



NEWS RELEASE

CHEMTRADE LOGISTICS INCOME FUND ANNOUNCES SECOND QUARTER RESULTS

TORONTO, July 21, 2004 – Chemtrade Logistics Income Fund (TSE: CHE.UN) today announced results for the three months ended June 30, 2004. Revenue for the period was \$90.0 million, and net earnings were \$4.1 million. Cash available for distribution of \$9.6 million, or \$0.41 per unit, was generated from earnings before interest, income taxes, depreciation and amortization (EBITDA) of \$12.7 million. As the latest results include the Pulp Chemicals acquisition that was completed on August 29, 2003, they are not directly comparable with the same period last year.

For the second quarter of 2003, revenue was \$68.0 million, and net earnings \$3.3 million. Distributable cash was \$6.5 million (\$0.40 per unit), which was generated from EBITDA of \$9.2 million.

For the six months ended June 30, 2004 cash available for distribution was \$21.9 million (2003: \$14.1 million), or \$0.96 per unit (2003: \$0.87). EBITDA was \$27.7 million (2003: \$18.9 million), revenue was \$170.8 million (2003: \$135.4 million) and net earnings were \$11.1 million (2003: \$8.1 million).

Note: The weighted average number of units outstanding for the second quarter of 2004 was 23,108,354 and 16,167,106 for the three months ended June 30, 2003. For the six-month periods ended June 30, 2004 and 2003, the weighted average number of units outstanding was 22,863,949 and 16,138,642 respectively. These numbers have been used to calculate per unit amounts for the respective quarterly and six-month results.

Distributions

Distributions attributable to the second quarter total \$0.45 per unit, including the supplemental distribution for the quarter of \$0.12 per unit that was declared on July 21, 2004 and will be paid on July 30, 2004 to unitholders of record on July 28, 2004.

Operations

Mark Davis, President and Chief Executive Officer of Chemtrade, said the results for the second quarter slightly exceeded expectations. “As we noted in earlier reports, operations in the second quarter were impacted by maintenance shutdowns at Chemtrade’s plants in Leeds, South Carolina and Prince George, British Columbia. The distributable cash of \$0.41 per unit met our expectation, even though a larger number of convertible debentures were converted into units during the quarter.”

Sulphur Products and Performance Chemicals (“SPPC”) reported EBITDA of \$9.8 million for the second quarter compared with \$9.5 million in the same period last year. Sulphuric acid volumes and favourable product cost recorded a strong contribution, offsetting lower than anticipated sales of powder sodium hydrosulphite as a result of increased competition from imports.

Pulp Chemicals reported EBITDA of \$4.4 million for the second quarter, which was slightly below expectations. This reflected lower than expected sales of sodium chlorate to Canfor where demand was lower as a result of operational issues, and to other third parties. Sales to Canfor are expected to return to normal for the balance of the year.

BCT Chemtrade, Chemtrade's international segment, reported EBITDA of \$1.5 million, which was level with the second quarter last year. BCT reported significantly higher sales, and associated product costs, resulting in steady margins.

Mr. Davis said management believes cash generated from operating activities will be sufficient to meet ongoing cash requirements, including the indicated distribution target of \$1.80 per unit for 2004. "The outlook is for Pulp Chemicals to have a stronger second half with International delivering stable results. Liquid SHS products should continue to perform well, and we are taking steps to improve our competitive position against cheaper imports of powder SHS from China."

Chemtrade Logistics operates diversified businesses that provide industrial chemicals and services to customers in North America and around the world. Through marketing services agreements and its own production facilities, Chemtrade is one of the world's largest suppliers of sulphuric acid, liquid sulphur dioxide and sodium hydrosulphite. Chemtrade is also a leading regional supplier of sodium chlorate and elemental sulphur.

The statements contained in this news release that are forward-looking are based on current expectations, and are subject to a number of uncertainties and risks, and actual results may differ materially. These uncertainties and risks include, but are not limited to: the dependence on certain key suppliers, competitive pressures and changes in market activity, risks associated with international operations and foreign exchange, legal proceedings, environmental, health and safety and other regulatory requirements. Further information can be found in the disclosure documents filed by Chemtrade Logistics Income Fund with the securities regulatory authorities, available at www.sedar.com.

A conference call to review the second quarter results will be webcast live on www.chemtradelogistics.com and www.newswire.ca/webcast on Thursday, July 22, 2004 at 10:00 a.m.

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CHEMTRADE LOGISTICS INCOME FUND

Consolidated Balance Sheet

(in thousands of dollars)

	June 30, 2004 (unaudited)	December 31, 2003
ASSETS		
Current assets		
Cash and cash equivalents	\$ 12,038	\$ 8,852
Accounts receivable	46,439	46,371
Inventories	13,067	12,741
Prepaid expenses and other assets	1,635	1,368
	73,179	69,332
Property, plant and equipment	143,223	147,250
Deferred charges	4,643	4,156
Future tax asset	3,824	2,510
Other intangibles	109,991	109,812
Goodwill	50,979	50,533
	\$ 385,839	\$ 383,593
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities		
Operating line of credit	\$ 6,572	\$ 2,330
Accounts payable	37,590	34,836
Accrued liabilities	7,679	11,467
Distributions payable	2,551	2,447
Income taxes payable	1,755	1,459
Current portion of long-term debt (note 5)	900	900
	57,047	53,439
Long-term debt (note 5)	98,577	91,417
Post-employment benefits	373	343
Future tax liability	943	1,109
Minority interest	18	48
Unitholders' equity		
Units (note 6)	258,950	245,316
Convertible debentures (note 7)	22,578	36,212
Foreign currency translation adjustment	(13,342)	(15,976)
Deficit	(39,305)	(28,315)
	228,881	237,237
	\$ 385,839	\$ 383,593

CHEMTRADE LOGISTICS INCOME FUND

Consolidated Statement of Operations and Deficit

(in thousands of dollars)

(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
Revenue	\$ 89,975	\$ 68,026	\$ 170,839	\$ 135,395
Cost of sales and services	71,007	53,807	130,802	105,917
Gross profit	18,968	14,219	40,037	29,478
Selling, general, administrative and other costs	6,313	4,973	12,303	10,563
Earnings before the under-noted	12,655	9,246	27,734	18,915
Depreciation and amortization	7,713	4,497	15,047	9,398
Net interest expense	1,207	577	2,376	1,131
Earnings before income taxes and minority interest	3,735	4,172	10,311	8,386
Income taxes				
Current	407	336	836	557
Future	(762)	462	(1,582)	(267)
	(355)	798	(746)	290
Earnings before minority interest	4,090	3,374	11,057	8,096
Minority interest	-	45	2	33
Net earnings	4,090	3,329	11,055	8,063
Deficit, beginning of period	(32,376)	(13,899)	(28,315)	(10,577)
Distributions				
Convertible debentures	(594)	(1,009)	(1,366)	(2,125)
Units	(10,425)	(7,110)	(20,679)	(14,050)
Deficit, end of period	\$ (39,305)	\$ (18,689)	\$ (39,305)	\$ (18,689)
Earnings per unit (note 6)				
Basic	\$ 0.15	\$ 0.14	\$ 0.42	\$ 0.37
Diluted	\$ 0.15	\$ 0.14	\$ 0.42	\$ 0.37

CHEMTRADE LOGISTICS INCOME FUND

Consolidated Statement of Cash Flows

(in thousands of dollars)

(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
Cash provided by (used in):				
Operating activities:				
Net earnings	\$ 4,090	\$ 3,329	\$ 11,055	\$ 8,063
Items not affecting cash:				
Depreciation and amortization	7,713	4,497	15,047	9,398
Future income taxes	(762)	462	(1,582)	(267)
Minority interest	-	45	2	33
Unrealized foreign exchange (gain) loss	(5)	101	-	(15)
	11,036	8,434	24,522	17,212
Decrease (increase) in working capital	1,287	(1,842)	2,405	(13,032)
	12,323	6,592	26,927	4,180
Financing activities:				
Increase in long-term debt	-	-	6,000	-
Distributions to unitholders	(10,395)	(7,114)	(20,575)	(13,878)
Distributions to convertible debenture holders	(594)	(1,009)	(1,366)	(2,125)
Payment of dividends by subsidiary to minority shareholders	-	-	(34)	(239)
Payment of long-term debt	(900)	(900)	(900)	(900)
Deferred financing charges	(6)	-	(1,680)	-
	(11,895)	(9,023)	(18,555)	(17,142)
Investing activities:				
Additions to property, plant and equipment	(1,031)	(740)	(1,714)	(976)
Additions to other intangibles	20	(1,260)	(3,472)	(1,260)
	(1,011)	(2,000)	(5,186)	(2,236)
Effect of exchange rates on cash held in foreign currencies	5	(101)	-	15
(Decrease) increase in cash and cash equivalents	(578)	(4,532)	3,186	(15,183)
Cash and cash equivalents – beginning of period	12,616	10,687	8,852	21,338
Cash and cash equivalents – end of period	\$ 12,038	\$ 6,155	\$ 12,038	\$ 6,155
Supplemental information:				
Cash taxes paid	\$ 284	\$ 492	\$ 540	\$ 906
Cash interest paid	2,427	2,657	3,702	3,208
Cash interest received	23	26	46	99

CHEMTRADE LOGISTICS INCOME FUND

Notes to Consolidated Financial Statements

(Dollar amounts in thousands)

(Unaudited)

June 30, 2004

1. ORGANIZATION AND DESCRIPTION OF THE BUSINESS:

Chemtrade Logistics Income Fund ("the Fund") commenced operations on July 18, 2001 when it completed an Initial Public Offering and purchased various assets and related businesses from Marsulex Inc.

These interim consolidated financial statements of the Fund have been prepared by management in accordance with accounting principles generally accepted in Canada. These interim consolidated financial statements include the accounts of the Fund and its wholly-owned subsidiaries. Intercompany transactions and balances have been eliminated. These statements have been prepared following the same accounting policies and methods of computation as the annual consolidated financial statements of the Fund for the year ended December 31, 2003 except as noted in note 2. These interim consolidated financial statements do not contain all disclosures required by generally accepted accounting principles and accordingly should be read in conjunction with the annual consolidated financial statements and the notes thereto.

2. NEW ACCOUNTING POLICIES:

(a) Asset retirement obligations:

Effective January 1, 2004, the fair value of estimated asset retirement obligations is recognized in the Consolidated Balance Sheet when identified and a reasonable estimate of fair value can be made. The asset retirement cost, equal to the estimated fair value of the asset retirement obligation, is capitalized as part of the cost of the related long-lived asset. The asset retirement costs are depreciated over the asset's estimated useful life and included in depreciation and amortization expense on the Consolidated Statement of Earnings. Increases in the asset retirement obligation resulting from the passage of time are recorded as accretion of asset retirement obligation in the Consolidated Statement of Earnings. Actual expenditures incurred are charged against the accumulated obligation.

During the first quarter of 2004, Chemtrade completed an analysis of existing properties. This analysis reviewed existing contracts and current statutory requirements, and management has determined that a provision for retirement obligations is not currently required.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Consolidated Financial Statements

(Dollar amounts in thousands)

(Unaudited)

June 30, 2004

2. NEW ACCOUNTING POLICIES (continued):

(b) Hedge relationships:

Derivative financial instruments are utilized by the Fund in the management of its foreign currency and interest rate exposures. The Fund's policy is not to utilize derivative financial instruments for trading or speculative purposes. The Fund formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Fund also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

All derivative instruments that qualify for hedge accounting are recorded in the balance sheet and changes in fair value are deferred and recognized in earnings at the end of the hedge relationship. All derivative instruments that do not qualify for hedge accounting, or are not designated as a hedge, are recorded in the balance sheet as either an asset or liability with changes in fair value recognized in earnings.

The Fund has designated hedge accounting for its foreign currency purchase contracts and its interest swap arrangements. Accordingly all changes in fair value have been deferred. As of June 30, 2004 the Fund has not entered into derivative instruments that do not qualify for hedge accounting.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Consolidated Financial Statements

(Dollar amounts in thousands)

(Unaudited)

June 30, 2004

3. PULP CHEMICALS BUSINESS ACQUISITION:

On August 29, 2003 the Fund purchased the Pulp Chemicals Business from Canadian Forest Products Ltd. ("Canfor") for total consideration of \$116,438. The Fund incurred transaction related costs of \$2,998. The purchase was financed by the issuance of 5,860,000 units for gross proceeds of \$86,435 and an increase in the Fund's term banking facility of \$40,000. Issuance costs related to the units of \$4,227 have been deducted from the proceeds thereof. Financing costs related to the banking facility of \$700 and other financing costs of \$1,151 have been included in deferred charges.

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

Working capital	\$ 907
Property, plant and equipment	50,194
Intangible assets	68,642
Post-employment benefits	(307)
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Consideration paid in cash	\$ 119,436

The allocation of the purchase price was finalized as of March 31, 2004.

4. PURCHASE OF RHODIA CUSTOMER CONTRACTS:

On March 19, 2004 the Fund purchased certain customer contracts and assets relating to the SPPC Business from Rhodia Inc. ("Rhodia"), a non-related party, for total cash consideration of \$1,572 (US\$1,169).

The purchase price is subject to contingent consideration up to a maximum amount of US\$850 which has been accrued.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Consolidated Financial Statements

(Dollar amounts in thousands)

(Unaudited)

June 30, 2004

5. LONG-TERM DEBT:

	June 30, 2004	December 31, 2003
Term bank debt		
US\$43,565 (2003 - US\$39,031)	\$ 58,577	\$ 50,517
Canadian dollars	40,000	40,000
Amount due to Marsulex Inc.	900	1,800
	99,477	92,317
Less: Current portion	900	900
Long-term debt	\$ 98,577	\$ 91,417

On March 11, 2004, the Fund renewed its bank debt with its principal bankers. The bank debt which was due and payable on May 31, 2005, is now not due or payable prior to March 2008.

The interest rate on the \$40,000 loan varies with the rate for Bankers' Acceptances. At June 30, 2004 the interest rate was 2.20% plus a stamping fee of 1.60%.

The interest rate on the U.S. term debt varies based on three month Libor. At June 30, 2004 the interest rate was 1.49% plus a stamping fee of 1.60%.

Chemtrade has entered into a swap arrangement with its principal bankers which fixes interest rates on all of its current outstanding term debt. Under the swap arrangements, which will be treated as a hedge, the interest rate on the outstanding U.S debt is 2.99%, plus the current spread of 1.60%. The interest rate on the outstanding Canadian dollar debt is 3.42% plus a stamping fee currently set at 1.60%.

The Fund also has two operating lines of credit for \$5,000 (2003 - \$10,000) and US\$4,989 (2003 - US\$6,500) and bank overdrafts of \$1,000 (2003 - nil). As at June 30, 2004 \$2,000 (2003 - nil) and US\$1,800 (2003 - US\$1,800) were drawn.

The term bank debt facility and the operating lines are secured by a fixed and floating charge on the assets of the Fund and certain of its subsidiaries. The facility is subject to certain financial covenants.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Consolidated Financial Statements

(Dollar amounts in thousands)

(Unaudited)

June 30, 2004

6. UNITS:

(a) Outstanding:

	Number of Units	Amount
Units		
Balance - January 1, 2004	22,247,099	\$245,316
Issued on conversion of debentures (note 7)	940,264	13,634
Balance - June 30, 2004	23,187,363	\$258,950

(b) Net earnings per unit:

Net earnings per unit has been calculated on the basis of the weighted average number of units outstanding for the three months and the six months ended June 30, 2004 which amounted to 23,108,354 units and 22,863,949 units respectively (2003 - 16,167,106 units and 16,138,642 units respectively). Distributions to convertible debenture holders during the period were deducted from net earnings in determining basic net earnings per unit. The effect of conversion of the convertible debentures into trust units was not included in the computation of diluted net earnings per unit as the effect of conversion would be anti-dilutive.

7. CONVERTIBLE DEBENTURES:

During the three months and the six months ended June 30, 2004, convertible debentures totalling \$4,003 and \$13,634 were converted into 276,134 units and 940,264 units respectively.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Consolidated Financial Statements

(Dollar amounts in thousands)

(Unaudited)

June 30, 2004

8. BUSINESS SEGMENTS:

The Fund operates in four business segments: Sulphur Products and Performance Chemicals ("SPPC"), Pulp Chemicals ("Pulp"), International ("Intl") and Corporate Services ("Corp").

SPPC markets, removes and/or produces four major products - sulphuric acid, liquid sulphur dioxide, sodium hydrosulphite and elemental sulphur. These products are marketed primarily to North American customers.

Pulp Chemicals operations produce sodium chlorate and crude tall oil. These products are marketed to Canadian customers.

International operations provide removal and marketing services for two products - elemental sulphur and sulphuric acid. These products are marketed to customers in Europe, the Middle East, Latin America, South America and the Asia-Pacific region.

Corporate Services is a non-operating segment that provides centralized services such as treasury, finance, information systems, human resources and risk management. As Corporate Services is a new reporting segment in 2004, certain 2003 comparative balances have been restated.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Consolidated Financial Statements

(Dollar amounts in thousands)

(Unaudited)

June 30, 2004

8. BUSINESS SEGMENTS (continued):

Three Months Ended June 30, 2004

	SPPC	Pulp	Intl	Corp	Total
Revenue from external customers	\$ 50,765	\$ 11,997	\$ 27,213	\$ -	\$ 89,975
Inter-segment revenues	-	-	1,260	-	1,260
Earnings before interest, income taxes, depreciation and amortization	9,801	4,416	1,481	(3,043)	12,655
Depreciation and amortization	5,338	2,306	69	-	7,713
Interest expense (net)	679	525	8	(5)	1,207
Income tax expense	(512)	-	157	-	(355)
Minority interest	-	-	-	-	-
Net earnings	4,296	1,585	1,247	(3,038)	4,090
Total assets	215,967	122,545	45,181	2,146	385,839
Goodwill	27,232	-	23,747	-	50,979
Other intangible assets	46,072	63,919	-	-	109,991
Capital expenditures	680	347	4	-	1,031

Three Months Ended June 30, 2003

	SPPC	Pulp	Intl	Corp	Total
Revenue from external customers	\$ 50,033	\$ -	\$ 17,993	\$ -	\$ 68,026
Inter-segment revenues	-	-	2,331	-	2,331
Earnings before interest, income taxes, depreciation and amortization	9,534	-	1,548	(1,836)	9,246
Depreciation and amortization	4,428	-	69	-	4,497
Interest expense (net)	592	-	(12)	(3)	577
Income tax expense	636	-	162	-	798
Minority interest	-	-	45	-	45
Net earnings	3,878	-	1,284	(1,833)	3,329
Total assets	219,131	-	41,133	1,021	261,285
Goodwill	27,246	-	23,750	-	50,996
Other intangible assets	37,357	-	-	-	37,357
Capital expenditures	735	-	5	-	740

CHEMTRADE LOGISTICS INCOME FUND

Notes to Consolidated Financial Statements

(Dollar amounts in thousands)

(Unaudited)

June 30, 2004

8. BUSINESS SEGMENTS (continued):

Six Months Ended June 30, 2004

	SPPC	Pulp	Intl	Corp	Total
Revenue from external customers	\$102,792	\$ 23,970	\$ 44,077	\$ -	\$170,839
Inter-segment revenues	-	-	1,260	-	1,260
Earnings before interest, income taxes, depreciation and amortization	21,419	9,520	2,845	(6,050)	27,734
Depreciation and amortization	9,986	4,925	136	-	15,047
Interest expense (net)	1,414	969	8	(15)	2,376
Income tax expense	(1,087)	-	341	-	(746)
Minority interest	-	-	2	-	2
Net earnings	11,106	3,626	2,358	(6,035)	11,055
Total assets	215,967	122,545	45,181	2,146	385,839
Goodwill	27,232	-	23,747	-	50,979
Other intangible assets	46,072	63,919	-	-	109,991
Capital expenditures	1,071	639	4	-	1,714

Six Months Ended June 30, 2003

	SPPC	Pulp	Intl	Corp	Total
Revenue from external customers	\$102,114	\$ -	\$ 33,281	\$ -	\$135,395
Inter-segment revenues	-	-	3,209	-	3,209
Earnings before interest, income taxes, depreciation and amortization	20,294	-	2,831	(4,210)	18,915
Depreciation and amortization	9,249	-	149	-	9,398
Interest expense (net)	1,191	-	(21)	(39)	1,131
Income tax expense	31	-	259	-	290
Minority interest	-	-	33	-	33
Net earnings	9,823	-	2,411	(4,171)	8,063
Total assets	219,131	-	41,133	1,021	261,285
Goodwill	27,246	-	23,750	-	50,996
Other intangible assets	37,357	-	-	-	37,357
Capital expenditures	971	-	5	-	976

CHEMTRADE LOGISTICS INCOME FUND

Notes to Consolidated Financial Statements

(Dollar amounts in thousands)

(Unaudited)

June 30, 2004

8. BUSINESS SEGMENTS (continued):

Geographic segments:

The Fund operates primarily in Canada, the United States and Europe. Revenue is attributed to customers based on location of customer.

Revenue

	Three Months Ended		Six Months Ended	
	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
North America	\$ 62,762	\$ 50,033	\$ 126,762	\$ 102,114
Europe	27,213	17,993	44,077	33,281
	\$ 89,975	\$ 68,026	\$ 170,839	\$ 135,395

Property, Plant and Equipment, Goodwill and Other Intangibles

	June 30, 2004	December 31, 2003
North America	\$ 277,881	\$ 281,331
Europe	26,312	26,264
	\$ 304,193	\$ 307,595

For the six months ended June 30, 2004, the Fund obtained product from a producer and sold product to a customer that accounted for 19.8% (2003 - 18.5%) and 10.3% (2003 - nil) of the Fund's total revenue respectively.

CHEMTRADE LOGISTICS INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2004

The information in this Management's Discussion and Analysis ("MD&A") is supplemental to, and should be read in conjunction with the unaudited consolidated financial statements of Chemtrade Logistics Income Fund ("the Fund") for the six-month period ended June 30, 2004. The Fund's financial statements are prepared in accordance with accounting principles generally accepted in Canada. The Fund's reporting currency is the Canadian dollar. This discussion should be read in conjunction with the consolidated financial statements of the Fund, including notes thereto, and the MD&A for the year ended December 31, 2003. Per unit amounts are calculated using the weighted average number of units outstanding for the applicable period.

The terms EBITDA and Distributable Cash are used throughout this MD&A. EBITDA is defined as earnings before interest, taxes, depreciation and amortization and minority interest. EBITDA is a metric used by many investors to compare companies on the basis of ability to generate cash from operations. It is not intended to be representative of cash flow from operations or results of operations determined in accordance with generally accepted accounting principles or cash available for distribution. A reconciliation of EBITDA to net earnings is included on Page 4.

Distributable cash represents cash from operations adjusted for changes in working capital and unrealized foreign exchange gains or losses, less expenditures on sustaining capital items, interest paid to convertible debenture holders and the minority shareholders' share of income of an operating subsidiary. Distributable cash is an important metric, as it summarizes the funds available for distributions to unitholders. A calculation of Distributable Cash is found on Page 10.

Neither EBITDA nor Distributable Cash is a recognized measure under Canadian GAAP. Chemtrade's method of calculating EBITDA and Distributable Cash may differ from methods used by other companies, and accordingly may not be comparable to similar measures presented by other companies.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Fund believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A. In particular, this MD&A contains forward-looking statements pertaining to distributable cash and distributions per unit. The actual results could differ materially from those anticipated in these forward-looking statements. The Fund does not undertake any obligation to publicly update or revise any forward-looking statements.

BUSINESS MODEL

Chemtrade is one of the world’s largest suppliers of sulphuric acid (“acid”), liquid sulphur dioxide (“SO₂”) and sodium hydrosulphite (“SHS”) and a leading regional supplier of sulphur and sodium chlorate. Chemtrade obtains these products through long-term marketing service agreements and its own production facilities and distributes them to customers around the world.

The Fund is a limited purpose trust established under the laws of Ontario. The Fund’s income is derived from its wholly-owned subsidiaries, Chemtrade Logistics Inc. (“Logistics”), Chemtrade Performance Chemicals Canada Inc. (“Performance”) and Chemtrade Pulp Chemicals Limited Partnership (“Pulp”). Logistics, Performance and Pulp are together called “Chemtrade”. Logistics and Performance together form the Sulphur Products and Performance Chemicals (“SPPC”) reporting segment. The Fund’s wholly-owned subsidiary BCT Chemtrade Corporation (“BCT” or “International”) operates in Europe and South America.

Distributions to unitholders of the Fund are made monthly and are supplemented by four quarterly payments. These distributions are entirely dependent on the cash flow of the Fund’s operating subsidiaries, which in turn is used to pay interest on unsecured, subordinated promissory notes, and dividends to the Fund.

A key objective of the Fund is to deliver reliable and sustainable distributions to unitholders. In addition, management has indicated its intention to seek opportunities to increase distributions to unitholders. Management considers opportunities for growth that leverage the core competencies currently in place, and are accretive to existing unitholders.

The business model that the Fund has developed is intended to mitigate the effect that changes in commodity prices and volumes could have on its earnings and distributable cash. Chemtrade attempts to mitigate commodity risks by obtaining strategic contractual provisions, establishing a strong competitive position, or by striving to differentiate its products or services in the marketplace.

HIGHLIGHTS

(\$000 except per unit amounts)

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Revenue	\$ 89,975	\$ 68,026	\$ 170,839	\$ 135,395
Gross profit	\$ 18,968	\$ 14,219	\$ 40,037	\$ 29,478
Net earnings	\$ 4,090	\$ 3,329	\$ 11,055	\$ 8,063
Net earnings per unit - Basic	\$ 0.15	\$ 0.14	\$ 0.42	\$ 0.37
- Diluted	\$ 0.15	\$ 0.14	\$ 0.42	\$ 0.37
EBITDA ⁽¹⁾	\$ 12,655	\$ 9,246	\$ 27,734	\$ 18,915
EBITDA per unit ⁽²⁾	\$ 0.55	\$ 0.57	\$ 1.21	\$ 1.17
Distributable cash	\$ 9,563	\$ 6,539	\$ 21,857	\$ 14,093
Distributable cash per unit ⁽²⁾	\$ 0.41	\$ 0.40	\$ 0.96	\$ 0.87
Distributions declared	\$ 10,425	\$ 7,114	\$ 20,679	\$ 14,050
Distributions declared per unit ⁽³⁾	\$ 0.45	\$ 0.44	\$ 0.90	\$ 0.87
Distributions paid	\$ 10,395	\$ 7,114	\$ 20,575	\$ 13,878
Distributions paid per unit ⁽³⁾	\$ 0.45	\$ 0.44	\$ 0.90	\$ 0.86
⁽¹⁾ Calculation of EBITDA:				
Net earnings	\$ 4,090	\$ 3,329	\$ 11,055	\$ 8,063
Add:				
Depreciation and amortization	\$ 7,713	\$ 4,497	\$ 15,047	\$ 9,398
Net interest expense	\$ 1,207	\$ 577	\$ 2,376	\$ 1,131
Net taxes	\$ (355)	\$ 798	\$ (746)	\$ 290
Minority interest	\$ -	\$ 45	\$ 2	\$ 33
	<u>\$ 12,655</u>	<u>\$ 9,246</u>	<u>\$ 27,734</u>	<u>\$ 18,915</u>
⁽²⁾ Based on weighted average number of units outstanding for the period of:	23,108,354	16,167,106	22,863,949	16,138,642
⁽³⁾ Based on actual number of units outstanding on record date.				

CONSOLIDATED OPERATING RESULTS

Consolidated results for the second quarter and first six months of 2004 include Pulp. As the assets and operations of Pulp were purchased on August 29, 2003, consolidated results for the first six months of 2004 are not comparable to 2003.

Consolidated revenue for the second quarter of 2004 was \$90.0 million, an increase of \$22.0 million from consolidated revenues of \$68.0 million recorded in the second quarter of 2003. Revenues for the first six months of 2004 and 2003 were \$170.8 million and \$135.4 million respectively. Revenues of Pulp of \$12.0 million for the second quarter and \$24.0 million for the six months of 2004 were the principal reason for this increase. Increased trading activities by BCT, which have only minimal impact on gross margin, were the principal reason for the balance of the increase in 2004 compared to 2003.

For the second quarter of 2004, SPPC generated revenue of \$50.8 million (\$50.0 million in 2003) and International revenue was \$27.2 million (\$18.0 million in 2003). Net earnings of SPPC for the second quarter of 2004 were \$4.3 million (\$3.9 million in 2003). Net earnings of Pulp were \$1.6 million for the second quarter of 2004. International net earnings were \$1.2 million for the second quarter of 2004 and \$1.3 million for the same period of 2003.

For the first six months of 2004, SPPC generated revenue of \$102.8 million (\$102.1 million in 2003) and International revenue was \$44.1 million (\$33.3 million in 2003). Net earnings of SPPC for the first six months of 2004 were \$11.1 million (\$9.8 million in 2003). Net earnings of Pulp were \$3.6 million for the first six months of 2004. International net earnings were \$2.4 million for the first six months of 2004 and 2003.

In 2004, Chemtrade commenced reporting a separate corporate segment in the financial results. This segment includes the costs of corporate activities which are not directly allocable to an operating segment, such as information technology, finance and human resources. For the second quarter of 2004, corporate costs were \$3.0 million. For the first six months of 2004, corporate costs were \$6.0 million. Comparable figures for 2003 were \$1.8 million and \$4.2 million for the second quarter and first six months of 2003 respectively. The increased corporate costs reflect the increased scope of business as the result of recent acquisitions.

Net earnings for the second quarter and first six months of 2004 were \$4.1 million and \$11.1 million respectively compared with \$3.3 million and \$8.1 million respectively for 2003. As mentioned above, net earnings in 2004 include the results of Pulp Chemicals. Gross profit for the second quarter of 2004 was \$18.9 million (21.1% of revenue), an increase of \$4.7 million

from gross profit of \$14.2 million (20.9% of revenue) for the second quarter of 2003. Gross profit for the first half of 2004 was \$40.0 million (23.4% of revenue) compared to gross profit of \$29.5 million (21.8% of revenue) for the first half of 2003, an increase of \$10.5 million. Chemtrade's gross profit for the second quarter and first six months of 2004 reflects an improvement in both absolute amounts and as a percentage of revenue primarily as a result of the addition of Pulp.

RESULTS OF OPERATIONS

SPPC -

SPPC generated \$9.8 million of EBITDA in the second quarter of 2004, which compares to EBITDA of \$9.5 million for the second quarter of 2003. SPPC generated net earnings of \$4.3 million in the second quarter of 2004, which compares to net earnings of \$3.9 million for the second quarter of 2003. Both volumes and sales prices for sulphur products improved in 2004 in comparison to 2003. Gross profit of SPPC was ahead of expectations, although results for the quarter varied amongst the products.

For the first six months, SPPC generated \$21.4 million of EBITDA in the first six months of 2004 compared to EBITDA of \$20.3 million in 2003. SPPC generated net earnings of \$11.1 million in the first six months of 2004 compared to net earnings of \$9.8 million in 2003. Results for sales of sodium hydrosulphite powder did not meet expectations due to an increasingly competitive market place. Results for other products more than offset the shortfall in this one product group.

The Leeds plant completed a three-week maintenance shutdown during the second quarter of 2004. The shutdown was completed on time and the major capital project which was planned for this period was completed within budget.

Pulp -

Pulp is Chemtrade's newest segment and was purchased from Canadian Forest Products Ltd. ("Canfor") on August 29, 2003. Accordingly, comparable three month and six month 2003 information is not available.

Second quarter EBITDA was \$4.4 million, and for the first half of 2004 was \$9.5 million. Net earnings for the second quarter were \$1.6 million and \$3.6 million for the first six months of 2004. Both EBITDA and net earnings were slightly below expectations as sales of sodium chlorate to Canfor and other third party sales have been below expectations for the second

quarter and first half of 2004. Sales to Canfor, Chemtrade's principal customer for this product, were below expectations as Canfor experienced operational problems generally stemming from maintenance shutdowns. It is expected that Canfor sales will return to normal in the second half of 2004.

The plant completed a five-day maintenance shutdown during the quarter. The shutdown went well, as the high majority of planned maintenance procedures were completed. Capital expenditures at Pulp for the second quarter were slightly greater than expected, but were less than expected for the first six months of 2004 and should be in line with expectations for the full year.

International -

International sales of sulphuric acid and sulphur are the responsibility of BCT. In the second quarter and the first six months of 2004, EBITDA of the international business was \$1.5 million and \$2.8 million respectively, which was consistent with EBITDA of \$1.5 million and \$2.8 million for the same periods of 2003. Net earnings for the second quarter and the first six months of 2004 were \$1.2 million and \$2.4 million respectively, which was consistent with net earnings of \$1.3 million and \$2.4 million for the same periods of 2003. Sales volumes of sulphuric acid in the international markets in the second quarter and first half of 2004 were slightly less than volumes in the comparable periods of 2003. However, the global sulphuric acid market remains very tight, resulting in prices which enabled BCT to achieve comparable margins.

Foreign Exchange -

The Fund has operating subsidiaries that are U.S. based. The reporting currency of BCT Chemtrade, the Fund's international subsidiary, is the U.S. dollar. As the Fund reports in Canadian dollars, it is exposed to fluctuations in the Canadian/U.S. dollar exchange rate. At the Fund's 2004 expected exchange rate of \$0.75, approximately 50% of both EBITDA and distributable cash are generated in U.S. dollars.

Chemtrade has reviewed planned cash flows for 2004 and in particular the transfer of U.S. dollars from U.S. operations to their Canadian parent. In order to ensure that the planned rate of exchange is realized on these transfers, Chemtrade has entered into a series of foreign exchange contracts with its principal bankers. As of June 30, 2004, all of the expected cash transfers planned for 2004, and 10% of planned transfers in the first two quarters of 2005 have been hedged. After giving effect to the hedge positions in place as of June 30, 2004, if the

Canadian dollar foreign exchange rate changed \$0.01, the effect on Chemtrade's cash from operations for 2004 would not be material, as substantially the entire expected cash flow is hedged. Chemtrade plans to increase the hedged amount of expected quarterly cross-border cash flows, usually for the next six quarters.

The rate of exchange used to translate U.S. denominated balances has moved from \$0.773 at December 31, 2003 to \$0.744 at June 30, 2004.

Chemtrade's international and U.S. based operations are considered to be self-sustaining, as they are financially independent. As a result, gains or losses arising from the translation of the assets and liabilities of self-sustaining operations are deferred in the balance sheet. The change between December 31, 2003 and June 30, 2004 in the exchange rate between the Canadian and U.S. dollar has resulted in a slight change in the foreign currency translation adjustment account since December 31, 2003.

See **RISKS AND UNCERTAINTIES** for additional comments on foreign exchange.

SELLING, GENERAL AND ADMINISTRATION

Selling, general and administration expenses totaled \$6.3 million (7.0% of revenue) for the second quarter of 2004 and \$12.3 million (7.2% of revenue) for the first six months of 2004. Comparable numbers for 2003 are \$5.0 million (7.3% of revenue) and \$10.6 million (7.8% of revenue) respectively.

INTEREST EXPENSE

Interest expense, net of interest income, was \$1.2 million in the second quarter of 2004 (\$2.4 million for the first six months of 2004) compared with \$0.6 in the second quarter of 2003 (\$1.1 million for the first six months of 2003). The increase in interest expense in 2004 compared to 2003 was due to the interest paid on the new \$40.0 million debt drawn to partially finance the acquisition of Pulp and the increased interest paid on the U.S. term debt.

On March 11, 2004, the Fund renewed its bank debt with its principal bankers. Further details concerning this renewal are included in **LIQUIDITY - Bank Debt**.

Interest on the \$40.0 million loan amounted to \$0.6 million in the quarter (\$1.0 million for the first six months). This loan is Canadian dollar denominated, and interest varies with the rate for Bankers' Acceptances. At June 30, 2004 the interest rate was 2.20% plus a stamping fee of 1.60%.

The interest on the term debt of US\$43.6 million was \$0.6 million for the quarter compared to \$0.6 million in the prior year. Interest for the first six months of 2004 was \$1.4 million compared to \$1.1 million for the same period of 2003. The interest rate now varies based on three month Libor plus a stamping fee of 1.60%. At June 30, 2004 the interest rate was 3.09% (all-in basis).

At December 31, 2003 Chemtrade had a \$10.0 million and a US\$6.5 million operating lines of credit. As part of its debt renewal, Chemtrade reduced its lines of credit to \$5.0 million and US\$5.0 million and obtained a bank overdraft facility of \$1.0 million (2003 - nil). Borrowings under these lines are limited to the available amount of security determined by certain current asset balances, and interest is payable on the loan at rates that vary with Libor. At June 30, 2004, Chemtrade had utilized \$2.0 million (December 31, 2003 - nil) and US\$1.8 million (December 31, 2003 - US\$1.8 million) of this credit.

As the 10% convertible debentures are grouped with equity on the balance sheet of the Fund, the related interest is shown as a distribution and included in Deficit. The amount of interest payable on these debentures is classified as a deduction from cash from operations in determining distributable cash.

INCOME TAXES

The increase in current tax expense in the second quarter and first six months of 2004 compared to the same periods of 2003 reflects the increased earnings from an international subsidiary subject to significant withholding taxes and the Fund's increased North American business operations.

The increase in future tax asset at June 2004 compared to December 2003 is the net result of the recognition by certain operating subsidiaries of tax loss carry forwards and other tax benefits. The decrease in future tax liabilities at June 2004 compared to December 2003 is the net result of other subsidiaries recognizing increased tax loss carry forward benefits.

DISTRIBUTABLE CASH AND CASH DISTRIBUTIONS

Distributable cash for the three months and the six months ended June 30, 2004 with comparative numbers for 2003, is as follows:

(\$000 except per unit amounts)

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Cash from (used in) operations	\$ 12,323	\$ 6,592	\$ 26,927	\$ 4,180
Less:				
Decrease (increase) in working capital	1,287	(1,842)	2,405	(13,032)
Capital expenditures ⁽¹⁾	884	740	1,297	976
Interest on convertible debentures	594	1,009	1,366	2,125
Unrealized foreign exchange gain (loss)	(5)	101	-	(15)
Minority interest	<u>-</u>	<u>45</u>	<u>2</u>	<u>33</u>
Distributable cash	<u>\$ 9,563</u>	<u>\$ 6,539</u>	<u>\$ 21,857</u>	<u>\$ 14,093</u>
Distributable cash per unit	\$ 0.41	\$ 0.40	\$ 0.96	\$ 0.87
Based on weighted average number of units outstanding at period end of:	23,108,354	16,167,106	22,863,949	16,138,642

(1) Excludes non-maintenance/sustenance capital of \$147 and \$417 for the three and six months ended June 30, 2004 respectively (2003 - nil)

Distributions -

Each month, the Fund pays a regular distribution currently of \$0.11 per unit. Each quarter the Fund pays a supplemental distribution, currently of \$0.12 per unit, in the month following the quarter end, except at the year-end, when the supplemental distribution is paid the following February.

Distributions to unitholders for the three months and the six months ended June 30, 2004 were declared as follows:

Record Date	Payment Date	Distribution Per Unit	Total (\$ thousands)
Three months ended June 30:			
April 28, 2004	April 30, 2004	\$0.12	\$2,778 ⁽¹⁾
April 30, 2004	May 31, 2004	0.11	2,546
May 31, 2004	June 30, 2004	0.11	2,550
June 30, 2004	July 30, 2004	<u>0.11</u>	<u>2,551</u>
Sub-Total		\$0.45	\$10,425
Three months ended March 31		<u>\$0.45</u>	<u>\$10,254</u>
Total for six months ended June 30		\$0.90	\$20,679

⁽¹⁾ Represents payment of supplemental distribution for first quarter of 2004

Distributions declared in the three months and the six months ended June 30, 2003 were as follows:

Record Date	Payment Date	Distribution Per Unit	Total (\$ thousands)
Three months ended June 30:			
April 28, 2003	April 30, 2003	\$0.11	\$1,778 ⁽¹⁾
April 30, 2003	May 30, 2003	0.11	1,778
May 30, 2003	June 30, 2003	0.11	1,779
June 30, 2003	July 31, 2003	<u>0.11</u>	<u>1,779</u>
Sub-Total		\$0.44	\$7,114
Three months ended March 31		<u>\$0.43</u>	<u>\$6,936</u>
Total for six months ended June 30		\$0.87	\$14,050

⁽¹⁾ Represents payment of supplemental distribution for first quarter of 2003

SUMMARY OF QUARTERLY RESULTS

(\$000)

	Three Months Ended September 30, 2003	Three Months Ended December 31, 2003	Three Months Ended March 31, 2004	Three Months Ended June 30, 2004	12 Months Ended June 30, 2004
Revenue	\$ 74,503 ⁽¹⁾	\$ 80,712 ⁽²⁾	\$ 80,864 ⁽²⁾	\$ 89,975 ⁽²⁾	\$ 326,054
Cost of sales and services	<u>55,279</u>	<u>60,935</u>	<u>59,795</u>	<u>71,007</u>	<u>247,016</u>
Gross profit	19,224	19,777	21,069	18,968	79,038
Selling, general, administrative and other costs	5,922	6,194	5,990	6,313	24,419
Terminal exit cost	<u>—</u>	<u>1,311</u>	<u>—</u>	<u>—</u>	<u>1,311</u>
Earnings before the under-noted	13,302	12,272	15,079	12,655	53,308
Depreciation and amortization	6,121	6,793	7,334	7,713	27,961
Net interest expense	913	1,168	1,169	1,207	4,457
Income taxes (net)	(216)	113	(391)	(355)	(849)
Minority interest	<u>(1)</u>	<u>2</u>	<u>2</u>	<u>—</u>	<u>3</u>
Net earnings	<u>\$ 6,485</u>	<u>\$ 4,196</u>	<u>\$ 6,965</u>	<u>\$ 4,090</u>	<u>\$ 21,736</u>

(1) Includes the results of Pulp for the period from August 29 to September 30, 2003.

(2) Includes the results of Pulp.

(\$000)

	Three Months Ended September 30, 2002	Three Months Ended December 31, 2002	Three Months Ended March 31, 2003	Three Months Ended June 30, 2003	12 Months Ended June 30, 2003
Revenue	\$ 52,211	\$ 53,422	\$ 67,369	\$ 68,026	\$241,028
Cost of sales and services	<u>42,211</u>	<u>43,777</u>	<u>52,110</u>	<u>53,807</u>	<u>191,905</u>
Gross profit	10,000	9,645	15,259	14,219	49,123
Selling, general, administrative and other costs	4,196	3,926	5,590	4,973	18,685
Gain on cancellation of contract	<u>(1,106)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,106)</u>
Earnings before the under-noted	6,910	5,719	9,669	9,246	31,544
Depreciation and amortization	2,646	3,454	4,901	4,497	15,498
Net interest expense	333	346	554	577	1,810
Income taxes (net)	1,130	(2,034)	(508)	798	(614)
Minority interest	<u>468</u>	<u>51</u>	<u>(12)</u>	<u>45</u>	<u>552</u>
Net earnings	<u>\$ 2,333</u>	<u>\$ 3,902</u>	<u>\$ 4,734</u>	<u>\$ 3,329</u>	<u>\$ 14,298</u>

LIQUIDITY

Cash flow generated by Chemtrade is required to fund distributions to unitholders, capital expenditures and any third party interests.

Cash from Operations -

Cash flow from operations for the six months ended June 30, 2004 was \$26.9 million, compared to cash flow from operations of \$4.2 million for the six months ended June 30, 2003. The principal reason for the increase in cash from operations, in addition to increased earnings, relates to the decrease in working capital requirements for both the second quarter and first half of 2004. In the first quarter of 2003, cash was required to fund the build-up of working capital (accounts receivable and inventories) resulting from the acquisition of the SHS assets in December 2002. An increase in short-term debt, which is required to fund certain contracts for BCT Chemtrade for a limited period of time, also contributed to the increase in the Fund's cash from operations during the quarter.

Cash balances at June 30, 2004 were \$12.0 million, an increase of \$3.1 million from the December 31, 2003 cash balances of \$8.9 million.

Financing Activities -

Cash distributions paid to unitholders amounted to \$10.4 million for the second quarter (\$20.6 million for the first half of 2004), which represents a distribution rate of \$0.45 per unit (\$0.90 per unit for the first half). In the second quarter of 2003, distributions paid were \$7.1 million (\$13.9 million for the first half), a distribution rate of \$0.44 per unit (\$0.86 per unit for the first half). The amount of distributions has increased as the average number of outstanding units increased from 16,138,642 in the first half of 2003 to 22,863,949 in 2004.

For additional information on cash distributions see **DISTRIBUTABLE CASH AND CASH DISTRIBUTIONS**.

Distributions paid to debenture holders in the second quarter of 2004 totaled \$0.6 million compared to \$1.0 million in the second quarter 2003. In the first six months of 2004 distributions paid to debenture holders 2004 totaled \$1.4 million compared to \$2.1 million for the same period of 2003. During the second quarter \$4.0 million (\$13.6 million debentures for the first half) of convertible debentures were converted into 276,134 units (940,264 units for the first half). As interest on the convertible debentures and principal due on maturity are payable in

units of the Fund at the option of the Fund, the debentures are grouped with unitholders' equity for accounting purposes.

Bank Debt -

On March 11, 2004, the Fund renewed its bank debt with its principal bankers. Under this agreement the term has been extended to March 2008 (formerly May 2005). In addition, the Fund increased its U.S. term debt to US\$43.6 million (2003 - US\$39.0 million).

Hedging Agreements -

Chemtrade has entered into swap arrangements with its principal bankers which fix interest rates on all of its current outstanding term debt. Under the swap arrangements, which will be treated as a hedge for accounting purposes, the interest rate on the outstanding U.S. debt is 2.99%, plus the current spread of 1.60%. The interest rate on the outstanding Canadian dollar debt is 3.42% plus a stamping fee currently set at 1.60%. See **RESULTS OF OPERATIONS - Foreign Exchange** for additional comments on hedging.

Investing Activities -

On March 19, 2004 the Fund purchased certain customer contracts and assets relating to the SPPC Business from Rhodia Inc., a non-related party, for total cash consideration of \$1.6 million (US\$1.2 million). The purchase price is subject to contingent consideration up to a maximum amount of US\$0.8 million which has been accrued. During the first quarter the Fund also paid contingent consideration of \$0.2 million (US\$0.1 million) to Benco International LLC ("Benco") in connection with the Fund's May 2003 purchase of Benco customer contracts. The payments made in connection with customer contracts have been included in the cost of other intangible assets.

Total capital requirements were \$1.0 million in the second quarter of 2004 (\$0.7 million in 2003) \$0.9 million of which were for maintenance capital requirements and \$0.1 million of expenditures related to the anode replacement program at Pulp. This anode program is expected to provide improved operating efficiency and production for 10 years, and accordingly is considered as part of growth capital expenditures for purposes of calculating distributable cash of the Fund. Sustaining capital expenditures of \$0.7 million and \$0.2 million were incurred for SPPC and Pulp respectively. Sustaining capital expenditures for the balance of 2004 are expected to be \$1.7 million.

Cash Balances -

At June 30, 2004, the Fund had cash balances of \$12.0 million and working capital of \$17.2 million.

CONTRACTUAL OBLIGATIONS

Information concerning contractual obligations is shown below:

Contractual Obligations	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long Term Debt	98,577	900	-	97,677	-
Operating Leases	42,559	13,497	17,867	8,608	2,587
Total Contractual Obligations	141,136	14,397	17,867	106,285	2,587

RISKS AND UNCERTAINTIES

Chemtrade is one of the world's largest suppliers of sulphuric acid ("acid"), liquid sulphur dioxide ("SO₂") and sodium hydrosulphite ("SHS") and a leading regional supplier of sulphur and sodium chlorate. As such Chemtrade faces various risks associated with its business. These risks include, amongst others, the loss of a portion of its customer base, the interruption of the supply of sulphur-based products, price fluctuations in the products sold and/or raw materials purchased, industry over-capacity, acquisition integration and operational and product hazard risks associated with the nature of its business. In addition, Chemtrade sells a significant portion of its major products to large customers. While many of these customers are under contract, there can be no assurance that these contracts will be renewed.

As Chemtrade's business is international in nature, it is exposed to foreign exchange risks related to the payment of dividends and other transactions by its foreign subsidiaries. See **LIQUIDITY - Hedging Agreements** for additional information on the management of this risk.

Under current accounting rules, the Fund's foreign subsidiaries are considered self-sustaining, and the result of a change in the Canadian/U.S. dollar exchange rate is recorded in the foreign currency translation adjustment account, which is a part of unitholders' equity on the balance sheet.

The business model that the Fund has developed is intended to mitigate the effect that changes in commodity prices and volumes could have on its earnings and distributable cash. Chemtrade attempts to mitigate commodity risks by obtaining strategic contractual provisions, establishing a strong competitive position, or by striving to differentiate its products or services in the marketplace.

Chemtrade manages the risks associated with its business by utilizing the following risk management program:

- Identify and quantify the effects of risks;
- Assign identified/quantified risks to a specific, accountable manager, who is responsible for managing/mitigating the risk;
- Identify a mechanism to either transfer the identified risks or otherwise to mitigate its effect; and
- Make further recommendations and review conclusions with the Board as appropriate.

CHANGES IN ACCOUNTING POLICIES

Hedging Relationships -

Accounting Guideline 13 ("AcG 13"), issued by the Canadian Institute of Chartered Accountants, is effective for Chemtrade's 2004 fiscal year. AcG 13 specifies the circumstances in which hedge accounting is appropriate, including the identification, documentation, designation and effectiveness of hedges, and the discontinuance of hedge accounting.

Chemtrade has entered into a series of foreign exchange forward contracts, which are classified as hedging relationships, in order to mitigate its foreign exchange risk related to the Canadian/U.S. dollar exchange rate on dividends and interest paid to Canadian operating companies by U.S. subsidiaries.

As noted above, Chemtrade has entered into swap agreements with its principal bankers which fix the interest rate on all of its current outstanding term debt.

Chemtrade considers these hedge instruments to be effective hedges. Chemtrade reviews the effectiveness of hedge instruments on a quarterly basis. If management concluded that these hedge instruments were no longer effective, they would be marked-to-market and the effect would be recorded in income. At the time the related item hedged is realized, any additional

changes in the fair value of the hedge from the date it becomes ineffective would be recorded in income immediately.

Asset Retirement Obligations -

Section 3110 of the CICA Handbook, Asset Retirement Obligations, is applicable for Chemtrade's 2004 fiscal year. Under this standard, the asset retirement cost, equal to the estimated fair value of the asset retirement obligation, is capitalized as part of the cost of the related long-lived asset. The asset retirement costs are depreciated over the asset's useful life and included in depreciation and amortization expense on the Consolidated Statement of Operations and Deficit. Increases in the asset retirement obligation resulting from the passage of time are recorded as accretion of asset retirement obligation in the Consolidated Statement of Operations and Deficit. Actual expenditures incurred are charged against the accumulated obligation.

During the first quarter of 2004, Chemtrade completed an analysis of existing properties. This analysis reviewed existing contracts (leases, etc.) and current statutory requirements, and management has determined that a provision for retirement obligations is not currently required.

OUTLOOK

The outlook for the balance of 2004 looks consistent with the first half results. Pulp should benefit from stronger sodium chlorate volumes offsetting SPPC results that are expected to be somewhat softer than realized in the first half of 2004. The acid market both internationally and in North America remains tight and the SO₂ market appears to have stabilized. Our liquid SHS products are expected to continue performing well. However, excess capacity in China is resulting in our powder SHS facing competitive pressures from Chinese products in both North American and the export markets. We are taking steps to improve our competitive position and defend our customer base, however we expect contribution from this product to be negatively impacted for the balance of 2004. International results are expected to remain stable.

Chemtrade believes that cash generated from operating activities will be sufficient to meet all of its ongoing cash requirements including its indicated distribution target of \$1.80 for the 2004 year.

OTHER

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

July 21, 2004