



NEWS RELEASE

CHEMTRADE LOGISTICS INCOME FUND ANNOUNCES FIRST QUARTER 2006 RESULTS

TORONTO, May 15, 2006 – Chemtrade Logistics Income Fund (TSX: CHE.UN) today announced results for the three months ended March 31, 2006. As the latest results include the acquisition of Kemmax in the second quarter of 2005 and the acquisitions of Refinery Services and Phosphorous Specialties in the third quarter of 2005, they are not directly comparable with the first quarter of 2005. The positive effect of the 2005 acquisitions was offset by the continued impact of high costs and some volume pressures on sodium hydrosulphite (SHS) products; a longer than planned shutdown of the Shreveport facility; and the lingering effects of Hurricane Rita on some customers' operations and on Chemtrade's Beaumont facility.

Revenue for the period was \$121.9 million (2005: \$80.9 million), and net earnings were \$3.8 million (2005: \$4.2 million). Net earnings for the latest quarter included higher depreciation and amortization and interest costs, reflecting the 2005 acquisitions.

Cash available for distribution of \$11.6 million, or \$0.35 per unit (2005: \$11.3 million, or \$0.48 per unit) was generated from earnings before interest, income taxes, depreciation and amortization (EBITDA) of \$15.7 million (2005: \$13.4 million).

Note: The weighted average number of units outstanding for the first quarter of 2006 was 33,582,040 and 23,559,136 for the three months ended March 31, 2005. These numbers have been used to calculate per unit amounts for the respective quarterly results.

Mark Davis, Chief Executive Officer of Chemtrade, said, "The first quarter was positively affected by higher results from Pulp Chemicals and International. However, these benefits were more than offset in our Sulphur Products & Performance Chemicals (SPPC) segment that was adversely impacted by planned maintenance shutdowns, some operational reliability issues, and high energy and raw material costs for production of SHS."

SPPC reported EBITDA of \$11.5 million for the first quarter compared with \$9.5 million in the same period in 2005. Results reflected the contribution of the sulphuric acid and phosphorous pentasulphide assets acquired in August 2005, offset by the effects of some operational issues resulting from Hurricane Rita at the Beaumont plant and some customers' plants, and the longer than anticipated turnaround of the Shreveport facility. SPPC results were also negatively affected by reduced SHS margins, primarily due to higher input costs for sodium formate, natural gas and caustic soda, which were over \$1 million higher than the same period of 2005.

Pulp Chemicals reported EBITDA of \$5.5 million for the first quarter compared with \$5.2 million in the first quarter of 2005, reflecting high operating rates at Canfor's plants, as well as additional volume from the new third party customer added in the second quarter of 2005.

The International segment reported EBITDA of \$1.7 million for the quarter compared to \$1.4 million in 2005. The acquisition of the sulphur removal business in Germany on May 1, 2005 was the main reason for the increase.

Mr. Davis said, "We believe that the operational reliability issues we and our customers faced will be rectified by the first and second quarter planned maintenance work. We are also starting to see raw material and energy costs beginning to trend down. Based on the scheduling of our major maintenance, raw material cost trends, and seasonal demand for our products we continue to believe that commencing in the second half of 2006, we expect to generate distributable cash at an annualized rate of over \$1.50 per unit."

Distributions

Distributions declared in the first quarter totaled \$0.3533 per unit, comprised of a distribution of \$0.1133 per unit declared in January 2006 and monthly distributions of \$0.12 per unit declared in February and March 2006.

Chemtrade is one of the world's largest suppliers of sulphuric acid, liquid sulphur dioxide (SO₂) and sodium hydrosulphite (SHS), and a leading processor of spent acid, particularly in the U.S. Gulf Coast region. Chemtrade is also a leading regional supplier of sulphur, sodium chlorate and phosphorous pentasulphide, and also produces zinc oxide at three North American locations.

This news release contains certain statements which may constitute "forward-looking" statements within the meaning of certain securities laws, including the "safe harbour" provisions of the *Securities Act* (Ontario). 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.

This news release contains forward-looking statements about the objectives, strategies, financial condition, results of operations and businesses of the Fund. These statements are "forward-looking" as they are based on current expectations about our business and the markets we operate in, and on various estimates and assumptions.

- Forward-looking statements in this news release describe our expectations as of the date of this news release.
- Our actual results could be materially different from our expectations if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, we cannot guarantee that any forward-looking statement will materialize.
- Forward-looking statements do not take into account the effect that transactions or non-recurring items announced or occurring after the statements are made may have on our business.
- We disclaim any intention or obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.
- Risks that could cause our actual results to differ materially from our current expectations are discussed in the **RISKS AND UNCERTAINTIES** section of our MD&A.

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 annual results will be webcast live on www.chemtradelogistics.com and www.newswire.ca/webcast on Tuesday, May 16, 2006 at 10:00 a.m.

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CHEMTRADE LOGISTICS INCOME FUND

Consolidated Balance Sheets

(in thousands of dollars)

	March 31, 2006	December 31, 2005
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,443	\$ 10,395
Accounts receivable	64,003	64,540
Inventories	21,547	18,902
Prepaid expenses and other assets	3,232	3,790
	94,225	97,627
Property, plant and equipment	194,311	198,752
Deferred charges	2,472	2,522
Future tax asset	7,127	6,246
Other assets	1,242	1,185
Intangibles	181,440	185,630
Goodwill	103,794	103,493
	\$ 584,611	\$ 595,455
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities		
Operating line of credit	\$ 6,066	\$ 4,070
Accounts payable	40,647	43,997
Accrued liabilities	21,054	21,910
Distributions payable	4,030	3,805
Income taxes payable	1,957	2,049
	73,754	75,831
Long-term debt	190,528	190,019
Post-employment benefits	4,025	3,987
Future tax liability	31,208	32,531
Minority interest	25	24
Unitholders' equity		
Units (note 3)	412,944	412,944
Equity component of convertible debentures (note 3)	160	160
Foreign currency translation adjustment	(29,687)	(29,775)
Deficit	(98,346)	(90,266)
	285,071	293,063
	\$ 584,611	\$ 595,455

See accompanying notes to consolidated financial statements

CHEMTRADE LOGISTICS INCOME FUND

Consolidated Statements of Operations and Deficit

(in thousands of dollars)

(unaudited)

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Revenue	\$ 121,925	\$ 80,903
Cost of sales and services	98,926	62,146
Gross profit	22,999	18,757
Selling, general, administrative and other costs	7,316	5,329
Earnings before the under-noted	15,683	13,428
Depreciation and amortization	11,262	7,187
Net interest and debt accretion expense	2,665	1,591
Earnings before income taxes and minority interest	1,756	4,650
Income taxes		
Current	341	379
Future	(2,371)	75
	(2,030)	454
Earnings before minority interest	3,786	4,196
Minority interest	1	4
Net earnings	3,785	4,192
Deficit, beginning of period	(90,266)	(53,754)
Distributions	(11,865)	(10,619)
Deficit, end of period	\$ (98,346)	\$ (60,181)
Net earnings per unit (note 3)		
Basic	\$ 0.11	\$ 0.18
Diluted	\$ 0.11	\$ 0.18

See accompanying notes to consolidated financial statements

CHEMTRADE LOGISTICS INCOME FUND

Consolidated Statements of Cash Flows

(in thousands of dollars)

(unaudited)

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Cash provided by (used in):		
Operating activities:		
Net earnings	\$ 3,785	\$ 4,192
Items not affecting cash:		
Depreciation and amortization	11,262	7,187
Future income taxes	(2,371)	75
Minority interest	1	4
Debt accretion expense	8	8
Unrealized foreign exchange (gain) loss	312	37
	12,997	11,503
Increase in working capital	(4,460)	(2,718)
	8,537	8,785
Financing activities:		
Distributions to unitholders	(11,640)	(10,604)
Deferred financing charges	-	(212)
	(11,640)	(10,816)
Investing activities:		
Additions to property, plant and equipment	(1,868)	(373)
	(1,868)	(373)
Effect of exchange rates on cash held in foreign currencies	19	(37)
	(4,952)	(2,441)
Decrease in cash and cash equivalents	(4,952)	(2,441)
Cash and cash equivalents – beginning of period	10,395	10,554
Cash and cash equivalents – end of period	\$ 5,443	\$ 8,113
Supplemental information:		
Cash taxes paid	\$ 433	\$ 289
Cash interest paid	\$ 3,158	\$ 1,199
Cash interest received	\$ 64	\$ 25

See accompanying notes to consolidated financial statements

CHEMTRADE LOGISTICS INCOME FUND

Notes to Consolidated Financial Statements

(in thousands of dollars)

(Unaudited)

March 31, 2006

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. (“Marsulex”).

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. Inter-company transactions and balances have been eliminated. These interim consolidated financial 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, 2005. 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. PEAK SULFUR, INC. AND PEAK CHEMICAL LLC ACQUISITION:

On August 2, 2005 the Fund completed the purchase of the outstanding shares of Peak Sulfur, Inc. and the outstanding equity interests of Peak Chemical LLC (collectively “Peak”), for \$204,419 (US\$166,750). Subsequent to the acquisition date, the Fund renamed Peak Sulfur, Inc. to Chemtrade Refinery Services Inc. and renamed Peak Chemical LLC to Chemtrade Phosphorous Specialties LLC. The Fund incurred transaction related costs of \$3,959. The purchases were financed by the utilization of the Fund's term banking facility of \$66,944 (US\$54,608) and by issuing units for gross proceeds of \$155,002. Issuance costs related to the units of \$8,665 (before future income tax effect of \$1,410) have been deducted from the proceeds thereof.

The purchase price of \$204,419 included \$19,124 (US\$15,600) for the non-voting common stock of Peak Sulfur, Inc. The Fund acquired the non-voting common stock in December 2005 pursuant to the terms of a Call Agreement.

2. PEAK SULFUR, INC. AND PEAK CHEMICAL, LLC (continued):

The acquisitions have 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 (including bank overdraft acquired of \$1,923)	\$ 9,666
Property, plant and equipment	93,168
Other assets	1,248
Intangibles	90,256
Goodwill	48,659
Future tax liabilities	(32,696)
<hr/>	
Total consideration (including bank overdraft acquired of \$1,923)	\$ 210,301

Other assets represent accelerated ground lease payments made pursuant to a long-term ground lease. Intangibles include the value associated with customer relationships and are being amortized over their estimated useful lives of ten years. The allocation of the purchase price was based on information available at March 31, 2006. The allocation of the purchase price has not been finalized and is subject to adjustment.

As the Peak acquisition was completed on August 2, 2005 these consolidated financial statements include earnings of Peak since that date and therefore the consolidated statement of operations for the three months ended March 31, 2006 is not comparable to the three months ended March 31, 2005.

3. UNITS:

(a) Outstanding:

	Number of Units	Amount
Units		
Balance – January 1, 2006	33,582,040	\$412,944
Balance – March 31, 2006	33,582,040	\$412,944

(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 ended March 31, 2006 which amounted to 33,582,040 units (2005 – 23,559,136 units). 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.

(c) Equity component of convertible debentures:

During the three months ended March 31, 2006, nil (March 31, 2005 – 1,997) convertible debentures were converted into nil (March 31, 2005 – 137,719) units.

4. BUSINESS SEGMENTS:

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

SPPC markets, removes and/or produces five major products – merchant and regenerated sulphuric acid, liquid sulphur dioxide, sodium hydrosulphite, elemental sulphur and phosphorous pentasulphide. These products are marketed primarily to North American customers.

Pulp Chemicals operations produce sodium chlorate and crude tall oil. These products are marketed primarily 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 is a non-operating segment that provides centralized services such as treasury, finance, information systems, human resources and risk management.

Three Months Ended March 31, 2006

	SPPC	Pulp	Intl	Corp	Total
Revenue from external customers	\$ 68,285	\$ 13,271	\$ 40,369	-	\$121,925
Inter-segment revenues	-	-	-	-	-
Earnings before the under-noted	11,495	5,491	1,719	(3,022)	15,683
Depreciation and amortization	8,520	2,319	423	-	11,262
Net interest and debt accretion expense	1,825	472	(44)	412	2,665
Income tax expense	(2,226)	-	196	-	(2,030)
Minority interest	-	-	1	-	1
Net earnings	3,376	2,700	1,143	(3,434)	3,785
Total assets	390,606	117,458	75,076	1,471	584,611
Goodwill	72,262	-	31,532	-	103,794
Intangibles	118,911	54,460	8,069	-	181,440
Capital expenditures	1,302	153	364	49	1,868

4. BUSINESS SEGMENTS (continued):

Three Months Ended March 31, 2005

	SPPC	Pulp	Intl	Corp	Total
Revenue from external customers	\$ 47,053	\$ 11,416	\$ 22,434	-	\$ 80,903
Inter-segment revenues	-	-	624	-	624
Earnings before the under-noted	9,528	5,151	1,363	(2,614)	13,428
Depreciation and amortization	4,678	2,446	63	-	7,187
Net interest and debt accretion expense	668	496	(4)	431	1,591
Income tax expense	237	-	217	-	454
Minority interest	-	-	4	-	4
Net earnings	3,945	2,209	1,083	(3,045)	4,192
Total assets	180,981	119,534	45,409	1,488	347,412
Goodwill	26,300	-	23,542	-	49,842
Intangibles	42,343	59,865	-	-	102,208
Capital expenditures	41	323	9	-	373

4. 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		
	March 31, 2006	March 31, 2005
North America	\$ 81,556	\$ 58,469
Europe	40,369	22,434
	\$ 121,925	\$ 80,903

Property, Plant and Equipment, Goodwill and Intangibles		
	March 31, 2006	December 31, 2005
North America	\$ 435,469	\$ 443,830
Europe	44,076	44,045
	\$ 479,545	\$ 487,875

For the three months ended March 31, 2006, the Fund obtained product from a producer that accounted for 11.73% (2005 – 19.8%) and sold product to a customer that accounted for 7.42% (2005 – 10.15%) of the Fund's total revenue.

5. FAIR VALUES OF FINANCIAL INSTRUMENTS:

The Fund has entered into foreign exchange contracts to manage its exposure to the U.S. dollar as significant cash flows are generated in the U.S. The Fund sells specific amounts of currencies at predetermined dates and exchange rates which are matched with the anticipated operational cash flows. Contracts in place at March 31, 2006 include future contracts of US\$40,904 until 2008 at a weighed average exchange rate of \$1.204. There is a net unrealized gain of \$1,206 (December 31, 2005 - \$1,537) from these hedge contracts at March 31, 2006 (2005 – nil).

CHEMTRADE LOGISTICS INCOME FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2006

The information in this Management's Discussion and Analysis, or MD&A, is intended to assist the reader in the understanding and assessment of the trends and significant changes in the results of operations and financial condition of Chemtrade Logistics Income Fund. Throughout this MD&A, the term the "Fund" refers to Chemtrade Logistics Income Fund and its consolidated subsidiaries. The terms "we", "us" or "our" similarly refers to the Fund. This MD&A should be read in conjunction with the unaudited consolidated financial statements of the Fund for the three-month period ended March 31, 2006.

The Fund's financial statements are prepared in accordance with accounting principles generally accepted in Canada, or Canadian GAAP. The Fund's reporting currency is the Canadian dollar. In this MD&A per unit amounts are calculated using the weighted average number of units outstanding for the applicable period unless otherwise indicated.

This MD&A contains certain statements which may constitute "forward-looking" statements within the meaning of certain securities laws, including the "safe harbour" provisions of the *Securities Act* (Ontario). 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.

This MD&A contains forward-looking statements about the objectives, strategies, financial condition, results of operations and businesses of the Fund. These statements are "forward-looking" as they are based on current expectations about our business and the markets we operate in, and on various estimates and assumptions.

- Forward-looking statements in this MD&A describe our expectations as of the date of this MD&A.

- Our actual results could be materially different from our expectations if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, we cannot guarantee that any forward-looking statement will materialize.
- Forward-looking statements do not take into account the effect that transactions or non-recurring items announced or occurring after the statements are made may have on our business.
- We disclaim any intention or obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.
- Risks that could cause our actual results to differ materially from our current expectations are discussed in the **RISKS AND UNCERTAINTIES** section of this MD&A.

FUND OVERVIEW

The Fund commenced operations on July 18, 2001, when it completed its Initial Public Offering (its “IPO”) and the acquisition of certain sulphur related assets and operations. The Fund’s revenues and asset base have grown through the subsequent acquisitions of sodium hydrosulphite assets in 2002 (the “SHS assets”), sodium chlorate assets in 2003, Kemmax and the Refinery Services and Phosphorous Specialties acquisitions in 2005, all of which were financed by the issue of additional units and debt.

BUSINESS MODEL

The Fund is one of the world’s largest suppliers of sulphuric acid (“acid”), liquid sulphur dioxide (“SO₂”) and sodium hydrosulphite (“SHS”) and a leading processor of spent acid, particularly in the U.S. Gulf Coast region. The Fund is also a leading regional supplier of sulphur, sodium chlorate and phosphorus pentasulphide, and also produces zinc oxide at three North American locations.

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 Chemicals”). Chemtrade Refinery Services Inc. and Chemtrade

Phosphorous Specialties LLC are wholly-owned subsidiaries of Logistics. Logistics and Performance together form the Sulphur Products and Performance Chemicals ("SPPC") reporting segment. The Fund's wholly-owned subsidiary BCT Chemtrade Corporation ("BCT") including Kemmax, operates in Europe and South America and forms the International reporting segment.

Distributions to Unitholders of the Fund are made monthly and up to and including the third quarter of 2005, were supplemented by quarterly payments. These distributions are entirely dependent on the cash flow of the Fund's operating subsidiaries. The Fund announced on December 12, 2005, that quarterly supplemental distributions would not be made in 2006. Further commentary on distributions is found on page 12.

The key objective of the Fund is to deliver reliable and sustainable distributions to Unitholders. In addition, management will seek opportunities to increase distributions to Unitholders that leverage the core competencies currently in place, and are accretive to 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 earnings and distributable cash. The Fund 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.

FINANCIAL HIGHLIGHTS

<i>(\$'000 except per unit amounts)</i>	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Revenue	\$ 121,925	\$ 80,903
Gross profit	\$ 22,999	\$ 18,757
Net earnings	\$ 3,785	\$ 4,192
Net earnings per unit - Basic	\$ 0.11	\$ 0.18
- Diluted	\$ 0.11	\$ 0.18
Total assets	\$ 584,611	\$ 347,412
Long-term debt	\$ 190,528	\$ 109,406
EBITDA ⁽³⁾	\$ 15,683	\$ 13,428
EBITDA per unit ⁽¹⁾	\$ 0.47	\$ 0.57
Distributable cash ⁽³⁾	\$ 11,592	\$ 11,298
Distributable cash per unit ⁽¹⁾	\$ 0.35	\$ 0.48
Distributions declared	\$ 11,865	\$ 10,619
Distributions declared per unit ⁽²⁾	\$ 0.3533	\$ 0.4500
Distributions paid	\$ 11,640	\$ 10,604
Distributions paid per unit ⁽²⁾	\$ 0.3466	\$ 0.4500

(1) Based on weighted average number of units outstanding for the period of: 33,582,040 23,559,136

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

(3) See comments concerning Non-GAAP Measures on Page 4.

NON-GAAP MEASURES

EBITDA -

Throughout this MD&A, the term EBITDA is used to describe earnings before any deduction for net interest and debt accretion, taxes, depreciation and amortization and other non-cash charges such as minority interest. EBITDA is a metric used by many investors and analysts to compare organizations on the basis of ability to generate cash from operations. Management considers EBITDA (as defined) to be an indirect measure of operating cash flow, which is a significant indicator of the success of any business. It is not intended to be representative of cash flow from operations or results of operations determined in accordance with Canadian generally accepted accounting principles or cash available for distribution.

EBITDA is not a recognized measure under Canadian GAAP. The Fund's method of calculating EBITDA may differ from methods used by other income funds or companies, and accordingly may not be comparable to similar measures presented by other organizations. A reconciliation of EBITDA to net earnings follows:

<i>(\$'000)</i>	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Net earnings	\$ 3,785	\$ 4,192
Add:		
Depreciation and amortization	11,262	7,187
Net interest and debt accretion expense	2,665	1,591
Net taxes	(2,030)	454
Minority interest	1	4
EBITDA	\$ 15,683	\$ 13,428

Distributable Cash -

The Fund defines distributable cash as cash from operating activities adjusted for changes in working capital, less expenditures on maintenance capital items and the minority shareholders' share of income of an operating subsidiary plus the effect of exchange rates on cash held in foreign currencies. Maintenance capital expenditures are those cash outlays required to maintain the Fund's plants and other equipment at normal operating and efficiency levels.

Management views distributable cash as an operating performance measure, as it is a measure generally used by Canadian income funds as an indicator of financial performance.

Distributable cash is not a recognized measure under Canadian GAAP, and therefore the Fund's method of calculating distributable cash may differ from methods used by other organizations. See **DISTRIBUTABLE CASH AND CASH DISTRIBUTIONS**.

CONSOLIDATED OPERATING RESULTS

Consolidated revenue for the first quarter of 2006 was \$121.9 million, an increase of \$41.0 million from consolidated revenue of \$80.9 million recorded in the first quarter of 2005. The acquisition of Kemmax in the second quarter of 2005 and the acquisitions of Refinery Services and Phosphorous Specialties in the third quarter of 2005 (collectively the "2005 Acquisitions") are the principal reason for the increase in consolidated revenue. This increase was partially offset by a reduction in revenues of other SPPC products.

Net earnings and EBITDA for the first quarter of 2006 were \$3.8 million and \$15.7 million respectively. Comparable net earnings and EBITDA for the first quarter of 2005 were \$4.2 million and \$13.4 million respectively. The improvement in EBITDA during the first quarter of 2006 is principally a result of the inclusion of earnings related to the 2005 acquisitions. This increase was partially offset by lower SPPC earnings, as described in the SPPC section of the **RESULTS OF OPERATIONS BY BUSINESS SEGMENT** below. The improvements in EBITDA did not translate into increased net earnings due to the higher levels of depreciation and amortization and interest expense incurred during the first quarter of 2006.

RESULTS OF OPERATIONS BY BUSINESS SEGMENT

SPPC -

(\$'000)	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Revenue	\$ 68,285	\$ 47,053
Earnings before the under-noted	11,495	9,528
Depreciation and amortization	8,520	4,678
Net interest expense	1,825	668
Income tax (recovery) expense	(2,226)	237
Net earnings	\$ 3,376	\$ 3,945

As the Refinery Services and Phosphorous Specialties acquisitions were completed in the third quarter of 2005, results for the first quarter of 2006 are not directly comparable to the first quarter of 2005.

SPPC manufactures and distributes sulphuric acid and other sulphur based products to an extensive customer base in Canada and the U.S., and provides acid regeneration services to the petroleum industry, primarily in the U.S. Gulf Coast area. SPPC is also one of the world's leading manufacturers of liquid and powder sodium hydrosulphite, which is sold to the pulp and paper industry and to a lesser extent, to the textile industry.

For the first quarter of 2006, SPPC generated revenue of \$68.3 million, which compares to \$47.1 million for the first quarter of 2005. The increase in 2006 revenue is the result of the additional revenue from Refinery Services and Phosphorous Specialties, partially offset by reduced revenue of other SPPC products, primarily SHS. During the first quarter of 2006, SPPC's EBITDA improved to \$11.5 million, up from the level of \$9.5 million achieved during the first quarter of 2005. First quarter 2006 EBITDA was positively impacted by earnings resulting from the Refinery Services and Phosphorous Specialties acquisitions. This benefit was somewhat mitigated by over \$1.0 million of increased raw material costs, particularly caustic soda and natural gas, used to produce SHS compared to Q1 2005, an increase in freight costs, a longer than scheduled maintenance program at our Shreveport facility and reliability issues at our Beaumont facility. SPPC generated net earnings of \$3.4 million in the first quarter of 2006,

which is \$0.3 million lower than the level achieved during the first quarter of 2005. Despite an improvement in EBITDA, 2006 net earnings declined due to increased levels of depreciation and amortization expense and net interest expense relating to the Refinery Services and Phosphorous Specialties acquisitions.

The first quarter 2006 income tax recovery relates to increased future tax loss benefits and reduced temporary differences between the accounting and tax basis of certain future tax liabilities.

Pulp Chemicals -

<i>(\$'000)</i>	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Revenue	\$ 13,271	\$ 11,416
Earnings before the under-noted	5,491	5,151
Depreciation and amortization	2,319	2,446
Net interest expense	472	496
Net earnings	\$ 2,700	\$ 2,209

Pulp Chemicals produces sodium chlorate and crude tall oil (“CTO”), both of which are chemicals used in the pulp and paper industry. Sodium chlorate is used to bleach pulp and CTO is used as a cheaper energy substitute for natural gas.

First quarter 2006 Pulp Chemicals revenue was \$13.3 million compared to \$11.4 million for the first quarter of 2005. In 2006, Pulp Chemicals generated first quarter net earnings and EBITDA of \$2.7 million and \$5.5 million respectively. In 2005, first quarter net earnings and EBITDA were \$2.2 million and \$5.2 million respectively. The increase in the first quarter 2006 revenue, net earnings and EBITDA is the result of robustness in demand not only from Canfor, Pulp Chemical’s largest customer, but from third party customers as well.

International -

<i>(\$'000)</i>	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Revenue	\$ 40,369	\$ 22,434
Earnings before the under-noted	1,719	1,363
Depreciation and amortization	423	63
Net interest income	(44)	(4)
Income tax expense	196	217
Minority interest	1	4
Net earnings	\$ 1,143	\$ 1,083

As the shares of Kemmax were purchased on May 1, 2005, International results for the first quarter of 2006 are not directly comparable to the first quarter of 2005.

Although the business model followed by BCT is generally consistent with the Fund, there are some differences. A significant portion of BCT's sales of sulphuric acid is derived from contracts that effectively adjust product cost to changes in selling prices. As a result, an increase in sales from one period to the next is not necessarily accompanied by a similar growth in EBITDA.

During the first quarter of 2006, International's revenue was \$40.4 million compared to \$22.4 million for the same period of 2005. The increase in 2006 first quarter revenue is primarily due to the addition of Kemmax. International net earnings and EBITDA were \$1.1 million and \$1.7 million respectively for the first quarter of 2006, compared to \$1.1 million and \$1.4 million respectively for the first quarter of 2005. Inclusion of Kemmax's earnings is the primary reason for the improvement in 2006 results.

Corporate -

<i>(\$'000)</i>	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Cost of services	\$ 3,022	\$ 2,614
Loss before the under-noted	(3,022)	(2,614)
Net Interest and debt accretion expense	412	431
Net loss	\$ (3,434)	\$ (3,045)

The Corporate segment includes the administrative costs of corporate activities which are not directly allocable to an operating segment, such as information technology, finance and human resources. For the first quarter of 2006 corporate costs were \$3.0 million compared to \$2.6 million for the first quarter of 2005. The increase in corporate costs is due to the increased scale of the business following the August 2005 acquisitions.

Net interest and debt accretion expense in the first quarter of both 2006 and 2005 totaled \$0.4 million. The expense in the first quarter of 2006 was essentially unchanged from the first quarter of 2005, as the principal balance of convertible debentures outstanding in both periods was comparable. There were no conversions of debentures into units during the first quarter of 2006.

FOREIGN EXCHANGE

The Fund has operating subsidiaries that are U.S. based. BCT, the Fund's international subsidiary, uses the U.S. dollar as its reporting currency. As the Fund reports in Canadian dollars, it is exposed to fluctuations in the Canadian/U.S. dollar exchange rate. At the Fund's 2006 expected exchange rate of \$0.83, approximately 60% of both EBITDA and distributable cash are generated in U.S. dollars. The Fund estimates that, on an unhedged basis, a \$0.01 change in the Canadian/U.S. dollar exchange rate impacts distributable cash by approximately \$0.01 per unit on an annual basis.

To manage the volatility of foreign exchange rates, the Fund has entered into a series of foreign exchange contracts with its principal bankers. All foreign exchange contracts are under International Swap and Derivatives Association (ISDA) agreements. These exchange contracts

hedge that portion of the Fund's U.S. dollar funds that are expected to be converted into Canadian dollars. As of March 31, 2006, approximately 72% of planned transfers for the remainder of 2006 and 68% of 2007 planned transfers have been effectively hedged at \$0.8318 and \$0.8305 respectively.

The purpose of these contracts is to hedge the value of the funds which are used to pay dividends and interest by subsidiary companies to the Fund and to meet other commitments. Under current hedge accounting rules the Fund has chosen not to designate these derivatives as hedges and accordingly the amount of the related derivative must be recorded at fair market value at the period end. The resultant non-cash charge or gain is grouped with Selling, General and Administrative expense and is also included with Prepaid expenses and other assets on the balance sheet. The impact of this non-cash charge or gain is excluded from the computation of distributable cash.

The counter party to certain derivative contracts has the right to exercise an option which would require the Fund to hedge US\$31.1 million for an additional two year period ending July 2010 at a rate of \$0.8292.

The rate of exchange used to translate U.S. denominated balances has moved from \$0.8598 at December 31, 2005 to \$0.8562 at March 31, 2006.

The Fund's International and U.S. based operations are considered to be self-sustaining, as they are financially independent. As such, gains or losses arising from the translation of the assets and liabilities of self-sustaining operations are deferred and recorded on the balance sheet. The changes in the foreign currency translation adjustment account since December 31, 2005 were a result of changes in the Canadian/U.S. dollar exchange rate between December 31, 2005 and March 31, 2006. See **RISKS AND UNCERTAINTIES** for additional comments on foreign exchange.

NET INTEREST AND DEBT ACCRETION EXPENSE

Net interest and debt accretion expense was \$2.7 million in the first quarter of 2006 compared to \$1.6 million in the first quarter of 2005. The increase in the outstanding term debt related to the financing of the Kemmax, Refinery Services and Phosphorous Specialties acquisitions, is the primary reason for the higher interest expense.

Interest on the Canadian dollar denominated term debt amounted to \$0.7 million in the first quarter of 2006 and \$0.5 million in the first quarter of 2005. The increase in interest expense was a result of additional debt obtained in order to finance the acquisition of Kemmax during the second quarter of 2005. These loans have an effective annual interest rate of 4.97% at March 31, 2006 (December 31, 2005 - 4.72%).

The interest on the U.S. dollar denominated term debt was \$1.6 million for the first quarter of 2006 compared to \$0.7 million for the first quarter of 2005. The increase in interest is due to both an increase in the amount of outstanding U.S. term debt and an increase in the effective interest rate. The increase in the U.S. term debt is the result of the funds borrowed to partially finance the Refinery Services and Phosphorous Specialties acquisitions in the third quarter of 2005. The effective annual interest rate at March 31, 2006 was 5.60% (December 31, 2005 – 5.35%). See **LIQUIDITY AND CAPITAL RESOURCES - Financing Activities - Financial Instruments** for information concerning swap arrangements.

Interest on the outstanding 10% convertible debentures was \$0.4 million for the first quarter of both 2006 and 2005. The expense in the first quarter of 2006 was essentially unchanged from the first quarter of 2005 as the principal balance of convertible debentures outstanding in both periods was similar. At March 31, 2006, 16,391 debentures were outstanding compared to 16,476 debentures outstanding at March 31, 2005.

At March 31, 2006, \$7.0 million and US\$0.7 million of the total facility have been utilized in the form of guarantees of Letters of Credit (December 31, 2005 - \$7.4 million and US\$0.7 million) and another US\$5.2 million has been utilized under the operating lines of credit (December 31, 2005 - US\$3.5 million).

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 and reporting covenants, all of which have been met at March 31, 2006.

INCOME TAXES

Current income tax expense was \$0.3 million for the first quarter of 2006 compared to \$0.4 million for the first quarter of 2005. The decrease in current tax expense reflects decreased earnings in certain North American business operations.

The increase in future tax asset of \$0.9 million at March 31, 2006 compared to December 31, 2005 is the result of increased tax loss carry forwards and other tax benefits reported by certain operating subsidiaries.

The decrease in future tax liability of \$1.3 million in the first quarter of 2006 compared to December 31, 2005 is the result of reduced timing differences between the accounting basis and the tax basis of assets associated with certain operating subsidiaries.

CONTINGENT LIABILITIES

See **RISKS AND UNCERTAINTIES - Marsulex Claim** for a discussion of both of these issues, in the context of **CONTINGENT LIABILITIES**.

DISTRIBUTABLE CASH AND CASH DISTRIBUTIONS

A reconciliation of distributable cash to cash from operations for the three months ended March 31, 2006 with comparative numbers for 2005, is as follows:

(\$'000 except per unit amounts)	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Cash from operating activities	\$ 8,537	\$ 8,785
Less:		
Increase in working capital	(4,460)	(2,718)
Capital expenditures ⁽¹⁾	1,423	164
Minority interest	1	4
Plus:		
Effect of exchange rates on cash held in foreign currencies	19	(37)
Distributable cash	\$ 11,592	\$ 11,298
Distributable cash per unit	\$ 0.35	\$ 0.48
Based on weighted average number of units outstanding at period end of:	33,582,040	23,559,136

⁽¹⁾ Excludes non-maintenance capital of \$445 for the three months ended March 31, 2006 (2005 - \$209)

Distributions -

When the acquisition of the Peak businesses was completed, the Fund announced an increase in the amount of its monthly distribution to \$0.1133 per unit, an increase of a third of a cent per unit from \$0.11 per unit, effective with the August 2005 distribution. Each quarter, up to and including the third quarter of 2005, the Fund paid a supplemental distribution in the month following the quarter end. As announced on December 12, 2005, the Fund ceased paying quarterly supplemental distributions. On February 15, 2006, the Fund announced a change in the monthly distribution rate to \$0.12 per unit, effective with the February 2006 distribution. Since inception, the Fund has generated distributable cash of \$166.3 million and distributed \$164.1 million.

For the three-month period ended March 31, 2006, distributable cash was \$0.35 per unit and distributions declared were \$0.35 per unit. Comparable numbers for 2005 were \$0.48 per unit and \$0.45 per unit respectively.

Distributions to Unitholders for the three months ended March 31, 2006 were declared as follows:

Record Date	Payment Date	Distribution Per Unit	Total (\$'000)
First Quarter:			
January 31, 2006	February 28, 2006	\$0.1133	\$ 3,805
February 28, 2006	March 31, 2006	0.1200	4,030
March 31, 2006	April 28, 2006	0.1200	4,030
TOTAL		\$0.3533	\$ 11,865

Distributions declared in the three months ended March 31, 2005 were as follows:

Record Date	Payment Date	Distribution Per Unit	Total (\$'000)
First Quarter:			
January 31, 2005	February 28, 2005	\$0.1100	\$ 2,593
February 24, 2005	February 28, 2005	0.1200	2,833 ⁽¹⁾
February 28, 2005	March 31, 2005	0.1100	2,596
March 31, 2005	April 29, 2005	0.1100	2,597
TOTAL		\$0.4500	\$ 10,619

⁽¹⁾ Represents payment of supplemental distribution for fourth quarter of 2004.

Treatment of the Fund's distributions for Canadian Income Tax purposes for 2005 and 2006 is as follows:

	Other Income	Dividends	Foreign Non-Business Income	Return of Capital	Total
2005	57.271%	23.300%	6.074%	13.355%	100.000%
2006 ⁽¹⁾	48.138%	26.988%	19.294%	5.580%	100.000%

⁽¹⁾ Represents planned distributions treatment. The final treatment of 2006 distributions will be determined by February 28, 2007. The change in the treatment of the 2006 planned distributions compared to 2005 reflects the impact of the 2005 acquisitions.

LIQUIDITY AND CAPITAL RESOURCES

The Fund's distributions to Unitholders are sourced entirely from its investments in operating subsidiary companies. The Fund's investments are financed by trust units held by Unitholders, long-term debt and convertible debentures. The cash flow of the Fund is required to fund distributions to Unitholders, capital expenditures and third party interests.

Cash from Operating Activities

Cash flow from operating activities for the first quarter of 2006 of \$8.5 million is comparable to the cash flow from operating activities of \$8.8 million for the first quarter of 2005. Although net earnings were lower in the first quarter of 2006 compared to 2005, the change in working capital

and the effect of depreciation and amortization resulted in similar cash flow from operations for the period.

Financing Activities

Even though first quarter distributions per unit in 2006 were lower than 2005, aggregate distributions to Unitholders during the same period were \$1.0 million higher due to the increased number of units outstanding and changes in the distribution rate.

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

Financial Instruments -

The Fund has entered into swap agreements with its principal bankers in order to fix the interest rates on its bank debt. Under the swap agreements, which are treated as a hedge for accounting purposes, the interest rate on the outstanding U.S. debt is 5.60% and on the Canadian dollar debt is 4.97%. See comments under **NET INTEREST AND DEBT ACCRETION EXPENSE** for comments on these rates. See **RESULTS OF OPERATIONS BY BUSINESS SEGMENT - Foreign Exchange** for additional comments on hedging.

Investing Activities

Investment in capital expenditures was \$1.9 million in the first quarter of 2006, compared to \$0.4 million in the first quarter of 2005. This amount includes \$1.4 million in the first quarter of 2006 and \$0.2 million in the first quarter of 2005 for maintenance capital requirements. The increase in maintenance capital spending reflects the additional capital requirements related to the 2005 acquisitions. As part of the 2005 acquisitions, the Fund pre-funded capital additions of approximately \$1 million. We now believe that the amount of pre-funding was too low and an amount of approximately \$2.5 million to be invested in the two years following the acquisitions, would have been a more reasonable level of pre-funding. Some of these additional expenditures are related with improving the reliability of these recently acquired assets. Consequently, our level of capital expenditures in 2006 is likely to be higher than previously estimated. Total maintenance capital expenditures for the balance of 2006 are estimated at \$6.7 million. Of this total, \$5.2 million is planned for SPPC, \$0.6 million for International and \$0.9 million for Pulp Chemicals.

Non-maintenance capital expenditures for the first quarter of 2006 were \$0.5 million compared to \$0.2 million for the first quarter of 2005. Non-maintenance capital expenditures, which are not deducted in the determination of distributable cash, are either pre-funded, usually as part of a significant acquisition and related financing or are considered to expand the capacity of the Fund's operations.

Cash Balances -

At March 31, 2006 the Fund had cash balances of \$5.4 million and working capital of \$20.5 million. Comparable numbers for December 31, 2005 were \$10.4 million and \$21.8 million respectively. Cash generated by the Fund will be used to fund cash distributions to Unitholders, capital requirements, interest and other legal obligations. The Fund expects that its liquidity will be sufficient to fund its expected requirements for the balance of 2006.

SUMMARY OF QUARTERLY RESULTS

(\$'000)	Three Months Ended June 30, 2005 ⁽¹⁾	Three Months Ended September 30, 2005 ⁽²⁾	Three Months Ended December 31, 2005 ⁽³⁾	Three Months Ended March 31, 2006 ⁽³⁾	Twelve Months Ended March 31, 2006
Revenue	\$ 104,666	\$ 125,779	\$ 114,068	\$ 121,925	\$ 466,438
Cost of sales and services	86,062	99,787	92,569	98,926	377,344
Gross profit	18,604	25,992	21,499	22,999	89,094
Selling, general, administrative and other costs	6,514	7,635	6,465	7,316	27,930
Earnings before the under- noted	12,090	18,357	15,034	15,683	61,164
Depreciation and amortization	7,063	9,752	11,853	11,262	39,930
Early settlement of debt	-	2,878	-	-	2,878
Write down of fixed assets	-	586	-	-	586
Net interest and debt accretion expense	1,902	2,917	2,532	2,665	10,016
Income taxes (net)	375	(975)	(2,429)	(2,030)	(5,059)
Minority interest	1	-	1	1	3
Net earnings	\$ 2,749	\$ 3,199	\$ 3,077	\$ 3,785	\$ 12,810

(1) Includes the results of Kemmax for the period from May 1, 2005 to June 30, 2005.

(2) Includes the results of Kemmax for the quarter, and the results of Refinery Services and Phosphorous Specialties for the period from August 2, 2005 to September 30, 2005.

(3) Includes the results of Kemmax, Refinery Services and Phosphorous Specialties.

(\$'000)	Three Months Ended June 30, 2004	Three Months Ended September 30, 2004	Three Months Ended December 31, 2004	Three Months Ended March 31, 2005	Twelve Months Ended March 31, 2005
Revenue	\$ 89,975	\$ 89,955	\$ 85,560	\$ 80,903	\$ 346,393
Cost of sales and services	71,007	69,480	67,353	62,146	269,986
Gross profit	18,968	20,475	18,207	18,757	76,407
Selling, general, administrative and other costs	6,313	6,016	6,134	5,329	23,792
Earnings before the under- noted	12,655	14,459	12,073	13,428	52,615
Depreciation and amortization	7,713	7,234	6,926	7,187	29,060
Loss on disposal of assets	-	1,703	-	-	1,703
Net interest and debt accretion expense	1,811	1,740	1,630	1,591	6,772
Income taxes (net)	(355)	116	452	454	667
Minority interest	-	1	1	4	6
Net earnings	\$ 3,486	\$ 3,665	\$ 3,064	\$ 4,192	\$ 14,407

CONTRACTUAL OBLIGATIONS

Information concerning contractual obligations is shown below:

Contractual Obligations (\$'000)	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long Term Debt	\$ 190,528	\$ -	\$ 16,335	\$ 174,193	\$ -
Operating Leases	49,473	16,974	22,747	8,405	1,347
Ground Lease	2,585	251	502	289	1,543
Interest on Long Term Debt	34,186	11,035	19,041	4,110	-
Total Contractual Obligations	\$ 276,772	\$ 28,260	\$ 58,625	\$ 186,997	\$ 2,890

RISKS AND UNCERTAINTIES

The Fund is one of the world's largest suppliers of sulphuric acid ("acid"), liquid sulphur dioxide ("SO₂") and sodium hydrosulphite ("SHS") and a leading processor of spent acid, particularly in the U.S. Gulf Coast region. The Fund is also a leading regional supplier of sulphur, sodium chlorate and phosphorus pentasulphide, and also produces zinc oxide at three North American locations. As such the Fund 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 or raw materials, 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. Pulp Chemicals' salt supplier indicated that it cannot currently agree to extend the prevailing agreement beyond the existing term of December 31, 2006. We continue to dialogue with this supplier and pursue other alternatives to ensure that income from Pulp Chemicals will not be impacted, regardless of our existing supplier's actions. In addition, the Fund 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 the Fund'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.

The Fund manages the risks associated with its customer base and sales price by seeking to obtain contractual protection to mitigate these risks. The Fund also seeks to differentiate its products and services with customers to mitigate price fluctuations and uses its scale to obtain beneficial raw material contracts.

In 2005 the Fund completed an enterprise-wide business risk assessment review. The objectives of this review were to:

- Develop a structured approach to identify, assess and prioritize key business risks;
- Create the foundation for common business risk language;
- Enhance risk management awareness, and associate the risks with the Fund's goals and objectives;
- Analyze the Fund's risk tolerance;
- Assign ownership of the key risks, and
- Develop high level action plans to mitigate the key risks.

All members of the Fund's senior management team were involved with the process, which included a review of our North American and international operations. Key risks were identified and prioritized for review and the development of action plans. This enterprise-wide risk review process will be an ongoing aspect of the Fund's risk management program. In addition, the Fund maintains an extensive insurance program which includes general liability and environmental coverage.

As noted in the Fund's IPO Prospectus dated July 12, 2001, the Fund is aware of proceedings having been undertaken by the Department of Justice in the United States relating to the sulphuric acid market. The Fund has received assurances from the Department of Justice that an arrangement, currently in place with Marsulex Inc. will be extended to the Fund, and will ensure that the Fund has no criminal liability in this matter as long as the Fund complies with the requirements of the Department of Justice. The Fund intends to comply with this requirement.

Marsulex Inc., which formerly owned certain operations of the Fund, has agreed to indemnify the Fund in respect of (i) any criminal liability relating to the proceedings, and (ii) any civil claims

of industry participants claiming damages as a result of conduct being investigated in these proceedings, and (iii) any costs relating to defending against such liability or claims, provided that the Fund complies with the requirements of the arrangement with the Department of Justice.

Marsulex Claim -

During the third quarter of 2005, the Fund received and responded to a claim from Marsulex Inc. ("Marsulex") against the Fund alleging that the acquisition of Peak Sulfur, Inc. and Peak Chemical LLC is a breach of a non-competition agreement in favour of Marsulex. Marsulex is seeking damages in the amount of \$72.8 million, as well as other relief. The Fund has received advice from its legal advisors that the non-competition covenants contained in such agreement are likely unenforceable. The Fund has filed a statement of defence and a counter-claim in the amount of \$87.8 million in respect of this action and intends to vigorously defend the claim brought against it by Marsulex and pursue its counter-claim.

CRITICAL ACCOUNTING POLICIES

The Fund's accounting policies are described in Note 2 to the consolidated financial statements for the year ended December 31, 2005. Management considers the following policies to be most critical in understanding the judgements that are involved in producing the Fund's consolidated financial statements and the estimates made that could impact results of operations and financial condition.

Revenue Recognition -

Revenue is recognized and customers are invoiced at the time of shipment of product. Normal credit criteria are established and verified before shipment is made. Product is not returned and quality adjustments are recognized in the invoiced price.

Goodwill and Other Intangible Assets -

The Fund has recorded goodwill as a result of the acquisitions of assets from Marsulex Inc. at the time of its IPO in July 2001 and as a result of acquisitions completed in 2005. The Fund tests the value of goodwill for impairment annually and any impairment in value would be recorded in income.

The Fund has estimated the value of certain long-term customer and vendor relationships and other intangible assets which were obtained as a result of the Fund's acquisitions. Certain of these customer relationships are not subject to amortization, as management estimates that the underlying relationships have indefinite lives. Accordingly, the value of these indefinite life assets is tested for impairment annually. The recorded value of customer and vendor relationships and other intangible assets which are subject to amortization is tested for recoverability when circumstances indicate that the value of the related asset may not be recoverable. Impairment and recoverability tests require the use of estimates by management.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

In accordance with the requirements of Canadian securities regulators, the CEO and CFO of the Fund are required to certify annually that they have designed the Fund's disclosure controls and have evaluated their effectiveness for the applicable period. Disclosure controls are those controls and procedures, which ensure that information that is required to be disclosed is recorded, processed and reported within the time frames specified by the regulators.

During 2005, the Fund reviewed its Disclosure Policy, and an amended policy was approved by the Trustees in February 2006. We also increased the membership of the Disclosure Committee, and developed more structured operating routines for its members, supported by a Disclosure Committee Charter. The underlying importance of this work has been reinforced with the senior management team. Accordingly, it is now written policy that certain information must be forwarded to the CEO and/or the CFO on a timely basis so they are able to make decisions regarding required external disclosures. This process, which existed before, has now been formalized in our written operating procedures.

The effectiveness of the Fund's Disclosure Policies and Procedures was reviewed by the CEO and CFO, primarily by the completion of questionnaires which were reviewed with the Trustees. In addition, an independent consultant completed a review of our Disclosure Policies and Procedures and recommended certain improvements, which were minor and have been implemented.

Accordingly, the CEO and CFO of the Fund have concluded that the Disclosure Policies and Procedures of the Fund will provide reasonable assurance that the Fund's policy of providing timely, consistent, fair and accurate public disclosure of material information will be achieved.

OUTLOOK

We continue to expect to generate more distributable cash in the second half of the year than the first. During the first half of the year we conduct the major maintenance programs at our largest facilities as does our largest sulphur products supplier. We expect the second half of the year to benefit from fewer maintenance costs, improved operating reliability, the seasonality of our regen acid and SHS products and the anticipated reduction in certain raw material costs as the year progresses. For the balance of 2006, we expect strong demand for our regen services, somewhat weaker demand for our merchant acid and generally firm demand for our other products.

Our major sulphur products supplier is currently negotiating a new labour contract to replace the one that expires on May 31, 2006. We expect an agreement to be reached; however, if this is not the case our supply of sulphur products could be negatively impacted.

Based on these factors, commencing in the second half of 2006 we expect to generate distributable cash at an annualized rate of over \$1.50 per unit.

Although we have hedged a substantial portion of our net U.S. dollar denominated cash inflows through 2007, if the recent strengthening of the Canadian dollar relative to the U.S. dollar continues, it will eventually have a negative impact on distributable cash. Currently, approximately 60% of our distributable cash is generated in U.S. dollars.

OTHER

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

May 15, 2006