



2024

Chemtrade Logistics Income Fund

2024 Second Quarter Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This MD&A should be read in conjunction with the unaudited Condensed Consolidated Interim Financial Statements of Chemtrade for the three and six months ended June 30, 2024, the audited consolidated financial statements of Chemtrade for the year ended December 31, 2023 and the annual MD&A for the year ended December 31, 2023.

Chemtrade's financial statements are prepared in accordance with IFRS Accounting Standards ("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 August 14, 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 40.

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 38.

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 47.

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About Chemtrade

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

Sulphur and Water Chemicals (SWC) and Electrochemicals (EC).

SWC markets, removes and/or produces merchant, Regen and ultra pure sulphuric acid, sodium hydrosulphite, elemental sulphur, 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, ferric sulphate, and sodium nitrite. SWC products are marketed primarily to North American customers.

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

FINANCIAL HIGHLIGHTS

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

(\$'000 except per unit amounts)	<u>Three months ended</u>		<u>Six Months ended</u>	
	<u>June 30,</u> <u>2024</u>	<u>June 30,</u> <u>2023</u>	<u>June 30,</u> <u>2024</u>	<u>June 30,</u> <u>2023</u>
Revenue	\$ 448,096	\$ 469,973	\$ 866,330	\$ 941,218
Net earnings	\$ 14,599	\$ 87,325	\$ 56,554	\$ 166,858
Net earnings per unit ⁽¹⁾	\$ 0.12	\$ 0.75	\$ 0.48	\$ 1.44
Diluted net earnings per unit ⁽¹⁾	\$ 0.12	\$ 0.57	\$ 0.48	\$ 0.90
Total assets	\$2,179,955	\$2,134,035	\$2,179,955	\$2,134,035
Long-term debt	\$ 311,881	\$ 368,128	\$ 311,881	\$ 368,128
Convertible unsecured subordinated debentures	\$ 455,395	\$ 435,424	\$ 455,395	\$ 435,424
Adjusted EBITDA ⁽²⁾	\$ 115,112	\$ 144,202	\$ 225,046	\$ 275,871
Cash flows from operating activities	\$ 102,152	\$ 119,318	\$ 104,564	\$ 173,690
Distributable cash after maintenance capital expenditures ⁽²⁾	\$ 47,773	\$ 95,461	\$ 107,667	\$ 183,036
Distributable cash after maintenance capital expenditures per unit ^{(1) (2)}	\$ 0.41	\$ 0.82	\$ 0.92	\$ 1.58
Distributions declared	\$ 19,333	\$ 17,503	\$ 38,666	\$ 34,943
Distributions declared per unit ⁽³⁾	\$ 0.165	\$ 0.150	\$ 0.330	\$ 0.300
Distributions paid, net of distributions reinvested	\$ 19,333	\$ 14,521	\$ 37,036	\$ 29,229

⁽¹⁾ Based on weighted average number of units outstanding for the period.

⁽²⁾ See [Non-IFRS and Other Financial Measures](#) on page 40.

⁽³⁾ Based on actual number of units outstanding on record date.

SECOND QUARTER 2024 HIGHLIGHTS

- Second quarter results were stronger than expected and this momentum is continuing into the third quarter. As a result, we are raising our 2024 Adjusted EBITDA guidance. We now expect it to be in the range of \$430.0 - \$460.0 million, see [Financial Outlook](#) on page 31.
- Revenue of \$448.1 million, a decrease of \$21.9 million or 4.7% year-over-year. Excluding a \$10.5 million negative impact from the biennial maintenance turnaround at the North Vancouver chlor-alkali facility in Q2 2024 and \$12.0 million in the prior year period related to the P₂S₅ business sold in Q4 2023, revenue in the second quarter of 2024 was similar to the same quarter of 2023.
- Adjusted EBITDA of \$115.1 million, a decrease of \$29.1 million or 20.2% year-over-year as compared to record quarterly Adjusted EBITDA reported in the prior year period. Excluding a \$17.9 million negative impact from the biennial maintenance turnaround at the North Vancouver chlor-alkali facility in Q2 2024, Adjusted EBITDA decreased by \$11.2 million or 7.8% year-over-year.
- Net earnings of \$14.6 million, a decrease of \$72.7 million, mainly due to lower Adjusted EBITDA, higher net finance costs and higher income tax expense.
- Cash flows from operating activities of \$102.2 million, a decrease of \$17.2 million or 14.4% year-over-year mainly due to lower Adjusted EBITDA partially offset by lower income taxes paid and changes in working capital.
- Distributable cash after maintenance capital expenditures of \$47.8 million, a decrease of \$47.7 million or 50.0% year-over-year, reflecting lower cash flows from operating activities, higher maintenance capital expenditures and a decrease in working capital.
- We maintained a strong balance sheet during the quarter, with a Net debt to LTM Adjusted EBITDA¹ ratio of 2.0x, US\$408.1 million undrawn on our revolving credit facilities, and \$35.3 million of cash on hand at the end of Q2 2024.
- We executed a substantial issuer bid (SIB), under which the Fund offered to purchase for cancellation up to all of the issued and outstanding Fund 2020 8.50% Debentures due September 30, 2025. The Fund took up the \$28.3 million aggregate principal amount of Fund 2020 8.50% Debentures that were tendered for total consideration of \$37.6 million.
- We commenced a normal course issuer bid (NCIB) under which the Fund is authorized to purchase up to 11,672,524 of its units.

¹ Net Debt to LTM Adjusted EBITDA is a supplementary financial measure. See [Non-IFRS and Other Financial Measures](#)

SIX MONTHS 2024 HIGHLIGHTS

- Revenue of \$866.3 million, a decrease of \$74.9 million or 8.0% year-over-year. Excluding a \$10.5 million negative impact from the biennial maintenance turnaround at the North Vancouver chlor-alkali facility in 2024 and \$23.2 million in the prior year period related to the P₂S₅ business sold in Q4 2023, revenue decreased by \$41.2 million or 4.4% year-over-year. The decrease in revenue was primarily driven by lower selling prices for caustic soda, lower volumes and selling prices for merchant acid and lower selling prices and volumes for sodium nitrite, partially offset by higher selling prices for chlorine, HCl, sodium chlorate and water products.
- Adjusted EBITDA of \$225.0 million, a decrease of \$50.8 million or 18.4% relative to Adjusted EBITDA reported in the prior year period. Excluding a \$17.9 million negative impact from the biennial maintenance turnaround at the North Vancouver chlor-alkali facility in 2024, Adjusted EBITDA decreased by \$32.9 million or 11.9% year-over-year.
- Net earnings of \$56.6 million, a decrease of \$110.3 million, mainly due to lower Adjusted EBITDA, higher net finance costs and higher income tax expense.
- Cash flows from operating activities of \$104.6 million, a decrease of \$69.1 million or 39.8% year-over-year mainly due to lower Adjusted EBITDA and changes in working capital, partially offset by lower income taxes paid.
- Distributable cash after maintenance capital expenditures of \$107.7 million, a decrease of \$75.4 million or 41.2% year-over-year, reflecting lower cash flows from operating activities and higher maintenance capital expenditures.
- In January 2024, the monthly distribution rate was increased by 10% to \$0.055 per unit or \$0.660 per unit per year.

RECENT DEVELOPMENTS

Substantial Issuer Bid

On June 25, 2024, the Fund commenced a substantial issuer bid (SIB), under which the Fund offered to purchase for cancellation up to all of the issued and outstanding Fund 2020 8.50% Debentures due September 30, 2025. The purchase price under the SIB was \$1,300 in cash per \$1,000 principal amount of Fund 2020 8.50% Debentures. On July 31, 2024, the SIB expired with a total of \$28.3 million aggregate principal amount of Fund 2020 8.50% Debentures tendered for total consideration of \$37.6 million, representing a purchase price of \$1,300 per \$1,000 principal amount of Debentures, plus all accrued and unpaid interest thereon to, but excluding the payment date. We intend to exercise our early redemption rights by providing a formal notice of redemption to the holders of the remaining \$57.1 million of Debentures in the latter half of August 2024 in accordance with the terms of the trust indenture at a price of \$1,000 per Debenture plus accrued and unpaid interest.

Normal Course Issuer Bid

We have implemented an NCIB, which enables us to, from time to time, purchase a portion of our units with available funds that are not required for operations or investment. Under the NCIB, we are authorized to purchase up to 11,672,524 of our units over a 12 month period ending June 2, 2025. As of June 30, 2024, no purchases were made as part of the NCIB. The Fund's automatic share purchase plan under the NCIB was suspended for the duration of the SIB which expired on July 31, 2024. For the period from August 1, 2024 to August 13, 2024, 546,700 units at an average price of \$9.29 per unit were purchased by the Fund.

Cessation of Sodium Chlorate production at Prince George Plant

Chemtrade has decided to cease sodium chlorate production at its Prince George, BC facility, following an announced production curtailment by the plant's principal customer earlier this year. The facility will be converted into a sodium chlorate dissolving operation, which is expected to be completed during the third quarter of 2024. The remaining chlorate volumes required by the principal customer will be supplied by dissolving sodium chlorate produced at our Brandon facility. This operations cessation will be conducted in a manner that will allow for a return to service should market conditions change and is not anticipated to have a material financial impact.

CONSOLIDATED OPERATING RESULTS

	Q2 2024 vs Q2 2023	YTD 2024 vs YTD 2023
F/X Rate	US\$1.00 = \$1.37 in 2024 compared with US\$1.00 = \$1.34 in 2023. The weaker Canadian dollar during 2024 compared with 2023 did not have a significant impact on consolidated revenue, gross profit and Adjusted EBITDA.	US\$1.00 = \$1.36 in 2024 compared with US\$1.00 = \$1.35 in 2023. The weaker Canadian dollar during 2024 compared with 2023 did not have a significant impact on consolidated revenue, gross profit and Adjusted EBITDA.
General Comments	The biennial maintenance turnaround at the North Vancouver chlor-alkali plant during the second quarter of 2024 had a negative impact of approximately \$10.5 million on revenue and approximately \$17.9 million on gross profit and Adjusted EBITDA. Revenue for the three and six months ended June 30, 2023 includes revenue of \$12.0 million and \$23.2 million, respectively, related to the P₂S₅ business which was sold in the fourth quarter of 2023.	
Revenue	Consolidated revenue for 2024 was \$448.1 million, which was \$21.9 million lower than revenue for 2023. Excluding the impact of the maintenance turnaround at North Vancouver and revenue related to the P₂S₅ business as noted above, revenue was similar to 2023. Key factors that affected revenue were: • higher selling prices for sodium chlorate, HCl and chlorine as well as higher sales volumes of sodium chlorate in the EC segment, and • higher selling prices for water solutions products and higher volumes of Regen acid in the SWC segment, partially offset by: • significantly lower selling prices for caustic soda in the EC segment, • lower volumes and selling prices of sodium nitrite in the SWC segment, and • lower selling prices for merchant acid and Regen acid in the SWC segment.	Consolidated revenue for 2024 was \$866.3 million, which was \$74.9 million lower than revenue for 2023. Excluding the impact of the maintenance turnaround at North Vancouver and revenue related to the P₂S₅ business as noted above, revenue was \$41.2 million lower primarily due to: • significantly lower selling prices for caustic soda and lower sales volumes of sodium chlorate in the EC segment, • lower volumes and selling prices for merchant acid in the SWC segment, and • lower volumes and selling prices of sodium nitrite in the SWC segment, partially offset by: • higher selling prices for chlorine, HCl and sodium chlorate in the EC segment, and • higher selling prices for water solutions products in the SWC segment.

Adjusted EBITDA	Adjusted EBITDA for 2024 was \$29.1 million lower than the Adjusted EBITDA for 2023. Excluding the impact of the maintenance turnaround at North Vancouver as noted above, Adjusted EBITDA was \$11.2 million lower primarily due to: • significantly lower selling prices for caustic soda in the EC segment, • lower gross profit for sodium nitrite in the SWC segment, and • higher Corporate costs, partially offset by: • increased Adjusted EBITDA for sodium chlorate, HCl and chlorine in the EC segment, and • an improvement in margins for water solutions products and higher volumes of Regen acid in the SWC segment.	Adjusted EBITDA for 2024 was \$50.8 million lower than the Adjusted EBITDA for the same period of 2023. Excluding the impact of the maintenance turnaround at North Vancouver as noted above, Adjusted EBITDA was \$32.9 million lower primarily due to: • significantly lower selling prices for caustic soda in the EC segment, • lower gross profit for sodium nitrite in the SWC segment, and • higher Corporate costs. partially offset by: • increased Adjusted EBITDA for sodium chlorate, HCl and chlorine in the EC segment, and • an improvement in margins for water solutions products and higher volumes of Regen acid in the SWC segment.
Net Earnings (loss)	Net earnings for 2024 were \$72.7 million lower than 2023 primarily due to: • lower Adjusted EBITDA, and • higher net finance costs during 2024 (see Net Finance Costs on page 17), and • higher income tax expense recorded during 2024 (see Income Taxes on page 18). partially offset by: • lower depreciation and amortization expense.	Net earnings for 2024 were \$110.3 million lower than 2023 primarily due to: • lower Adjusted EBITDA, • net finance expense during 2024 compared with net finance income during 2023 (see Net Finance Costs on page 17), and • higher income tax expense recorded during 2024 compared with the same period of 2023 (see Income Taxes on page 18). partially offset by: • lower depreciation and amortization expense.

RESULTS OF OPERATIONS BY REPORTABLE SEGMENT

SULPHUR AND WATER CHEMICALS (SWC)

(\$'000)	<u>Three months ended</u>		<u>Six months ended</u>	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenue	\$ 266,928	\$ 280,288	\$ 497,553	\$ 542,824
Gross profit	60,347	49,073	94,768	79,767
Adjusted EBITDA	78,243	73,226	129,624	128,664

SWC OPERATING RESULTS		
	Q2 2024 vs Q2 2023	YTD 2024 vs YTD 2023
F/X Rate	US\$1.00 = \$1.37 in 2024 compared to 1.34 in 2023. The weaker Canadian dollar during 2024 compared with 2023 did not have a significant impact on consolidated revenue, gross profit and Adjusted EBITDA.	US\$1.00 = \$1.36 in 2024 compared to 1.35 in 2023. The weaker Canadian dollar during 2024 compared with 2023 did not have a significant impact on consolidated revenue, gross profit and Adjusted EBITDA.
Revenue	Revenue for 2024 was \$13.4 million lower than revenue for 2023. Revenue for 2023 includes \$12.0 million related to the P₂S₅ business which was sold in the fourth quarter of 2023. Other factors driving the lower revenue for 2024 are: • lower volumes and selling prices of sodium nitrite, and • lower selling prices for merchant acid and Regen acid, partially offset by: • higher selling prices of water solutions products, and • higher volumes of Regen acid.	Revenue for 2024 was \$45.3 million lower than revenue for 2023. Revenue for 2023 includes \$23.2 million related to the P₂S₅ business which was sold in the fourth quarter of 2023. Other factors driving the lower revenue for 2024 are: • lower volumes and selling prices for merchant acid, and • lower volumes and selling prices of sodium nitrite, partially offset by: • higher selling prices of water solutions products.

Adjusted EBITDA	Adjusted EBITDA for 2024 was \$5.0 million higher than Adjusted EBITDA for 2023 primarily due to: • an improvement in margins of water solutions products, and • higher volumes of Regen acid, partially offset by: • lower margins for sodium nitrite.	Adjusted EBITDA for 2024 was \$1.0 million higher than Adjusted EBITDA for 2023 primarily due to: • an improvement in margins of water solutions products, and • higher volumes of Regen acid, partially offset by: • lower margins for sodium nitrite.
Gross Profit	Gross profit for 2024 was \$60.3 million, which was \$11.3 million higher than gross profit for 2023 primarily due to: • the factors that affected Adjusted EBITDA, and • lower depreciation and amortization expense during 2024.	Gross profit for 2024 was \$94.8 million, which was \$15.0 million higher than gross profit for 2023 primarily due: • the factors that affected Adjusted EBITDA, and • lower depreciation and amortization expense during 2024.

ELECTROCHEMICALS (EC)

(\$'000)	<u>Three months ended</u>		<u>Six months ended</u>	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
North American sales volumes:				
Sodium chlorate sales volumes (000's MT)	70	62	140	144
Chlor-alkali sales volumes (000's MECU)	39	48	82	91
Revenue	\$ 181,168	\$ 189,685	\$ 368,777	\$ 398,394
Gross profit	48,256	70,915	111,877	150,076
Adjusted EBITDA	65,105	93,317	147,600	193,211

EC OPERATING RESULTS		
	Q2 2024 vs Q2 2023	YTD 2024 vs YTD 2023
F/X Rate	US\$1.00 = \$1.37 in 2024 compared with US\$1.00 = \$1.34 in 2023. The weaker Canadian dollar during 2024 compared with 2023 did not have a significant impact on consolidated revenue, gross profit and Adjusted EBITDA.	US\$1.00 = \$1.36 in 2024 compared with US\$1.00 = \$1.35 in 2023. The weaker Canadian dollar during 2024 compared with 2023 did not have a significant impact on consolidated revenue, gross profit and Adjusted EBITDA.
General Comments	The biennial maintenance turnaround at the North Vancouver chlor-alkali plant during the second quarter of 2024 had a negative impact of approximately \$10.5 million on revenue and approximately \$17.9 million on gross profit and Adjusted EBITDA.	

Revenue	Revenue for 2024 was \$181.2 million, which was \$8.5 million lower than revenue for 2023. Excluding the impact of the maintenance turnaround at North Vancouver as noted above, revenue was \$2.0 million higher primarily due to: • higher sales volumes and selling prices of sodium chlorate, and • higher selling prices for HCl and chlorine, partially offset by: • significantly lower selling prices for caustic soda. MECU netbacks declined by approximately \$110. Higher netbacks for HCl and to a lesser extent, chlorine offset approximately 50% of the decline in caustic soda.	Revenue for 2024 was \$368.8 million, which was \$29.6 million lower than revenue for 2023. Excluding the impact of the maintenance turnaround at North Vancouver as noted above, revenue was \$19.1 million lower primarily due to: • significantly lower selling prices for caustic soda, and • lower sales volumes of sodium chlorate, partially offset by: • higher selling prices for sodium chlorate, HCl and chlorine. MECU netbacks declined by approximately \$180. Higher netbacks for HCl and to a lesser extent, chlorine offset approximately 35% of the decline in caustic soda.
Adjusted EBITDA	Adjusted EBITDA for 2024 was \$65.1 million, which was \$28.2 million lower than Adjusted EBITDA for 2023. Excluding the impact of the maintenance turnaround at North Vancouver as noted above, Adjusted EBITDA was \$10.3 million lower primarily due to: • significantly lower caustic soda prices, partially offset by: • higher sales volumes and selling prices of sodium chlorate, and • higher selling prices for HCl and chlorine. MECU netbacks declined by approximately \$110. Higher netbacks for HCl and to a lesser extent, chlorine offset approximately 50% of the decline in caustic soda.	Adjusted EBITDA for 2024 was \$147.6 million, which was \$45.6 million lower than Adjusted EBITDA for 2023. Excluding the impact of the maintenance turnaround at North Vancouver as noted above, Adjusted EBITDA was \$27.7 million lower primarily due to: • significantly lower caustic soda prices, and • lower sales volumes of sodium chlorate, partially offset by: • higher selling prices of sodium chlorate, and • higher selling prices for HCl and chlorine. MECU netbacks declined by approximately \$180. Higher netbacks for HCl and to a lesser extent, chlorine offset approximately 35% of the decline in caustic soda.

	EC OPERATING RESULTS	
	Q2 2024 vs Q2 2023	YTD 2024 vs YTD 2023
Gross Profit	Gross profit for 2024 was \$48.3 million, which was \$22.7 million lower than gross profit for 2023. Excluding the impact of the maintenance turnaround at North Vancouver, gross profit was \$4.8 million lower. The factors that affected Adjusted EBITDA also affected gross profit.	Gross profit for 2024 was \$111.9 million, which was \$38.2 million lower than gross profit for 2023. Excluding the impact of foreign exchange and the maintenance turnaround at North Vancouver, gross profit was \$20.3 million lower than 2023. The factors that affected Adjusted EBITDA also affected gross profit.

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.

	<u>Three months ended</u>		<u>Six months ended</u>	
<u>(\$'000)</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Corporate costs (Adjusted EBITDA)	(28,236)	(22,341)	(52,178)	(46,004)

	CORPORATE COSTS	
	Q2 2024 vs Q2 2023	YTD 2024 vs YTD 2023
Corporate costs	Corporate costs in Q2 2024 were higher primarily due to: • \$2.0 million higher LTIP costs, • \$0.6 million realized foreign exchange loss in 2024 compared to a \$1.0 million gain in 2023, • \$0.9 million higher short-term incentive compensation costs compared to 2023, and • \$1.4 million higher legal and other costs.	Corporate costs in 2024 were higher primarily due to: • \$1.2 million realized foreign exchange loss in 2024 compared to a \$0.4 million gain in 2023, • \$1.4 million higher LTIP costs, and • \$3.2 million higher legal and other costs.

Foreign Exchange

We have certain operating subsidiaries that use the USD as their functional currency. As we report in CAD, our reported net earnings are exposed to fluctuations in the CAD/USD exchange rate. If the CAD weakened by one-cent (for example, from \$1.37 to \$1.38 for US\$1.00), on an unhedged basis, this would have the impact as below:

Measure	Impact
Annual net earnings	+ \$2.8 million
Adjusted EBITDA	+ \$3.8 million
Annual distributable cash after maintenance capital expenditures	+ \$2.8 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 June 30, 2024 include future contracts to sell the following amounts for periods through to September 2025:

Amount (\$'000)	Maturity	Exchange rate
US\$38,315	Q3 2024	\$1.35
US\$30,247	Q4 2024	\$1.35
US\$24,000	Q1 2025	\$1.36
US\$15,000	Q2 2025	\$1.36
US\$8,000	Q3 2025	\$1.36

The purpose of these contracts is to manage foreign exchange risk on specific transactions in a foreign currency. The amount of the related derivative is recorded at fair value at the period end and is included with prepaid expense and other assets or trade and other payables on the Condensed Consolidated Interim Statements of Financial Position. The resultant non-cash charge or gain is included in selling and administrative expense. 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 40.

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, 2023 were a result of changes in the CAD/USD exchange rate between

December 31, 2023 and June 30, 2024. For the three and six months ended June 30, 2024, a foreign exchange loss of \$3.3 million and \$8.8 million, respectively, on the revaluation of the USD-denominated debt was recognized in other comprehensive income, compared with a foreign exchange gain of \$6.2 million and \$5.8 million, respectively, during the three and six months ended June 30, 2023.

The rate of exchange used to translate USD-denominated balances has increased from a rate of US\$1.00 = \$1.32 at December 31, 2023 to US\$1.00 = \$1.37 at June 30, 2024. The quarterly average rate of exchange has increased from US\$1.00 = \$1.34 during the second quarter of 2023 to US\$1.00 = \$1.37 in the second quarter of 2024. The average rate for the six months ended June 30, 2024 has increased from US\$1.00 = \$1.35 during the six months ended June 30, 2023 to US\$1.00 = \$1.36 in the six months ended June 30, 2024. See [Risks and Risk Management](#) on MD&A on page 33 for additional comments on foreign exchange.

NET FINANCE COSTS AND INCOME TAXES

Net Finance Costs

During the three and six months ended June 30, 2024, net finance costs were \$39.3 million and \$44.9 million, compared with net finance costs of \$5.5 million and net finance income of \$7.3 million, respectively during the same periods of 2023.

Q2 2024 vs Q2 2023	YTD 2024 vs YTD 2023
Net finance costs were \$33.8 million higher during 2024 relative to 2023. The increase was primarily due to: \$26.0 million of losses related to the change in fair value of Debentures in 2024 compared with \$5.3 million of gains in 2023, \$0.1 million of losses related to the change in the fair value of interest rate swaps during 2024 compared with \$1.6 million of gains in 2023, and - lower interest income. partially offset by: \$1.7 million lower interest on debentures.	Net finance costs were \$52.2 million higher during 2024 relative to 2023. The increase was primarily due to: \$19.4 million of losses related to the change in fair value of Debentures during 2024 compared with \$38.5 million of gains for 2023, partially offset by: \$5.0 million of transaction costs on the issuance of Debentures during 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 and six months ended June 30, 2024, the fair value of the Fund's Debentures increased by \$20.3 million and \$17.9 million, respectively.

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

(\$ million)	Recorded in	Three months ended June 30,			Six months ended June 30,		
		2024	2023	Variance	2024	2023	Variance
Increase (decrease) due to a change in risk free rate and a change in the conversion option fair value	Net finance costs	\$ 26.0	\$ (5.3)	\$ 31.3	\$ 19.4	\$ (38.5)	\$ 57.9
(Decrease) increase due to a change in our credit risk, net of taxes	Other comprehensive income	(3.7)	14.4	(18.1)	0.5	28.9	(28.4)
Tax (expense) recovery due to credit risk	Other comprehensive income	(2.0)	4.5	(6.5)	(2.0)	3.0	(5.0)
Increase (decrease) in fair value of Debentures		\$ 20.3	\$ 13.6	\$ 6.7	\$ 17.9	\$ (6.6)	\$ 24.5

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

The weighted average effective annual interest rate of the Credit Facilities at June 30, 2024 was 4.5% (December 31, 2023 - 3.5%). See [Liquidity and Capital Resources - Financial Instruments](#) for information concerning swap arrangements on page 21.

Income Taxes

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

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

	Q2 2024 vs Q2 2023	YTD 2024 vs YTD 2023
Income taxes	Income tax expense in 2024 was \$9.2 million more than the same period of 2023. The change was primarily due to: • a lower proportion of operating income offset by available tax losses in 2024 relative to the same period of 2023, • lower amounts of deferred tax recovery associated with the change in fair value of the Debentures in 2024 relative to 2023, and • impacts of unfavourable taxable foreign exchange and other taxable amounts in Brazil. partially offset by: • lower operating income in 2024 relative to the same period of 2023.	Income tax expense in 2024 was \$7.6 million more than the same period of 2023. The change was primarily due to: • a lower proportion of operating income offset by available tax losses in 2024 relative to the same period of 2023, • lower amounts of deferred tax recovery associated with the change in fair value of the Debentures in 2024 relative to 2023, and, • impacts of unfavourable taxable foreign exchange and other taxable amounts in Brazil, partially offset by: • lower operating income in 2024 relative to the same period of 2023.

As at June 30, 2024 vs December 31, 2023	
Deferred tax assets and liabilities	Net deferred tax assets decreased by \$5.1 million which was primarily due to: - utilization of loss carryforwards previously recognized as deferred tax assets to offset operating income earned in 2024, and - release of previously recognized deferred tax assets related to reversals of certain reserves for legal proceedings, 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 \$14.9 million in 2024 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 to 2024, we have recorded these payments as non-current income taxes receivable in the Condensed Consolidated Interim Statements of Financial Position. We have appealed this assessment by the CRA and the resolution of this matter in our favour would result in significant taxes paid on our account to be refunded. We believe that our asserted position is appropriate and would be sustained upon full examination by tax authorities and, if necessary, upon consideration by judicial process. The cumulative amount of taxes paid to CRA related to this matter is \$63.3 million.

Our income tax expense for the six months ended June 30, 2024 was \$22.9 million. As compared to the statutory tax rate of 25.3%, the tax expense was adversely impacted primarily by \$3.6 million of unfavourable taxable foreign exchange and other taxable amounts in Brazil, and \$3.6 million due to the impact of the non-recognition of deferred tax assets related to certain carryforward amounts of business interest expense deductions. This was partially offset by \$5.5 million net deferred tax impacts associated with the change in fair value of the Debentures and non-taxability to the Fund of the income distributed to Unitholders, and \$0.4 million net impacts of differences in applicable tax rates relative to the statutory rate and income earned in foreign jurisdiction taxed at lower rates under current tax incentives.

DISTRIBUTIONS

Distributions to Unitholders for the three and six months ended June 30, 2024 were declared as follows:

Record Date	Payment Date	Distribution Per Unit ⁽¹⁾		Total (\$'000)
Three months ended June 30:				
April 30, 2024	May 31, 2024	\$	0.055	\$ 6,444
May 31, 2024	June 28, 2024		0.055	6,444
June 28, 2024	July 31, 2024		0.055	6,445
Sub-total			0.165	19,333
Three months ended March 31, 2024		\$	0.165	\$ 19,333
Total for the six months ended June 30, 2024		\$	0.330	\$ 38,666

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

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

Record Date	Payment Date	Distribution Per Unit ⁽¹⁾		Total (\$'000)
Three months ended June 30:				
April 28, 2023	May 26, 2023	\$	0.050	\$ 5,828
May 31, 2023	June 27, 2023		0.050	5,834
June 30, 2023	July 26, 2023		0.050	5,841
Sub-total			0.150	17,503
Three Months Ended March 31, 2023		\$	0.150	\$ 17,440
Total for the six months ended June 30, 2023		\$	0.300	\$ 34,943

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

Treatment of our distributions for Canadian income tax purposes for 2023 and 2024 is as follows:

	Other Income	Dividends ⁽¹⁾	Foreign Non-Business Income	Total
2023	6.0%	24.0%	70.0%	100%
2024 ⁽²⁾	6.0%	31.0%	63.0%	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 2024 distributions will be determined by March 3, 2025.

CASH FLOWS

(\$'000)	<u>Three months ended</u>		<u>Six months ended</u>	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net cash flows from (used in):				
Operating activities	\$ 102,152	\$ 119,318	\$ 104,564	\$ 173,690
Investing activities	(44,248)	(33,564)	(79,475)	(61,467)
Financing activities	(50,408)	(183,569)	(12,071)	(149,822)
Increase in cash and cash equivalents	7,496	(97,815)	13,018	(37,599)
Effect of exchange rates on cash held in foreign currencies	234	(556)	731	(626)
Cash and cash equivalents, beginning of the period	27,543	132,715	21,524	72,569
Cash and cash equivalents, end of the period	\$ 35,273	\$ 34,344	\$ 35,273	\$ 34,344

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.

	Q2 2024 vs Q2 2023	YTD 2024 vs YTD 2023
Operating Activities	Cash flows from operating activities in 2024 were an inflow of \$102.2 million, compared with \$119.3 million for the same period of 2023. The decrease in cash flows from operating activities of \$17.2 million was primarily due to lower Adjusted EBITDA, partially offset by lower income taxes paid and changes in working capital.	Cash flows from operating activities in 2024 were an inflow of \$104.6 million, compared with \$173.7 million for the same period of 2023. The decrease in cash flows from operating activities of \$69.1 million was primarily due to lower Adjusted EBITDA and changes in working capital, partially offset by lower income taxes paid.
Investing Activities	Capital expenditures were \$44.2 million in 2024, compared with \$33.6 million for the same period in 2023. These amounts included \$26.6 million during 2024 and \$17.3 million in 2023 for maintenance capital expenditures ¹ . Non-maintenance capital expenditures ² were \$17.6 million in 2024, compared with \$16.3 million in 2023. Most of the non-maintenance capital spending during the 2024 was for the ultrapure sulphuric acid business, primarily for the expansion at our facility in Cairo, OH.	Capital expenditures were \$79.5 million in 2024, compared with \$61.5 million in 2023. These amounts included \$42.0 million in 2024 and \$34.9 million in 2023 for maintenance capital expenditures ¹ . Non-maintenance capital expenditures ² were \$37.5 million in 2024, compared with \$26.6 million in 2023. Most of the non-maintenance capital spending during 2024 was for the ultrapure sulphuric acid business, primarily for the expansion at our facility in Cairo, OH.

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](#)

	Q2 2024 vs Q2 2023	YTD 2024 vs YTD 2023
Financing Activities	Cash flows from financing activities in 2024 were an outflow of \$50.4 million, compared with an outflow of \$183.6 million for the same period of 2023. The increase in cash from financing activities of \$133.2 million was primarily due to the redemption in 2023 of the Fund 2017 4.75% Debentures, partially offset by the net decrease in borrowings from our Credit Facilities and higher distributions to unitholders.	Cash flows from financing activities in 2024 were an outflow of \$12.1 million, compared with an outflow of \$149.8 million for the same period of 2023. The decrease in cash used in financing activities of \$137.8 million was primarily due to the redemption of the Fund 2017 4.75% Debentures and net increase to borrowings from our Credit Facilities, partially offset by the issuance of the Fund 2023 7.00% Debentures and higher distributions to unitholders.

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.

There was a net decrease in borrowings from our Credit Facilities of \$13.9 million and a net increase in borrowings of \$56.8 million during the three and six months ended June 30, 2024 respectively, compared with a net increase of \$46.6 million and \$4.1 million during the same period of 2023. The decrease in borrowings for the second quarter of 2024 was a result of cash from operating activities. During the first quarter of 2023, a portion of the proceeds from the Fund 2023 7.00% Debentures were used to reduce borrowings from our Credit Facilities.

Distributions paid to Unitholders, net of distributions reinvested during the three and six months ended June 30, 2024 were \$19.3 million and \$37.0 million, respectively compared to \$14.5 million and \$29.2 million for the same periods of 2023. The increase in distributions paid for the three and six months ended June 30, 2024 relative to 2023 was primarily due to the discontinuation of the DRIP and an increase in monthly distributions from \$0.050 per unit to \$0.055 per unit effective with the distribution declared in January 2024.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

At June 30, 2024, we had cash and cash equivalents of \$35.3 million (December 31, 2023 - \$21.5 million) and Net working capital¹ deficit of \$37.1 million (December 31, 2023 - \$83.8 million). The Net working capital deficiency is amply covered by availability on the Credit Facilities. 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, growth initiatives, 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 growth opportunities. See [Capital Resources](#) below for more details.

Capital Resources

(\$'000)	June 30, 2024	December 31, 2023
Long-term debt ⁽¹⁾	\$ 311,881	\$ 246,545
Debentures ⁽¹⁾	425,507	425,552
Total debt ⁽²⁾	\$ 737,388	\$ 672,097

⁽¹⁾ Principal outstanding amount

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

At June 30, 2024, we had Credit Facilities of approximately \$889.1 million (US\$650.0 million). At June 30, 2024, we had drawn \$311.9 million on our Credit Facilities. Additionally, we had committed a total of \$19.1 million of our Credit Facilities towards standby letters of credit. At June 30, 2024, we had undrawn US\$408.1 million on our Credit Facilities.

In March 2024, we amended our Credit Facilities to replace Canadian Bankers' Acceptance rate with CORRA.

¹ Net working capital is a non-IFRS measure. See [Non-IFRS and Other Financial Measures](#)

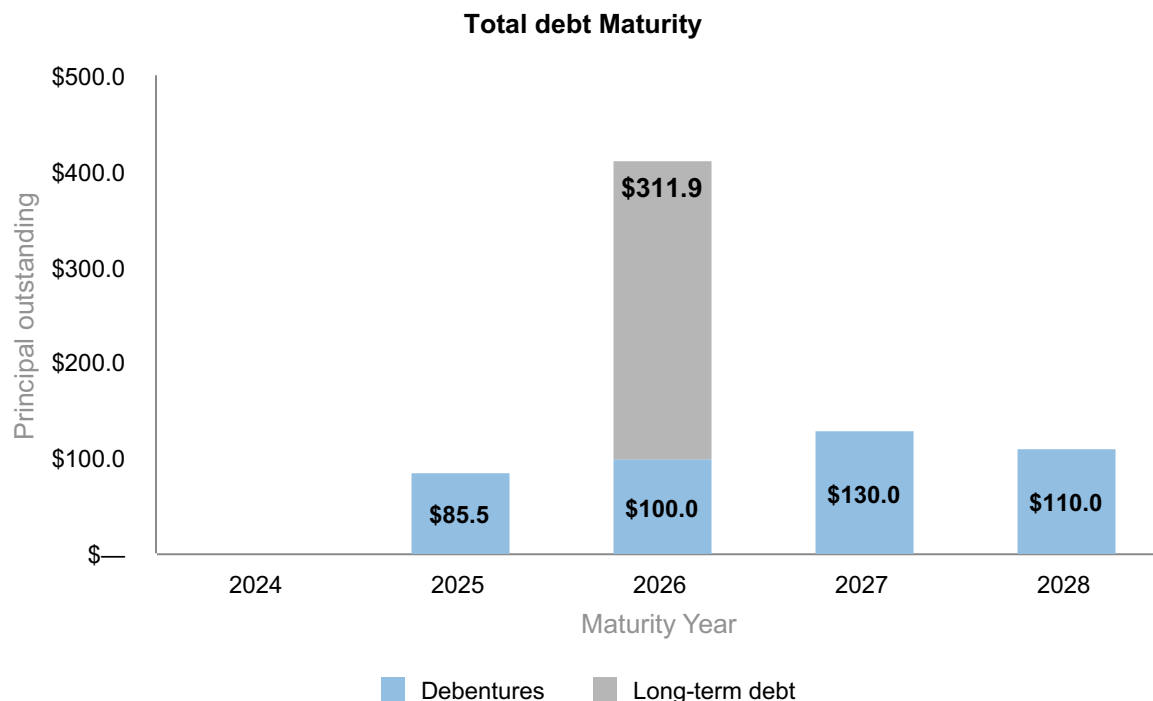
Effective January 1, 2024, we have presented the Debentures as current liabilities in the Condensed Consolidated Interim Statements of Financial Position in accordance with amendments to IAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*. Since the amendments are applicable retrospectively, we have restated the December 31, 2023 Condensed Consolidated Interim Statements of Financial Position by re-classifying the Debentures from non-current to current liabilities. While these are presented as current liabilities, Debenture holders do not have the right to demand their repayment prior to their maturity date, which for all the outstanding series of Debentures is more than one year in the future. However, Debenture holders have the right to convert Debentures into units at predetermined prices, thus, the Debentures are classified as current liabilities (see [Recent Developments](#) on page 6 and [Standards and Interpretations](#) on page 35).

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	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 June 30, 2024	\$ 100.0	\$ 85.5	\$ 130.0	\$ 110.0	\$ 425.5 ⁽¹⁾
Conversion Price per unit	\$ 15.80	\$ 7.35	\$ 10.00	\$ 12.85	

⁽¹⁾ At June 30, 2024, the market value of the outstanding Debentures was \$455.4 million.

The graph below shows the maturity of our Total debt:



Debt Covenants

As at June 30, 2024, 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 cashflow hedges and 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. The accumulated balance of the change in fair value of the interest rate swaps in other comprehensive income at the time the swaps were de-designated will be reclassified to net earnings until October 2024. For the three and six months ended June 30, 2024, we reclassified \$1.8 million and \$3.5 million, respectively (2023 - \$1.8 million and \$3.5 million, respectively) from other comprehensive income to net earnings. As a result of discontinuing hedge accounting, all subsequent changes in the fair value of the interest rate swaps are recognized in net earnings. For the three and six months ended June 30, 2024, we recognized a loss of \$0.1 million and \$0.8 million, respectively (2023 - gain of \$1.6 million and loss of \$2.3 million, respectively) in net earnings relating to the changes in the fair value of the swaps.

During the first quarter of 2024, we blended and extended our existing US\$175.0 million and US\$150.0 million interest rate swaps on our outstanding long-term debt. Effective January 24, 2024, the terms of these swaps were extended until December 2026 to align with the maturity date of our long-term debt and the aggregate amount of the swap was reduced to US\$175.0 million. As a result of the extension, we presented the fair value relating to the interest rate swap in Other assets under non-current assets compared to December 31, 2023 when these were presented in Prepaid expense and other assets in the Condensed Consolidated Interim Statements of Financial Position.

We hedge our investment in foreign operations that use the USD as their functional currency with our USD-denominated bank debt. Any foreign currency 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 foreign currency translation of the designated amount of USD-denominated debt and investment in foreign operations are recognized in other comprehensive income.

We have entered into cash-settled unit swap arrangements which fix the unit price on a portion of the RSU and PSU components of our LTIP awards and a portion of the deferred units awarded under the DUP. During the first quarter of 2023, we rolled over the hedged units maturing on March 31, 2023, into 2024, 2025 and 2026. During the first quarter of 2024, we rolled over the hedged units maturing on March 31, 2024, into 2025, 2026 and 2027. The RSU component of the LTIP awards is a phantom plan which is payable in cash at the end of the performance period. The PSU component of the LTIP awards gives a right to the participants to receive cash payments upon the achievement of performance goals during the performance periods. As at June 30, 2024, the notional number of units hedged was 2.4 million (December 31, 2023 - 2.4 million) with maturity dates ranging between March 2025 and March 2027. Distributions on the hedged units are notionally 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 RSU and PSU hedges are recognized in other comprehensive income.

However, the swaps which fix the unit price on deferred units are not formally designated as cash flow hedges and any changes in the fair value of the deferred units swaps are recognized in net earnings. As at June 30, 2024, the notional number of units not designated as hedges was 0.7 million (December 31, 2023 - 0.5 million) maturing in March 2025.

FINANCIAL CONDITION REVIEW

The Condensed Consolidated Interim Statements of Financial Position contain certain categories as set out below. Since December 31, 2023, there have been material variances in these categories, which are explained below.

(\$'000)	June 30, 2024	December 31, 2023	\$ Change	% Change
ASSETS				
Cash and cash equivalents	\$ 35,273	\$ 21,524	13,749	64
Prepaid expenses and other assets	14,206	24,981	(10,775)	(43)
Income taxes receivable	63,304	48,381	14,923	31
LIABILITIES and UNITHOLDERS' EQUITY				
Trade and other payables	254,766	299,351	(44,585)	(15)
Long-term debt	311,881	246,545	65,336	27

Cash and cash equivalents	Increase is due to the cash flows from operating activities, partially offset by the cash flows used in financing and investing activities.
Prepaid expenses and other assets	Decrease is primarily due to the fair value of the interest rate swaps presented as non-current assets as of June 30, 2024 compared to current assets as of December 31, 2023 and foreign exchange contract liabilities compared to foreign exchange contract assets in 2023, partially offset by an increase in the current portion of the fair value of cash-settled unit swaps.
Income taxes receivable	Increase is primarily due to Canadian income taxes paid relating to the 2023 and 2024 taxation years. We are disputing the deductibility of certain Canadian tax losses with the CRA which would offset the taxes owed for 2021, 2022, 2023 and 2024. 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.
Trade and other payables	Decrease is primarily due to the payment of 2021 - 2023 LTIP awards and short-term incentive compensation relating to 2023 during the first six months of 2024 and payments made during first quarter of 2024 relating to Q4 2023 capital expenditures which were unpaid as of December 31, 2023, partially offset by the reclassification of the accrual for the 2022 - 2024 LTIP awards from long-term liabilities to current liabilities.
Long-term debt	Increase is primarily due to draws on our Credit Facilities for capital expenditures and to cover the working capital deficiency.

SUMMARY OF QUARTERLY RESULTS

(\$ millions)	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Revenue	\$ 448.1	\$ 418.2	\$ 422.0	\$ 483.5	\$ 470.0	\$ 471.3	\$ 456.7	\$ 519.9
Cost of sales and services	(339.5)	(320.2)	(359.9)	(354.9)	(350.0)	(361.4)	(370.7)	(410.7)
Gross profit	108.6	98.0	62.1	128.6	120.0	109.9	86.0	109.2
Selling and administrative expenses:								
Unrealized foreign exchange (loss) gain	(2.1)	(5.2)	8.2	(5.3)	4.3	3.8	10.9	(17.2)
Realized foreign exchange (loss) gain	(3.5)	(1.4)	0.7	(1.2)	2.5	(0.4)	(3.3)	(2.8)
LTIP	(6.0)	(3.6)	(5.2)	(4.0)	(4.0)	(4.1)	(6.9)	(3.8)
Other	(32.5)	(28.0)	(34.6)	(33.1)	(28.0)	(27.8)	(28.2)	(23.1)
Total selling and administrative expenses	(44.1)	(38.2)	(30.9)	(43.6)	(25.2)	(28.5)	(27.5)	(46.8)
Gain on disposal of assets	—	—	24.3	—	—	—	—	—
Share of loss from joint venture	—	—	—	(0.1)	(0.6)	(0.7)	(0.4)	—
Operating income	64.5	59.8	55.5	85.0	94.2	80.7	58.1	62.3
Net finance costs:								
Change in fair value of Debentures	(26.0)	6.6	(19.2)	14.5	5.3	33.2	(25.2)	28.8
Transaction costs on issuance of Debentures	—	—	—	—	—	(5.0)	—	—
Income reclassified from other comprehensive income	1.8	1.8	1.8	1.8	1.8	1.8	1.8	4.2
Change in the fair value of interest rate swaps	(0.1)	(0.7)	(5.7)	(2.1)	1.6	(3.9)	0.9	7.9
Other	(15.0)	(13.3)	(10.6)	(11.8)	(14.2)	(13.4)	(14.7)	(15.0)
Total net finance costs	(39.3)	(5.6)	(33.7)	2.4	(5.5)	12.7	(37.2)	25.9
Income tax (expense) recovery	(10.6)	(12.2)	(10.1)	(16.7)	(1.4)	(13.9)	(32.7)	(12.9)
Net earnings (loss)	\$ 14.6	\$ 42.0	\$ 11.7	\$ 70.8	\$ 87.3	\$ 79.5	\$ (11.7)	\$ 75.3
Adjusted EBITDA	\$ 115.1	\$ 109.9	\$ 84.6	\$ 142.1	\$ 144.2	\$ 131.7	\$ 104.3	\$ 137.1
Net earnings (loss) per unit	\$ 0.12	\$ 0.36	\$ 0.10	\$ 0.61	\$ 0.75	\$ 0.69	\$ (0.10)	\$ 0.69
Diluted net earnings (loss) per unit	\$ 0.12	\$ 0.25	\$ 0.10	\$ 0.41	\$ 0.57	\$ 0.32	\$ (0.10)	\$ 0.38

Below are some of the key items that had a significant impact on financial results over the last eight quarters.

Revenue and Gross Profit

Gross profit for the second quarter of 2024 relative to 2023 was lower due to lower gross profit in the EC segment because of the the impact of the maintenance turnaround at North Vancouver, partially offset by an improvement in margins of water solutions products. Gross profit for Q4 2023 was low due to lower gross profit for sodium nitrite and merchant sulphuric acid in the SWC segment and significantly lower selling prices for caustic soda and lower volumes of sodium chlorate in the EC 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 reclassified 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 August 13, 2024 and June 30, 2024, the following units and securities convertible into our units were issued and outstanding:

	Maturity	August 13, 2024		June 30, 2024	
		Convertible Securities	Units	Convertible Securities	Units
Units outstanding			116,640,078		117,172,629
8.50% Debentures ⁽¹⁾	September 30, 2025	57,115	7,770,748	85,507	11,633,608
6.50% Debentures ⁽²⁾	October 31, 2026	100,000	6,329,114	100,000	6,329,114
6.25% Debentures ⁽³⁾	August 31, 2027	130,000	13,000,000	130,000	13,000,000
7.00% Debentures ⁽⁴⁾	June 30, 2028	110,000	8,560,311	110,000	8,560,311
Units outstanding and issuable upon conversion of Debentures			152,300,251		156,695,662
Deferred units plan ⁽⁵⁾⁽⁶⁾		\$ 7,151	760,736	\$ 6,989	756,360
Units outstanding and issuable upon conversion of Debentures and Deferred units			153,060,987		157,452,022

⁽¹⁾ Convertible at \$7.35 per unit

⁽²⁾ Convertible at \$15.80 per unit

⁽³⁾ Convertible at \$10.00 per unit

⁽⁴⁾ Convertible at \$12.85 per unit

⁽⁵⁾ Based on \$9.40 and \$9.24, the closing price of a unit on the TSX on August 13, 2024 and June 30, 2024, respectively

⁽⁶⁾ 239,264 and 243,640 deferred units were available for future grants as at August 13, 2024 and June 30, 2024, respectively

CONTRACTUAL OBLIGATIONS

Information concerning contractual obligations at June 30, 2024 is shown below:

Contractual Obligations (\$'000)	Total	Less Than 1 Year	2-3 Years	4-5 Years	After 5 Years
Long-term debt	\$ 311,881	\$ —	\$ 311,881	\$ —	\$ —
Debentures	425,507	—	185,507	240,000	—
Purchase commitments	97,922	54,671	43,251	—	—
Interest on Debentures	80,825	29,593	42,152	9,080	—
Interest on long-term debt	35,107	14,128	20,979	—	—
Lease payments	204,857	59,266	91,458	44,511	9,622
Trade and other payables	254,766	254,766	—	—	—
Distributions payable	6,445	6,445	—	—	—
Total contractual obligations	\$ 1,417,310	\$ 418,869	\$ 695,228	\$ 293,591	\$ 9,622

FINANCIAL OUTLOOK

Given stronger than expected results during the first half of 2024 and continued momentum into the third quarter of 2024, we have increased our expectations for full-year 2024 Adjusted EBITDA. We now expect our 2024 Adjusted EBITDA to be within the range of \$430.0 million and \$460.0 million, as compared to our previous guidance range of between \$395.0 million and \$435.0 million. At the midpoint of guidance, this represents an increase of approximately 7% from the midpoint of previous guidance. While our Adjusted EBITDA in 2024 is still expected to be below the record high 2023 level, achieving this updated guidance would make 2024 our second highest year for Adjusted EBITDA on record. We believe that this latest increase to our expectations further supports our view that our earnings and cash flow generation have undertaken a positive step-change in recent years as compared to pre-COVID levels.

(\$ million)	Revised 2024 Guidance	Prior 2024 Guidance	2023 Actual	Six months ended Actual	
				June 30, 2024	June 30, 2023
Adjusted EBITDA	\$430.0 - \$460.0	\$395.0 - \$435.0	\$502.6	\$225.0	\$275.9
Maintenance capital expenditures ⁽¹⁾	\$100.0 - \$110.0	\$85.0 - \$105.0	\$104.2	\$41.9	\$34.8
Growth capital expenditures ⁽¹⁾	\$70.0 - \$100.0	\$60.0 - \$90.0	\$62.1	\$37.5	\$26.6
Lease payments	\$60.0 - \$70.0	\$55.0 - \$65.0	\$58.3	\$31.8	\$28.6
Cash interest ⁽¹⁾	\$45.0 - \$55.0	\$45.0 - \$55.0	\$42.4	\$23.5	\$10.9
Cash tax ⁽¹⁾	\$30.0 - \$50.0	\$30.0 - \$50.0	\$14.7	\$20.1	\$1.6

⁽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 40.

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.
- There will be no service slowdowns, delays, and/or interruptions that can affect our operations due to rail disruptions. While a labour disruption with the railways is expected shortly, It is difficult for us to predict the length and hence the impact on our business.
- None of the principal manufacturing facilities (as set out in our AIF) incurs significant unplanned downtime.
- No labour disruptions at any of our principal manufacturing facilities (as set out in our AIF).

Key Assumptions	Revised 2024 Assumptions	Prior 2024 Assumptions	2023 Actual	2022 Actual
Approximate North American MECU sales volumes	180,000	173,000	181,000	184,000
2024 realized MECU netback being lower than 2023 (per MECU)	CAD (\$95)	CAD (\$210)	N/A	N/A
Average CMA NE Asia Caustic spot price index per tonne ⁽¹⁾	US\$385	US\$375	US\$455	US\$650
Approximate North American production volumes of sodium chlorate	257,000	268,000	283,000	343,000
USD to CAD average foreign exchange rate	1.354	1.312	1.349	1.302
LTIP costs (in millions)	\$15.0 - \$25.0	\$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 price.
- Turnaround at North Vancouver chlor-alkali plant.
- Lower sales volumes of sodium chlorate.
- Higher cost of raw materials for water treatment chemicals.

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 \$70.0 million and \$100.0 million in growth capital expenditures. This includes approximately \$50.0 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 on track and we expect to finish construction later this year. We 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.

Capital Allocation Update

We have implemented an NCIB, which enables us to, from time to time, purchase a portion of our units with available funds that are not required for operations or investment. Under the NCIB, we are authorized to purchase up to 11,672,524 of our units over a 12 month period ending June 2, 2025. As of June 30, 2024, no purchases were made as part of the NCIB. The Fund's automatic share purchase plan under the NCIB was suspended for the

duration of the SIB which expired on July 31, 2024. For the period from August 1, 2024 to August 13, 2024, 546,700 units at an average price of \$9.29 per unit were purchased by the Fund.

Purchases of units are effected through the facilities of the TSX and/or alternative Canadian trading systems and are made by means of open market transactions, or such other means as may be permitted by the TSX, including block purchases of units, at prevailing market rates. The timing and amount of any purchases are subject to regulatory approval and management's discretion based on market conditions.

On June 25, 2024, the Fund commenced a SIB, under which the Fund offered to purchase for cancellation up to all of the issued and outstanding Fund 2020 8.50% Debentures due September 30, 2025 for a purchase price of \$1,300 in cash per \$1,000 principal amount of Fund 2020 8.50% Debentures. On July 31, 2024, the SIB expired with a total of \$28.3 million aggregate principal amount of Fund 2020 8.50% Debentures tendered under the SIB, for total consideration of \$37.6 million, including all accrued and unpaid interest.

We are also looking at other opportunities to further adjust and optimize our capital structure. This could potentially include looking to supplement our organic growth initiatives with M&A, should we identify an opportunity that fits strategically within our portfolio and has synergistic value. The acquisitions we would target would primarily be those with annual Adjusted EBITDA in the \$10.0 - \$50.0 million range.

RISKS AND RISK MANAGEMENT

There are a number of risks and uncertainties that warrant additional disclosure which are discussed in detail in our annual MD&A for the year ended December 31, 2023. There have been no material changes to our business that require an update to the discussion of these risks and uncertainties.

SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Condensed Consolidated Interim Financial Statements in conformity with IFRS requires management to make judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

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

Significant judgments

Information about judgments that have a significant risk of resulting in a material adjustment within the next financial year are discussed in detail in our MD&A for the year ended December 31, 2023. There have been no material changes to our business that require an update to the discussion of these significant judgments.

Key Sources of Estimation Uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are discussed in detail in our MD&A for the year ended December 31, 2023. There have been no material changes to our business that require an update to the discussion of these sources of estimation uncertainty.

STANDARDS AND INTERPRETATIONS

(a) Standards and interpretations adopted during the period:

We adopted the following accounting amendments that were effective for our interim and annual consolidated financial statements beginning January 1, 2024:

- 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). These amendments removed an exception related to the requirement for the unconditional right to defer settlement for more than twelve months for equity settled liabilities that permitted classification as non-current liabilities. Chemtrade does not have an unconditional right to defer the settlement of its Debentures upon conversion into units by the debenture holder nor does it classify the conversion option as equity. As a result, in the Condensed Consolidated Interim Statements of Financial Position effective January 1, 2024, we re-classified from non-current to current liabilities, \$437.5 million, being the fair value of Debentures as of January 1, 2024. Since, the amendments are applicable retrospectively, we have restated December 31, 2023 Condensed Consolidated Interim Statements of Financial Position by re-classifying the Debentures from non-current to current liabilities. While these are 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. However, the Debenture holders have the right to convert Debentures into units at predetermined prices, thus, the Debentures are classified as current liabilities.

Adoption of the following standards has not had a material impact on our financial results:

- 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 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).

(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 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).
- IFRS 18, *Presentation and Disclosure in Financial Statements*, specifying the requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements (effective for annual periods beginning on or after January 1, 2027).
- 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).
- Amendments to IFRS 9 and IFRS 7, *Classification and measurement of financial instruments*, specifying how an entity should classify some financial assets, especially on the application of the solely payments of principal and interest test and recognition of financial assets and liabilities when settled using electronic payments (effective for annual periods beginning on or after January 1, 2026).

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 June 30, 2024 through inquiry and review. Our CEO and CFO have concluded that, as at June 30, 2024, 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 June 30, 2024. There have been no changes to the design of internal controls over financial reporting that occurred during the three and six months ended June 30, 2024 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 Risk Management](#), which starts on page 33, which includes a discussion of material risks that could cause actual results to differ significantly from our current expectations.

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

Examples of forward-looking information in this MD&A

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

- our expectation that 2024 Adjusted EBITDA will be in the range of \$430.0 million to \$460.0 million;
- the anticipated timing of cessation of sodium chlorate production at the Prince George facility
- the effect of changes in exchange rates and our ability to offset U.S.-dollar denominated debt;
- our ability to access tax losses and tax attributes;
- the deductibility of certain tax losses and outcome of our appeal;
- 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 it will be below the record high 2023 level and that it will be the second highest Adjusted EBITDA on record;
 - that our earnings and cash flow generation have undertaken a step-change in recent years as compared to pre-COVID levels;
 - 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 impact of a turnaround

at the North Vancouver chlor-alkali plant, the expected lower sales volumes of sodium chlorate; and the anticipated higher cost of raw materials for water treatment chemicals;

- our intention to invest between \$70.0 million and \$100.0 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 and timing of construction completion, and the expected timing of start-up and commercial ramp-up of the Cairo project;
- our ability to be the first North American UPA 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 ability of our KPCT joint venture Arizona planned project to generate an acceptable level of return and the timing thereof;
- our intention to exercise our early redemption rights for the remaining Debentures and the timing thereof;
- our intention to convert the Prince George facility to a sodium chlorate dissolving operation and the timing thereof;
- our intention to supply our customer's volumes from our Brandon facility;
- the impact of cessation of production of sodium chlorate on Chemtrade's finances;
- our ability to identify strategic and synergistic M&A opportunities and execute upon them;
- the effectiveness of disclosure controls procedures and of their design and implementation; and
- long-term incentive compensation amounts.

Material assumptions

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

- certain key elements as set out in the Financial Outlook section, including
 - there being no significant North American lockdowns or stay-at-home orders issued due to a pandemic outbreak;
 - there being no service slowdowns, delays, and/or interruptions that can affect our operations due to rail disruptions;
 - there being no significant unplanned downtime nor labour disruptions affecting Chemtrade's principal manufacturing facilities;
 - the stated North American MECU sales volumes and sodium chlorate production volumes;
 - 2024 realized MECU netback being lower than 2023 by the stated amount;
 - the stated average CMA NE Asia caustic spot price index;
 - the stated U.S. dollar 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		Six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Cash flows from operating activities	\$ 102,152	\$ 119,318	\$ 104,564	\$ 173,690
(Less) Add:				
Lease payments net of sub-lease receipts	(17,164)	(14,507)	(31,807)	(28,590)
(Decrease) Increase in working capital	(5,949)	(3,536)	72,663	41,638
Changes in other items ⁽¹⁾	(4,685)	11,504	4,189	31,147
Maintenance capital expenditures	(26,581)	(17,318)	(41,942)	(34,849)
Distributable cash after maintenance capital expenditures	\$ 47,773	\$ 95,461	\$ 107,667	\$ 183,036
Divided by:				
Weighted average number of units outstanding	117,172,181	115,986,636	117,154,471	115,822,932
Distributable cash after maintenance capital expenditures per unit	\$ 0.41	\$ 0.82	\$ 0.92	\$ 1.58
Distributions declared per unit	\$ 0.165	\$ 0.150	\$ 0.330	\$ 0.300
Payout ratio (%)	40 %	18 %	36 %	19 %

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

Excess cash flows and net earnings over distributions paid

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

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

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

(\$'000)	<u>Three months ended</u>		<u>Six months ended</u>	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Cash flows from operating activities	\$ 102,152	\$ 119,318	\$ 104,564	\$ 173,690
Net earnings	\$ 14,599	\$ 87,325	\$ 56,554	\$ 166,858
Cash distributions paid during period	\$ 19,333	\$ 14,521	\$ 37,036	\$ 29,229
(Shortfall) excess of cash flows from operating activities over cash distributions paid	\$ 82,819	\$ 104,797	\$ 67,528	\$ 144,461
Excess of net earnings over cash distributions paid	\$ (4,734)	\$ 72,804	\$ 19,518	\$ 137,629

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)	June 30, 2024		December 31, 2023	
Long-term debt ⁽¹⁾	\$	311,881	\$	246,545
Add (Less):				
Debentures ⁽¹⁾		425,507		425,552
Long-term lease liabilities		133,410		130,583
Lease liabilities ⁽²⁾		52,262		49,304
Cash and cash equivalents		(35,273)		(21,524)
Net debt	\$	887,787	\$	830,460

⁽¹⁾ Principal outstanding amount

⁽²⁾ Presented as current liabilities in the Condensed Consolidated Interim Statements of Financial Position

Growth capital expenditures

Most directly comparable IFRS financial measure: Capital expenditures

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

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

(\$'000)	Three months ended		Six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Capital expenditures	\$ 44,248	\$ 33,564	\$ 79,475	\$ 61,467
Maintenance capital expenditures	(26,581)	(17,318)	(41,942)	(34,849)
Non-maintenance capital expenditures	17,667	16,246	37,533	26,618
Investment in a joint venture	—	—	—	—
Growth capital expenditures	\$ 17,667	\$ 16,246	\$ 37,533	\$ 26,618

Net working capital

Most directly comparable IFRS financial measure: Current assets less current liabilities

Definition: Net working capital is calculated as current assets less current liabilities excluding Debentures.

Why we use the measure and why it is useful to investors: Although the Debentures are presented as current liabilities, management views the Debentures as non-current liabilities for purposes of managing liquidity and working capital. The Debenture holders do not have the right to demand their repayment prior to their maturity date, which for all the outstanding series of the Debentures is more than one year in the future. Net working capital provides investors with more useful information related to how we manage working capital.

(\$'000)	June 30, 2024	December 31, 2023
Current assets	\$ 326,628	\$ 326,022
Less: Current liabilities	(819,103)	(847,341)
Working capital deficit	(492,475)	(521,319)
Add: Debentures	455,395	437,517
Net working capital deficit	\$ (37,080)	\$ (83,802)

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)	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Net earnings (loss)	\$ 14,599	\$ 41,955	\$ 11,677	\$ 70,784	\$ 87,325	\$ 79,533	\$(11,747)	\$ 75,341
Add (less):								
Depreciation and amortization	48,223	44,890	57,423	54,741	53,186	52,140	54,922	56,598
Net finance costs (income)	39,268	5,642	33,716	(2,429)	5,457	(12,736)	37,187	(25,864)
Income tax expense (recovery)	10,619	12,244	10,121	16,669	1,388	13,875	32,669	12,870
Change in environmental and decommissioning liability	(1,494)	(730)	9,842	(3,504)	—	894	—	—
Net loss (gain) on disposal and write-down of PPE	1,782	711	(5,547)	606	1,152	1,787	2,152	895
Gain on disposal of assets	—	—	(24,337)	—	—	—	—	—
Unrealized foreign exchange loss (gain)	2,115	5,222	(8,247)	5,251	(4,306)	(3,824)	(10,933)	17,217
Adjusted EBITDA	\$ 115,112	\$ 109,934	\$ 84,648	\$ 142,118	\$ 144,202	\$ 131,669	\$ 104,250	\$ 137,057

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 LTM Adjusted EBITDA

Definition: Net debt to LTM Adjusted EBITDA is calculated as Net debt divided by LTM Adjusted EBITDA. LTM Adjusted EBITDA represents the last twelve months' Adjusted EBITDA.

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 LTM 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)
CORRA	Canadian Overnight Repo Rate Average
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
NCIB	Normal Course Issuer Bid
NE	Northeast
OK	Oklahoma
OH	Ohio
PPE	Property, Plant and Equipment

PSU	Performance Share Unit
Q1	First Quarter or three months ended March 31
Q2	Second Quarter or three months ended June 30
Q3	Third Quarter or three months ended September 30
Q4	Fourth Quarter or three months ended December 31
QC	Quebec
Regen	Regenerated Acid Services
ROU	Right-of-use
RSU	Restricted Share Unit
SIB	Substantial Issuer Bid
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 \$100.0 million principal amount of 6.50% of convertible unsecured subordinated debentures outstanding (the "Fund 2019 6.50% Debentures"), \$85.5 million principal amount of 8.50% of convertible unsecured subordinated debentures outstanding (the "Fund 2020 8.50% Debentures"), \$130.0 million principal amount of 6.25% of convertible unsecured subordinated debentures outstanding (the "Fund 2021 6.25% Debentures") and \$110.0 million 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 expense, which relate to the 2022 - 2024, 2023 - 2025 and 2024 - 2026 LTIPs which we operate and pursuant to which we grant cash awards based on certain criteria. 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 2024 - 2026 LTIP payout is payable in the first quarter of 2027. The LTIP awards have a performance based PSU component and a RSU component. The performance based PSU component of 2022 – 2024 and 2023 – 2025 LTIP awards is based on return on investment capital improvement and total return to Chemtrade's Unitholders relative to the total return of companies comprising the S&P/TSX Dividend Composite Index. The performance based PSU component of 2024 – 2026 LTIP awards is based on return on investment capital improvement and total return to our Unitholders relative to two peer groups which are S&P/TSX Dividend Composite Index and a group of peer companies selected by us. 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 these LTIP awards is 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 expense 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.com.

August 14, 2024

CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Comprehensive Income

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

(Unaudited)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2024	2023	2024	2023
Revenue	4	\$ 448,096	\$ 469,973	\$ 866,330	\$ 941,218
Cost of sales and services	6	(339,493)	(349,985)	(659,685)	(711,375)
Gross profit		108,603	119,988	206,645	229,843
Selling and administrative expenses	5	(44,086)	(25,183)	(82,277)	(53,680)
Share of loss from joint venture		(31)	(635)	(41)	(1,321)
Operating income		64,486	94,170	124,327	174,842
Net finance (costs) income	7	(39,268)	(5,457)	(44,910)	7,279
Income before income tax		25,218	88,713	79,417	182,121
Income tax (expense) recovery	8				
Current		(11,146)	(5,536)	(20,145)	(7,166)
Deferred		527	4,148	(2,718)	(8,097)
		(10,619)	(1,388)	(22,863)	(15,263)
Net earnings		\$ 14,599	\$ 87,325	\$ 56,554	\$ 166,858
Other comprehensive (loss) income					
Items that may subsequently be reclassified to earnings:					
Net investment hedge of foreign operations, net of tax of \$nil and \$nil (2023 - net of tax of (\$810) and (\$761))	11,14	(3,317)	5,432	(8,821)	5,089
Foreign currency translation differences for foreign operations, net of tax of \$nil and \$nil (2023 - net of tax of \$nil and \$nil)		8,094	(17,270)	26,880	(19,327)
Effective portion of change in the fair value of cash flow hedges, net of tax of (\$145) and (\$169) (2023 - net of tax of (\$115) and \$9)		436	341	508	(26)
Cash flow hedges reclassified to earnings, net of tax of \$435 and \$876 (2023 - net of tax of \$459 and \$903)	7	(1,319)	(1,295)	(2,632)	(2,605)
Items that will not be reclassified to earnings:					
Defined benefit plan adjustments, net of tax of (\$35) and (\$928) (2023 - net of tax of (\$1,502) and (\$1,833))		44	4,783	2,822	6,729
Change in fair value of convertible debentures due to own credit risk, net of tax of (\$1,999) and (\$2,041) (2023 - net of tax \$4,511 and \$2,957)	10	3,669	(14,387)	(535)	(28,928)
Other comprehensive income (loss)		7,607	(22,396)	18,222	(39,068)
Total comprehensive income		\$ 22,206	\$ 64,929	\$ 74,776	\$ 127,790
Net earnings per unit	9				
Basic net earnings per unit		\$ 0.12	\$ 0.75	\$ 0.48	\$ 1.44
Diluted net earnings per unit		\$ 0.12	\$ 0.57	\$ 0.48	\$ 0.90

CHEMTRADE LOGISTICS INCOME FUND

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

	Notes	June 30, 2024	December 31, 2023 ⁽¹⁾
ASSETS			
Current assets			
Cash and cash equivalents		\$ 35,273	\$ 21,524
Trade and other receivables		154,188	146,686
Inventories		120,425	124,906
Income taxes receivable		2,536	7,925
Prepaid expenses and other assets		14,206	24,981
Total current assets		326,628	326,022
Non-current assets			
Property, plant and equipment		1,008,125	963,813
Right-of-use assets		173,621	165,043
Investment in a joint venture		4,042	4,082
Income taxes receivable	8	63,304	48,381
Other assets		21,556	13,572
Intangible assets		536,530	538,615
Deferred tax assets	8	46,149	49,704
Total non-current assets		1,853,327	1,783,210
Total assets		\$ 2,179,955	\$ 2,109,232
LIABILITIES AND UNITHOLDERS' EQUITY			
Current liabilities			
Trade and other payables		\$ 254,766	\$ 299,351
Distributions payable	12	6,445	5,884
Provisions		50,235	55,285
Lease liabilities		52,262	49,304
Convertible unsecured subordinated debentures ⁽²⁾	10,16	455,395	437,517
Total current liabilities		819,103	847,341
Non-current liabilities			
Long-term debt	11	311,881	246,545
Other long-term liabilities		16,139	23,228
Long-term lease liabilities		133,410	130,583
Employee benefits		18,752	20,491
Provisions		119,532	118,681
Deferred tax liabilities	8	16,772	15,222
Total non-current liabilities		616,486	554,750
Total liabilities		1,435,589	1,402,091
Unitholders' equity			
Units	12	1,649,526	1,648,411
Contributed surplus		9,720	9,720
Deficit		(1,127,213)	(1,147,923)
Accumulated other comprehensive income		212,333	196,933
Total unitholders' equity		744,366	707,141
Total liabilities and unitholders' equity		\$ 2,179,955	\$ 2,109,232

⁽¹⁾ As restated, see note 2.

⁽²⁾ Maturities ranging from September 2025 to June 2028.

CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity

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

(Unaudited)

	Notes	Units	Contributed surplus	Deficit	Cumulative translation account*	Unrealized gains on cash flow and net investment hedges*	Change in fair value of convertible debentures due to credit risk*	Total unitholders' equity
Balance at January 1, 2024		\$ 1,648,411	\$ 9,720	\$ (1,147,923)	\$ 194,447	\$ (10,805)	\$ 13,291	\$ 707,141
Issuance of units upon conversion of unsecured subordinated convertible debentures	10,12	45	—	—	—	—	—	45
Issuance of units under the Distribution Reinvestment Plan ("DRIP")	12	1,070	—	—	—	—	—	1,070
Net earnings		—	—	56,554	—	—	—	56,554
Other comprehensive income (loss)		—	—	2,822	26,880	(10,945)	(535)	18,222
Distributions	12	—	—	(38,666)	—	—	—	(38,666)
Balance at June 30, 2024		\$ 1,649,526	\$ 9,720	\$ (1,127,213)	\$ 221,327	\$ (21,750)	\$ 12,756	\$ 744,366
	Notes	Units	Contributed surplus	Deficit	Cumulative translation account*	Unrealized gains on cash flow and net investment hedges*	Change in fair value of convertible debentures due to credit risk*	Total unitholders' equity
Balance at January 1, 2023		\$ 1,635,683	\$ 9,720	\$ (1,334,524)	\$ 217,970	\$ (4,262)	\$ 41,620	\$ 566,207
Issuance of units upon conversion of unsecured subordinated convertible debentures	10,12	68	—	—	—	—	—	68
Issuance of units under the DRIP	12	5,677	—	—	—	—	—	5,677
Net earnings		—	—	166,858	—	—	—	166,858
Other comprehensive income (loss)		—	—	6,729	(19,327)	2,458	(28,928)	(39,068)
Distributions	12	—	—	(34,943)	—	—	—	(34,943)
Balance at June 30, 2023		\$ 1,641,428	\$ 9,720	\$ (1,195,880)	\$ 198,643	\$ (1,804)	\$ 12,692	\$ 664,799

* Accumulated other comprehensive income.

CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Cash Flows
(In thousands of Canadian dollars)
(Unaudited)

		Three months ended June 30,		Six months ended June 30,	
	Notes	2024	2023	2024	2023
Cash flows from operating activities:					
Net earnings		\$ 14,599	\$ 87,325	\$ 56,554	\$ 166,858
Adjustments for:					
Depreciation and amortization	6	48,223	53,186	93,113	105,326
Net loss on disposal and write-down of property, plant and equipment ("PPE")		1,782	1,152	2,493	2,939
Change in environmental and decommissioning liability		(1,494)	—	(2,224)	894
Income tax expense	8	10,619	1,388	22,863	15,263
Net finance costs (income)	7	39,268	5,457	44,910	(7,279)
Unrealized foreign exchange loss (gain)	5	2,115	(4,306)	7,337	(8,130)
		115,112	144,202	225,046	275,871
Decrease (increase) in working capital		5,949	3,536	(72,663)	(41,638)
Interest paid		(13,353)	(14,152)	(24,231)	(26,318)
Interest received		883	1,825	1,630	4,133
Net income tax paid		(6,439)	(16,093)	(25,218)	(38,358)
Net cash flows from operating activities		102,152	119,318	104,564	173,690
Cash flows from investing activities:					
Capital expenditures		(44,248)	(33,564)	(79,475)	(61,467)
Net cash flows used in investing activities		(44,248)	(33,564)	(79,475)	(61,467)
Cash flows from financing activities:					
Distributions to unitholders, net of distributions reinvested	12	(19,333)	(14,521)	(37,036)	(29,229)
Repayment of convertible debentures	10	—	(201,115)	—	(201,115)
Issuance of convertible debentures	10	—	—	—	110,000
Transaction costs related to the issuance of convertible debentures	7,10	—	—	—	(4,980)
Repayment of lease liability, net of sub-lease receipts		(17,164)	(14,507)	(31,807)	(28,590)
Net change in revolving credit facility	11	(13,911)	46,574	56,772	4,092
Net cash flows used in financing activities		(50,408)	(183,569)	(12,071)	(149,822)
Increase in cash and cash equivalents		7,496	(97,815)	13,018	(37,599)
Cash and cash equivalents, beginning of the period		27,543	132,715	21,524	72,569
Effect of exchange rates on cash held in foreign currencies		234	(556)	731	(626)
Cash and cash equivalents, end of the period		\$ 35,273	\$ 34,344	\$ 35,273	\$ 34,344

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three and six months ended June 30, 2024 and 2023

1. CORPORATE INFORMATION:

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

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

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

2. BASIS OF PREPARATION:

(a) Statement of compliance:

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"), using the same accounting policies and standards as were used for Chemtrade's 2023 annual consolidated financial statements. Certain amendments and interpretations apply for the first time in 2024, but do not have a material impact on these Condensed Consolidated Interim Financial Statements except for amendments to IAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*, see note 16.

These Condensed Consolidated Interim Financial Statements should be read in conjunction with Chemtrade's 2023 annual consolidated financial statements.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three and six months ended June 30, 2024 and 2023

2. BASIS OF PREPARATION (continued):

The Condensed Consolidated Interim Financial Statements were authorized for issue by the Board of Trustees (the "Board") on August 14, 2024.

(b) Basis of measurement:

The Condensed Consolidated Interim Financial Statements have been prepared on the historical cost basis, except for the following material items in the Condensed Consolidated Interim Statements of Financial Position:

- Derivative financial instruments, convertible unsecured subordinated debentures (the "Debentures") and liabilities for cash settled share-based payment arrangements are measured at fair value;
- The defined benefit liability is recognized as the present value of the defined benefit obligation net of the fair value of the plan assets; and
- Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to temporary differences when they reverse.

(c) Presentation currency:

These Condensed Consolidated Interim Financial Statements are presented in thousands of Canadian dollars, except for net earnings per unit information which is presented in Canadian dollars.

(d) Amendments to IAS 1, *Presentation of Financial Statements*

Effective January 1, 2024, Chemtrade has presented the Debentures (as defined in note 10) as current liabilities in the Condensed Consolidated Interim Statements of Financial Position in accordance with the amendments to IAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*. Since the amendments are applicable retrospectively, Chemtrade has restated the comparative figures. See note 16 for details of the amendments to IAS 1. The following table outlines the impact of the restatements.

As at	January 1, 2023			December 31, 2023		
	As reported	Restatement	As restated	As reported	Restatement	As restated
Non-current liabilities	\$ 533,218	\$ (533,218)	—	\$ 437,517	\$ (437,517)	—
Current liabilities	—	\$ 533,218	\$ 533,218	—	\$ 437,517	\$ 437,517

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three and six months ended June 30, 2024 and 2023

3. REPORTABLE SEGMENTS:

Chemtrade operates in two reportable segments: Sulphur and Water Chemicals ("SWC") and Electrochemicals ("EC"). The reportable segments of Chemtrade are strategic business groups that offer products and services to target markets.

Chemtrade's chief operating decision maker ("CODM") is the Chief Executive Officer ("CEO"). The CODM regularly reviews the operations and performance by segment and considers Adjusted EBITDA as an indirect measure of net earnings (loss) for the purpose of assessing performance of each segment and to make decisions about the allocation of resources. Adjusted EBITDA is defined as net earnings before any deduction for net finance costs, income taxes, depreciation, amortization and other non-cash charges such as impairment, change in environmental and decommissioning liability, net gain and losses on the disposal and write-down of PPE, gain on disposal of assets and unrealized foreign exchange gains and losses. Adjusted EBITDA is not intended to be representative of cash flow from operations or financial performance determined in accordance with IFRS Accounting Standards or cash available for distribution. The remaining net earnings (loss) items and the Statements of Financial Position are reviewed on a consolidated basis by the CODM and therefore are not included in the segmented information below.

Three months ended June 30, 2024

	SWC	EC	Corporate items and eliminations	Total
Revenue - third party	\$ 266,928	\$ 181,168	\$ —	\$ 448,096
- inter-segment	40	1,665	(1,705)	—
Revenue - total	266,968	182,833	(1,705)	448,096
Cost of sales and services	(206,621)	(134,577)	1,705	(339,493)
Gross profit	60,347	48,256	—	108,603
Selling and administrative expenses	(7,443)	(6,292)	(30,351)	(44,086)
Share of loss from joint venture	(31)	—	—	(31)
Operating income (loss)	52,873	41,964	(30,351)	64,486
Depreciation and amortization	24,652	23,571	—	48,223
Net loss (gain) on disposal and write-down of PPE	2,046	(264)	—	1,782
Change in environmental and decommissioning liability	(1,328)	(166)	—	(1,494)
Unrealized foreign exchange loss	—	—	2,115	2,115
Adjusted EBITDA	78,243	65,105	(28,236)	115,112
Capital expenditures	25,903	18,069	276	44,248

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three and six months ended June 30, 2024 and 2023

3. REPORTABLE SEGMENTS (continued):

Three months ended June 30, 2023

	SWC	EC	Corporate items and eliminations	Total
Revenue - third party	\$ 280,288	\$ 189,685	\$ —	\$ 469,973
- inter-segment	60	2,206	(2,266)	—
Revenue - total	280,348	191,891	(2,266)	469,973
Cost of sales and services	(231,275)	(120,976)	2,266	(349,985)
Gross profit	49,073	70,915	—	119,988
Selling and administrative expenses	(6,072)	(1,076)	(18,035)	(25,183)
Share of loss from joint venture	(635)	—	—	(635)
Operating income (loss)	42,366	69,839	(18,035)	94,170
Depreciation and amortization	29,748	23,438	—	53,186
Net loss on disposal and write-down of PPE	1,112	40	—	1,152
Unrealized foreign exchange (gain)	—	—	(4,306)	(4,306)
Adjusted EBITDA	73,226	93,317	(22,341)	144,202
Capital expenditures	26,344	7,046	174	33,564

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three and six months ended June 30, 2024 and 2023

3. REPORTABLE SEGMENTS (continued):

Six months ended June 30, 2024

	SWC	EC	Corporate items and eliminations	Total
Revenue - third party	\$ 497,553	\$ 368,777	\$ —	\$ 866,330
- inter-segment	74	3,265	(3,339)	—
Revenue - total	497,627	372,042	(3,339)	866,330
Cost of sales and services	(402,859)	(260,165)	3,339	(659,685)
Gross profit	94,768	111,877	—	206,645
Selling and administrative expenses	(14,537)	(8,225)	(59,515)	(82,277)
Share of loss from joint venture	(41)	—	—	(41)
Operating income (loss)	80,190	103,652	(59,515)	124,327
Depreciation and amortization	47,142	45,971	—	93,113
Net loss (gain) on disposal and write-down of PPE	2,725	(232)	—	2,493
Change in environmental and decommissioning liability	(433)	(1,791)	—	(2,224)
Unrealized foreign exchange loss	—	—	7,337	7,337
Adjusted EBITDA	129,624	147,600	(52,178)	225,046
Capital expenditures	50,593	28,192	690	79,475

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three and six months ended June 30, 2024 and 2023

3. REPORTABLE SEGMENTS (continued):

Six months ended June 30, 2023

	SWC	EC	Corporate items and eliminations	Total
Revenue - third party	\$ 542,824	\$ 398,394	\$ —	\$ 941,218
- inter-segment	116	3,951	(4,067)	—
Revenue - total	542,940	402,345	(4,067)	941,218
Cost of sales and services	(463,173)	(252,269)	4,067	(711,375)
Gross profit	79,767	150,076	—	229,843
Selling and administrative expenses	(12,426)	(3,380)	(37,874)	(53,680)
Share of loss from joint venture	(1,321)	—	—	(1,321)
Operating income (loss)	66,020	146,696	(37,874)	174,842
Depreciation and amortization	58,817	46,509	—	105,326
Net loss on disposal and write-down of PPE	2,933	6	—	2,939
Change in environmental liability	894	—	—	894
Unrealized foreign exchange gain	—	—	(8,130)	(8,130)
Adjusted EBITDA	128,664	193,211	(46,004)	275,871
Capital expenditures	46,606	14,323	538	61,467

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three and six months ended June 30, 2024 and 2023

3. REPORTABLE SEGMENTS (continued):

Geographic segments:

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

Revenue

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Canada	\$ 144,535	\$ 147,058	\$ 283,853	\$ 302,960
United States	277,867	296,226	532,322	585,349
South America	25,694	26,689	50,155	52,909
	\$ 448,096	\$ 469,973	\$ 866,330	\$ 941,218

PPE, ROU assets and intangible assets

	June 30, 2024	December 31, 2023
Canada	\$ 740,968	\$ 740,495
United States	893,114	840,051
South America	84,194	86,925
	\$ 1,718,276	\$ 1,667,471

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three and six months ended June 30, 2024 and 2023

4. REVENUE:

The components of revenue are as follows:

	<u>Three months ended</u> <u>June 30,</u>		<u>Six months ended</u> <u>June 30,</u>	
	2024	2023	2024	2023
Sale of products	\$ 389,113	\$ 410,530	\$ 760,729	\$ 834,417
Processing services	58,983	59,443	105,601	106,801
Revenue	\$ 448,096	\$ 469,973	\$ 866,330	\$ 941,218

5. SELLING AND ADMINISTRATIVE EXPENSES:

The components of selling and administrative expenses are as follows:

	<u>Three months ended</u> <u>June 30,</u>		<u>Six months ended</u> <u>June 30,</u>	
	2024	2023	2024	2023
Wages, salaries and benefits, including bonuses and other	\$ 37,505	\$ 31,218	\$ 70,417	\$ 62,661
Realized foreign exchange loss (gain)	3,537	(2,493)	4,984	(2,104)
Unrealized foreign exchange loss (gain)	2,115	(4,306)	7,337	(8,130)
Net reversal of reserve for legal proceedings	138	304	(1,599)	304
Depreciation (note 6)	791	460	1,138	949
	\$ 44,086	\$ 25,183	\$ 82,277	\$ 53,680

6. DEPRECIATION AND AMORTIZATION:

The components of depreciation expense of PPE and ROU assets and amortization expense of intangible assets are as follows:

	<u>Three months ended</u> <u>June 30,</u>		<u>Six months ended</u> <u>June 30,</u>	
	2024	2023	2024	2023
Cost of sales and services:				
Depreciation expense on PPE	\$ 26,988	\$ 30,734	\$ 52,340	\$ 60,022
Depreciation expense on ROU assets	15,023	12,595	27,468	24,651
Amortization expense	5,421	9,397	12,167	19,704
Selling and administrative expenses (note 5):				
Depreciation expense on PPE	510	208	557	444
Depreciation expense on ROU assets	281	252	581	505
Total depreciation and amortization expense	\$ 48,223	\$ 53,186	\$ 93,113	\$ 105,326

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three and six months ended June 30, 2024 and 2023

7. NET FINANCE COSTS:

The components of net finance costs are as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Interest expense on long-term debt	\$ 4,505	\$ 3,790	\$ 7,723	\$ 8,322
Interest expense on convertible debentures (note 10)	7,361	9,038	14,709	17,286
Transaction costs on issuance of convertible debentures (note 10)	—	—	—	4,980
Change in the fair value of convertible debentures (note 10)	26,048	(5,285)	19,429	(38,496)
Interest expense on lease liabilities	2,357	1,989	4,635	3,821
Income reclassified from other comprehensive income relating to the fair value of the interest rate swaps (note 14)	(1,754)	(1,754)	(3,508)	(3,508)
Change in the fair value of interest rate swaps (note 14)	113	(1,558)	787	2,340
Accretion of provisions	1,121	687	2,192	1,355
Pension interest	289	375	573	754
Interest income	(772)	(1,825)	(1,630)	(4,133)
Net finance costs (income)	\$ 39,268	\$ 5,457	\$ 44,910	\$ (7,279)

CHEMTRADE LOGISTICS INCOME FUND

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8. INCOME TAXES:

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

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

The Fund will not be subject to tax on income received from non-Canadian subsidiaries, provided that the income is distributed to Unitholders during the year. Based on the current organization of Chemtrade, the Fund expects that its income distributed to Unitholders will not be subject to SIFT tax.

Income tax expense or recovery is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period, taking into account the tax effect of certain items recognized in the interim period. Chemtrade calculates the consolidated estimated effective annual tax rate by determining the amount of annual current and deferred income taxes as a percentage of estimated annual income before tax.

Chemtrade's income tax expense for the first six months of 2024 was \$22,863. As compared to a tax expense notionally computed at the statutory tax rate of 25.3%, the tax expense was adversely impacted primarily by \$3,572 of unfavourable taxable foreign exchange and other taxable amounts in Brazil, and \$3,607 due to the impact of the non-recognition of deferred tax assets related to certain carryforward amounts of business interest expense deductions. This was partially offset by \$5,488 net deferred tax impacts associated with the change in fair value of the Debentures and non-taxability to the Fund of the income distributed to Unitholders, and \$438 net impacts of differences in applicable tax rates relative to the statutory rate and income earned in foreign jurisdiction taxed at lower rates under current tax incentives.

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

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8. INCOME TAXES (continued):

Chemtrade is disputing the deductibility of certain Canadian tax losses with the Canada Revenue Agency ("CRA") which would offset the taxes owed for 2021 to 2024. Chemtrade has appealed this assessment by the CRA and the resolution of this matter in Chemtrade's favour would result in significant taxes paid on its account to be refunded.

In connection with this matter, Chemtrade made Canadian income tax payments of \$14,923 during the six months ended June 30, 2024, and \$48,381 in previous years. These tax payments have been made in respect of the 2021 to 2024 taxation years. Chemtrade believes that its asserted position is appropriate and would be sustained upon full examination by tax authorities and, if necessary, upon consideration by judicial process. These payments have been presented as income taxes receivable under non-current assets in the Condensed Consolidated Interim Statements of Financial Position.

9. NET EARNINGS PER UNIT:

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

	<u>Three months ended</u> <u>June 30,</u>		<u>Six months ended</u> <u>June 30,</u>	
	2024	2023	2024	2023
Numerator				
Net earnings	\$ 14,599	\$ 87,325	\$ 56,554	\$ 166,858
Net interest and fair value adjustment on the Debentures ⁽¹⁾	—	4,409	—	(23,869)
Net fair value adjustment on deferred unit plan ⁽¹⁾	—	201	—	(141)
Diluted net earnings	\$ 14,599	\$ 91,935	\$ 56,554	\$ 142,848

1) For the three months and six months ended June 30, 2024, the potential conversion of the Debentures and deferred units have not been included as the effect on net earnings per unit would be anti-dilutive.

	<u>Three months ended</u> <u>June 30,</u>		<u>Six months ended June</u> <u>30,</u>	
	2024	2023	2024	2023
Denominator				
Weighted average number of units	117,172,181	115,986,636	117,154,471	115,822,932
Weighted average Debentures dilutive units ⁽¹⁾	—	44,718,522	—	42,755,553
Weighted average deferred unit plan dilutive units ⁽¹⁾	—	557,590	—	559,752
Weighted average number of diluted units	117,172,181	161,262,748	117,154,471	159,138,237

1) For the three months and six months ended June 30, 2024, the potential conversion of the Debentures and deferred units have not been included as the effect on net earnings per unit would be anti-dilutive.

CHEMTRADE LOGISTICS INCOME FUND

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10. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES:

Changes in convertible unsecured subordinated debentures are as follows:

	Convertible unsecured subordinated debentures ⁽¹⁾				
	Fund 2019 6.50% Debentures	Fund 2020 8.50% Debentures	Fund 2021 6.25% Debentures	Fund 2023 7.00% Debentures	Total
Maturity	October 31, 2026	September 30, 2025	August 31, 2027	June 30, 2028	
Interest rate	6.50 %	8.50 %	6.25 %	7.00 %	
Conversion price	\$ 15.80	\$ 7.35	\$ 10.00	\$ 12.85	
Principal outstanding at January 1, 2024	100,000	85,552	130,000	110,000	425,552
Principal outstanding at June 30, 2024	100,000	85,507	130,000	110,000	425,507
Balance at January 1, 2024	98,250	101,807	130,650	106,810	437,517
Conversion	—	(45)	—	—	(45)
Change in fair value recognized in profit or loss	6,880	13,963	(1,184)	(230)	19,429
Change in fair value due to own credit risk ⁽²⁾	(5,130)	(4,780)	4,434	3,970	(1,506)
Balance at June 30, 2024	100,000	110,945	133,900	110,550	455,395

⁽¹⁾ The Fund 2019 6.50% Debentures, the Fund 2020 8.50% Debentures, the Fund 2021 6.25% Debentures, the Fund 2023 7.00% Debentures and the Fund 2017 4.75% Debentures (which latter Debentures were redeemed during the second quarter of 2023) are collectively referred to as the "Debentures". Chemtrade has designated the Debentures as financial liabilities at fair value through profit or loss.

⁽²⁾ The change in fair value of the Debentures due to Chemtrade's own credit risk has been presented in other comprehensive income, net of taxes, rather than net earnings.

CHEMTRADE LOGISTICS INCOME FUND

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10. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (continued):

	Convertible unsecured subordinated debentures					Total
	Fund 2017 4.75% Debentures	Fund 2019 6.50% Debentures	Fund 2020 8.50% Debentures	Fund 2021 6.25% Debentures	Fund 2023 7.00% Debentures	
Maturity	May 31, 2024	October 31, 2026	September 30, 2025	August 31, 2027	June 30, 2028	
Interest rate	4.75 %	6.50 %	8.50 %	6.25 %	7.00 %	
Conversion price	\$ 26.70	\$ 15.80	\$ 7.35	\$ 10.00	\$ 12.85	
Principal outstanding at January 1, 2023	201,115	100,000	86,250	130,000	—	517,365
Principal outstanding at June 30, 2023	—	100,000	86,182	130,000	110,000	426,182
Balance at January 1, 2023	195,283	97,510	107,812	132,613	—	533,218
Issuance ⁽¹⁾	—	—	—	—	110,000	110,000
Redemption ⁽²⁾	(201,115)	—	—	—	—	(201,115)
Conversion	—	—	(68)	—	—	(68)
Change in fair value recognized in profit or loss	4,992	(5,190)	(17,602)	(12,610)	(8,086)	(38,496)
Change in fair value due to own credit risk ⁽³⁾	840	6,680	8,967	9,347	6,051	31,885
Balance at June 30, 2023	—	99,000	99,109	129,350	107,965	435,424

⁽¹⁾ During the first quarter of 2023, Chemtrade completed a public offering of the Fund 2023 7.00% Debentures, at a price of \$1,000 per debenture. The Fund 2023 7.00% Debentures are convertible, at the option of the holder, into trust units of the Fund at a conversion price of \$12.85 per unit. Chemtrade incurred transaction costs of \$4,980 which included underwriters' fees and other expenses relating to the offering.

⁽²⁾ During the second quarter of 2023, Chemtrade redeemed all of the outstanding Fund 2017 4.75% Debentures for their par value, including accrued interest for a total of \$203,527. Chemtrade used the net proceeds from the Fund 2023 7.00% Debentures offering, a portion of its Credit Facilities and cash on hand to fund the redemption.

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

For the three and six months ended June 30, 2024, interest expense of \$7,361 and \$14,709 respectively, (2023 - \$9,038 and \$17,286 respectively) and transaction costs of \$nil and \$nil, respectively, (2023 - \$nil and \$4,980, respectively) relating to the Debentures were recognized in net finance costs.

Effective January 1, 2024, Chemtrade has presented the Debentures as current liabilities in the Condensed Consolidated Interim Statements of Financial Position in accordance with amendments to IAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*. Since the amendments are applicable retrospectively, Chemtrade has restated the December 31, 2023 Condensed Consolidated Interim Statements of Financial Position by re-classifying the Debentures from non-current to current liabilities. While these are presented as current liabilities, Debenture holders do not have the right to demand their repayment prior to their maturity date, which for all the outstanding series of Debentures is more than one year in the future. However, the Debenture holders have the right to convert Debentures into units at predetermined prices, thus, the Debentures are classified as current liabilities.

On June 25, 2024, the Fund commenced a substantial issuer bid (SIB), under which the Fund offered to purchase for cancellation up to all of the issued and outstanding Fund 2020 8.50% Debentures due September 30, 2025. The purchase price under the SIB was \$1,300 in cash per \$1,000 principal amount of Fund 2020 8.50% Debentures and expired on July 31, 2024. For more information about the results of the SIB, see note 17.

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11. LONG-TERM DEBT:

Changes in long-term debt are as follows:

	Revolving credit (US\$ denominated) ⁽¹⁾⁽²⁾	Revolving credit (Cdn\$ denominated) ⁽¹⁾⁽²⁾	Total
Maturity	December 24, 2026	December 24, 2026	
Balance at January 1, 2024	\$ 246,147	\$ 398	\$ 246,545
Net change	57,170	(398)	56,772
Loss on net investment hedge of foreign operations	8,821	—	8,821
Foreign exchange rate changes	(257)	—	(257)
Balance at June 30, 2024	\$ 311,881	\$ —	\$ 311,881

⁽¹⁾ At June 30, 2024, Chemtrade had committed a total of \$19,061 of the revolving credit facilities ("Credit Facilities") towards standby letters of credit.

⁽²⁾ At June 30, 2024, Cdn\$ limit of the Credit Facilities was \$889,135 (US\$650,000) and Chemtrade had drawn US\$228,000 and Cdn\$ nil on the Credit Facilities.

	Revolving credit (US\$ denominated) ⁽¹⁾⁽²⁾		Total
Maturity	December 24, 2026		
Balance at January 1, 2023	\$	370,024	\$ 370,024
Net change		4,092	4,092
Loss on net investment hedge of foreign operations		(5,850)	(5,850)
Foreign exchange rate changes		(138)	(138)
Balance at June 30, 2023	\$	368,128	\$ 368,128

⁽¹⁾ At June 30, 2023, Chemtrade had committed a total of \$18,365 of the Credit Facilities towards standby letters of credit.

⁽²⁾ At June 30, 2023, Cdn\$ limit of the Credit Facilities was \$860,730 (US\$650,000) and Chemtrade had drawn US\$278,000 and Cdn\$ nil on the Credit Facilities.

In March 2024, Chemtrade amended its Credit Facilities to replace Canadian Bankers' Acceptance rate with Canadian Overnight Repo Rate Average ("CORRA").

The Credit Facilities are secured by substantially all of Chemtrade's assets. At June 30, 2024, the weighted average effective interest rate of the facilities was 4.5% (December 31, 2023 - 3.5%). Interest rates on the Credit Facilities are based on Secured Overnight Financing Rate ("SOFR") and CORRA, adjusted by Chemtrade's credit spread.

Chemtrade is subject to certain covenants pursuant to its Credit Facilities, which include a Net debt to EBITDA ratio and an Interest Coverage ratio (as such terms are defined in the credit agreement). Chemtrade monitors these ratios and reports them to its lenders on a quarterly basis. As at June 30, 2024 and December 31, 2023, Chemtrade was in compliance with all covenants.

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12. UNITS AND OTHER COMPONENTS OF EQUITY:

(a) Units:

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

	2024		2023	
	Number of Units	Amount	Number of Units	Amount
Balance - January 1	117,048,304	\$ 1,648,411	115,536,668	\$ 1,635,683
Conversion of unsecured subordinated convertible debentures	6,122	45	9,251	68
Issuance of units under the DRIP	118,203	1,070	664,236	5,677
Balance – June 30	117,172,629	\$ 1,649,526	116,210,155	1,641,428

On June 3, 2024, the Fund commenced a normal course issuer bid (NCIB) under which the Fund is authorized to purchase up to 11,672,524 of its units over a 12 month period ending June 2, 2025. As of June 30, 2024, no purchases were made as part of the NCIB. The Fund was required to suspend all purchases under the NCIB for the duration of the SIB which expired on July 31, 2024. For more information about the NCIB, see note 17.

(b) Distributions:

Effective with the distributions declared in January 2024 and paid in February 2024, Chemtrade suspended its DRIP and increased the monthly distributions from \$0.050 per unit to \$0.055 per unit.

Distributions paid for the three and six months ended June 30, 2024 were \$19,333 and \$38,106, respectively, (2023 - \$17,481 and \$34,906, respectively) or \$0.165 and \$0.325 per unit respectively, (2023 - \$0.150 and \$0.300 per unit, respectively). Of the distributions paid for the three and six months ended June 30, 2024, \$19,333 and \$37,036, respectively, (2023 - \$14,521 and \$29,229, respectively) were in cash and \$nil and \$1,070, respectively, (2023 - \$2,960 and \$5,677, respectively) were reinvested in additional units pursuant to the DRIP. All of Chemtrade's distributions are discretionary and subject to Board approval.

Distributions declared for the three and six months ended June 30, 2024 were \$19,333 and \$38,666, respectively, (2023 - \$17,503 and \$34,943 including the DRIP bonus distributions) or \$0.165 and \$0.330 per unit, respectively, (2023 - \$0.150 and \$0.300 per unit).

As at June 30, 2024, Chemtrade had distributions payable of \$6,445 (December 31, 2023 - \$5,884) which were paid on July 31, 2024. On July 22, 2024, Chemtrade declared a cash distribution of \$0.055 per unit for the month of July 2024 payable on August 30, 2024 to Unitholders of record at the close of business on July 31, 2024.

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13. SHARE-BASED PAYMENTS:

Chemtrade operates a Long-term Incentive Plan ("LTIP"), which grants cash awards based on certain criteria. The LTIP awards have a performance based Performance Share Unit ("PSU") component and a Restricted Share Unit ("RSU") component. The performance based PSU component of the 2022 – 2024 and 2023 – 2025 LTIP awards is based on return on investment capital improvement and total return to Chemtrade's Unitholders relative to the total return of companies comprising the S&P/TSX Dividend Composite Index. The performance based PSU component of the 2024 – 2026 LTIP awards is based on return on investment capital improvement and total return to Chemtrade's Unitholders relative to two peer groups which are the S&P/TSX Dividend Composite Index and a group of peer companies selected by Chemtrade. 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 these LTIP awards is also adjusted by Environmental, Social and Governance goals to be achieved by the end of the performance period. The RSU component of the LTIP awards is a phantom plan which is payable in cash at the end of the performance period.

As at June 30, 2024, a liability of \$29,904 (December 31, 2023 - \$33,640) has been recorded for LTIP awards, of which \$18,703 (December 31, 2023 - \$15,206) is included in trade and other payables and \$11,201 (December 31, 2023 - \$18,434) is included in other long-term liabilities. During the first quarter of 2024, Chemtrade paid \$14,975 to settle the 2021 - 2024 LTIP awards. For the three and six months ended June 30, 2024, Chemtrade recorded an expense of \$5,953 and \$9,571, respectively (2023 - \$3,991 and \$8,127, respectively) in selling and administrative expenses related to the fair value adjustments on the LTIP.

The following RSUs under these plans are outstanding:

	Number of rights	
	2024	2023
Balance – January 1	2,215,305	3,293,965
Grants – new grants	713,368	633,992
– distribution equivalents	91,877	94,617
Forfeitures	(41,624)	(38,589)
Settlements	(765,055)	(1,814,553)
Balance – June 30	2,213,871	2,169,432

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13. SHARE-BASED PAYMENTS (continued):

The following PSUs under these plans are outstanding:

	Number of rights	
	2024	2023
Balance – January 1	2,535,567	1,398,638
Grants – new grants	693,020	616,180
– estimated performance adjustment	242,672	372,330
– distribution equivalents	192,088	79,778
Forfeitures	(5,820)	(36,224)
Settlements	(3,984)	—
Balance – June 30	3,653,543	2,430,702

Chemtrade has in place a deferred unit plan ("DUP") for non-employee trustees ("Participants"), pursuant to which the Participants can elect to take all or a portion of their compensation in the form of deferred units of Chemtrade, with the remainder as a cash payment. The deferred units are settled in units of the Fund issued from treasury or in cash at the Participant's request. Currently, the Participants are required to take a minimum of 50% of their compensation in the form of deferred units of Chemtrade. As at June 30, 2024, 756,360 deferred units at a value of \$6,989 were outstanding (December 31, 2023 - 677,402 deferred units at a value of \$5,771).

The following rights under the DUP are outstanding:

	Number of rights	
	2024	2023
Balance – January 1	677,402	583,501
Grants – new grants	53,123	61,650
– distribution equivalents	25,835	19,668
Settlements	—	(69,421)
Balance – June 30	756,360	595,398

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13. SHARE-BASED PAYMENTS (continued):

Inputs for measurement of fair values

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

	June 30, 2024	December 31, 2023
Chemtrade units:		
Average base price	\$8.32	\$7.84
Period-end unit price	\$9.24	\$8.52
Average expected volatility	28.90%	31.00%
Average risk free interest rate	4.09%	4.14%
Average expected remaining term	1.50 years	1.50 years

14. FINANCIAL INSTRUMENTS:

(a) Derivatives and hedging:

	June 30, 2024			December 31, 2023		
	Notional Amount	Fair Value Asset	Liability	Notional Amount	Fair Value Asset	Liability
Derivatives designated in a formal hedging relationship						
Cash-settled unit swaps ⁽¹⁾	—	\$ 8,298	\$ —	—	\$ 6,252	\$ —
Derivatives not designated in a formal hedging relationship						
Interest rate swaps ⁽¹⁾	US\$ 175,000	10,098	—	US\$ 325,000	10,886	—
Foreign exchange contracts ⁽¹⁾⁽²⁾	—	—	1,180	—	2,483	—
Cash-settled unit swaps ⁽¹⁾	—	2,360	—	—	1,332	—
Total		\$ 20,756	\$ 1,180		\$ 20,953	\$ —

⁽¹⁾ Current portion of assets is included in Prepaid expenses and other assets, non-current portion of assets is included in Other assets, current portion of liabilities is included in Trade and other payables and non-current portion of liabilities is included in Other long-term liabilities in the Condensed Consolidated Interim Statements of Financial Position as of June 30, 2024 and December 31, 2023.

⁽²⁾ See below for notional amounts.

As of January 1, 2022, Chemtrade had swap arrangements in place to fix the LIBOR components of its interest rates on US\$325,000 of its Credit Facilities until October 2024. During the first quarter of 2022, Chemtrade formally designated the interest rate swaps as cashflow hedges and changes in the fair value of the effective portion of the swaps were recognized in other comprehensive income.

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14. FINANCIAL INSTRUMENTS (continued):

During the third quarter of 2022, Chemtrade de-designated its interest rate swaps and hedge accounting on these swaps was discontinued prospectively. The accumulated balance of the change in the fair value of the interest rate swaps in other comprehensive income at the time the swaps were de-designated will be reclassified to net earnings until October 2024. For the three and six months ended June 30, 2024, Chemtrade reclassified a gain of \$1,754 and \$3,508, respectively, (2023 - gain of \$1,754 and \$3,508, respectively) from other comprehensive income to net earnings. As a result of discontinuing hedge accounting, all subsequent changes in the fair value of the interest rate swaps are recognized in net earnings. For the three and six months ended June 30, 2024, Chemtrade recognized a loss of \$113 and \$787, respectively, (2023 - gain of \$1,558 and a loss of \$2,340, respectively) in net earnings relating to the changes in the fair value of the swaps.

During the first quarter of 2024, Chemtrade amended the terms of its existing US\$175,000 and US\$150,000 interest rate swaps on its outstanding long-term debt. Effective January 24, 2024, the terms of these swaps were extended until December 2026 to align with the maturity date of the long-term debt and the aggregate amount of the swap was reduced to US\$175,000. As a result of the extension, Chemtrade presented the fair value relating to the interest rate swap in Other assets under non-current assets, which compares to December 31, 2023 when these were presented in Prepaid expenses and other assets in the Condensed Consolidated Interim Statements of Financial Position.

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

For the three and six months ended June 30, 2024, a foreign exchange loss of \$3,317 and \$8,821, respectively, (2023 - gain of \$6,241 and \$5,849, respectively) on the revaluation of the U.S. dollar-denominated debt related to this hedging strategy was recognized in other comprehensive income, net of tax.

Chemtrade has entered into cash-settled unit swap arrangements which fix the unit price on a portion of the RSU and PSU components of its LTIP awards and a portion of the deferred units awarded under the DUP. During the first quarter of 2023, Chemtrade rolled over the hedged units maturing on March 31, 2023, into 2024, 2025 and 2026. During the first quarter of 2024, Chemtrade rolled over the hedged units maturing on March 31, 2024, into 2025, 2026 and 2027. The RSU component of the LTIP awards is a phantom plan which is payable in cash at the end of the performance period. The PSU component of the LTIP awards gives a right to the participants to receive cash payments upon the achievement of performance goals during the performance periods.

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14. FINANCIAL INSTRUMENTS (continued):

As at June 30, 2024, the notional number of units hedged was 2,402,220 (December 31, 2023 - 2,439,105) with maturity dates ranging between March 2025 and March 2027. Distributions on the hedged units are reinvested in these swap arrangements. The RSU and PSU swaps are formally designated as cash flow hedges at the date of inception and any changes in the fair value of the unvested portion of the RSU and PSU hedges are recognized in other comprehensive income. However, the swaps which fix the unit price on deferred units are not formally designated as cash flow hedges and any changes in the fair value of these deferred units swaps are recognized in net earnings. As at June 30, 2024, the notional number of units not designated as hedges was 686,837 (December 31, 2023 - 548,568) maturing in March 2025.

Chemtrade has entered into foreign exchange contracts to manage some of its exposure to foreign currencies. Chemtrade buys and sells specific amounts of currencies at pre-determined dates and exchange rates, which are matched with the anticipated operational cash flows. Contracts in place at June 30, 2024 include future contracts to sell the following amounts for periods through to September 2025:

Amount	Maturity	Exchange rate
US\$38,315	Q3 2024	\$1.35
US\$30,247	Q4 2024	\$1.35
US\$24,000	Q1 2025	\$1.36
US\$15,000	Q2 2025	\$1.36
US\$8,000	Q3 2025	\$1.36

(b) Fair values of financial instruments:

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

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

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14. FINANCIAL INSTRUMENTS (continued):

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

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

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

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

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

All of Chemtrade's derivative financial instruments are classified within Level 2 because they are based on rates quoted by banks and other public data sources. The current portion of these derivatives is recorded in Prepaid expenses and other assets and trade and other payables and the non-current portion is recorded in Other assets and Other long-term liabilities in the Condensed Consolidated Interim Statements of Financial Position.

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

The fair value of the interest rate swap arrangements is the difference between the forward interest rates and the contract rates discounted. Any changes in the fair value of these arrangements are recognized in net earnings.

The fair value of the cash-settled unit swap arrangements is the difference between the forward unit price and the contract unit price. Any changes in the fair value of the unvested portion of the unit swaps are recognized in other comprehensive income. Any changes in the fair value of the deferred unit swaps are recognized in net earnings.

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15. CAPITAL MANAGEMENT:

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

	June 30, 2024	December 31, 2023
Long-term debt	\$ 311,881	\$ 246,545
Add (Less):		
Debentures ⁽¹⁾	425,507	425,552
Long-term lease liabilities	133,410	130,583
Lease liabilities ⁽²⁾	52,262	49,304
Cash and cash equivalents	(35,273)	(21,524)
Net debt	887,787	830,460
LTM Adjusted EBITDA ⁽³⁾	\$ 451,812	\$ 502,637
Net debt to LTM Adjusted EBITDA	1.96	1.65

⁽¹⁾ Principal outstanding amount, see note 10.

⁽²⁾ Presented as current liabilities in the Condensed Consolidated Interim Statements of Financial Position

⁽³⁾ LTM Adjusted EBITDA represents the last twelve months Adjusted EBITDA.

There were no changes in Chemtrade's approach to managing capital during the second quarter ended June 30, 2024.

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16. MATERIAL ACCOUNTING POLICIES:

(a) Standards and interpretations adopted during the period:

Chemtrade adopted the following accounting amendments that were effective for its interim and annual consolidated financial statements beginning January 1, 2024:

- 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). These amendments removed an exception related to the requirement for the unconditional right to defer settlement for more than twelve months for equity settled liabilities that permitted classification as non-current liabilities. Chemtrade does not have an unconditional right to defer the settlement of its Debentures upon conversion into units by the Debenture holder nor does it classify the conversion option as equity. As a result, in the Condensed Consolidated Interim Statements of Financial Position effective January 1, 2024, Chemtrade reclassified from non-current to current liabilities, \$437,517, being the fair value of Debentures as of January 1, 2024. Since, the amendments are applicable retrospectively, Chemtrade has restated the December 31, 2023 Condensed Consolidated Interim Statements of Financial Position by re-classifying the Debentures from non-current to current liabilities. While these are presented as current liabilities, Debenture holders do not have the right to demand their repayment prior to their maturity date, which for all the outstanding series is more than twelve months in the future. However, the Debenture holders have the right to convert Debentures into units at predetermined prices, thus, the Debentures are classified as current liabilities.

Adoption of the following standards have not had a material impact on its financial results:

- 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 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).

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16. MATERIAL ACCOUNTING POLICIES (continued):

(b) Standards and interpretations not yet adopted:

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

- Amendments to 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).
- IFRS 18, *Presentation and Disclosure in Financial Statements*, specifying the requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements (effective for annual periods beginning on or after January 1, 2027).
- 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).
- Amendments to IFRS 9 and IFRS 7, *Classification and measurement of financial instruments*, specifying how an entity should classify some financial assets, especially on the application of the solely payments of principal and interest test and recognition of financial assets and liabilities when settled using electronic payments (effective for annual periods beginning on or after January 1, 2026).

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17. SUBSEQUENT EVENTS:

Substantial Issuer Bid

On July 31, 2024, the SIB expired and a total of \$28,288 aggregate principal amount of Fund 2020 8.50% Debentures tendered under the SIB. In accordance with the terms and conditions of the Offer, the Fund took up \$28,288 aggregate principal amount of Fund 2020 8.50% Debentures for total consideration of \$37,615 representing a purchase price of \$1,300 per \$1,000 principal amount of Debentures, plus all accrued and unpaid interest thereon to, but excluding the payment date. We intend to exercise our early redemption rights by providing a formal notice of redemption to the holders of the remaining \$57,115 of Debentures in the latter half of August 2024 in accordance with the terms of the trust indenture at a price of \$1,000 per Debenture plus accrued and unpaid interest.

Normal Course Issuer Bid

After the SIB expired, the Fund's automatic unit purchase plan under the NCIB commenced and for the period from August 1, 2024 to August 13, 2024, 546,700 units at an average price of \$9.29 per unit were purchased by the Fund.

Cessation of Sodium Chlorate production at Prince George Plant

Chemtrade has made the decision to cease sodium chlorate production at its Prince George, BC facility, following an announced production curtailment by the plant's principal customer earlier this year. The facility will be converted into a sodium chlorate dissolving operation, which is expected to be completed during the third quarter of 2024. The remaining chlorate volumes required by the principal customer will be supplied by dissolving sodium chlorate produced at our Brandon facility. This operations cessation will be conducted in a manner that will allow for a return to service should market conditions change and is not anticipated to have a material financial impact.

Information for Unitholders

Trustees

[Douglas Muzyka \(Chair\)](#)
Philadelphia, Pennsylvania

[Scott Rook](#)
Toronto, Ontario

[Lucio Di Clemente](#)
Toronto, Ontario

[Daniella Dimitrov](#)
Toronto, Ontario

[Luc Doyon](#)
Montreal, Quebec

[Emily Moore](#)
Toronto, Ontario

[Gary Merasty](#)
Toronto, Ontario

[Katherine Rethy](#)
Huntsville, Ontario

Management

[Scott Rook](#)
President & CEO

[Rohit Bhardwaj](#)
Chief Financial Officer

[Tejinder Kaushik](#)
Vice-President, Information Technology

[Timothy Montgomery](#)
Group Vice-President,
Manufacturing & Engineering

[Susan Paré](#)
Corporate Secretary
General Counsel

[Bramora Rebello](#)
Group Vice-President,
Human Resources and Responsible Care

[Alan Robinson](#)
Group Vice-President,
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