CHEMTRADE LOGISTICS INCOME FUND

Management's Discussion and Analysis

For the Three and Six Months Ended June 30, 2022

August 10, 2022

Q2 2022

CHEMTRADE

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of Chemtrade for the three and six months ended June 30, 2022, the audited consolidated financial statements of Chemtrade for the year ended December 31, 2021 and the annual MD&A for the year ended December 31, 2021.

Chemtrade's financial statements are prepared in accordance with IFRS. Chemtrade's reporting currency is the CAD. In this MD&A, amounts are presented in thousands of CAD unless otherwise indicated. This MD&A is current as at August 10, 2022 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 36.

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 34.

Definitions

MD&A means Management's Discussion & Analysis

Fund means Chemtrade Logistics Income Fund

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

IFRS means International Financial Reporting Standards

SWC means our Sulphur and Water Chemicals reportable segment

EC means our Electrochemicals reportable segment

More terms and definitions are explained on page 40.

Where to find it

About Chemtrade

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

Sulphur and Water Chemicals (SWC) and

Electrochemicals (EC).

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

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

RECENT DEVELOPMENTS

Sale of Augusta Plant

On April 4, 2022, we completed the sale of an idled acid plant in Augusta, GA for cash proceeds of $12.5 million (US$10.0 million) and non-cash proceeds of $5.0 million (US$3.9 million) consisting of an acid supply contract of $1.8 million (US$1.4 million) and buildings of $3.2 million (US$2.5 million) to be completed in the future.

Sale-and-leaseback transaction

On April 19, 2022, we announced we were launching a process to sell the land at our North Vancouver, BC site through a sale-and-leaseback structure. We plan to continue operating our North Vancouver chlor-alkali facility following the completion of the proposed sale-leaseback arrangement. There is no assurance that this process will be successful, particularly given the recent downturn in the real estate sector.

Beauharnois Closure

During the second quarter of 2022, we announced the closure of our Beauharnois, QC sodium chlorate facility, which is expected to be completed by the end of 2022. This decision resulted from the continued decline in sodium chlorate demand, including ongoing softness in demand for office paper. The volumes from this facility (annual capacity of 40,000 tonnes) will be absorbed by our Brandon, MB and Prince George, BC facilities and by supply from a chlorate producer. During the second quarter of 2022, we recorded an expense of $3.9 million in EC's cost of sales and services related to the provisions for an onerous contract.

Credit Amendment

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

KPCT Joint Arrangement Agreement

On July 18, 2022, we announced a joint arrangement with privately held Kanto Group for the greenfield construction of a high purity sulphuric acid plant in Casa Grande, AZ with an expected start-up from late 2024 to 2025 having a total annual capacity of approximately 100,000MT of electronic grade acid. Kanto Group and Chemtrade own 51% and 49%, respectively, of this joint arrangement. While detailed cost estimates are not yet available, we currently estimate that aggregate capital to construct the plant will range from US$175.0 million to US$250.0 million. The joint arrangement is targeting a return on investment of approximately 20% and the plant is expected to commence operations from late 2024 to 2025.

FINANCIAL HIGHLIGHTS

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

($'000 except per unit amounts)	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Revenue	$ 446,372	$ 337,270	$ 836,717	$ 649,710
Net earnings (loss) [(1)]	$ 34,835	$ (14,078)	$ 45,521	$ (34,526)
Net earnings (loss) per unit [(1)(2)]	$ 0.33	$ (0.14)	$ 0.44	$ (0.35)
Diluted net earnings (loss) per unit [(1)(2)]	$ 0.18	$ (0.14)	$ 0.44	$ (0.35)
Total assets	$ 2,074,875	$ 2,430,211	$ 2,074,875	$ 2,430,211
Long-term debt	$ 498,305	$ 725,848	$ 498,305	$ 725,848
Convertible unsecured subordinated debentures	$ 515,988	$ 531,516	$ 515,988	$ 531,516
Adjusted EBITDA [(3)]	$ 81,729	$ 65,164	$ 189,561	$ 120,592
Cash flows from operating activities	$ 83,976	$ 50,846	$ 121,109	$ 44,450
Distributable cash after maintenance capital expenditures[(3)]	$ 25,918	$ 21,231	$ 89,187	$ 39,115
Distributable cash after maintenance capital expenditures per unit [(2)(3)]	$ 0.25	$ 0.21	$ 0.85	$ 0.39
Distributions declared	$ 15,784	$ 15,591	$ 31,519	$ 30,145
Distributions declared per unit [(4)]	$ 0.15	$ 0.15	$ 0.30	$ 0.30
Distributions paid, net of distributions reinvested	$ 13,306	$ 13,086	$ 26,659	$ 25,243

[(1)] Results for for the three and six months ended June 30, 2022 include a gain of $17.4 million or $0.17 per unit relating to sale of an idled acid plant in Augusta, GA.

[(2)] Based on weighted average number of units outstanding for the period.

[(3)] See **Non-IFRS and Other Financial Measures** on page 36.

[(4)] Based on actual number of units outstanding on record date.

CONSOLIDATED OPERATING RESULTS

	Three months ended June 30, 2022 vs 2021	Six months ended June 30, 2022 vs 2021
Revenue	Consolidated revenue for 2022 was $446.4 million, which was $109.1 million higher than revenue for 2021. The increase was primarily due to: • higher selling prices of chlor-alkali products in the EC segment, and • higher selling prices of merchant acid and water solutions products in the SWC segment, partially offset by: • revenue relating to the KCl and vaccine adjuvant businesses which was included in Q2 2021 but not in Q2 2022, as these businesses were sold during the fourth quarter of 2021, and • lower sales volumes of sodium chlorate in the EC segment.	Consolidated revenue for 2022 was $836.7 million, which was $187.0 million higher than revenue for 2021. The increase was primarily due to: • higher selling prices of chlor-alkali products in the EC segment, and • higher selling prices of merchant acid, Regen acid, water solutions products and sulphur products in the SWC segment, partially offset by: • revenue relating to the KCl and vaccine adjuvant businesses which was included in 2021 but not in 2022, as these businesses were sold during the fourth quarter of 2021, and • lower sales volumes of sodium chlorate in the EC segment.
Adjusted EBITDA	Adjusted EBITDA for 2022 was $16.6 million higher than the Adjusted EBITDA for the same period of 2021, which included Adjusted EBITDA of $4.5 million relating to the businesses sold in the fourth quarter of 2021. The increase in Adjusted EBITDA was primarily due to: • stronger results in both the EC and SWC segments, partially offset by: • higher corporate costs.	Adjusted EBITDA for 2022 was $69.0 million higher than the Adjusted EBITDA for the same period of 2021, which included Adjusted EBITDA of $9.5 million relating to the businesses sold in the fourth quarter of 2021. The increase in Adjusted EBITDA was primarily due to: • stronger results in both the EC and SWC segments, partially offset by: • higher corporate costs.

	Three months ended June 30, 2022 vs 2021	Six months ended June 30, 2022 vs 2021
Net Earnings (loss)	Net earnings for 2022 were $48.9 million higher than 2021 primarily due to: • higher Adjusted EBITDA, • a gain relating to sale of an idled acid plant in Augusta, GA, • lower net finance costs in 2022 (see **Net Finance Costs** on page 14), and • lower depreciation and amortization expense, partially offset by: • lower income tax recoveries during 2022, compared with 2021 (see **Income Taxes** on page 15).	Net earnings for 2022 were $80.0 million higher than 2021 primarily due to: • higher Adjusted EBITDA, • lower depreciation and amortization expense, • a gain relating to sale of an idled acid plant in Augusta, GA, and • lower net finance costs in 2022 (see **Net Finance Costs** on page 14), partially offset by: • income tax expenses recorded during 2022, whereas there were income tax recoveries in 2021 (see **Income Taxes** on page 15).

RESULTS OF OPERATIONS BY REPORTABLE SEGMENT

SULPHUR AND WATER CHEMICALS (SWC)

	Three months ended		Six months ended	
($'000)	**June 30, 2022**	**June 30, 2021 (1)**	**June 30, 2022**	**June 30, 2021 (1)**
Revenue	$ 269,493	$ 213,785	$ 498,481	$ 404,538
Gross profit	51,110	26,467	90,412	47,501
Adjusted EBITDA	54,788	54,006	117,252	103,780

(1) During the three and six months ended June 30, 2021, SWC includes $12.9 million and $25.6 million, respectively, of revenue, $4.5 million and $9.5 million, respectively, of gross profit and $4.5 million and $9.5 million, respectively, of Adjusted EBITDA, relating to the KCl and vaccine adjuvants businesses which were sold in the fourth quarter of 2021.

	SWC OPERATING RESULTS	
	Three months ended June 30, 2022 vs 2021	**Six months ended June 30, 2022 vs 2021**
Revenue	The increase shown above was primarily due to: • higher selling prices of merchant acid, water solutions products and Regen acid, which more than offset: • lower sales volumes of merchant acid, and • revenue relating to the KCl and vaccine adjuvant businesses which was included in Q2 2021 but not in Q2 2022, as these businesses were sold during the fourth quarter of 2021.	The increase shown above was primarily due to: • higher selling prices of merchant acid, water solutions products and Regen acid, and • higher sales volumes of Regen acid, which more than offset: • lower sales volumes of merchant acid, and • revenue relating to the KCl and vaccine adjuvant businesses which was included in 2021 but not in 2022, as these businesses were sold during the fourth quarter of 2021.

<table>
<tr><th></th><th colspan="2">SWC OPERATING RESULTS</th></tr>
<tr><th></th><th>Three months ended June 30, 2022 vs 2021</th><th>Six months ended June 30, 2022 vs 2021</th></tr>
<tr><td>Gross Profit</td><td>Gross profit shown above was higher due to:
a gain relating to sale of an idled acid plant in Augusta, GA, and
higher selling prices of water solutions products, merchant acid, Regen acid and sulphur products,
partially offset by:
higher sulphur costs, and
gross profit earned in Q2 2021 by the KCI and vaccine adjuvant businesses which were sold during the fourth quarter of 2021.</td><td>Gross profit shown above was higher due to:
a gain relating to sale of an idled acid plant in Augusta, GA, and
higher selling prices of merchant acid and Regen acid,
partially offset by:
higher sulphur costs, and
gross profit earned in 2021 by the KCI and vaccine adjuvant businesses which were sold during the fourth quarter of 2021.</td></tr>
<tr><td>Adjusted EBITDA</td><td>Excluding the Adjusted EBITDA from the KCI and vaccine adjuvant businesses which were sold during the fourth quarter of 2021, higher Adjusted EBITDA in Q2 2022 was primarily due to:
higher selling prices of water solutions products, merchant acid, Regen acid and sulphur products,
partially offset by:
higher sulphur costs.</td><td>The factors that affected revenue and gross profit also resulted in higher Adjusted EBITDA in 2022. During Q1 2021, Regen results were negatively affected by the severe winter storms experienced by large parts of the U.S. and by the stay-at-home orders in California which reduced demand for gasoline, resulting in lower demand for Regen acid. Regen demand during 2022 was generally back to pre-pandemic levels.</td></tr>
</table>

ELECTROCHEMICALS (EC)

($'000)	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
North American sales volumes:				
Sodium chlorate sales volumes (000's MT)	85	91	172	183
Chlor-alkali sales volumes (000's MECU)	46	45	86	86
Revenue	$ 176,879	$ 123,485	$ 338,236	$ 245,172
Gross profit (loss)	28,786	(2,200)	68,303	(2,305)
Adjusted EBITDA	50,714	23,761	116,310	50,938

<table>
<tr><th></th><th colspan="2">EC OPERATING RESULTS</th></tr>
<tr><th></th><th>Three months ended June 30, 2022 vs 2021</th><th>Six months ended June 30, 2022 vs 2021</th></tr>
<tr><td>Revenue</td><td>The higher revenue shown above was primarily due to:
• an increase in selling prices for all three chlor-alkali products (caustic soda, chlorine and HCl) resulting in an increase of approximately $1,000 in realized MECU netbacks (i.e. selling price less freight),
partially offset by:
• lower sales volumes of sodium chlorate.</td><td>The higher revenue shown above was primarily due to:
• an increase in selling prices for all three chlor-alkali products (caustic soda, chlorine and HCl) resulting in an increase of approximately $850 in realized MECU netbacks (i.e. selling price less freight),
partially offset by:
• lower sales volumes of sodium chlorate.</td></tr>
<tr><td>Gross Profit</td><td>The gross profit in 2022 compared with gross loss during the same period of 2021 was primarily due to:
• higher selling prices for chlor-alkali products,
partially offset by:
• lower sales volumes of sodium chlorate,
• approximately $17.1 million negative impact related to the biennial maintenance turnaround at the North Vancouver chlor-alkali plant during Q2 2022, and
• $3.9 million expense recorded during Q2 2022 related to the provisions for an onerous contract resulting from closure of our Beauharnois, QC sodium chlorate facility, which is expected to be completed by the end of 2022.</td><td>The gross profit in 2022 compared with gross loss during the same period of 2021 was primarily due to:
• higher selling prices for chlor-alkali products,
partially offset by:
• lower sales volumes of sodium chlorate,
• approximately $17.1 million negative impact related to the biennial maintenance turnaround at the North Vancouver chlor-alkali plant during Q2 2022, and
• $3.9 million expense recorded during Q2 2022 related to the provisions for an onerous contract resulting from closure of our Beauharnois, QC sodium chlorate facility, which is expected to be completed by the end of 2022</td></tr>
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<tr><th></th><th colspan="2">EC OPERATING RESULTS</th></tr>
<tr><th></th><th>Three months ended June 30, 2022 vs 2021</th><th>Six months ended June 30, 2022 vs 2021</th></tr>
<tr><td>Adjusted EBITDA</td><td>Adjusted EBITDA shown above was higher due to:
• higher selling prices for chlor-alkali products,
partially offset by:
• lower sales volumes of sodium chlorate, and
• negative impact related to the biennial maintenance turnaround at the North Vancouver chlor-alkali plant during Q2 2022 and expense related to the closure of our Beauharnois, QC sodium chlorate facility, which is expected to be completed by the end of 2022.
Realized MECU netbacks during Q2 2022 were approximately $1,000 higher than Q2 2021. Approximately 55% of this was due to higher realized prices for caustic soda and the balance due to higher realized prices for chlorine and to a lesser extent for HCl .</td><td>Adjusted EBITDA shown above was higher due to:
• higher selling prices for chlor-alkali products,
partially offset by:
• lower sales volumes of sodium chlorate, and
• negative impact related to the biennial maintenance turnaround at the North Vancouver chlor-alkali plant during Q2 2022 and expense related to the closure of our Beauharnois, QC sodium chlorate facility, which is expected to be completed by the end of 2022.
Realized MECU netbacks during 2022 were approximately $850 higher than 2021. Approximately 55% of this was due to higher realized prices for caustic soda and the balance due to higher realized prices for chlorine and to a lesser extent for HCl.</td></tr>
</table>

Corporate Costs

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

	Three months ended		Six months ended	
($'000)	**June 30, 2022**	**June 30, 2021**	**June 30, 2022**	**June 30, 2021**
Cost of services (Adjusted EBITDA)	(23,773)	(12,603)	(44,001)	(34,126)

	CORPORATE COSTS	
	Three months ended June 30, 2022 vs 2021	**Six months ended June 30, 2022 vs 2021**
Cost of Services	Corporate costs shown above were higher primarily due to: • a realized foreign exchange loss of $0.4 million as compared to gain of $4.1 million in 2021, • $1.9 million higher incentive compensation costs, • $2.7 million higher LTIP costs, and • a $1.0 million government grant recognized in relation to the CEWS and the CERS in 2021.	Corporate costs shown above were higher primarily due to: • a $5.6 million government grant recognized in relation to the CEWS and the CERS in 2021. • $1.7 million lower realized foreign exchange gain as compared to 2021, • $1.4 million higher incentive compensation costs, and • $1.3 million higher LTIP costs.

Reserve for legal proceedings

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

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 $1.29 to $1.30 for US$1.00), on an unhedged basis, this would have the impact as below:

Measure	Impact
Annual net earnings	+/- $2.7 million
Adjusted EBITDA	+/- $3.8 million
Annual distributable cash after maintenance capital expenditures	+/- $2.8 million

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, 2022 include future contracts to sell the following amounts for periods through to October 2023:

Amount ($'000)	Maturity	Exchange rate range
US$40,247	Q3 2022	$1.27 - $1.28
US$32,247	Q4 2022	$1.27 - $1.28
US$24,046	Q1 2023	$1.28 - $1.29
US$16,031	Q2 2023	$1.28 - $1.30
US$5,000	Q3 2023	$1.28 - $1.29
US$3,000	Q4 2023	$1.29 - $1.30

The purpose of these contracts is to manage foreign exchange risk on specific transactions in a foreign currency. The amount of the related derivative is recorded at fair value at the period end and is included with prepaid expenses and other assets or trade and other payables on the consolidated statements of financial position. The resultant non-cash charge or gain is included in selling and administrative expenses. The impact of this non-cash charge or gain is excluded from Adjusted EBITDA and Distributable cash after maintenance capital expenditures. See **Non-IFRS and Other Financial Measures** on page 36.

We have hedged our investments in foreign operations that use the USD as their functional currency with our USD-denominated bank debt. As a result, any gains and losses arising from the USD-denominated debt will be offset by the foreign currency gain or loss arising from the investment in the foreign operations. The gains and losses on the translation of the designated amount of USD-denominated debt and investment in foreign operations are recognized on a net basis in other comprehensive income. The changes recorded in the accumulated other comprehensive income account since December 31, 2021 were a result of changes in the CAD/USD exchange rate between December 31, 2021 and June 30, 2022. For the three and six months ended June 30, 2022, foreign exchange losses of $13.9 and $9.7 million, respectively, on the revaluation of the USD-denominated debt and investment in foreign operations was recognized in other comprehensive income, compared with foreign exchange gains of $8.6 million and $17.2 million, respectively, during the three and six months ended June 30, 2021.

The rate of exchange used to translate USD-denominated balances has increased from a rate of US$1.00 = $1.26 at December 31, 2021 to US$1.00 = $1.29 at June 30, 2022. See **Risks and Uncertainties** in our 2021 MD&A for additional comments on foreign exchange.

NET FINANCE COSTS AND INCOME TAXES

Net Finance Costs

During the three and six months ended June 30, 2022, net finance costs were $9.8 million and $38.6 million, respectively, compared with net finance costs of $19.1 million and $40.6 million, respectively, during the same period of 2021.

<table>
<tr><th>Three months ended June 30, 2022 vs 2021</th><th>Six months ended June 30, 2022 vs 2021</th></tr>
<tr><td>Net finance costs were $9.3 million lower during the second quarter of 2022 relative to 2021. The decrease was primarily due to:
$4.1 million higher gains related to the change in fair value of Debentures during the second quarter of 2022 compared with the same period of 2021 (additional details are shown below),
lower debt levels in 2022 relative to 2021, which resulted in a lower interest expense of $3.4 million, and
$1.7 million loss reclassified from other comprehensive income due to the termination of original swaps during the second quarter of 2021.</td><td>Net finance costs were $2.0 million lower during the six months ended June 30, 2022 relative to 2021. The decrease is primarily due to:
lower debt levels in 2022 relative to 2021, which resulted in lower interest expense of $7.0 million,
$1.9 million gains related to the change in the fair value of interest rate swaps prior to their re-designation as cash flow hedges, and
$1.7 million loss reclassified from other comprehensive income due to termination of original swaps during the second quarter of 2021,
partially offset by:
$9.3 million higher losses related to a change in the fair value of Debentures in 2022 compared with 2021.</td></tr>
</table>

The Debentures are recognized at fair value with changes in fair value due to changes in the risk free interest rate presented in net finance costs and changes in our own credit risk presented in other comprehensive income rather than net earnings. During the three and six months ended June 30, 2022, the fair value of the Fund's Debentures decreased by $21.4 million and $10.4 million, respectively.

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

($ million)	Recorded in	Three months ended June 30, 2022	Three months ended June 30, 2021	Variance	Six months ended June 30, 2022	Six months ended June 30, 2021	Variance
(Decrease) increase due to a change in risk free rate and a change in the conversion option fair value	Net finance costs	$ (4.4)	$ (0.3)	$ (4.1)	$ 11.2	$ 1.9	$ 9.3
(Decrease) increase due to a change in our credit risk, net of taxes	Other comprehensive income	(2.8)	16.1	(18.9)	(16.1)	64.0	(80.1)
Tax (expense) recovery due to credit risk	Other comprehensive income	(14.2)	5.4	(19.6)	(5.5)	19.7	(25.2)
(Decrease) increase in fair value of Debentures		$ (21.4)	$ 21.1	$ (42.5)	$ (10.4)	$ 85.6	$ (96.0)

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, 2022 was 3.4% (December 31, 2021 - 4.4%). See **Liquidity and Capital Resources - Financial Instruments** for information concerning swap arrangements on page 19.

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.

<table>
<tr><th></th><th>Three months ended June 30, 2022 vs 2021</th><th>Six months ended June 30, 2022 vs 2021</th></tr>
<tr><td>Current Income taxes</td><td>Current income tax for the second quarter of 2022 was an expense of $4.3 million compared with a recovery of $0.8 million during the same period of 2021. The change was primarily due to:
increased income tax due to higher operating income and increased BEAT tax due to higher interest expense deduction in the U.S., and
increased income tax due to higher operating income in Brazil.</td><td>Current income tax for first six months of 2022 was an expense of $8.0 million compared with a recovery of $1.3 million during the same period of 2021. The change was primarily due to:
increased income tax due to higher operating income and increased BEAT tax due to higher interest expense deduction in the U.S., and
increased income tax due to higher operating income in Brazil.</td></tr>
<tr><td>Deferred Income taxes</td><td>Deferred income tax for the second quarter of 2022 was a recovery of $7.6 million compared with $5.8 million during the same period of 2021. The change was primarily due to:
reversal of valuation allowance for the deferred tax assets associated with the losses resulting from the change in the fair value of the Debentures during the second quarter of 2022,
partially offset by:
the utilization of tax loss carryforwards to offset higher taxable income in the U.S., Canada and Brazil.</td><td>Deferred income tax for the first six months was an expense of $6.5 million compared with a recovery of $13.9 million for the same period of 2021. The change is primarily due to:
higher operating income in 2022 resulting in the utilization of tax loss carryforwards to offset taxable income in the U.S., Canada and Brazil.</td></tr>
</table>

<table>
<tr><th></th><th>As at June 30, 2022 vs December 31, 2021</th></tr>
<tr><td>Deferred tax assets and liabilities</td><td>Deferred tax assets decreased by $18.4 million which was primarily due to:
utilization of tax loss carryforwards to offset taxable income in the U.S., Canada and Brazil, and
reversal of the valuation allowance for the deferred tax assets associated with the losses resulting from the change in the fair value of the Debentures.
Deferred tax liabilities decreased by $0.8 million, which was primarily due to:
the depreciation of non-deductible fixed assets,
partially offset by:
a reduction of unrealized foreign exchange losses carryforward in Brazil.</td></tr>
</table>

The effective tax rate for the first six months of 2022 differs from the statutory tax rate primarily due to the deduction of taxable income distributed to Unitholders, difference in domestic corporate and trust tax rates, international income tax differences, including the BEAT tax and certain permanent differences.

The difference in the effective tax rate for the second quarter of 2022 is due to the factors noted above as well as due to the reversal of valuation allowance for deferred tax assets associated with the losses resulting from the change in the fair value of the Debentures.

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

DISTRIBUTIONS

Distributions to Unitholders, including bonus distributions, for the three and six months ended June 30, 2022 were declared as follows:

Record Date	Payment Date		Distribution Per Unit [(1)]		Total ($'000)
Three months ended June 30:					
April 29, 2022	May 26, 2022	$	0.05	$	5,257
May 31, 2022	June 27, 2022		0.05		5,260
June 30, 2022	July 26, 2022		0.05		5,267
Sub-total			0.15		15,784
Three months ended March 31, 2022		$	0.15	$	15,735
Total for the six months ended June 30, 2022		**$**	**0.30**	**$**	**31,519**

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

Distributions to Unitholders, including bonus distributions, for the three and six months ended June 30, 2021 were declared as follows:

Record Date	Payment Date		Distribution Per Unit [(1)]		Total ($'000)
Three months ended June 30:					
April 30, 2021	May 26, 2021	$	0.05	$	5,192
May 31, 2021	June 25, 2021		0.05		5,196
June 30, 2021	July 27, 2021		0.05		5,203
Sub-total			0.15		15,591
Three months ended March 31, 2021		$	0.15	$	14,554
Total for the six months ended June 30, 2021		**$**	**0.30**	**$**	**30,145**

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

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

	Other Income	**Dividends** [1]	**Foreign Non-Business Income**	**Total**
2021	0.0%	32.0%	68.0%	100%
2022 [2]	0.0%	34.0%	66.0%	100%

[1] These dividends are not considered to be eligible dividends for Canadian resident Unitholders and therefore not eligible for the enhanced tax credit.

[2] Represents anticipated tax characterization of planned distributions. The actual tax treatment of 2022 distributions will be determined by March 1, 2023.

LIQUIDITY AND CAPITAL RESOURCES

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

Cash Flows from Operating Activities

Cash flows from operating activities for the second quarter of 2022 were an inflow of $84.0 million, compared with an inflow of $50.8 million for the same period of 2021. The increase in cash flows from operating activities of $33.1 million was primarily due to changes in working capital, higher Adjusted EBITDA and lower interest paid, partially offset by higher income taxes paid.

Cash flows from operating activities for the first six months of 2022 were an inflow of $121.1 million, compared with an inflow of $44.5 million for the same period of 2021. The increase in cash flows from operating activities of $76.6 million was primarily due to higher Adjusted EBITDA, changes in working capital and lower interest paid, partially offset by higher income taxes paid.

Investing Activities

Capital expenditures were $27.7 million in the second quarter of 2022, compared with $16.6 million in the second quarter of 2021. These amounts included $26.2 million in the second quarter of 2022 and $15.6 million in the second quarter of 2021 for maintenance capital expenditures[1]. Non-maintenance capital expenditures[2] were $1.5 million during the second quarter of 2022, compared with $1.0 million during the second quarter of 2021.

Capital expenditures were $43.9 million for the first six months of 2022, compared with $25.3 million for the first six months of 2021. These amounts included $40.4 million in the first six months of 2022 and $23.8 million for the first six months of 2021 for maintenance capital expenditures[1]. Non-maintenance capital expenditures[2] were $3.5 million during the first six months of 2022, compared with $1.6 million during the first six months of 2021.

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

Financing Activities

At June 30, 2022, our Credit Facilities were comprised of a $836.7 million (US$650.0 million) revolving credit facility.

In May 2021, we modified certain terms of our Credit Facilities including negotiating an amended covenant package on our Credit Facilities to provide us with additional covenant room until 2023. We incurred $0.6 million of

[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**

transaction costs related to the modification. These costs were deferred and were being amortized to finance costs in comprehensive income using the effective interest method.

In June 2022, we amended certain terms of our Credit Facilities to allow for the investment in the KPCT joint arrangement and to recognize any cash distributions received from this joint arrangement in the calculation of EBITDA for debt covenant purposes (see **Recent Developments** on page 3).

There was a net decrease in borrowings from our Credit Facilities of $39.6 million during the three months ended June 30, 2022 and a net increase of $115.2 million during the six months ended June 30, 2022 compared with net decreases of $5.5 million and $31.9 million during the same periods of 2021. During the fourth quarter of 2021, we issued a new series of Debentures and used the net proceeds of $130.0 million to temporarily repay our Credit Facility, so during the six months ended June 30, 2022, there was a net decrease in our borrowings of $14.8 million as opposed to a net increase of $115.2 million. We used the additional borrowings to redeem all of the Fund 2016 5.00% Debentures at a total aggregate redemption price of $146.6 million.

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

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

Distributions paid to Unitholders, net of distributions reinvested during the three and six months ended June 30, 2022 were $13.3 million and $26.7 million, respectively, compared to $13.1 million and $25.2 million, respectively, for the same period of 2021. The increase in distributions paid for 2022 relative to the same period of 2021 was primarily due to an increase in the number of units following the equity offering in the first quarter of 2021.

Financial Instruments

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

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

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

During the first quarter of 2022, we re-designated our US$175.0 million and US$150.0 million interest rate swaps on our outstanding revolving credit facility to continue the benefits of hedge accounting. Effective January 1 and January 25, 2022, respectively, these swaps were formally designated as cash flow hedges and any changes in the fair value of the effective portion of the swaps are recognized in other comprehensive income.

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

During the third quarter of 2021, we entered into cash-settled unit swap arrangements which fixed the unit price on a portion of the RSU component of our LTIP awards. During the first quarter of 2022, we rolled over the hedged units maturing on March 31, 2022, into 2023, 2024 and 2025. In addition to a portion of the RSU component of our LTIP awards, these arrangements fixed the unit price of the PSU component of our 2022 - 2024 LTIP awards. The RSU component of our LTIP awards is a phantom plan which is payable in cash at the end of the performance period. The PSU component of our LTIP awards gives a right to the participants to receive cash payments upon the achievement of performance goals during the performance periods. The arrangements are based on a portion of RSUs and PSUs outstanding for all of our existing LTIP awards. As at June 30, 2022, the notional number of units hedged was 2.7 million with maturity dates ranging between March 2023 and March 2025. Distributions on the hedged units are reinvested in these swap arrangements. These swaps are formally designated as cash flow hedges at the date of inception and any changes in the fair value of the unvested portion of the RSUs and PSUs are recognized in other comprehensive income.

Cash Balances

At June 30, 2022, we had net cash balances of $23.3 million (December 31, 2021 - $13.9 million). Cash generated by us will be used to fund cash distributions to Unitholders, capital requirements, interest, general corporate purposes and other legal obligations.

Future Liquidity

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

Capital Resources

At June 30, 2022, we had Credit Facilities of approximately $836.7 million (US$650.0 million). At June 30, 2022, we had drawn $498.3 million on our Credit Facilities. Additionally, we had committed a total of $19.4 million of our Credit Facilities towards standby letters of credit.

At June 30, 2022, we had four series of Debentures outstanding with an aggregate par value of $517.4 million (market value of $516.0 million) and maturity dates ranging from May 31, 2024 to August 31, 2027.

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

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

Debt Covenants

As at June 30, 2022, we were compliant with all debt covenants contained in our credit agreement.

FINANCIAL CONDITION REVIEW

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

($'000)		**June 30, 2022**		December 31, 2021	$ Change	% Change
ASSETS						
Trade and other receivables	$	139,337	$	96,371	42,966	45
Inventories		136,715		111,742	24,973	22
Right-of-use assets		125,035		140,435	(15,400)	(11)
Other assets		23,938		7,316	16,622	227
LIABILITIES and UNITHOLDERS' EQUITY						
Trade and other payables		282,243		229,985	52,258	23
Convertible unsecured subordinated debentures [(1)]		—		143,894	(143,894)	(100)
Long-term debt		498,305		373,531	124,774	33
Other long-term liabilities		14,360		40,527	(26,167)	(65)
Long-term lease liabilities		90,663		100,863	(10,200)	(10)
Provisions [(2)]		127,155		146,048	(18,893)	(13)
Accumulated other comprehensive income		243,587		207,621	35,966	17

[(1)] Included in Current liabilities

[(2)] Non-current portion

Trade and other receivables	Increase is primarily due to higher revenue in SWC and EC segments during the second quarter of 2022 relative to the fourth quarter of 2021.
Inventories	Increase is primarily due to increased inventory volumes and higher raw material costs contained within certain inventories.
Right-of use assets	Decrease is primarily due to: • depreciation expense recorded during the first six months of 2022, partially offset by: • ROU assets additions.
Other assets	Increase is primarily due to changes in the fair value of the interest rate swaps during the first six months of 2022.
Trade and other payables	Increase is primarily due to higher inventory costs in SWC and EC segments during the second quarter of 2022 relative to the fourth quarter of 2021.
Convertible unsecured subordinated debentures	Decrease is due to the redemption of the Fund 2016 5.00% Debentures.
Long-term debt	Increase is primarily due to using the Credit Facilities to redeem the Fund 2016 5.00% Debentures during the first quarter of 2022.
Other long-term liabilities	Decrease is primarily due to: • the reclassification of the accrual for the 2020 - 2022 LTIP awards from long-term liabilities to current liabilities, and • changes in the fair value of the interest rate swaps during the first six months of 2022.

Long-term lease liabilities	Decrease is due to: • the reclassification of long-term lease liabilities to current lease liabilities, partially offset by: • new leases.
Provision	Decrease is due to lower decommissioning liabilities primarily due to: • adjustment in the estimated decommissioning date for certain plants in the EC segment, and • increased discount rates at June 30 relative to December 31.
Accumulated other comprehensive income	Increase is primarily due to: • change in fair value of the Debentures due to own credit risk, • foreign currency translation differences for foreign operations, and • effective portion of change in the fair value of cash flow hedges, partially offset by: • loss on net investment hedge of foreign operations.

SUMMARY OF QUARTERLY RESULTS

($ millions)	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Revenue	$ 446.4	$ 390.3	$ 353.8	$ 365.0	$ 337.3	$ 312.4	$ 319.4	$ 345.9
Cost of sales and services	(366.5)	(311.5)	(447.8)	(320.0)	(313.0)	(291.5)	(304.6)	(338.5)
Gross profit (loss)	79.9	78.8	(94.1)	45.0	24.3	20.9	14.8	7.4
Selling and administrative expenses:								
Unrealized foreign exchange gain (loss)	(5.7)	2.4	2.7	(4.0)	(5.8)	(0.4)	1.6	—
LTIP	(6.0)	(4.2)	(7.2)	(9.5)	(3.3)	(5.6)	(9.2)	(2.8)
Legal settlement	—	—	17.7	—	—	—	—	—
Other	(26.8)	(19.7)	(20.8)	(24.8)	(16.7)	(22.5)	(23.8)	(24.4)
Total selling and administrative expenses	(38.5)	(21.5)	(7.6)	(38.3)	(25.8)	(28.5)	(31.4)	(27.2)
Operating (loss) income	41.3	57.3	(101.7)	6.7	(1.6)	(7.5)	(16.6)	(19.8)
Net finance costs:								
Mark-to-market on Debentures	4.4	(15.6)	(18.9)	0.9	0.3	(2.3)	(3.6)	(21.8)
Debt issuance and extinguishment costs	—	—	(11.0)	—	—	—	—	(4.0)
Change in the fair value of interest rate swaps prior to their re-designation as cash flow hedges	—	1.9	—	—	—	—	—	—
Loss reclassified from other comprehensive income due to termination of original swaps	—	—	(9.8)	—	—	—	—	—
Other	(14.2)	(15.1)	(17.2)	(19.6)	(19.4)	(19.2)	(20.4)	(20.3)
Total net finance costs	(9.8)	(28.8)	(56.9)	(18.7)	(19.1)	(21.5)	(24.0)	(46.1)
Income tax recovery (expense)	3.3	(17.8)	(21.9)	(8.2)	6.6	8.6	14.8	17.6
Net earnings (loss)	$ 34.8	$ 10.7	$ (180.5)	$ (20.2)	$ (14.1)	$ (20.4)	$ (25.8)	$ (48.3)
Adjusted EBITDA	$ 81.7	$ 107.8	$ 92.5	$ 67.3	$ 65.2	$ 55.4	$ 44.2	$ 64.7
Net earnings (loss) per unit	$ 0.33	$ 0.10	$ (1.74)	$ (0.19)	$ (0.14)	$ (0.21)	$ (0.28)	$ (0.52)
Diluted net earnings (loss) per unit	$ 0.18	$ 0.10	$ (1.74)	$ (0.19)	$ (0.14)	$ (0.21)	$ (0.28)	$ (0.52)

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

Revenue and Gross Profit

Gross profit for the second quarter of 2022 was higher due to higher selling prices for chlor-alkali products in the EC segment and a gain relating to the sale of an idled acid plant in Augusta, GA, higher selling prices of water solutions products, merchant acid and Regen acid in the SWC segment, partially offset by lower sales volumes of sodium chlorate in the EC segment. Gross profit for the first quarter of 2022 was higher due to higher selling prices of merchant acid, higher sales volumes of Regen acid and higher selling prices of water solutions products in the SWC segment and higher selling prices for chlor-alkali products in the EC segment, partially offset by lower sales volumes of sodium chlorate in the EC segment. Gross profit for the fourth quarter of 2021 was lower due to a $130.0 million impairment of intangible assets and PPE related to the sodium chlorate business due to a decline in chlorate demand combined with increased competitive pressure resulting in lower levels of gross profit and lowered expectations of business recovery to pre-pandemic levels. In addition, a loss of $7.1 million was recorded in SWC's cost of sales and services related to the sale of the KCl and vaccine adjuvants businesses during the fourth quarter of 2021. Gross profit for the second quarter of 2021 was lower due to lower chlor-alkali and sodium chlorate selling prices and lower sales volumes of sodium chlorate in the EC segment and an increase in the cost of raw materials in the SWC segment. Gross profit for the first quarter of 2021 was lower due to lower sales volumes of sodium chlorate in the EC segment, reduced demand and lower sales volumes of acid products in the SWC segment and lower sales volumes of water solutions products in the SWC segment due to disruptions caused by the severe winter storm experienced in large parts of the U.S. Gross profit for the fourth quarter of 2020 was lower due to lower chlor-alkali sales volumes as a result of the North Vancouver chlor-alkali plant operating at lower rates, as it underwent a biennial maintenance turnaround. Also, there was reduced demand and lower sales volumes for products in the SWC segment resulting from the COVID-19 pandemic. Gross profit for the third quarter of 2020 was lower due to a $19.8 million write-down of assets primarily as a result of the decision to rationalize sulphuric acid capacity.

Selling and Administrative Expenses

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

Net Finance Costs

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

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

OUTSTANDING SECURITIES OF THE FUND

As at August 9, 2022 and June 30, 2022, the following units and securities convertible into our units were issued and outstanding:

	August 9, 2022		June 30, 2022	
	Convertible Securities	Units	Convertible Securities	Units
Units outstanding		**104,950,899**		**104,848,042**
4.75% Debentures [(1)]	**201,115**	**7,532,397**	**201,115**	**7,532,397**
6.50% Debentures [(2)]	**100,000**	**6,329,114**	**100,000**	**6,329,114**
8.50% Debentures [(3)]	**86,250**	**11,734,694**	**86,250**	**11,734,694**
6.25% Debentures [(4)]	**130,000**	**13,000,000**	**130,000**	**13,000,000**
Units outstanding and issuable upon conversion of Debentures		**143,547,104**		**143,444,247**
Deferred units plan [(5)(6)]	**$ 5,425**	**637,532**	**$ 5,139**	**633,629**
Units outstanding and issuable upon conversion of Debentures and Deferred units		**144,184,636**		**144,077,876**

(1) Convertible at $26.70 per unit

(2) Convertible at $15.80 per unit

(3) Convertible at $7.35 per unit

(4) Convertible at $10.00 per unit

(5) Based on $8.51 and $8.11, the closing price of a unit on the TSX on August 9, 2022 and June 30, 2022 respectively

(6) 362,468 and 366,371 deferred units were available for future grants as at August 9, 2022 and June 30, 2022 respectively

CONTRACTUAL OBLIGATIONS

Information concerning contractual obligations at June 30, 2022 is shown below:

Contractual Obligations ***($'000)***	**Total**	**Less Than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Long-term debt	$ 498,305	$ —	$ —	$ 498,305	$ —
Debentures	517,365	—	201,115	186,250	130,000
Purchase commitments	68,715	31,125	30,072	7,518	—
Interest on Debentures	112,401	31,509	52,706	26,806	1,380
Interest on long-term debt	75,496	16,823	33,646	25,027	—
Lease payments	147,024	48,235	59,109	23,797	15,883
Total contractual obligations	$ 1,419,306	$ 127,692	$ 376,648	$ 767,703	$ 147,263

FINANCIAL OUTLOOK

Our outlook for 2022 has improved materially from the guidance we issued in our first quarter MD&A. Therefore, we are updating our guidance for the 2022 year as outlined below.

($ million)	Updated 2022 Guidance	Prior 2022 Guidance	2021 Actual	Six months ended Actual June 30, 2022	June 30, 2021
Adjusted EBITDA	$360.0 - $380.0	$300.0 - $330.0	$280.4	$189.6	$120.6
Maintenance Capex	$80.0 - $90.0	$73.0 - $78.0	$75.3	$40.4	$23.8
Lease Payments	$50.0 - $55.0	$50.0 - $55.0	$51.6	$25.4	$25.7
Cash Interest (1)	$50.0 - $55.0	$50.0 - $55.0	$65.9	$26.5	$33.3
Cash Taxes	$10.0 - $15.0	$10.0 - $15.0	$3.5	$8.0	($1.3)

(1) Cash Interest is a supplementary financial measure. See **Non-IFRS and Other Financial Measures** on page 36.

When comparing 2022's Adjusted EBITDA guidance range with the actual Adjusted EBITDA for 2021, it should be noted that 2021 included approximately $14.2 million of EBITDA relating to the KCl and vaccine adjuvants businesses prior to their sale in November 2021 and a net recovery of $17.7 million relating to the NATO Lawsuit settled during the fourth quarter of 2021.

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

- There will be no North American lockdowns or stay-at-home orders issued due to a resurgence of COVID-19 pandemic during 2022.
- None of the principal manufacturing facilities (as set out in our Annual Information Form) incurs significant unplanned downtime.

Key Assumptions	Updated 2022 Assumption	Prior 2022 Assumption	2021 Actual
Approximate North American MECU sales volumes	180,000	175,000	181,000
2022 average CMA NE Asia Caustic spot price index being higher per tonne than the 2021 average	US$350	US$285	N/A
Approximate North American production volumes of sodium chlorate	350,000	350,000	361,000
USD to CAD average foreign exchange rate	1.250	1.250	1.254
LTIP costs (in millions)	$18.0 - $23.0	$15.0 - $20.0	$25.7

RISKS AND UNCERTAINTIES

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, 2021. Except as set out below, there have been no material changes to our business that require an update to the discussion of these risks and uncertainties.

Global, economic and political conditions

Adverse regional, U.S., Canadian and global market, economic and political conditions could have an adverse impact on our business, financial condition and/or results of operations, the extent of which is difficult to predict. The occurrence of war, conflicts or hostilities between countries, or threat of terrorist activities, and the responses to and results of these activities, including economic sanctions imposed or to be imposed as a result thereof, could give rise to new risks and exacerbate pre-existing risk factors, given that they could adversely impact the global economy and weaken business and consumer confidence. Such conflicts can cause or lead to increased financial and capital market volatility, broader geopolitical instability and armed conflicts, higher energy prices, increased inflationary pressures limiting consumer and business spending and increase our operating costs, increased disruptions in our supply chain and increased information security threats. Given the scope of our operations (including our operations, relationships and activities outside of North America), any of the above factors, including sanctions and other governmental actions, could affect the business, our financial condition and/or results of operations or cause the market value of our Units to decline. The extent to which international conflicts could impact us will depend on events that are difficult to predict, including the duration and extent of escalation of hostilities as well as the international response to the crisis.

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 expenses. Actual results may differ from these estimates.

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

Significant judgments

Information about judgments 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, 2021. 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, 2021. 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

Standards and interpretations not yet adopted:

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

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

- Amendments to IAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*, clarifying requirements for the classification of liabilities as non-current (effective for annual periods beginning on or after January 1, 2023 however, the IASB has proposed to defer the effective date to no earlier than January 1, 2024).

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

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

- Amendments to IFRS 17, *Insurance Contracts* - a replacement of IFRS 4, *Insurance Contracts*, that aims to provide consistency in the application of accounting for insurance contracts (effective for annual periods beginning on or after January 1, 2023).

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

We maintain a set of disclosure controls and procedures designed to ensure that information required to be disclosed in the reports that the Fund publicly files is recorded, processed, summarized and reported within a timely manner and that such information is accumulated and communicated to our Management, including our CEO and CFO, as appropriate, to allow timely decisions regarding disclosure. Our CEO and CFO have evaluated our disclosure controls procedures as of June 30, 2022 through inquiry and review. Our CEO and CFO have concluded that, as at June 30, 2022, our design and implementation of the controls were effective.

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

Our Management, including our CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting and evaluating its effectiveness. Management has used the COSO framework (2013) to evaluate the effectiveness of our internal control over financial reporting as of June 30, 2022. 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, 2022 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

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

- It typically includes words about the future, such as anticipate, continue, estimate, expect, expected, intend, may, will, intend, project, plan, should, believe and others (see examples below).
- It represents our current views, and can change significantly.
- It is based on a number of material assumptions, including those we have listed below, which may prove to be incorrect.
- Actual results and events may be significantly different from what we expect, due to the risks associated with our business. We recommend you review other parts of this document, including **Risks and Uncertainties** on page 30, and our 2021 MD&A, which includes a discussion of material risks that could cause actual results to differ significantly from our current expectations. You can download a copy of the MD&A from our website (www.chemtradelogistics.com).

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 ability to receive proceeds for the buildings to be constructed at the Augusta, GA site;
- our ability to sell our North Vancouver, BC land and to continue to operate our facility there using a sale-leaseback arrangement;
- the expected closure date for our Beauharnois, QC facility and our ability to move its volumes to our Brandon, MB and Prince George, BC facilities;
- our ability to construct a 100,000 MT electronic grade sulphuric acid plant and its expected start-up date;
- the effect of changes in exchange rates and our ability to offset USD denominated debt;
- our ability to access tax losses and tax attributes;
- the tax characterization of planned distributions;
- sources, use, availability and sufficiency of cash flows;
- long-term incentive compensation amounts and accruals;
- statements in the Financial Outlook section, including:
    - our expected adjusted EBITDA range for 2022;
    - the stated range of maintenance capital expenditures, lease payments, cash interest and cash taxes.

Material assumptions

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

- certain key elements as set out in the Financial Outlook section, including
  - there being no significant North American lockdowns or stay-at-home orders issued due to a COVID-19 resurgence
  - there being no significant disruptions affecting Chemtrade’s principal manufacturing facilities
  - the stated North American MECU sales volumes and sodium chlorate production volumes
  - the 2022 average CMA NE Asia caustic spot price index being higher than the 2021 average
  - the stated U.S. dollar foreign exchange rate
  - the stated LTIP costs
- no significant disruptions affect our operations, whether they arise from labour disruptions, supply disruptions, power disruptions, transportation disruptions, damage to equipment, or otherwise
- that we are able to sell products at prices consistent with current levels or in line with our expectations
- we are able to obtain products, raw materials, equipment, transportation, services and supplies in a timely manner to carry out our activities, and at prices consistent with current levels or in line with our expectations
- required regulatory approvals are received in a timely fashion
- the cost of regulatory and environmental compliance is consistent with current levels or in line with our expectations
- we are able to access tax losses and tax attributes
- we are able to obtain financing on acceptable terms
- currency, exchange and interest rates are consistent with current levels or in line with our expectations and
- the global economy performs as expected.

NON-IFRS AND OTHER FINANCIAL MEASURES

Non-IFRS 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 is it 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.

($'000)	Three months ended June 30, 2022	 June 30, 2021	Six months ended June 30, 2022	 June 30, 2021
Cash flows from operating activities	$ 83,976	$ 50,846	$ 121,109	$ 44,450
(Less) Add:				
Lease payments net of sub-lease receipts	(12,586)	(12,671)	(25,442)	(25,699)
(Decrease) increase in working capital	(23,984)	(3,075)	33,767	42,867
Changes in other items [(1)]	4,708	1,714	141	1,267
Maintenance capital expenditures	(26,196)	(15,583)	(40,388)	(23,770)
Distributable cash after maintenance capital expenditures	**$ 25,918**	**$ 21,231**	**$ 89,187**	**$ 39,115**

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

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 is it 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.

($'000)	Three months ended June 30, 2022	 June 30, 2021	Six months ended June 30, 2022	 June 30, 2021
Distributable cash after maintenance capital expenditures	$ 25,918	$ 21,231	$ 89,187	$ 39,115
Divided by:				
Weighted average number of units outstanding	104,651,180	103,374,452	104,500,067	99,545,069
Distributable cash after maintenance capital expenditures per unit	$ 0.25	$ 0.21	$ 0.85	$ 0.39

Excess Cash Flows and Net Earnings Over Distributions Paid

Most directly comparable IFRS financial measures: Cash flows from operating activities and net 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 loss less cash distributions paid.

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

	Three months ended		Six months ended	
($'000)	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Cash flows from operating activities	$ 83,976	$ 50,846	$ 121,109	$ 44,450
Net earnings (loss)	$ 34,835	$ (14,078)	$ 45,521	$ (34,526)
Cash distributions paid during period	$ 13,306	$ 13,086	$ 26,659	$ 25,243
Excess of cash flows from operating activities over cash distributions paid	$ 70,670	$ 37,760	$ 94,450	$ 19,207
Excess (shortfall) of net earnings (loss) over cash distributions paid	$ 21,529	$ (27,164)	$ 18,862	$ (59,769)

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)

($'000)	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Net earnings (loss)	**$ 34,835**	$ (14,078)	**$ 45,521**	$ (34,526)
Add:				
Depreciation and amortization	**53,229**	60,571	**105,430**	122,964
Net finance costs	**9,801**	19,122	**38,646**	40,620
Income tax (recovery) expense	**(3,287)**	(6,615)	**14,529**	(15,211)
Change in environmental liability	**(66)**	—	**—**	—
Net (gain) loss on disposal and write-down of PPE	**(18,282)**	404	**(18,351)**	555
(Gain) loss on disposal of assets held for sale	**(238)**	—	**478**	—
Unrealized foreign exchange loss	**5,737**	5,760	**3,308**	6,190
Adjusted EBITDA	**$ 81,729**	$ 65,164	**$ 189,561**	$ 120,592

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.

TERMS AND DEFINITIONS

Terms

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

Definitions

Credit Facilities	Senior credit facilities
Debentures	We have $143,750 principal amount of 5.00% of convertible unsecured subordinated debentures outstanding (the "Fund 2016 5.00% Debentures"), which were redeemed during the first quarter of 2022, $201,115 principal amount of 4.75% of convertible unsecured subordinated debentures outstanding (the "Fund 2017 4.75% Debentures"), $100,000 principal amount of 6.50% of convertible unsecured subordinated debentures outstanding (the "Fund 2019 6.50% Debentures"), $86,250 principal amount of 8.50% of convertible unsecured subordinated debentures outstanding (the "Fund 2020 8.50% Debentures") and $130,000 principal amount of 6.25% of convertible unsecured subordinated debentures outstanding (the "Fund 2021 6.25% Debentures").
LTIP costs	Corporate costs include LTIP expenses, which relate to the 2020 - 2022, 2021 – 2023 and 2022 - 2024 LTIPs which we operate and pursuant to which we grant cash awards based on certain criteria. The 2020-2022 LTIP payout is payable at the beginning of 2023. The 2021 - 2022 LTIP payout is payable in the first quarter of 2024. The 2022 - 2024 LTIP payout is payable in the first quarter of 2025. The 2020 - 2022 and 2021 – 2023 LTIP awards have a performance based component and RSU component. The 2022 - 2024 LTIP awards have a performance based PSU component and a RSU component. The performance based component of the 2020 - 2022 and 2021 - 2023 LTIP awards and performance based PSU component are based on return on investment capital improvement and total return to Chemtrade's Unitholders relative to the total return of companies comprising the S&P/TSX Dividend Composite Index. Total Unitholder return consists of changes in unit price and distributions paid to Unitholders over the course of the performance periods. The performance based PSU component under 2022 - 2024 LTIP awards is also based on Environmental, Social and Governance goals to be achieved by the end of performance period. The RSU component of the LTIP awards is a phantom plan which is payable in cash at the end of the performance period. The nature of these calculations makes it difficult to forecast the amount of LTIP expenses that will be recorded in any period, as it is based upon a valuation model which considers several variables.

OTHER

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