THIRD QUARTER 2001

CHEMTRADE LOGISTICS INCOME FUND

PRESIDENT'S LETTER

I am pleased to report to unitholders that the performance of Chemtrade Logistics Income Fund in its first period of operation met our expectations. The period covered by our first report was a little shorter than a full quarter, extending from the date of completion of the initial public offering on July 18, 2001 to September 30, 2001.

The Fund's results include those of wholly-owned subsidiary Chemtrade Logistics Inc., which conducts our day-to-day operations.

The transition of Chemtrade Logistics to a standalone operation went smoothly and we have been appreciative of the support of both our many customers and our unitholders. The market performance of the units of the Fund since the IPO also has been gratifying.

Operations

Overall, our operations performed according to plan. The effects of an unexpected outage of the Falconbridge Kidd Creek smelter in August were offset by a strong performance by BCT Chemtrade, our international operation. Firmer prices for the two main by-products we handle and market, sulphuric acid and liquid sulphur dioxide, also contributed to our performance.

Revenue for the partial period was $43.8 million and earnings before interest, taxes, depreciation and amortization (EBITDA) were $5.6 million. After interest, capital expenditures and other costs, cash available for distribution to unitholders was $4.4 million, or $0.34 per unit. Net earnings for the period were $0.8 million. (Further information on the Chemtrade's operating results and cash flow is included in Management's Discussion & Analysis.)

Distributions

Chemtrade Logistics has declared distributions totaling $0.31 per unit attributable to the partial quarter from July 18, 2001 to September 30, 2001. Since the end of the quarter, distributions of $0.09 per unit have also been declared for October and November.

Outlook

To date, the economic downturn has had little effect on Chemtrade, and our major customers do not foresee any major reduction in the volumes of by-product we handle for them. While we are not immune to the effects of the economic climate, we believe the nature of our long-term, risk shared contracts, and the diversity of our end-use customer base provide us with some measure of downside protection.

Recently we reached a long-term agreement with Irving Oil Refinery in Saint John, New Brunswick to provide removal services for excess sulphuric acid produced by the refinery's new sulphuric acid regeneration unit. As well, we extended our sulphur removal agreement with Irving.

These agreements demonstrate the potential to grow the business through adding new services and extending agreements with existing customers. This, combined with the protective nature of our contracts should enable us to maintain stable earnings and deliver reliable distributions to our unitholders.

Mark Davis

Mark Davis
President & Chief Executive Officer

Chemtrade Logistics Income Fund
Management's Discussion and Analysis of Financial Results

September 30, 2001

Chemtrade Logistics Income Fund ("The Fund") commenced operations on July 18, 2001, when it completed an Initial Public Offering (IPO) and purchased various assets and related businesses from Marsulex Inc. The Fund is dependent on the operations of its wholly owned subsidiary, Chemtrade Logistics Inc. ("Chemtrade" or the "Company"). Chemtrade is one of the world's largest independent providers of sulphur by-product removal services. In North America, the Company provides removal services and marketing of removed by-products for base metal smelters and oil refineries. The Company's wholly owned subsidiary, BCT Chemtrade Corporation ("BCT"), provides removal and marketing services outside North America, principally in Europe and South America.

The following supplementary information provides additional analysis of the operations and financial position of Chemtrade Logistics Income Fund and its subsidiary companies. It should be read in conjunction with the consolidated interim financial statements and accompanying notes. The financial statements reflect operating results for approximately 2.5 months - the period from July 18 to September 30, 2001.

RESULTS OF OPERATIONS

For the period ending September 30, 2001, Chemtrade's first period of operations, the Company recorded revenues of $43.8 million. As Chemtrade commenced operations on July 18, 2001, there is no comparable 2000 period. Of total revenue, $21.5 million was generated from sales in North America and $22.3 million from sales in other areas, principally Europe and South America.

Gross profit for the partial quarter ended September 30, 2001 was $8.6 million. As a percent of revenue, gross profit for the period was 19.7% which was expected.

North America

- North American operation's gross profit of $5.9 million was close to expectations despite an unscheduled shutdown of the operations at the Falconbridge Kidd Creek smelter during the month of August. This shutdown of the Kidd Creek liquid sulphur dioxide facility, which was caused by a furnace outage, resulted in lost revenue and profit for that period. Although smelter shutdowns occur in the normal course of business, this interruption was unscheduled.

Outside North America

- Gross profit for the business outside North America was $2.7 million for the period exceeding expectations. Gross profit for the period was strong due to increased sales and volume realized on spot sales primarily to South America.

SELLING, GENERAL & ADMINISTRATIVE EXPENSES

Consolidated selling, general and administrative expenses for the third quarter of 2001 were $3.1 million, or 7.0% of revenue. In aggregate, selling, general and administrative expenses were in line with expectations. BCT's general and administrative expenses were also close to expectations.

INTEREST INCOME / EXPENSE

Interest income of $0.1 million was earned by the Company in the third quarter of 2001 on excess cash balances retained in the period. Interest expense of $0.4 million was incurred in the third quarter of 2001 on bank debt. The Company is currently benefiting from savings in negotiated interest rates, reflecting the general decline in interest rates in the period.

CASH FLOW & LIQUIDITY

On July 18, 2001, the Fund completed an IPO, and sold 11.9 million units to the public for gross proceeds of $119 million. In addition, the Company obtained a five-year bank term loan of $37 million, which is denominated in U.S. funds. These funds were used to purchase assets and related businesses from Marsulex Inc. On August 1, 2001, the Fund issued an additional 1.1 million units for additional gross proceeds of $11.2 million. These funds, net of applicable commissions, were used to redeem the remaining interest of Marsulex in the Fund. As a result, all of the outstanding common shares of the Company are owned by the Fund.

Additional details concerning this issue of units and the purchase of assets/businesses are contained in Note 1 to the September 30, 2001 Consolidated Financial Statements.

During the period ended September 30, 2001, the Company generated $12.4 million in cash flow from operations. This very encouraging result reflects a managed effort to reduce non-cash working capital in the period.

Accrued liabilities includes an amount payable to Marsulex Inc. of $16.7 million relating to the settlement of the final balance of working capital resulting from the purchase of assets previously discussed. Of this balance, $12.7 million will be paid to Marsulex Inc. during the fourth quarter of 2001. Timing for the payment of the remaining balance has not been determined.

DISTRIBUTABLE CASH

During the third quarter of 2001, the Company generated $4.4 million of distributable cash. On a per unit basis, distributable cash was $0.34 for the period.

On September 30, 2001 the Fund distributed $0.136 to each unitholder on record at August 31, 2001. This distribution was forecast in the prospectus which qualified the IPO, and was announced on August 27, 2001. Total cash requirement for this distribution was $1.8 million. A further cash distribution of $0.09 per unit will be paid on October 31, 2001 to each unitholder on record at September 28, 2001. The total cash requirement for this distribution will be $1.2 million. On October 18, 2001 a supplemental distribution of $0.084 per unit was declared, payable on October 31, 2001 to unitholders on record at October 29, 2001. Total cash requirement for this supplemental distribution was $1.1 million.

Cash and cash equivalents at the end of the third quarter increased to $19.48 million from the July 18, 2001 opening balance of $9.31 million. The Company's total bank debt of $37.9 million at September 30, 2001 reflects the outstanding debt of the Company incurred on the purchase of the assets from Marsulex.

FUND UNITS OUTSTANDING

	September 30, 2001	July 18, 2001
Number of units	13,016,900	11,900,000

OUTLOOK

Market conditions for the Fund's removal services business in North America are expected to remain stable. BCT also continues to demonstrate steady cash flow and earnings.

Chemtrade Logistics Income Fund

Consolidated Balance Sheet
(in thousands of dollars)
(unaudited)

	September 30, 2001
Assets	
Current assets	
Cash and cash equivalents	$ 19,678
Accounts receivable	31,958
Inventories (note 3)	3,743
Prepaid expenses and other assets	2,050
	57,429
Deferred charges	1,616
Property, plant and equipment (note 4)	59,012
Goodwill	88,446
	$ 206,503
Liabilities and Shareholders' Equity	
Current liabilities	
Accounts payable	$ 13,903
Accrued liabilities (note 5)	30,052
Income taxes payable	1,531
Interest payable	352
	45,838
Bank debt (note 6)	37,945
Future tax liability	860
Minority interest	631
Unitholders (note 7)	121,229
Commitments and contingencies (note 8)	
	$ 206,503

Chemtrade Logistics Income Fund

Consolidated Statement of Operations
(in thousands of dollars)
(unaudited)

	Period Ended September 30, 2001
Revenue	**$ 43,841**
Cost of sales and services	35,210
Gross profit	**8,631**
Selling, general, administrative and other costs	3,066
Earnings before interest, income taxes, depreciation and amortization (EBITDA)	5,565
Depreciation	2,574
Earnings from operations	2,991
Amortization of goodwill and deferred charges	1,442
Interest income	(113)
Interest expense	414
Earnings before income taxes, minority interest	1,248
Income taxes	
Current	425
Future	(47)
Income before minority interest	870
Minority interest	118
Net earnings	$ 752

Chemtrade Logistics Income Fund

Consolidated Statement of Cash Flows
(in thousands of dollars)
(unaudited)

	Period Ended September 30, 2001
Cash provided by (used in):	
Operating activities:	
Net earnings	$ 752
Items not affecting cash:	
Depreciation	2,574
Amortization of goodwill and deferred charges	1,442
Future income taxes	(47)
Minority interest	118
	4,839
Decrease in operating working capital, excluding cash	7,567
	12,406
Financing activities	
Distribution to unitholders	(1,770)
Investment activities:	
Additions to property, plant and equipment	(273)
Increase in cash and cash equivalents	10,363
Cash and cash equivalents – beginning of the period	9,315
Cash and short-term investments – end of period	$ 19,678

Chemtrade Logistics Income Fund

Consolidated Statement of Distributable Cash
(in thousands of dollars, except per Fund Unit amounts)
(unaudited)

	Period Ended September 30, 2001
Earnings before interest, depreciation, amortization, income taxes and minority interest	$5,565
Less:	
Capital expenditures, net of dispositions	273
Interest	301
Taxes	425
Minority interest	118
	1,117
Distributable cash	$4,448
Distributable cash per Unit (Based on 13,016,900 Units outstanding)	$0.342

1. Organization and description of the business:

Chemtrade Logistics Income Fund (the "Fund") is a limited purpose trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated May 17, 2001 as amended and restated. The Fund has been created to invest in Common Shares and 12.5% unsecured, subordinated notes of Chemtrade Logistics Inc. (the "Company"), its wholly owned subsidiary. Each Unitholder participates pro rata in any distribution from the Fund. Income tax obligations related to the distributions of the Trust are the obligations of the Unitholders.

The Company was incorporated on May 7, 2001. On July 18, 2001, the Fund filed a final prospectus for the sale to the public of 11,900,000 units at a price of $10.00 per unit for aggregate gross proceeds of $119,000,000. Concurrent with the closing of this offering, Marsulex Inc. (“Marsulex”) completed a reorganization whereby certain of its North American businesses and all the issued and outstanding shares of BCT Chemtrade Corporation were acquired by the Company. As part of the reorganization, the Company utilized a banking facility totalling $37,000,000.

Immediately following the reorganization and concurrent with the closing, the Fund purchased all of the common shares of the Company for $8,830,500, all of the exchangeable shares for $11,169,500 and all of Company's notes payable for $101,229,000.

On August 1, 2001, the Fund issued 1,116,900 additional units for gross proceeds of $11,169,000. The Fund used these proceeds, net of commissions, to redeem all of Marsulex’s interest in the Fund and the Company. As a result, all of the outstanding exchangeable shares of the Company owned by Marsulex were exchanged for common shares of the Company which are owned by the Fund.

The Company’s North American businesses include Eastern Canada and United States removal services principally involved in the removal of sulphuric acid, liquid sulphuric dioxide and elemental sulphur and the manufacture of sulphur based products.

BCT Chemtrade provides global removal services for sulphur and sulphuric acid and has developed international markets for removal products in Europe, the Middle East, Southern Africa, Latin America, and the Asia Pacific region.

1. **Organization and description of the business (continued):**

The acquisition has been accounted for by the purchase method. These consolidated financial statements reflect assets and liabilities of the Company at assigned fair values including acquisition costs as follows:

Cash	$	7,514
Other current assets		35,229
Property, plant and equipment		60,153
Goodwill		89,029
Other		1,640
Current liabilities		(34,840)
Bank debt		(37,000)
Minority interest		(496)
	$	121,229
Consideration :		
Common shares	$	8,831
Exchangeable shares		11,169
Notes payable		101,229
	$	121,229

2. **Significant accounting policies:**

These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada.

(a) Basis of consolidation:

These consolidated financial statements combine the accounts of the Fund and its wholly owned subsidiaries from their respective dates of acquisition. The principal operating subsidiaries are: Chemtrade Logistics Inc., Marsulex Swiss Holdings LLC, BCT Chemtrade Corporation, and Chemtrade Logistics U.S. Inc.

(b) Cash and cash equivalents:

Cash equivalents are comprised of highly liquid investments having original terms to maturity of 90 days or less when acquired. They are valued at cost plus accrued interest, which approximates market value.

(c) Inventories:

Inventories are valued at the lower of average cost and net realizable value.

2. Significant accounting policies (continued):

(d) Property, plant and equipment:

Property, plant and equipment are depreciated on a straight-line basis with buildings depreciated over 15 to 20 years, equipment depreciated over 10 to 15 years, and furniture and other equipment depreciated over three to five years.

(e) Foreign currency translation:

The accounts of the Fund’s foreign operations are considered to be self-sustaining and are translated into Canadian dollars using the current rate method. Assets and liabilities are translated at the rates in effect at the balance sheet date and revenue and expenses are translated at average exchange rates for the period. Gains or losses arising from the translation of the financial statements of self-sustaining foreign operations are deferred in a foreign currency translation adjustment account until there is a realized reduction in the net investment.

Monetary assets and liabilities denominated in U.S. dollars have been translated into Canadian dollars at the rate of exchange in effect at the balance sheet date.

(f) Deferred charges:

Deferred charges relating to debt are amortized on a straight-line basis over the term of the debt.

(g) Revenue recognition:

Revenue from the sale of by-products and other chemicals is recognized at the time of shipment.

(h) Environmental obligations:

Liabilities are recorded when environmental claims or remedial efforts are probable and the costs can be reasonably estimated. Environmental expenditures that relate to current operations are expensed or capitalized as appropriate.

(i) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

3. Inventories:

Raw materials and work in process	$	14
Finished goods		2,679
Operating supplies		1,050
	$	3,743

4. Property, plant and equipment:

Land	$	2,472
Plant and equipment		55,265
Facilities and equipment under construction		1,275
	$	59,012

5. Accrued liabilities:

Included in accrued liabilities is $16,586,981 payable to Marsulex, adjusting opening working capital as defined pursuant to the purchase agreement.

6. Bank debt:

On July 18, 2001, bank debt of $37,000,000 was acquired as part of the initial acquisition. The facility will bear interest at a rate that varies with LIBOR with a term of five years. Principal repayments will commence in 2003.

The debt is denominated in U.S. dollars and has been translated to Canadian dollars at the rate in effect at the balance sheet date.

As well as the bank debt, the Company has also arranged two operating lines of credit for $5,000,000 each, both of which were undrawn as at the balance sheet date.

7. Unitholders:

Issued during the period:		
13,016,900 units	$	130,169
Unit issue costs		(8,940)
Net income		752
Foreign currency translation adjustment		1,018
Distribution to unitholders		(1,770)
	$	121,229

8. Commitments and contingencies:

(a) Operating leases:

Under the terms of operating leases, the Company is committed to rental payments as follows:

2001	$ 6,000
2002	12,458
2003	8,749
2004	3,958
2005	832
2006 and thereafter	459
	$ 32,456

The lease commitments have been shown before any subleasing agreements.

(b) Purchase agreements:

Substantially all of the Company's service contracts with producers have a minimum fixed duration and provide for the guaranteed removal of contracted by-products, which are produced in the producer's manufacturing process.

(c) Environmental cleanup costs:

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

The Company has purchased a number of sites as a result of the acquisitions of certain businesses. Subject to certain limitations, the Company has been indemnified by Marsulex for any remediation costs or environmental actions that may arise as a result of conditions existing at the time of acquisition. Environmental assessments were conducted prior to the purchase of the sites as a basis to, among other things, evaluate indemnity protections and, where applicable, to verify the appropriateness of existing accruals and estimates for remediation costs.

(d) Other claims:

The Company is involved in certain claims arising out of the ordinary course and conduct of their business which, in the opinion of management, will not have a material impact upon the financial position of the Company. The Company has received an indemnity from Marsulex with respect to claims arising prior to the acquisition of the Company by the Fund.

9. **Business segments:**

(a) Geographic segments:

The Company operates primarily in North America and Europe.

(b) Property, plant and equipment and goodwill:

North America	$	116,614
Europe		30,844
	$	147,458

10. **Fair values of financial instruments:**

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these financial instruments.