million, which was $80.9 million higher than gross profit for 2022. Excluding the impact of foreign exchange and the other items noted above, gross profit was $43.6 million higher than 2022. In addition to the factors that affected Adjusted EBITDA, gross profit was also affected by: • lower depreciation and amortization.

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, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Cost of services (Adjusted EBITDA)	(29,448)	(31,113)	(101,292)	(95,749)

<table>
<tr><th></th><th colspan="2">CORPORATE COSTS</th></tr>
<tr><th></th><th>Three months ended December 31, 2023 vs 2022</th><th>Year ended December 31, 2023 vs 2022</th></tr>
<tr><td>Cost of Services</td><td>Corporate costs shown above were lower primarily due to:
• $1.8 million lower LTIP costs,
• $0.2 million of realized foreign exchange gains in 2023 compared to $3.3 million of losses in 2022,
partially offset by:
• $2.1 million higher short-term incentive compensation costs compared to 2022, and
• higher discretionary spending in Q4 2023 relative to 2022.</td><td>Corporate costs shown above were higher primarily due to:
• $5.4 million higher short-term incentive compensation costs compared to 2022,
• provisions recorded for non-income tax related audits during Q3 2023, and
• higher discretionary expenses,
partially offset by:
• $3.6 million lower LTIP costs, and
• $0.4 million of realized foreign exchange gains in 2023 compared to $3.1 million of losses in 2022.</td></tr>
</table>

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 $1.32 to $1.33 for US$1.00), on an unhedged basis, this would have the impact as below:

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

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

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

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

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

All foreign exchange contracts are under ISDA agreements. Contracts in place at December 31, 2023 include future contracts to sell the following amounts for periods through to April 2025:

Amount ($'000)	Maturity	Exchange rate
US$63,736	Q1 2024	$1.34
US$22,147	Q2 2024	$1.34
US$17,247	Q3 2024	$1.34
US$10,131	Q4 2024	$1.34
US$7,000	Q1 2025	$1.36
US$3,000	Q2 2025	$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 55.

We have hedged our investments in foreign operations that use the USD as their functional currency with our USD-denominated bank debt. As a result, any gains and losses arising from the USD-denominated debt will be offset by the foreign currency gain or loss arising from the investment in the foreign operations. The gains and losses on the translation of the designated amount of USD-denominated debt and investment in foreign operations are recognized on a net basis in other comprehensive income. The changes recorded in the accumulated other comprehensive income account since December 31, 2022 were a result of changes in the CAD/USD exchange rate between December 31, 2022 and December 31, 2023. For the three months and year ended December 31, 2023, foreign exchange gains of $5.6 million and $2.6 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 $7.3 million and foreign exchange losses of $31.3 million, respectively, during the three months and year ended December 31, 2022.

The rate of exchange used to translate USD-denominated balances has decreased from a rate of US$1.00 = $1.36 at December 31, 2022 to US$1.00 = 1.32 at December 31, 2023. See **Risks and Uncertainties** on MD&A on page 38 for additional comments on foreign exchange.

NET FINANCE COSTS AND INCOME TAXES

Net Finance Costs

During the three months and year ended December 31, 2023, net finance costs were $33.7 million and $24.0 million, respectively, compared with net finance costs of $37.2 million and $50.0 million, respectively, during the same periods of 2022.

Three months ended December 31, 2023 vs 2022	Year ended December 31, 2023 vs 2022
Net finance costs were $3.5 million lower during the fourth quarter of 2023 relative to 2022. The decrease was primarily due to: • $6.0 million lower losses related to the change in fair value of Debentures during the fourth quarter of 2023 compared with the same period of 2022 (additional details are shown below), and • lower interest on long-term debt during the same period of 2023 relative to 2022, partially offset by: • $5.7 million of losses related to the change in the fair value of interest rate swaps during the fourth quarter of 2023 compared with gains of $0.9 million during the same period of 2022.	Net finance costs were $26.0 million lower during the year ended December 31, 2023 relative to 2022. The decrease was primarily due to: • $33.8 million of gains related to the change in fair value of Debentures during the year ended December 31, 2023 compared with $7.6 million of losses during the same period of 2022 (additional details are shown below), and • lower interest on long-term debt during 2023 relative to 2022, partially offset by: • $10.2 million of losses related to the change in the fair value of interest rate swaps during the year ended December 31, 2023 compared with gains of $10.7 million during the same period of 2022, and • $5.0 million of transaction costs on the issuance of Debentures during the first quarter of 2023.

The Debentures are recognized at fair value with changes in fair value due to changes in the risk free interest rate presented in net finance costs and changes in our own credit risk presented in other comprehensive income rather than net earnings. During the three months and year ended December 31, 2023, the fair value of the Fund's Debentures increased by $12.3 million and decreased by $3.9 million, respectively, and increased by $34.5 million and $6.8 million, respectively, during the same periods of 2022.

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

		Three months ended December 31,			Year ended December 31,		
($ million)	**Recorded in**	**2023**	**2022**	**Variance**	**2023**	**2022**	**Variance**
Increase (decrease) due to a change in risk free rate and a change in the conversion option fair value	Net finance costs	$ 19.2	$ 25.2	$ (6.0)	$ (33.8)	$ 7.6	$ (41.4)
(Decrease) increase due to a change in our credit risk, net of taxes	Other comprehensive income	(5.5)	1.5	(7.0)	28.3	(4.7)	33.0
Tax recovery (expense) due to credit risk	Other comprehensive income	(1.5)	7.8	(9.3)	1.6	3.9	(2.3)
Increase (decrease) in fair value of Debentures		$ 12.3	$ 34.5	$ (22.2)	$ (3.9)	$ 6.8	$ (10.7)

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

The weighted average effective annual interest rate of the Credit Facilities at December 31, 2023 was 3.5% (December 31, 2022 - 3.1%). See **Liquidity and Capital Resources - Financial Instruments** for information concerning swap arrangements on page 22.

Income Taxes

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

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

	Three months ended December 31, 2023 vs 2022	Year ended December 31, 2023 vs 2022
Income taxes	Income tax expense for the fourth quarter of 2023 was $22.5 million lower than the same period of 2022. The change was primarily due to: • utilization of previously unrecognized tax losses, and • higher amounts of deferred tax recovery associated with the change in fair value of Debentures in 2023 relative to 2022, partially offset by: • return-to-provision adjustments related to prior years, and • impacts of unrecognized deferred tax assets related to certain interest amounts that are limited in their current deductibility.	Income tax expense for the year ended December 31, 2023 was $18.0 million lower than the same period of 2022. The change was primarily due to: • utilization of previously unrecognized tax losses, and • higher amounts of deferred tax recovery associated with the change in fair value of Debentures in 2023 relative to 2022, partially offset by: • increased income tax due to higher operating income in 2023, • return-to-provision adjustments related to prior years, and • impacts of unrecognized deferred tax assets related to certain interest amounts that are limited in their current deductibility.

	As at December 31, 2023 vs December 31, 2022
Deferred tax assets and liabilities	Net deferred tax assets decreased by $30.1 million which was primarily due to: • utilization of loss carryforwards previously recognized as deferred tax assets to offset operating income earned in 2023, and • impacts of unrecognized deferred tax assets related to certain interest amounts that are limited in their current deductibility, partially offset by: • a decrease in deferred tax liabilities related to depreciation of non-deductible intangible and fixed assets.
Income taxes receivable	We made income tax payments of $45.1 million in 2023 to the CRA. As we are disputing the deductibility of certain Canadian tax losses with the CRA which would offset the taxes owed for 2021, 2022 and 2023, we have recorded these payments as income taxes receivable in the Consolidated Statements of Financial Position. We have appealed this assessment by the CRA and the resolution of this matter in our favour would result in significant taxes paid on our account to be refunded. We believe that our asserted position is appropriate and would be sustained upon full examination by tax authorities and, if necessary, upon consideration by judicial process. The cumulative amount of taxes paid to CRA related to this matter is $48.4 million.

Our income tax expense for the year ended December 31, 2023 was $42.1 million. As compared to the statutory tax rate of 25.1%, the tax expense was favourably impacted primarily by $21.1 million for the net deferred tax impact associated with the change in fair value of Debentures and non-taxability to the Fund of the income distributed to Unitholders, net impact of $13.0 million related to the utilization of previously unrecognized tax losses partially offset by the non-recognition of deferred tax assets related to certain carryforward amounts of business interest expense deductions and income earned in foreign jurisdictions taxed at lower rates under current tax incentives of $2.5 million, partially offset by tax impacts from return-to-provision adjustments related to prior years.

DISTRIBUTIONS

Distributions to Unitholders, including bonus distributions pursuant to the DRIP, for the three months and year ended December 31, 2023 were declared as follows:

Record Date	Payment Date		Distribution Per Unit [1]		Total ($'000)
Three months ended December 31:					
October 31, 2023	November 27, 2023	$	0.05	$	5,870
November 30, 2023	December 22, 2023		0.05		5,877
December 29, 2023	January 26, 2024		0.05		5,884
Sub-total			0.15		17,631
Three months ended September 30, 2023		$	0.15	$	17,566
Three months ended June 30, 2023		$	0.15	$	17,503
Three months ended March 31, 2023		$	0.15	$	17,440
Total for the year ended December 31, 2023		**$**	**0.60**	**$**	**70,140**

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

Distributions to Unitholders, including bonus distributions pursuant to the DRIP, 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.

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

	Other Income	Dividends [1]	Foreign Non-Business Income	Total
2022	0.0%	36.0%	64.0%	100%
2023 [2]	7.0%	24.0%	69.0%	100%

[1] These dividends are not considered to be eligible dividends for Canadian resident Unitholders and therefore not eligible for the enhanced tax credit.
[2] Represents anticipated tax characterization of planned distributions. The actual tax treatment of 2023 distributions will be determined by Feb 29, 2024.

CASH FLOWS

($'000)	Three months ended December 31, 2023	Three months ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022
Net cash flows from (used in):				
Operating activities	$ 98,607	$ 104,610	$ 401,463	$ 369,191
Investing activities	(19,459)	(39,881)	(118,456)	(108,877)
Financing activities	(92,836)	(28,153)	(333,531)	(203,004)
(Decrease) increase in cash and cash equivalents	(13,688)	36,576	(50,524)	57,310
Effect of exchange rates on cash held in foreign currencies	(583)	(898)	(521)	1,351
Cash and cash equivalents, beginning of the period	35,795	36,891	72,569	13,908
Cash and cash equivalents, end of the period	$ 21,524	$ 72,569	$ 21,524	$ 72,569

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

	Three months ended December 31, 2023 vs 2022	Year ended December 31, 2023 vs 2022
Operating Activities	Cash flows from operating activities for the fourth quarter of 2023 were an inflow of $98.6 million, compared with $104.6 million for the same period of 2022. The decrease in cash flows from operating activities of $6.0 million was primarily due to lower Adjusted EBITDA and higher income taxes paid, partially offset by changes in working capital and lower interest paid.	Cash flows from operating activities for the year ended December 31, 2023 were an inflow of $401.5 million, compared with $369.2 million for the same period of 2022. The increase in cash flows from operating activities of $32.3 million was primarily due to higher Adjusted EBITDA and lower interest paid, partially offset by higher income taxes paid and changes in working capital.

	Three months ended December 31, 2023 vs 2022	Year ended December 31, 2023 vs 2022
Investing Activities	Capital expenditures were $67.4 million in the fourth quarter of 2023, compared with $39.9 million in the fourth quarter of 2022. These amounts included $43.6 million in the fourth quarter of 2023 and $32.7 million in the fourth quarter of 2022 for maintenance capital expenditures[1]. Non-maintenance capital expenditures[2] were $24.1 million during the fourth quarter of 2023, compared with $7.2 million during the fourth quarter of 2022. Most of the non-maintenance capital spending during the fourth quarter of 2023 was for the expansion at our facility in Cairo, OH, with some limited spending for organic growth opportunities in our water business.	Capital expenditures were $166.4 million for the year ended December 31, 2023, compared with $115.4 million for the year ended December 31, 2022. These amounts included $104.2 million in the year ended December 31, 2023 and $99.8 million for the year ended December 31, 2022 for maintenance capital expenditures[1]. Non-maintenance capital expenditures[2] were $62.1 million during the year ended December 31, 2023, compared with $15.7 million during the year ended December 31, 2022. Most of the non-maintenance capital spending during the year ended December 31, 2023 was for the expansion at our facility in Cairo, OH, with some limited spending for organic growth opportunities in our water business.

During the fourth quarter of 2023, we completed the sale of our P2S5 business for cash proceeds of $49.8 million (US$36.4 million), see **Recent Development** on page 5.

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

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

[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**

	Three months ended December 31, 2023 vs 2022	Year ended December 31, 2023 vs 2022
Financing Activities	Cash flows from financing activities for the fourth quarter of 2023 were an outflow of $92.8 million, compared with $28.2 million for the same period of 2022. The increase in cash used in financing activities of $64.7 million was primarily due to higher repayments of borrowings from our Credit Facilities.	Cash flows from financing activities for the year ended December 31, 2023 were an outflow of $333.5 million, compared with $203.0 million for the same period of 2022. The increase in cash flows used in financing activities of $130.5 million was primarily due to higher repayments of borrowings from our Credit Facilities, an equity offering during the third quarter of 2022 and higher amounts of redemption of the Fund 2017 4.75% Debentures during 2023 compared with the Fund 2016 5.00% Debentures during 2022, partially offset by the issuance of the Fund 2023 7.00% Debentures.

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

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

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

There was a net decrease in borrowings from our Credit Facilities of $63.2 million and $121.1 million, respectively, during the three months and year ended December 31, 2023 compared with a net decrease of $0.1 million and $34.6 million, respectively, during the same periods of 2022. The decrease in borrowings for the fourth quarter of 2023 was a result of proceeds received from the sale of our P_2S_5 business, see **Recent Development** on page 5, plus cash flows from operations.

Distributions paid to Unitholders, net of distributions reinvested during the three months and year ended December 31, 2023 were $14.4 million and $58.0 million, respectively, compared to $14.5 million and $54.8 million, respectively, for the same periods of 2022. The increase in distributions paid for the year ended December 31, 2023 relative to 2022 was primarily due to an increase in the number of units following the equity offering in the third quarter of 2022.

On January 15, 2024, we announced a 10% increase in our monthly distribution to $0.055 per unit per month effective with the distribution declared for the month of January 2024. We also announced the suspension of the DRIP effective with the distribution declared in January 2024 and payable in February 2024, at which time all distributions of the Fund will be paid only in cash.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

At December 31, 2023, we had cash and cash equivalents of $21.5 million (December 31, 2022 - $72.6 million) and a working capital deficit of $83.8 million (December 31, 2022 - $29.8 million). The working capital deficiency is amply covered by availability on the Credit Facilities. We define working capital as current assets less current liabilities. Cash we generate will be used to fund cash distributions to Unitholders, capital requirements, interest, general trust purposes and other legal obligations.

Future Liquidity

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

Capital Resources

($'000)	**December 31, 2023**	**December 31, 2022**
Long-term debt [1]	$ 246,545	$ 370,024
Debentures [1]	425,552	517,365
Total debt [2]	$ 672,097	$ 887,389

[1] Principal outstanding amount

[2] Total debt is a Non-IFRS financial measure. See **Non-IFRS and Other Financial Measures**

At December 31, 2023, we had Credit Facilities of approximately $860.8 million (US$650.0 million). At December 31, 2023, we had drawn $246.5 million on our Credit Facilities. Additionally, we had committed a total of $18.6 million of our Credit Facilities towards standby letters of credit. At December 31, 2023, we had undrawn US$449.8 million on our Credit Facilities.

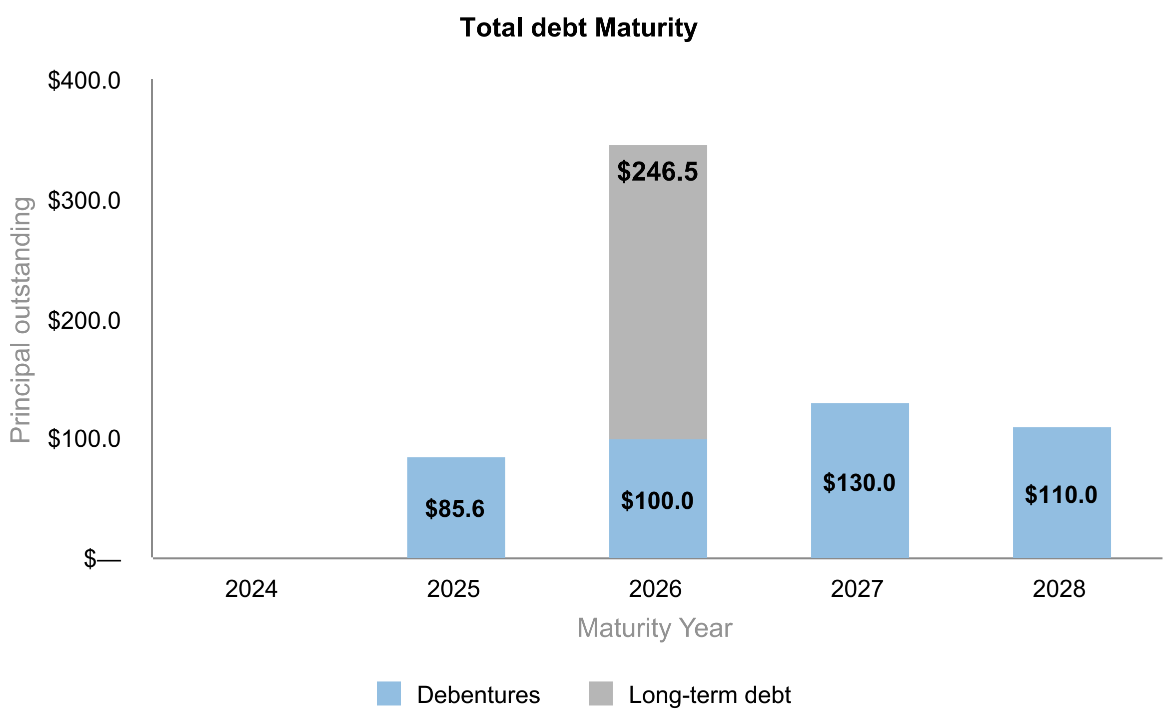
Our Debentures as of the date of this MD&A are described in the table below:

	Fund 2019 6.50% Debentures	Fund 2020 8.50% Debentures	Fund 2021 6.25% Debentures	Fund 2023 7.00% Debentures [1]	**Total**
Maturity	October 31, 2026	September 30, 2025	August 31, 2027	June 30, 2028	
Interest Rate	6.50 %	8.50 %	6.25 %	7.00 %	
Principal outstanding at December 31, 2023	$ 100.0	$ 85.6	$ 130.0	$ 110.0	$ 425.6 [2]
Conversion Price per unit	$ 15.80	$ 7.35	$ 10.00	$ 12.85	

[1] During the first quarter of 2023, we completed a public offering of the Fund 2023 7.00% Debentures, at a price of $1,000 per debenture. During the second quarter of 2023, we redeemed all of the Fund 2017 4.75% Debentures. Following the full redemption of the Fund 2017 4.75% Debentures, we have four series of Debentures outstanding with an aggregate par value of $425.6 million.

[2] At December 31, 2023, the market value of the outstanding Debentures was $437.5 million.

The graph below shows the maturity of our Total debt:



Debt Covenants

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

Financial Instruments

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

During the third quarter of 2022, we de-designated our interest rate swaps and hedge accounting on these swaps was discontinued prospectively. For the three months and year ended December 31, 2023, we reclassified $1.8 million and $7.0 million, respectively, (2022 - $1.8 million and $6.0 million, respectively) relating to the changes in fair value of the effective portion of the swaps from other comprehensive income to net earnings, as a result of the de-designation. For the three months and year ended December 31, 2023, we recognized a loss of $5.7 million and $10.2 million, respectively, (2022 - gain of $0.9 million and $10.7 million, respectively) relating to the changes in the fair value of the de-designated swaps, in net earnings.

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

During 2021, we entered into cash-settled unit swap arrangements which fixed the unit price on a portion of the RSU component of our LTIP awards. During the first quarter of 2022, we rolled over the hedged units maturing on March 31, 2022, into 2023, 2024 and 2025. In addition to a portion of the RSU component of our LTIP awards, these arrangements fixed the unit price of a portion of the PSU component of our 2022 - 2024 LTIP awards. During the first quarter of 2023, Chemtrade rolled over the hedged units maturing on March 31, 2023, into 2024, 2025 and 2026. In addition to a portion of the RSU component of its LTIP awards, Chemtrade fixed the unit price of the PSU component of its 2023 - 2025 LTIP awards and deferred units awarded under the DUP. The RSU component of our LTIP awards is a phantom plan which is payable in cash at the end of the performance period. The PSU component of our LTIP awards gives a right to the participants to receive cash payments upon the achievement of performance goals during the performance periods. The swap arrangements are based on a portion of RSUs and PSUs outstanding for all of our existing LTIP awards. As at December 31, 2023, the notional number of units hedged was 2.4 million with maturity dates ranging between March 2024 and March 2026. Distributions on the hedged units are reinvested in these swap arrangements. These RSU and PSU swaps are formally designated as cash flow hedges at the date of inception and any changes in the fair value of the unvested portion of the RSUs and PSUs are recognized in other comprehensive income. We have in place a DUP for non-employee trustees ("Participants"), pursuant to which the Participants can elect to take all or a portion of their compensation in the form of our deferred units, with the remainder as a cash payment. Currently, the Participants are required to take a minimum of 50% of their compensation in the form of deferred units. These deferred units are settled in our units issued from treasury or in cash at the Participant’s request. The swaps which fix the unit price on deferred units are not formally designated as cash flow hedges and any changes in the fair value of these deferred units swaps are recognized in net earnings. As at December 31, 2023, the notional number of units not hedged was 0.5 million maturing in March 2024.

FINANCIAL CONDITION REVIEW

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

($'000)	**December 31, 2023**	December 31, 2022	$ Change	% Change
ASSETS				
Cash and cash equivalents	$ 21,524	$ 72,569	(51,045)	(70)
Trade and other receivables	146,686	123,214	23,472	19
Inventories	124,906	147,380	(22,474)	(15)
Prepaid expenses and other assets	24,981	12,272	12,709	104
Right-of-use assets	165,043	127,603	37,440	29
Income taxes receivable	48,381	—	48,381	—
Other assets	13,572	36,334	(22,762)	(63)
Deferred tax assets	49,704	82,711	(33,007)	(40)
LIABILITIES and UNITHOLDERS' EQUITY				
Provisions [1]	55,285	22,822	32,463	142
Long-term debt	246,545	370,024	(123,479)	(33)
Convertible unsecured subordinated debentures	437,517	533,218	(95,701)	(18)
Long-term lease liabilities	130,583	94,071	36,512	39
Provisions	118,681	135,626	(16,945)	(12)
Deficit	(1,147,923)	(1,334,524)	186,601	(14)
Accumulated other comprehensive income	196,933	255,328	(58,395)	(23)

[1] Included in Current liabilities

Cash and cash equivalents	Decrease is due to the cash flows used in financing and investing activities, partially offset by the cash flows from operating activities.
Trade and other receivables	Increase is primarily due to increases in sublease and other receivables and a lower level of factored receivables, partially offset by lower revenue.
Inventories	Decrease is primarily due to inventories held in our P_2S_5 business which was sold, during Q4 2023, as well as lower volumes and lower raw material costs contained within certain other inventories.
Prepaid expenses and other assets	Increase is primarily due to fair value of the interest rate swaps presented as current assets as of December 31, 2023 compared to non-current assets as of December 31, 2022 and foreign exchange contract assets compared to foreign exchange contract liabilities in 2022.
Right-of use assets	Increase is primarily due to ROU asset additions from new leases and renewal of expiring leases, partially offset by depreciation.
Income taxes receivable	Increase is primarily due to Canadian income taxes paid relating to the 2021, 2022 and 2023 taxation years. We are disputing the deductibility of certain Canadian tax losses with the CRA which would offset the taxes owed for 2021, 2022 and 2023. We have appealed this assessment by the CRA and the resolution of this matter in our favour would result in significant taxes paid on account to be refunded.
Other assets	Decrease is primarily due to the fair value of the interest rate swaps presented as current assets as of December 31, 2023 compared to non-current assets as of December 31, 2022.
Deferred tax assets	Decrease is primarily due to utilization of loss carryforwards previously recognized as deferred tax assets to offset operating income earned in 2023, and impacts of unrecognized deferred tax assets related to certain interest amounts that are limited in their current deductibility, partially offset by decrease in deferred tax liabilities related to depreciation of non-deductible intangible and fixed assets.

Provisions [1]	Increase is primarily due to: • a $28.1 million provision established against the payments received in 2023 related to a lawsuit against Superior. Since Superior has filed an appeal against the judgment, there is uncertainty associated with the outcome of the appeal, • reclassification of decommissioning and environmental liabilities from non-current to current liabilities, partially offset by payments made in 2023.
Long-term debt	Decrease is primarily due to repayment of Credit Facilities out of cash flows from operations and proceeds from the sale of our P_2S_5 business during Q4 2023.
Convertible unsecured subordinated debentures	Decrease is due to the redemption of the Fund 2017 4.75% Debentures and change in fair value of Debentures, partially offset by the issuance of the Fund 2023 7.00% Debentures.
Long-term lease liabilities	Increase is primarily due to leases of additional assets for water products and the renewal of expiring leases at higher rates, given higher interest rates.
Provisions	Decrease is due to lower decommissioning liabilities primarily due to: • increased discount rates at December 31, 2023 relative to December 31, 2022, and • reclassification of decommissioning and environmental liabilities from non-current to current liabilities.
Deficit	Decrease is primarily due to: • net earnings for the year ended December 31, 2023, partially offset by: • distributions declared during 2023.
Accumulated other comprehensive income	Decrease is primarily due to: • the change in fair value of the Debentures due to own credit risk, • foreign currency translation differences for foreign operations, and • cash flow hedges reclassified to earnings, partially offset by: • defined benefit plan adjustments, and • a loss on the net investment hedge of foreign operations.

[1] Included in Current liabilities

SUMMARY OF QUARTERLY RESULTS

($ millions)	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Revenue	$ 422.0	$ 483.5	$ 470.0	$ 471.3	$ 456.7	$ 519.9	$ 446.4	$ 390.3
Cost of sales and services	(359.9)	(354.9)	(350.0)	(361.4)	(370.7)	(410.7)	(383.9)	(311.5)
Gross profit	62.1	128.6	120.0	109.9	86.0	109.2	62.5	78.8
Selling and administrative expenses:								
Unrealized foreign exchange gain (loss)	8.2	(5.3)	4.3	3.8	10.9	(17.2)	(5.7)	2.4
Realized foreign exchange (loss) gain	0.7	(1.2)	2.5	(0.4)	(3.3)	(2.8)	(2.0)	5.5
LTIP	(5.2)	(4.0)	(4.0)	(4.1)	(6.9)	(3.8)	(6.0)	(4.2)
Other	(34.6)	(33.1)	(28.0)	(27.8)	(28.2)	(23.1)	(24.8)	(25.2)
Total selling and administrative expenses	(30.9)	(43.6)	(25.2)	(28.5)	(27.5)	(46.8)	(38.5)	(21.5)
Gain on disposal of assets	24.3	—	—	—	—	—	17.4	—
Share of loss from joint venture	—	(0.1)	(0.6)	(0.7)	(0.4)	—	—	—
Operating income	55.5	85.0	94.2	80.7	58.1	62.3	41.3	57.3
Net finance costs:								
Mark-to-market on Debentures	(19.2)	14.5	5.3	33.2	(25.2)	28.8	4.4	(15.6)
Debt issuance and extinguishment costs	—	—	—	(5.0)	—	—	—	—
Income reclassified from other comprehensive income	1.8	1.8	1.8	1.8	1.8	4.2	—	—
Change in the fair value of interest rate swaps	(5.7)	(2.1)	1.6	(3.9)	0.9	7.9	—	1.9
Other	(10.6)	(11.8)	(14.2)	(13.4)	(14.7)	(15.0)	(14.2)	(15.1)
Total net finance costs	(33.7)	2.4	(5.5)	12.7	(37.2)	25.9	(9.8)	(28.8)
Income tax (expense) recovery	(10.1)	(16.7)	(1.4)	(13.9)	(32.7)	(12.9)	3.3	(17.8)
Net earnings (loss)	$ 11.7	$ 70.8	$ 87.3	$ 79.5	$ (11.7)	$ 75.3	$ 34.8	$ 10.7
Adjusted EBITDA	$ 84.6	$ 142.1	$ 144.2	$ 131.7	$ 104.3	$ 137.1	$ 81.7	$ 107.8
Net earnings (loss) per unit	$ 0.10	$ 0.61	$ 0.75	$ 0.69	$ (0.10)	$ 0.69	$ 0.33	$ 0.10
Diluted net earnings (loss) per unit	$ 0.10	$ 0.41	$ 0.57	$ 0.32	$ (0.10)	$ 0.38	$ 0.18	$ 0.10

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

Revenue and Gross Profit

Gross profit for 2023 relative to 2022 was higher due to higher selling prices for sodium chlorate, chlorine and HCl in the EC segment and higher selling prices and lower raw material costs for water solutions products and higher selling prices for Regen acid in the SWC segment.

Selling and Administrative Expenses

The change in fair value of our LTIP obligation recorded in any quarter depends on changes in the various factors used in arriving at the fair value of the obligation.

Net Finance Costs

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

Net finance costs include income reclassified from other comprehensive income. The amount recorded in any quarter is as a result of de-designation of interest rate swaps and discontinuation of hedge accounting prospectively. As a result of the de-designation, any changes relating to the fair value of the effective portion of the swaps are re-classified from accumulated other comprehensive income to net earnings. The fair value changes of these de-designated swaps are recognized in net earnings. Net finance costs for the first quarter of 2023 included $5.0 million of transaction costs on the issuance of the Fund 2023 7.00% Debentures.

OUTSTANDING SECURITIES OF THE FUND

As at February 19, 2024 and December 31, 2023, the following units and securities convertible into our units were issued and outstanding:

	February 19, 2024		December 31, 2023	
	Convertible Securities	Units	Convertible Securities	Units
Units outstanding		**117,169,908**		**117,048,304**
6.50% Debentures [(1)]	**100,000**	**6,329,114**	**100,000**	**6,329,114**
8.50% Debentures [(2)]	**85,527**	**11,636,328**	**85,552**	**11,639,729**
6.25% Debentures [(3)]	**130,000**	**13,000,000**	**130,000**	**13,000,000**
7.00% Debentures [(4)]	**110,000**	**8,560,311**	**110,000**	**8,560,311**
Units outstanding and issuable upon conversion of Debentures		**156,695,661**		**156,577,458**
Deferred units plan [(5)(6)]	**$ 5,988**	**681,279**	**$ 5,771**	**677,402**
Units outstanding and issuable upon conversion of Debentures and Deferred units		**157,376,939**		**157,254,860**

(1) Convertible at $15.80 per unit

(2) Convertible at $7.35 per unit

(3) Convertible at $10.00 per unit

(4) Convertible at $12.85 per unit

(5) Based on $8.79 and $8.52, the closing price of a unit on the TSX on February 16, 2024 and December 31, 2023, respectively

(6) 318,721 and 322,598 deferred units were available for future grants as at February 16, 2024 and December 31, 2023, respectively

CONTRACTUAL OBLIGATIONS

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

Contractual Obligations *($'000)*	**Total**	**Less Than 1 Year**	**2-3 Years**	**4-5 Years**	**After 5 Years**
Long-term debt	$ 246,545	$ —	$ 246,545	$ —	$ —
Debentures	425,552	—	185,552	240,000	—
Purchase commitments	126,310	58,891	67,419	—	—
Interest on Debentures	95,589	29,597	49,021	16,971	—
Interest on long-term debt	43,172	10,625	32,547	—	—
Lease payments	196,173	57,597	83,062	46,668	8,846
Trade and other payables	299,351	299,351	—	—	—
Distributions payable	5,884	5,884	—	—	—
Total contractual obligations	$ 1,438,576	$ 461,945	$ 664,146	$ 303,639	$ 8,846

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. Once the contribution reaches the limit allowed under the Income Tax Act (Canada), additional contributions are made to a non-registered account. 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.

We offer a 401(k) plan to employees in the U.S. including key management personnel. The plan is a qualified retirement 401(k) plan, and is self-directed. Participants choose from a range of investment options offered by Securian, who administers the plan. The interest and earnings on the investments held in the 401(k) plan account vary, and depend on the terms and of the investments chosen. Employees make voluntary contributions on each pay, and we match the first 6% of eligible earnings subject to legislated government maximums. Our contributions to the 401(k) plan vest immediately.

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. 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, 2023, the market value of these deferred units, which is included in trade and other payables was $5.8 million (2022 - $5.2 million).

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

	2023	2022
Short-term compensation	$ 10,449	$ 9,919
LTIP	10,999	10,489
	$ 21,448	$ 20,408

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 2024 guidance set out below which was previously issued in January 2024. Our Adjusted EBITDA in 2024 is expected to be below the record high 2023 level, but still in the range of our second highest Adjusted EBITDA, achieved in 2022. Further, we consider the mid-point of 2024's anticipated Adjusted EBITDA of $415.0 million to represent a sustainable level of mid-cycle earnings with the current business portfolio.

		Year ended Actual	
($ million)	**2024 Guidance**	**December 31, 2023**	**December 31, 2022**
Adjusted EBITDA	$395.0 - $435.0	$502.6	$430.9
Maintenance capital expenditures (1)	$85.0 - $105.0	$104.2	$99.8
Growth capital expenditures (1)	$60.0 - $90.0	$62.1	$21.6
Lease payments	$55.0 - $65.0	$58.3	$52.4
Cash interest (1)	$45.0 - $55.0	$42.4	$51.7
Cash tax (1)	$30.0 - $50.0	$14.7	$12.0

(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 55.

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

- There will be no significant lockdowns or stay-at-home orders issued in North America due to a pandemic outbreak during 2024.
- 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	2024 Assumptions	2023 Actual	2022 Actual
Approximate North American MECU sales volumes	173,000	181,000	184,000
2024 realized MECU netback being lower than 2023 (per MECU)	($210)	N/A	N/A
Average CMA NE Asia Caustic spot price index per tonne [1]	US$375	US$455	US$650
Approximate North American production volumes of sodium chlorate	268,000	283,000	343,000
USD to CAD average foreign exchange rate	1.300	1.349	1.302
LTIP costs (in millions)	$10.0 - $20.0	$17.3	$21.0

[1] The average CMA NE Asia Caustic spot price for 2024, 2023 and 2022 is the average spot price of the four quarters ending with the third quarter of that year as the majority of our pricing is based on a one quarter lag.

The lower expected Adjusted EBITDA for 2024 compared to 2023 is attributed to the following key factors:

- Lower average selling prices for caustic due to lower NE Asia index prices.
- Turnaround at North Vancouver chlor-alkali plant.
- Lower sales volumes of sodium chlorate.
- Higher cost of raw materials for water treatment chemicals.
- Stronger Canadian dollar relative to the U.S. dollar.

Update on Organic Growth Projects

We remain focused on our long-term objective of delivering sustained earnings growth and generating value for investors. To accomplish this, we have identified various organic growth initiatives. In 2024, we plan to invest between $60.0 million and $90.0 million in growth capital expenditures. This includes approximately $40.0 million for our ultrapure sulphuric acid business, principally at our Cairo, OH facility, with the remainder for water treatment chemicals and other organic growth projects.

The Cairo project is generally on track and we expect to finish construction later this year. We now expect costs to be between US$60.0 million and US$65.0 million. Following startup later this year, the commercial ramp up will begin to take place in 2025. This will be the first ultrapure sulphuric acid plant in North America that will meet the quality requirements for next generation semiconductor nodes. As a result, completion of this project will further bolster our position as the top North American supplier of ultrapure sulphuric acid to the semiconductor industry. We will provide an update on the expected return of this project after the start-up of the project is complete.

We also previously identified a second large ultrapure sulphuric acid plant growth project, undertaken via KPCT joint venture and located in Casa Grande, AZ. Together with our joint venture partner, we made the decision to put the project on hold until it can be assured the project generates an acceptable level of return.

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, and sodium hydrosulphite. We are a leading regional supplier of sulphur, chlor-alkali products, 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 reviews a framework identifying the principal risks of our business, and ensures the implementation of appropriate systems to manage these risks. The Audit Committee reviews major financial risks, the systems implemented to monitor those risks and the strategies in place to manage those risks. 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 71% of our variable production costs for sodium chlorate and approximately 51% 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 $14.2 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 $18.1 million per annum. These sensitivities to changes in prices are based on approximately 283,000 MT of North American sodium chlorate sales and 181,000 MECU of North American chlor-alkali sales for the year ended December 31, 2023.

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 $5.0 million per annum. A change in sales volumes for North American chlor-alkali products of 5,000 MECU would have an impact on earnings before income taxes of approximately $7.5 million per annum.

Sulphuric Acid Pricing

A change in sulphuric acid pricing, net of freight, of $10 per tonne would have an impact on annual revenues in North America of approximately $9.3 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 $3.7 million per annum. This sensitivity to changes in electricity prices is based on North American electricity consumption of approximately 1,907,000 megawatt hours for the year ended December 31, 2023. 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 $1.4 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.

Execution of growth strategy

Our strategy involves growing our size and scale and expanding our diversity of earnings. To do this, we seek to improve the businesses we own by pursuing organic growth opportunities from: key new products, additional capacity for existing products, and driving increased productivity across the organization. When it makes economic and strategic sense, we also grow by acquiring new businesses.

There are several risks inherent in this growth strategy. There can be no assurance that the organic growth projects we choose to pursue will result in increased earnings, or that we will be successful in realizing the full potential of organic growth opportunities we pursue. The decision to pursue certain projects relies on projected capital expenditures. Actual capital expenditures may be higher than anticipated, projects may be delayed due to lack of or delays in materials, lack of skilled personnel, weather, or other reasons. There is also a risk that the capital could be used ineffectively in the execution of these capital projects. The anticipated market for a growth opportunity may not materialize or competition may be greater than expected. Some of our organic growth projects rely on us or our partners obtaining government funding or some form of subsidy, credit or offset. There can be no assurance that such funding, subsidy, credit or offset will be obtained or continued. The failure to achieve the anticipated potential of a growth opportunity could have a material adverse effect on our business, financial condition, and/or results of operations.

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 that the EC segment's North Vancouver, BC facility is situated on is leased from the Vancouver Fraser Port Authority (the “Port”). After June 30, 2030, the lease restricts us from using the leased premises to receive, manufacture, store, and distribute liquid chlorine. We are assessing alternatives to address this restriction, but not finding a viable alternative could have a material adverse effect on our business, financial condition and/or results of operations. The lease terminates on June 30, 2032. At that time, the Port has the right to exercise an option to purchase the part of the land we own. We have entered into discussions with the Port regarding a renewal of the lease, but not finding a satisfactory outcome could have a material adverse effect on our business, financial condition, and/or results of operations.

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 $1.9 million on our net earnings because of our USD-denominated term debt and vice-versa. See **Foreign Exchange** on page 15 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 26 for information concerning hedges.

Uncertainty regarding tax treatment

We are subject to challenges from various tax authorities on an ongoing basis. As a result, from time to time, tax authorities may disagree with the positions and conclusions taken by us in our tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to assessments of additional amounts of tax, interest and possibly penalties. We accrue and account for any probable assessments of tax; however, there can be no assurance as to the final resolution of any tax authority positions.

Interest Deductibility

On November 28, 2023, the Department of Finance Canada (Finance) tabled a Notice of Ways and Means Motion to implement the Fall Economic Statement Implementation Act, 2023, which subsequently received first reading in Parliament on November 30, 2023 as Bill C-59. Included in Bill C-59 are various Canadian income tax and related measures, including 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. The EIFEL Rules are intended to limit the deductible interest and financing expenses (IFE) of a taxpayer to 30% of the taxpayer’s adjusted taxable income before interest, tax, depreciation, and amortization expenses and would apply to Chemtrade’s taxation years beginning on or after January 1, 2024. Management has reviewed the EIFEL Rules contained within Bill C-59 to assess the impact on Chemtrade, and does not believe that the EIFEL Rules should impact Chemtrade to any significant degree at current levels of IFE and adjusted taxable income.

Global tax legislation changes

Global Minimum Tax Act

On August 4, 2023, Finance released the draft Global Minimum Tax Act (GMTA) to implement key measures of the OECD’s Pillar Two global minimum tax (GMT) in Canada. The draft legislative proposals include, among others, charging provisions for the income inclusion rule (IIR) and the qualified domestic minimum top-up tax (QDMTT), as defined in the GloBE Model Rules. Although the proposed GMTA is still in draft form, it is expected to apply to Chemtrade for taxation years beginning January 1, 2024. While we currently do not expect any impact of significance from the GMT based on our operational footprint, there remains uncertainty on how the GMTA will interact with the Income Tax Act (Canada), including with respect to the Canadian foreign affiliate regime. We will continue to monitor the global developments surrounding GMT, and will assess additional impacts of GMT, if any, once greater clarity exists.

U.S. Corporate Alternative Minimum Tax

The U.S. tax act introduced a new 15% corporate alternative minimum tax ("CAMT") that will apply on the adjusted financial statement income of certain large corporations effective for taxation year 2023. Based on current levels of financial statement income, our U.S. subsidiaries are not expected to be subject to CAMT. We will continue to monitor changes in respect of CAMT and will assess impacts, if any, in future years.

Geopolitical Risk and Potential Trade Restrictions and Disputes

In 2023, geopolitical tensions continued with the ongoing conflict in Ukraine, recent escalations in the Middle-East, and increasing US_China tensions, all having significant global effects, including high energy prices and the erosion of business confidence. In 2022 and 2023, 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. Other conflicts, such as in the Middle-East and Africa, could have negative effects on supply chains and North American prices. 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 and Recession

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 few years, 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, among other issues, ongoing disruptions to global supply chains, the conflicts in Ukraine and the Middle-East, 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.

Competition

We operate in competitive markets, and some of our competitors have greater economic resources and are well established as suppliers to the markets we serve. These competitors may be better able to withstand volatility within industries and throughout the economy as a whole while retaining significantly greater operating and financial flexibility.

Some of our water treatment products in the SWC segment are sold in regional markets with competitors that may have lower costs, including less of a commitment to environmental, health and safety compliance, and operating excellence. There can be no assurance that competition will not continue or increase, and this may have a material adverse effect on our business, financial condition, and/or results of operations.

Several of our niche water treatment products and services in the SWC segment are sold in select markets. There can be no assurance that these markets will not attract additional competitors that could have greater financial, technological, manufacturing, and/or marketing resources.

Physical risks from extreme weather and climate change

Many of our facilities are in areas that are at risk of extreme weather events, including hurricanes, tornadoes, tropical storms, floods, drought, wildfires, extreme cold, winter storms, or other severe weather conditions or seismic events. Further, the effects of climate change, such as more extreme temperatures, drought, flooding and extreme weather events, pose a risk to the operation of our facilities. There is also a risk that our customers, industrial producers, suppliers, and transportation networks could also be impacted by these factors.

Specifically, several of our facilities and customers are in the Gulf Region of the southern U.S., which is susceptible to hurricanes and other extreme weather events. Our Tulsa, OK facility is located in a tornado-prone area. Our sites have experienced hurricanes on the east and west coasts of the United States, flooding in BC affecting rail transportation and wild fires affecting our Fort McMurray, AB site and more generally, the east and west coasts of Canada and the U.S. We have several facilities on the west coast of North America (two facilities in CA, two in WA and four in BC), which is susceptible to earthquakes. The Richmond, CA facility conducts seismic surveys of the entire site every five years.

Investors are increasingly concerned about climate risk and may determine that our business' exposure to climate change is greater than that of other businesses, or that management is not reacting to climate change risks with sufficient timeliness or effectiveness and choose to divest of their Chemtrade holdings.

While we have insurance that covers certain extreme weather events, there can be no assurance that it will compensate for losses related to severe weather conditions or seismic events, including but not limited to the above events. The occurrence of any of these events could have a material adverse effect on our business, financial condition, and/or results of operations.

Reliance on specific industries

Current global economic conditions have been characterized by increased volatility and uncertainty, making demand forecasts for our products uncertain. Many of the products we sell significantly depend on the pulp, paper, petroleum refineries, semiconductor, auto lubricants, and base metals industries. For example, the EC segment is particularly reliant on the pulp industry, on both a regional and global scale and a decline in the pulp industry would result in decreased demand for sodium chlorate and caustic soda. Further, our ultrapure sulphuric acid, including organic growth projects related to this product, rely on the semiconductor industry. A significant reduction in demand or throughput in any of these industries could have a material adverse effect on our business, financial condition, and/or results of operations.

Cybersecurity

We rely on management information and computer control systems to run our business and operate our facilities. With our increasing dependence on these systems, the risks associated with cybersecurity also escalate. The advent of AI offers substantial benefits for enhancing our business operations. However, it also introduces new complexities in our cybersecurity defenses. We are actively integrating advanced security measures and governance controls to address these challenges, demonstrating our commitment to both technological advancement and robust cybersecurity. More detail about our cybersecurity and information security risk identification and management practices can be found in our most recent management information circular, which is available on our website (www.chemtradelogistics.com) and SEDAR+ (www.sedarplus.ca). These measures and technologies may not adequately prevent security breaches, including ransomware attacks. Business, transportation and supply chain disruptions, plant and utility outages and information technology system interruptions, compromises to our information and control systems, and network disruptions resulting from cyber-attacks could have a material adverse effect on our business, financial condition, results of operations, and/or reputation.

Risk of Joint Venture

In order to build and operate an ultrapure sulphuric acid facility in Casa Grande, AZ, we have formed the KPCT joint venture entity, with a joint venture partner, 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 the KPCT joint venture which are contrary to our interests. KPPC's ultimate ownership includes parties based in Taiwan, which makes the KPCT joint venture 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 and deferred units under DUP are revalued each period based on our unit price. Net cash flows from operating activities are affected when these cash-settled RSUs and PSUs and deferred units 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 and deferred units 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, 2023, on an unhedged basis, a change in interest rates of 1% per annum would have an impact of approximately $2.5 million on our net earnings per annum. As at December 31, 2023, we have 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 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 resources 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.

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 resources. 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.

STANDARDS AND INTERPRETATIONS

(a) Standards and interpretations adopted during the period:

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

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

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

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

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

- Amendments to IAS 12, *Income Taxes - International Tax Reform – Pillar Two Model Rules,* addressing concerns around the accounting for the global minimum top-up tax under the OECD's Pillar Two model rules. A mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of Pillar Two model rules is introduced (effective retrospectively and immediately upon issuance of the amendments in May 2023), as well as additional disclosure requirements about Pillar Two income tax exposure (effective for annual periods beginning on or after January 1, 2023). We have applied the mandatory deferred tax accounting relief and added the required disclosures under Note 8(g) of the consolidated financial statements.

(b) Standards and interpretations not yet adopted:

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

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

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

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

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

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

While we are assessing the impacts, if any, the amendments to existing standards will have on our consolidated financial statements, the amendments to IAS 1, noted above, will impact the presentation of our Debentures. The amendments remove an exception related to the requirement for the unconditional right to defer settlement for more than twelve months for equity settled liabilities that permitted classification as non-current liabilities. The terms of our Debentures do not provide us with an unconditional right to defer the settlement of our Debentures upon conversion into units by the debenture holder nor do we classify the conversion option as equity. As a result, the Debentures will be presented as current liabilities in the Consolidated Statements of Financial Position effective January 1, 2024. While these will be presented as current liabilities, debenture holders do not have the right to demand their repayment prior to maturity, which for all the outstanding series is more than twelve months in the future.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

Our Management, including our CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting and evaluating its effectiveness. Management has used the COSO framework (2013) to evaluate the effectiveness of our internal control over financial reporting as of December 31, 2023. Based on this evaluation, Management has concluded that as at December 31, 2023, 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, 2023 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

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

- It typically includes words about the future, such as anticipate, continue, estimate, expect, expected, intend, may, will, intend, project, plan, should, believe and others (see examples below).
- It represents our current views, and can change significantly.
- It is based on a number of material assumptions, including those we have listed below, which may prove to be incorrect.
- Actual results and events may be significantly different from what we expect, due to the risks associated with our business. We recommend you review other parts of this document, including **Risks and Uncertainties**, which starts on page 38, 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:

- the effect of changes in interest rates and exchange rates and our ability to offset USD denominated debt;
- the deductibility of certain tax losses and outcome of our appeal;
- 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 2024;
    - that the mid-point of the 2024 anticipated Adjusted EBITDA range represents a sustainable level of mid-cycle earnings with the current business portfolio;
    - the expected range of maintenance capital and growth capital expenditures, lease payments, cash interest, and cash tax;
    - our expectations regarding lower 2024 Adjusted EBITDA compared to 2023 due to expected lower average selling prices for caustic soda due to lower NE Asia index prices, the expected impact of a turnaround at the North Vancouver chlor-alkali plant, the expected lower sales volumes of sodium chlorate; the anticipated higher cost of raw materials for water treatment chemicals; and the expected stronger Canadian dollar relative to the USD;

- our intention to invest between $60.0 million and $90.0 million in growth capital expenditures and its allocation between the ultrapure sulphuric acid business, water treatment chemicals and other organic growth projects;
- the expected cost, timing of construction completion, start-up and commercial ramp-up of the Cairo project;
- our ability to be the first North American ultrapure sulphuric acid plant to meet the quality requirements of the next generation semiconductor nodes;
- our ability to retain our position as the top North American supplier to the semiconductor industry;
- our intention to update the expected return of the Cairo project and timing thereof;
- the effect of changes in the price and volume of certain products (sodium chlorate, chlor-alkali and sulphuric acid) and in the price of certain key inputs (electricity, salt and sulphur);
- the impact of the EIFEL Rules on Chemtrade;
- the risks set out in the risk factors section of this MD&A; 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 pandemic outbreak;
    - 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;
    - 2024 realized MECU netback being lower than 2023 by the stated amount;
    - the stated 2024 average CMA NE Asia caustic spot price index;
    - the stated USD foreign exchange rate; and
    - the stated range of LTIP costs.

NON-IFRS AND OTHER FINANCIAL MEASURES

Non-IFRS financial measures and non-IFRS ratios

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

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

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

Distributable cash after maintenance capital expenditures

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

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

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

Distributable cash after maintenance capital expenditures per unit

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

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

Payout ratio

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

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

($'000)	Three months ended December 31, 2023	Three months ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021
Cash flows from operating activities	$ 98,607	$ 104,610	$ 401,463	$ 369,191	$ 219,039
(Less) Add:					
Lease payments net of sub-lease receipts	(15,231)	(13,560)	(58,256)	(52,360)	(51,563)
(Decrease) increase in working capital	(34,305)	(17,184)	16	(5,989)	(10,078)
Changes in other items [1]	8,075	2,238	44,038	4,036	1,972
Maintenance capital expenditures	(43,635)	(32,708)	(104,249)	(99,766)	(75,265)
Distributable cash after maintenance capital expenditures	**$ 13,511**	**$ 43,396**	**$ 283,012**	**$ 215,112**	**$ 84,105**
Divided by:					
Weighted average number of units outstanding	116,811,269	115,339,042	116,212,199	108,445,732	101,730,342
Distributable cash after maintenance capital expenditures per unit	$ 0.12	$ 0.38	$ 2.44	$ 1.98	$ 0.83
Distributions declared per unit	$ 0.15	$ 0.15	$ 0.60	$ 0.60	$ 0.60
Payout ratio (%)	125 %	39 %	25 %	30 %	72 %

[1] Changes in other items relate to cash interest and cash taxes including $45,142 relating to the disputed income tax payments (see Income Taxes on page 18).

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, 2023	December 31, 2022	December 31, 2023	December 31, 2022	December 31, 2021
Cash flows from operating activities	$ 98,607	$ 104,610	$ 401,463	$ 369,191	$ 219,039
Net earnings (loss)	$ 11,677	$ (11,747)	$ 249,319	$ 109,115	$ (235,209)
Cash distributions paid during period	$ 14,381	$ 14,464	$ 58,031	$ 54,753	$ 51,944
Excess of cash flows from operating activities over cash distributions paid	$ 84,226	$ 90,146	$ 343,432	$ 314,438	$ 167,095
(Shortfall) excess of net earnings over cash distributions paid	$ (2,704)	$ (26,211)	$ 191,288	$ 54,362	$ (287,153)

Total debt

Most directly comparable IFRS financial measure: Total long-term debt and Debentures.

Definition: Total debt is calculated as the total of long-term debt and the principal value of Debentures.

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

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)	**December 31, 2023**	**December 31, 2022**
Long-term debt (1)	$ 246,545	$ 370,024
Add (Less):		
Debentures (1)	425,552	517,365
Long-term lease liabilities	130,583	94,071
Lease liabilities (2)	49,304	45,571
Cash and cash equivalents	(21,524)	(72,569)
Net debt	$ 830,460	$ 954,462

(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: Capital expenditures

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

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

	Three months ended		**Year ended**	
($'000)	**December 31, 2023**	**December 31, 2022**	**December 31, 2023**	**December 31, 2022**
Capital expenditures	$ 67,398	$ 39,881	$ 166,395	$ 115,440
Maintenance capital expenditures	(43,635)	(32,708)	(104,249)	(99,766)
Non-maintenance capital expenditures	23,763	7,173	62,146	15,674
Investment in a joint venture	—	—	—	5,931
Growth capital expenditures	$ 23,763	$ 7,173	$ 62,146	$ 21,605

Total of segments measures

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

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

Adjusted EBITDA

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

($'000)	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Net earnings (loss)	$ 11,677	$ 70,784	$ 87,325	$ 79,533	$(11,747)	$ 75,341	$ 34,835	$ 10,686
Add (less):								
Depreciation and amortization	57,423	54,741	53,186	52,140	54,922	56,598	53,229	52,201
Net finance costs (income)	33,716	(2,429)	5,457	(12,736)	37,187	(25,864)	9,801	28,845
Income tax expense (recovery)	10,121	16,669	1,388	13,875	32,669	12,870	(3,287)	17,816
Change in environmental and decommissioning liability	9,842	(3,504)	—	894	—	—	(66)	66
Net (gain) loss on disposal and write-down of PPE	(5,547)	606	1,152	1,787	2,152	895	(1,102)	647
Gain on disposal of assets	(24,337)	—	—	—	—	—	(17,418)	—
Unrealized foreign exchange (gain) loss	(8,247)	5,251	(4,306)	(3,824)	(10,933)	17,217	5,737	(2,429)
Adjusted EBITDA	$ 84,648	$142,118	$144,202	$131,669	$104,250	$137,057	$ 81,729	$107,832

Capital management measures

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

Net debt to Adjusted EBITDA

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

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

Supplementary financial measures

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

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

Maintenance capital expenditures

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

Non-maintenance capital expenditures

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

Cash interest

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

Cash tax

Represents current income tax expense.

TERMS AND DEFINITIONS

Terms

AB	Alberta
AI	Artificial Intelligence
AIF	Annual Information Form
AOCI	Accumulated Other Comprehensive Income
AZ	Arizona
BC	British Columbia
BEAT	Base Erosion and Anti-Abuse Tax
Board	Board of Trustees
CAD	Canadian Dollar
CANEXUS	Canexus Corporation
CEO	Chief Executive Officer
CERS	Canada Emergency Rent Subsidy
CEWS	Canada Emergency Wage Subsidy
CA	California
CMA	Chemical Market Analytics by OPIS, a Dow Jones Company (formerly IHS Markit Base Chemical)
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CFO	Chief Financial Officer
CRA	Canada Revenue Agency
DRIP	Distribution Reinvestment Plan
DUP	Deferred Unit Plan
ESG	Environmental, Social and Governance
FEED	Front End Engineering Design
GA	Georgia
HCl	Hydrochloric acid
IASB	International Accounting Standards Board
ISDA	International Swap and Derivatives Association
KCl	Potassium Chloride
LIBOR	London Interbank Offered Rate
LTIP	Long Term Incentive Plan
LTM	Last Twelve Months
MB	Manitoba
MECU	MECU is a Metric Electrochemical Unit, consisting of 1.0 tonne of chlorine and 1.1 tonnes of caustic soda
MT	Metric Tonne
NATO	North American Terminal Operations
NE	Northeast
OK	Oklahoma
OH	Ohio
PPE	Property, Plant and Equipment
PSU	Performance Share Unit
Q1	First Quarter

Q2	Second Quarter
Q3	Third Quarter
Q4	Fourth Quarter
QC	Quebec
Regen	Regenerated Acid Services
ROU	Right-of-use
RSU	Restricted Share Unit
SOFR	Secured Overnight Financing Rate
SIFT	Specified investment flow-through trust
SUPERIOR	Superior Plus Corporation
TSX	Toronto Stock Exchange
TX	Texas
USD	U.S. Dollar
WA	Washington

Definitions

Credit Facilities	Revolving credit facilities
Debentures	We have $100,000 principal amount of 6.50% of convertible unsecured subordinated debentures outstanding (the "Fund 2019 6.50% Debentures"), $85,552 principal amount of 8.50% of convertible unsecured subordinated debentures outstanding (the "Fund 2020 8.50% Debentures"), $130,000 principal amount of 6.25% of convertible unsecured subordinated debentures outstanding (the "Fund 2021 6.25% Debentures") and $110,000 principal amount of 7.00% of convertible unsecured subordinated debentures outstanding (the "Fund 2023 7.00% Debentures").
KPCT joint venture	KPCT Holdings LLC, a joint venture between Chemtrade Advanced Chemicals LLC and KPPC Advanced Chemicals Inc. and/or its operating subsidiary, KPCT Advanced Chemicals LLC.
LTIP costs	Corporate costs include LTIP expenses, which relate to the 2021 - 2023, 2022 - 2024 and 2023 - 2025 LTIPs which we operate and pursuant to which we grant cash awards based on certain criteria. The 2021 - 2023 LTIP payout is payable in the first quarter of 2024. The 2022 - 2024 LTIP payout is payable in the first quarter of 2025. The 2023-2025 LTIP payout is payable in the first quarter of 2026. The 2021 - 2023 LTIP awards have a performance based component and RSU component. The 2022 - 2024 and 2023 - 2025 LTIP awards have a performance based PSU component and a RSU component. The performance based component of the 2021 - 2023 LTIP awards and the performance based PSU component are based on return on investment capital improvement and total return to Chemtrade's Unitholders relative to the total return of companies comprising the S&P/TSX Dividend Composite Index. Total Unitholder return consists of changes in unit price and distributions paid to Unitholders over the course of the performance periods. The performance based PSU component under the 2022 - 2024 LTIP and 2023 - 2025 LTIP awards are also adjusted for achievement of ESG goals to be achieved by the end of the performance periods. The RSU component of the LTIP awards is a phantom plan which is payable in cash at the end of the performance period. The nature of these calculations makes it difficult to forecast the amount of LTIP expenses that will be recorded in any period, as it is based upon a valuation model which considers several variables.

OTHER

Additional information concerning Chemtrade, including the AIF, is filed on SEDAR+ and can be accessed at www.sedarplus.ca.

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