



# Gary Kubera

**President & CEO**

# Strategic Foundation

**Low-cost  
Advantage**

**Growth  
Focus**

**Financial  
Strength**

**Solid  
Dividends**

# Positioned for Strong Performance

- Financial results beginning to reflect the benefits of strategic investments
- Highly sustainable operating cash flow and dividend, from:
  - Solid fundamentals in each of our Business Units
  - Dominant low-cost position at Brandon
  - Strong regional, low-cost position at North Vancouver
  - Long-term fixed margin contract in Brazil with low-cost pulp producer
  - Strategically located fee-for-service transloading terminal in Alberta Heartland
- Leverage and payout ratios improving as planned
- Attractive near term growth opportunities
- Strong balance sheet will enable growth
- Experienced management team

# Presenters

**Brian Bourgeois**

**SVP, Sales & Marketing**

**Andy Lacara**

**SVP, Operations**

**Hazel Kreuz**

**Director, Terminal Operations**

**Richard McLellan**

**SVP, Finance & CFO**



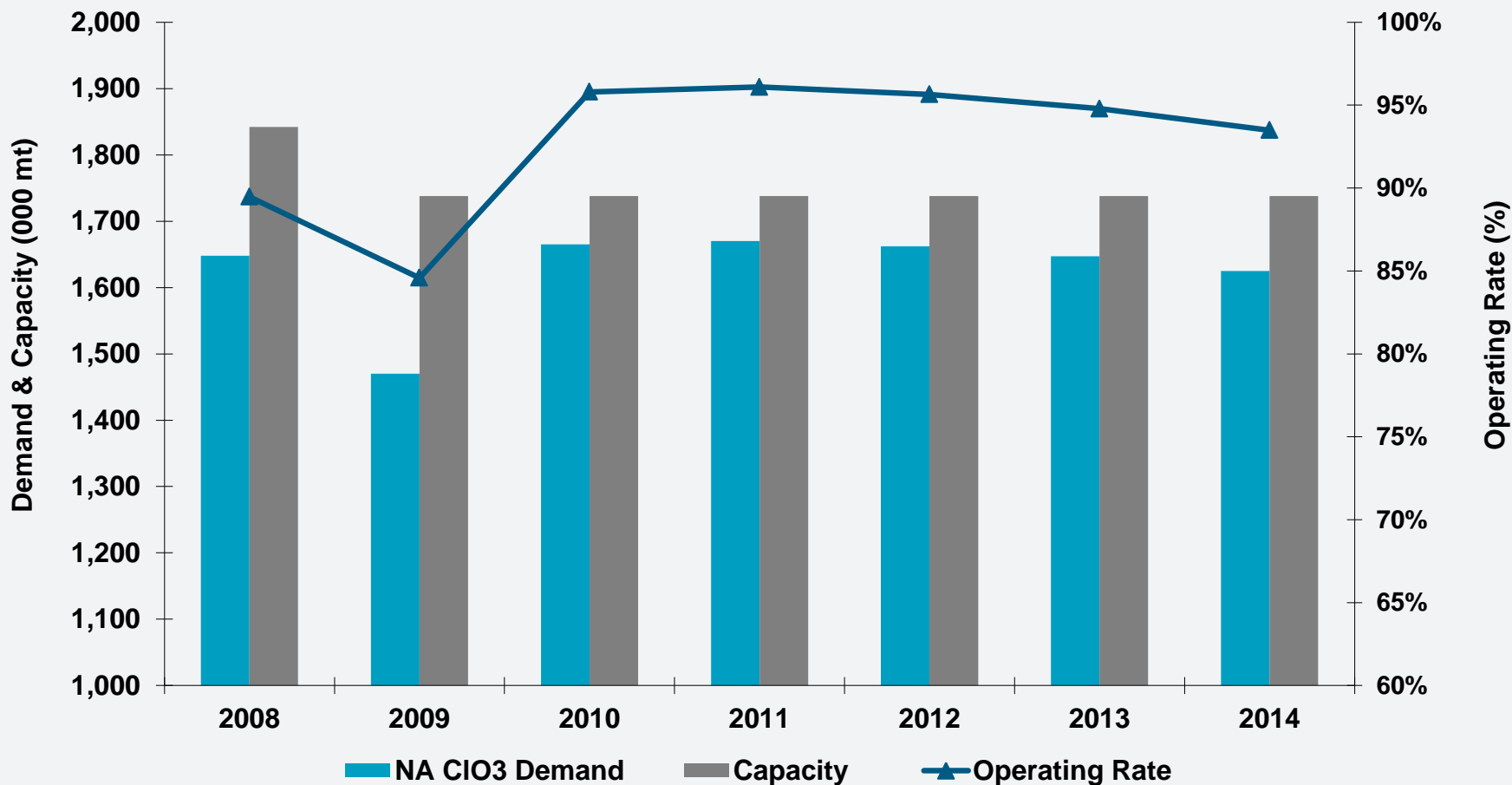
# Brian Bourgeois

**SVP, Sales & Marketing**

# Bleached Pulp Recap

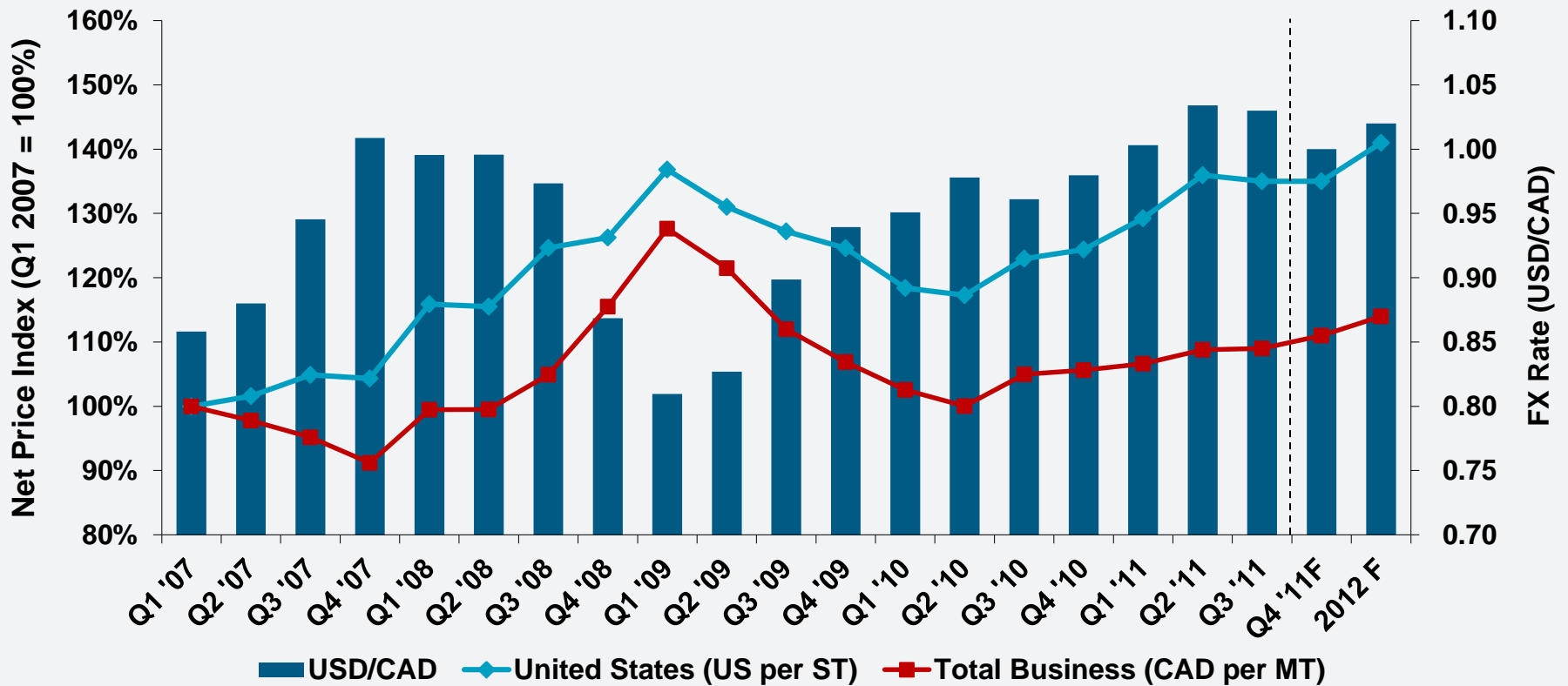
- Demand differs by region
  - Continued strong growth in China
  - Flat to modest decline in North America and Europe
- 2H11 global market correction
- Rebound in 2012
- Bleached kraft pulp production
  - 2.5% to 3.0% increase in South America
  - Flat in North America 2011 to 2012

# North America Chlorate Market Fundamentals Remain Strong



Source: Canexus Proprietary Data

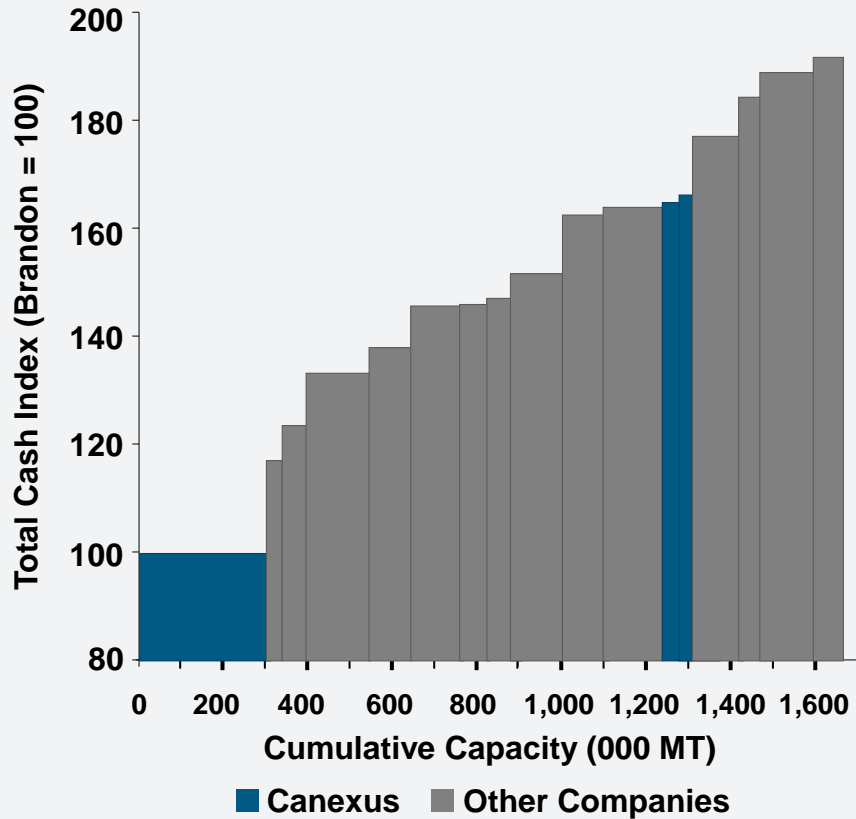
# Chlorate Net Price History and Projections



**High Operating Rates Supporting Further Price Momentum**

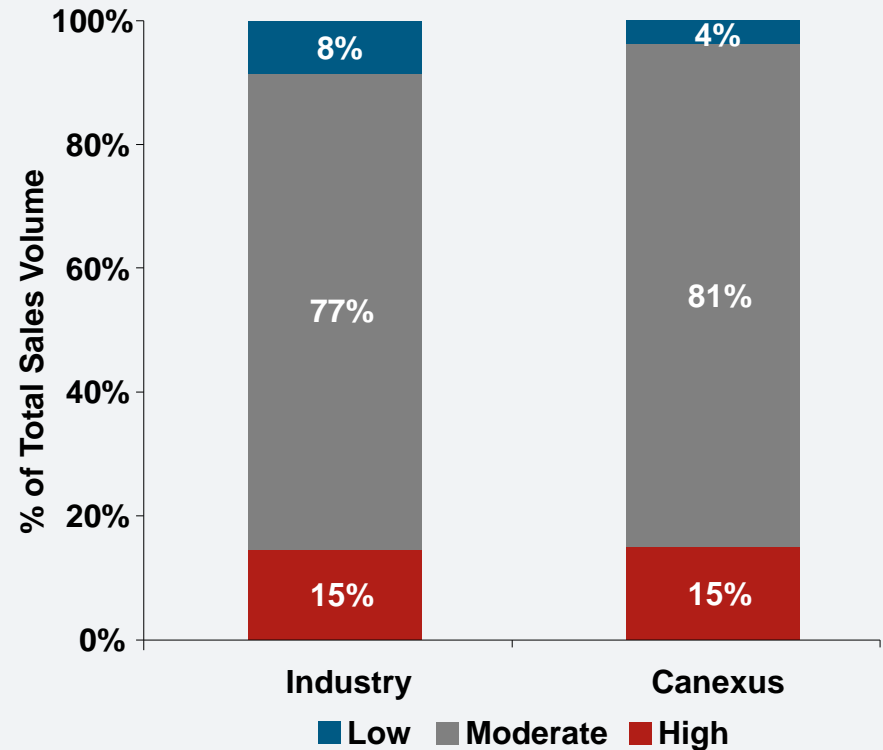
# Focused on Cost & Customer Quality

## 2011 Chlorate Cash Cost Curve



Source: Publicly available data and Canexus proprietary cost data

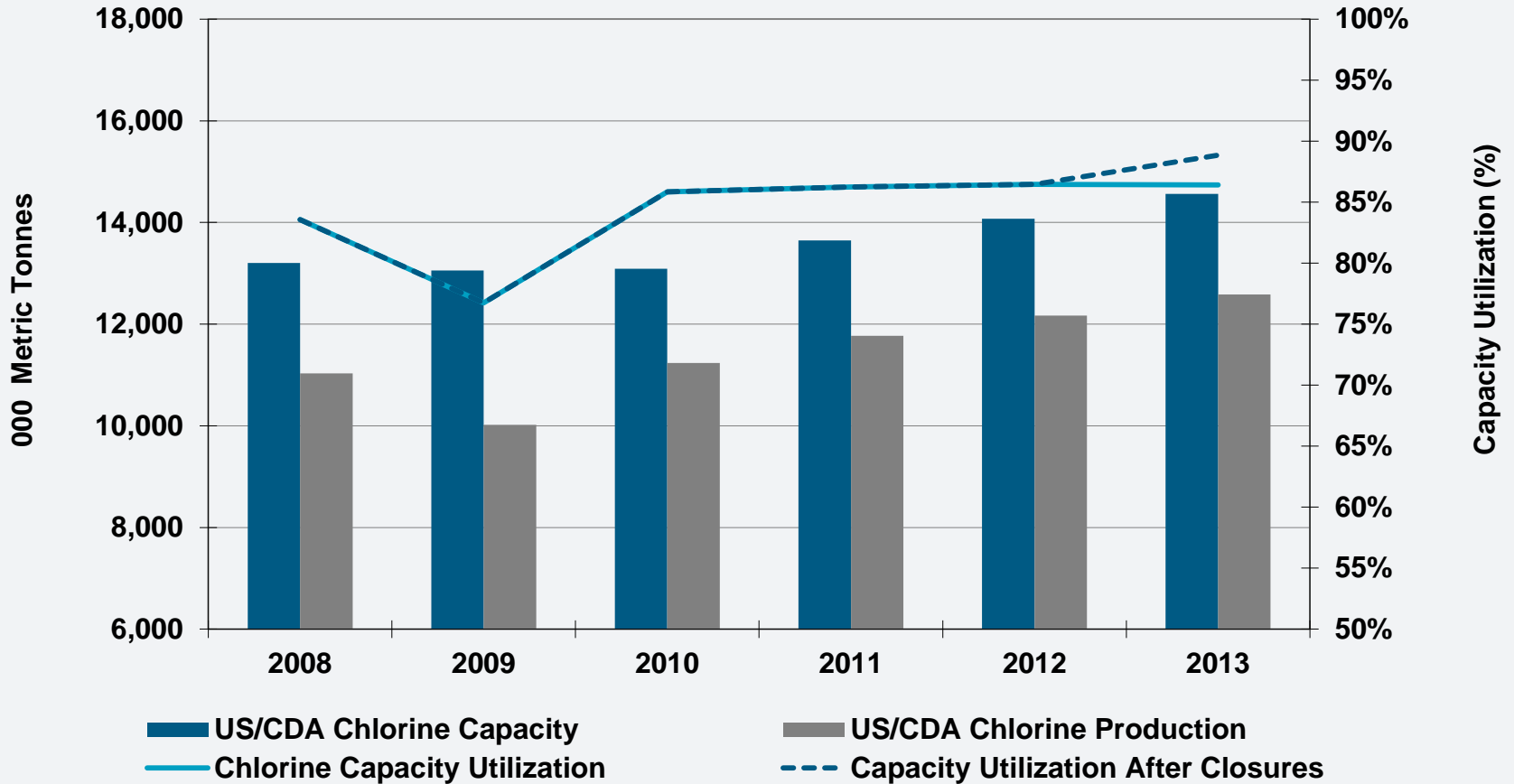
## Chlorate Customer Risk Profile



Source: Canexus; Fisher International

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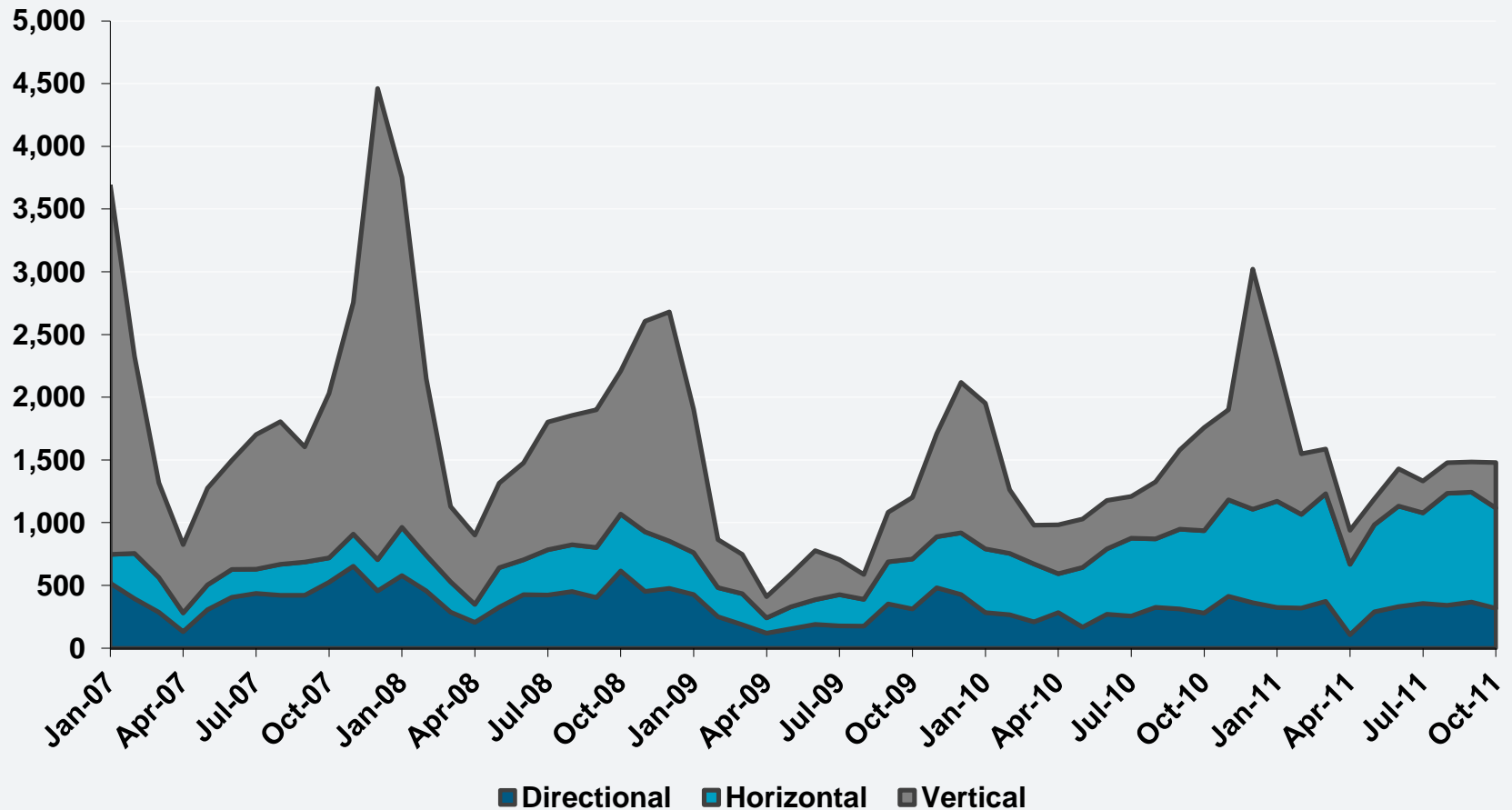
# Chlor-Alkali Operating Rates Holding



Source: Chemical Market Associates, Inc. (CMAI)

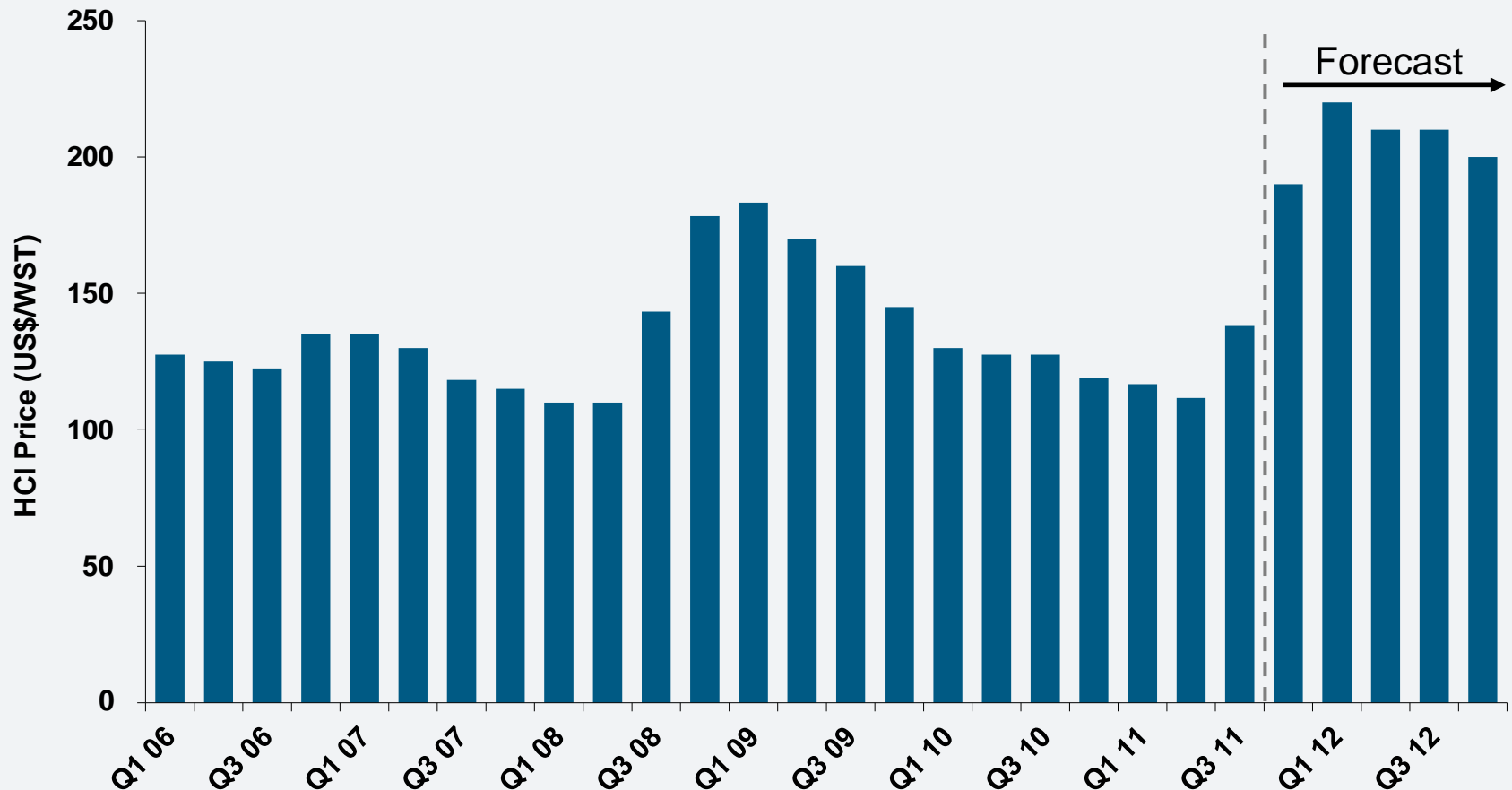
# Drilling Technology Drives Strong Acid Demand Growth

## Canadian Licenses Issued



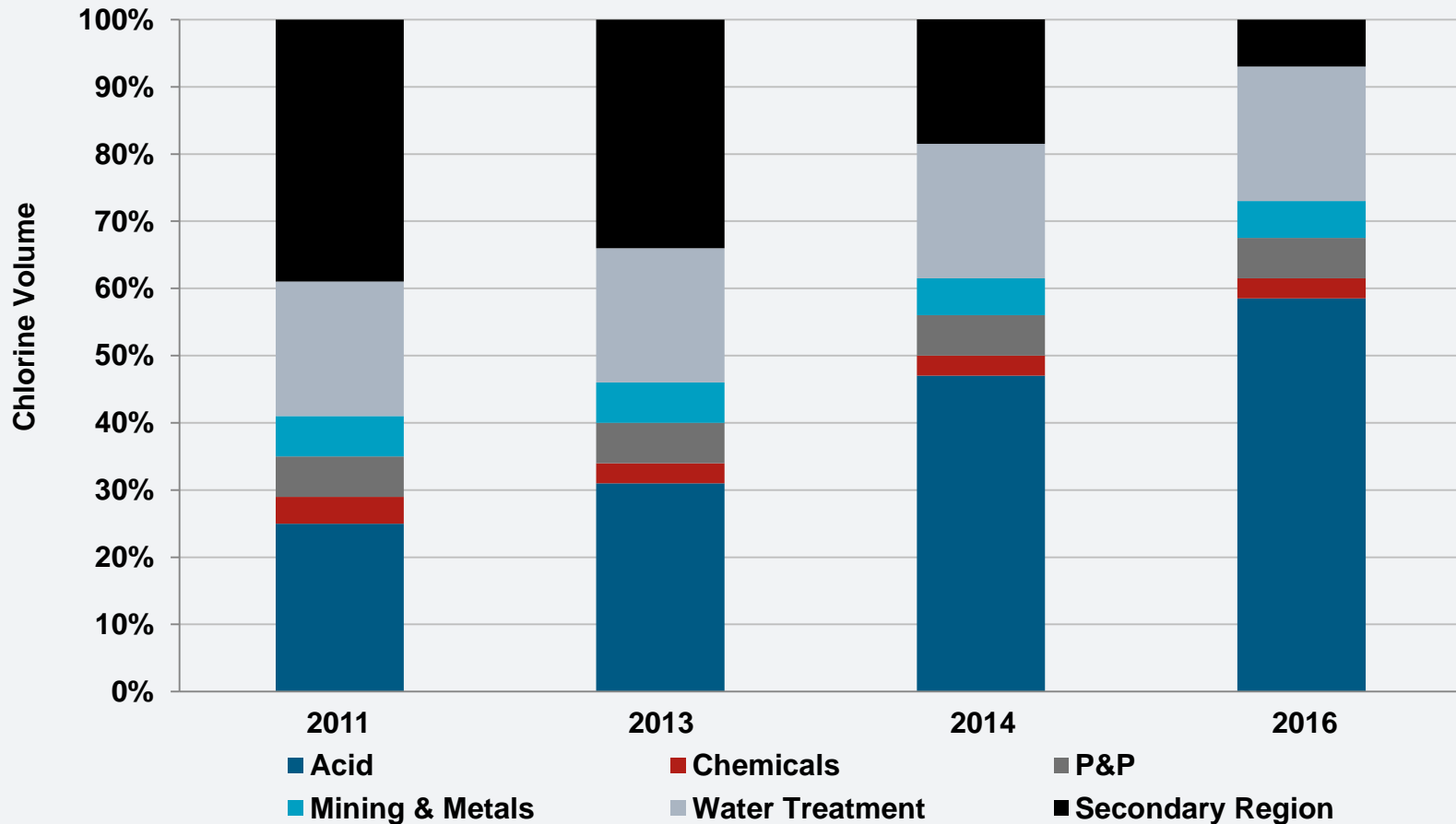
# Strong Demand & Limited Supply Driving Acid Prices

## Hydrochloric Acid Price Trend (Delivered Midwest; 22 Be)

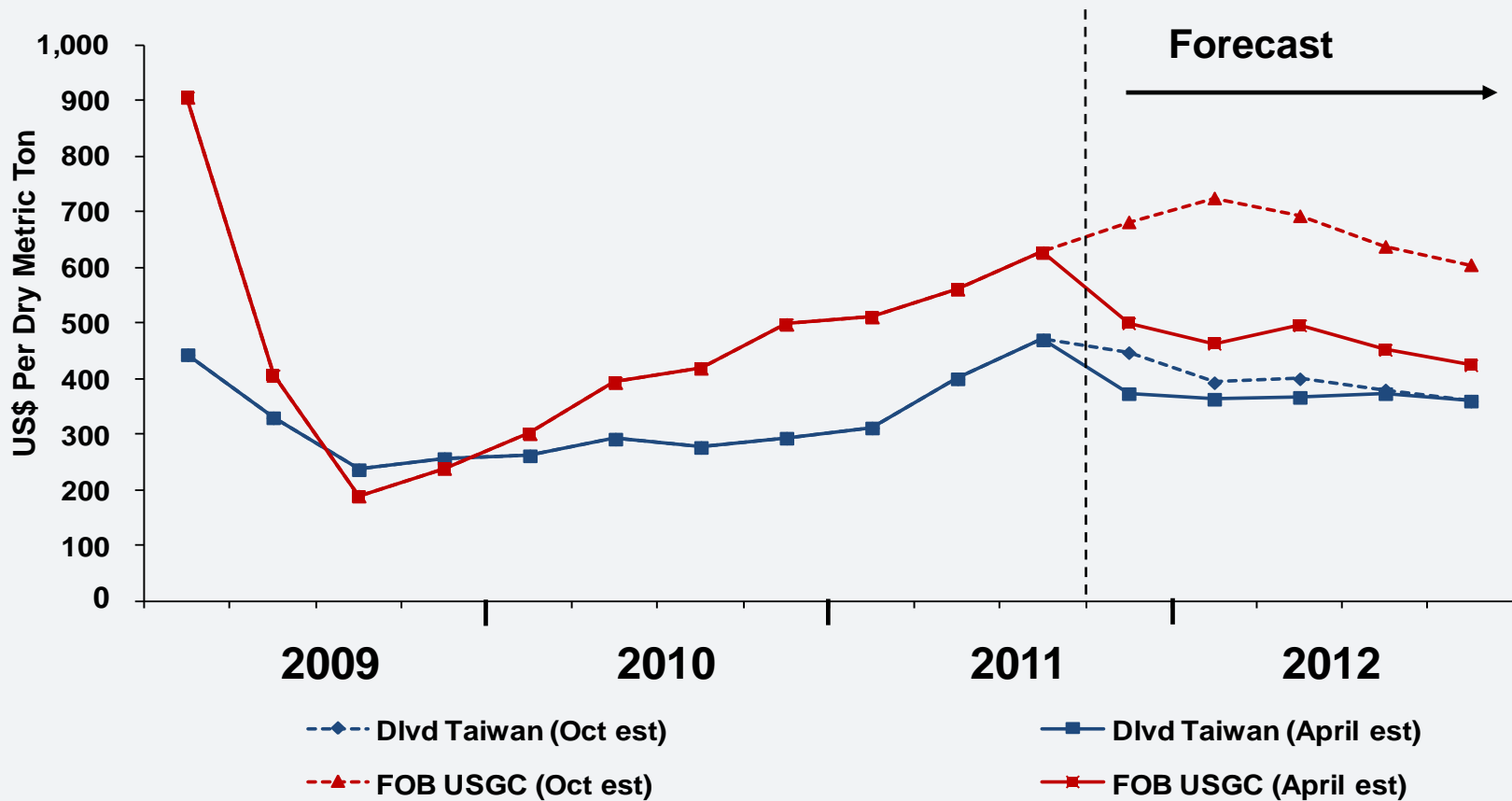


Source: Chemical Market Associates, Inc.

# Strategic Shift in Chlorine Distribution



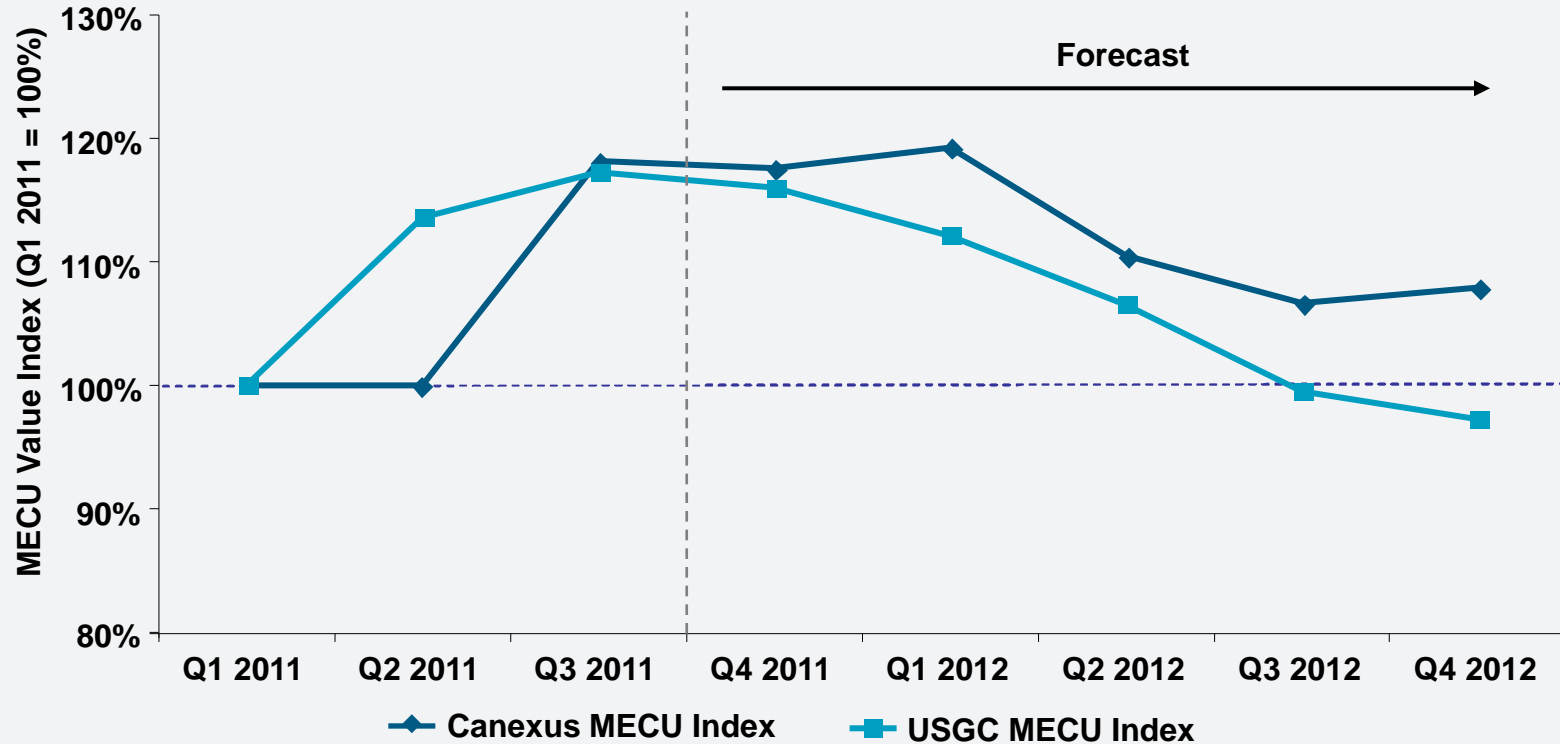
# Caustic Price Outlook Improving



Source: Chemical Market Associates, Inc.: 1) Average Acquisition Price FOB USGC 2) NE Asia Contract Average DLVD Taiwan

# Chlor-Alkali Pricing Trend

## Comparison of Canexus & USGC MECU Price Trends



**Chlor-Alkali Outlook Supported by Strong Acid and Caustic Soda Pricing**

## **Aligned with a Strong Partner**

- Fibria – World's largest market pulp producer
- Espirito Santo mill is among the lowest cost in the world

## **Contract Structure - Provides Cash Flow Stability**

- 25 year contract term
- Fixed margin structure allows predictability

## **Growth Opportunities**

- Future growth possibilities with Fibria
- Regional presence in high-growth economy




# Andy Lacara

**SVP, Operations**


# Operations **Highlights**




Record Brandon Plant production levels in 2010 and 2011



Nanaimo, BC and Beauharnois, QC chlorate plants at highest production levels in 5 years



TCP at North Vancouver start-up in 2010 with robust production & proven reliability in 2011



Brazil facility demonstrating strong production after 2010 project start-ups



NATO operations in Bruderheim rapidly ramping up based on customer satisfaction

# Strong Manufacturing Results Contribute to Low Cost Advantage

## Continuously Improve Integrated Operational Processes:

Excellent Safety and  
Environmental Results  
Under the Umbrella of  
Responsible Care<sup>®</sup>

Production  
Responsive to Market  
Conditions

Operating Cost  
Control and Efficiency

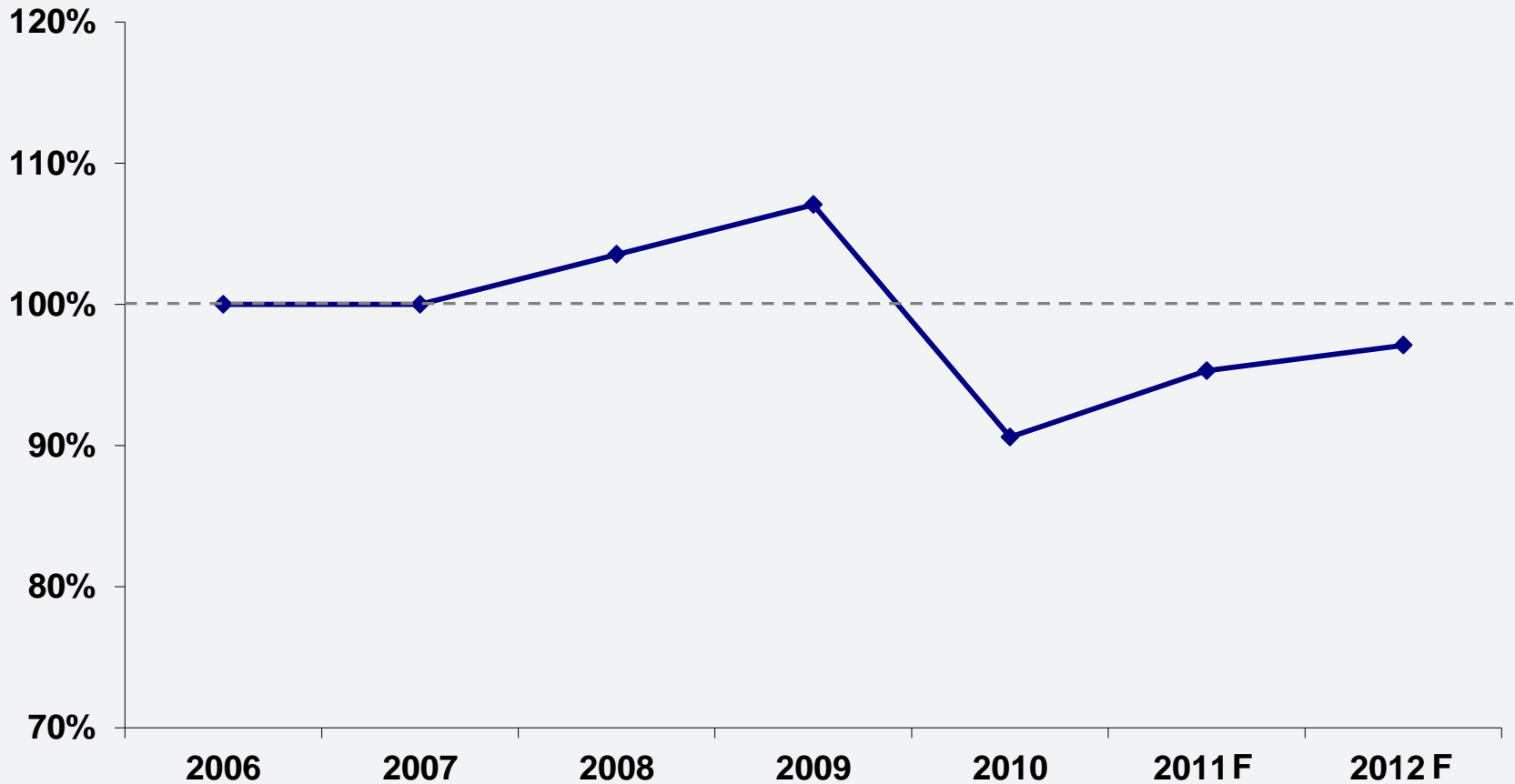
Quality and Customer  
Satisfaction

Reliability

People and Bench  
Strength Development  
for Sustainability

# Demonstrated Cost Management

**North American Sodium Chlorate**  
Cash Fixed Cost per Unit (2006 = 100%)



# Ongoing Improvement Initiatives

## Deliver Value

### North Vancouver

- Post TCP start-up improvements include additional in-line spare equipment and an upgraded water treatment system
- Acid plant expansion underway duplicating new plant installed in 2010
- Overall site planning underway to capitalize on strategic location
- Calcium chloride study in progress
  - Supply market need
  - Increase Chlorine value



# Ongoing Improvement Initiatives Deliver Value

## Brandon

- Power line upgrade under construction; on-line in 2012
- Engineering studies underway to increase capacity

## NATO

- Current projects underway include additional Chlor-Alkali transloading capability, oil loading from truck to rail, and additional rail infrastructure
- Current underground storage caverns proven for hydrocarbon storage
- 2011 facility enhancements fully operational by year end



# Engineering and Technology Skills Directed At Low Cost Enhancements

- State-of-the-art control systems
  - Supporting EHS and production performance
- Cell circuitry and coating/membrane life improvements
  - Lower maintenance costs and reduced planned downtime

## Targeted Investments Have Quick Payoffs in Capacity and Efficiency:

### **Brazil**

Key customer, Fibria, has enjoyed total reliability

### **North Vancouver**

Chlor-Alkali operations are efficient and provide improvements to capability

### **Brandon**

Four plants enhance continuous operation and strong customer demand periods

### **Bruderheim**

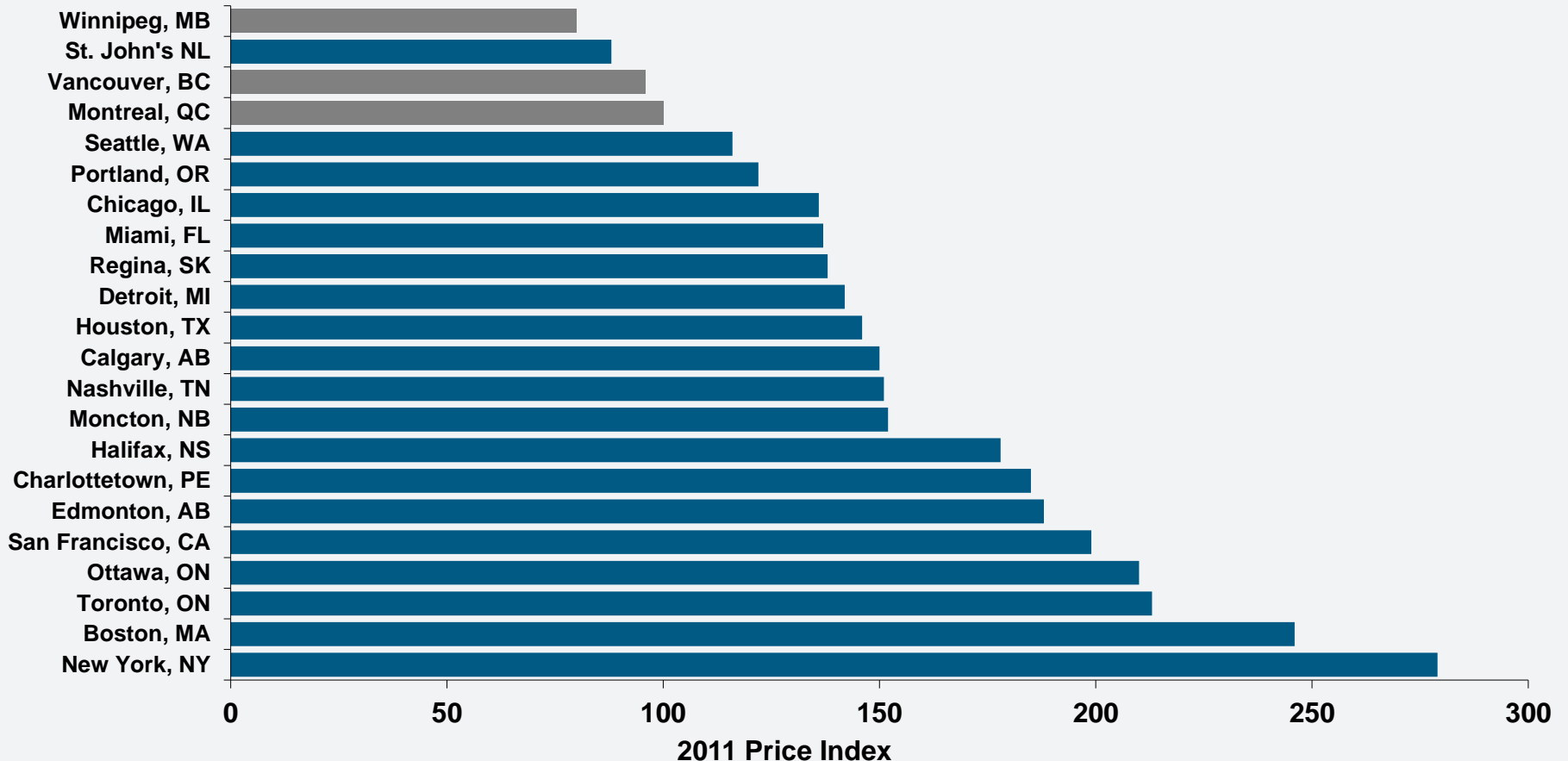
Terminal capacity has increased dramatically over the last year

# Industry Leadership with Industrial Groups

- Active participant in Chemistry Industry Association of Canada (CIAC)
  - Contribute to government policy development
- Leading CIAC rail committee
  - Advocate for competitive rail rate structures
- Knowledge advancements to lower cost and increase productivity
  - Ongoing work with technology, government and other organizations
- Support policies that maintain low/competitive electricity rates

# Low Cost Advantage; Competitive Electricity Rates

## Comparative Index of Electricity Prices (Large-Power Customers; > 50,000 kW Demand)



Source: Hydro-Quebec



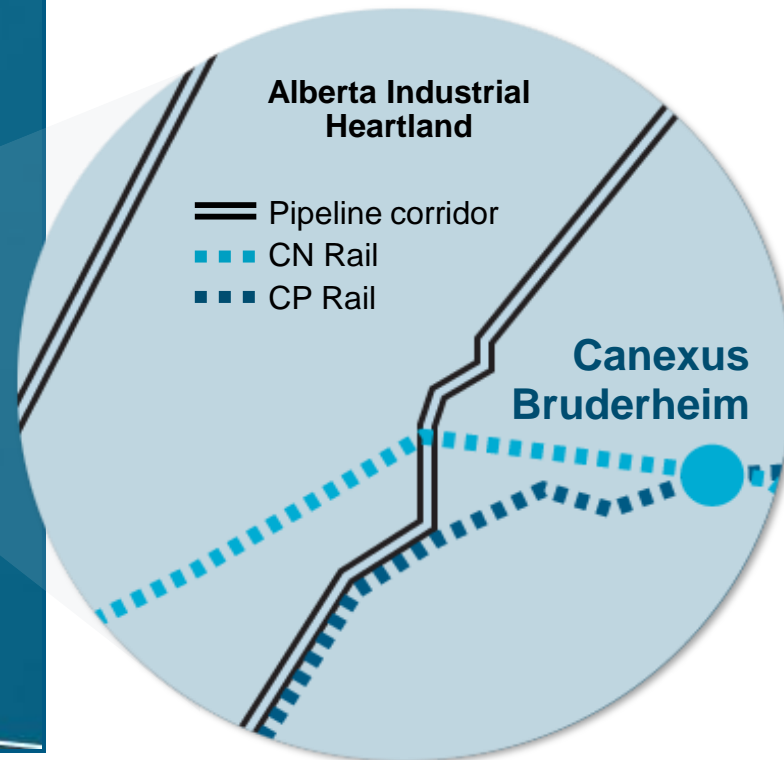
# Hazel Kreuz

**Director, Terminal Operations**

# Focus Markets: Diversified High Growth Energy Industries

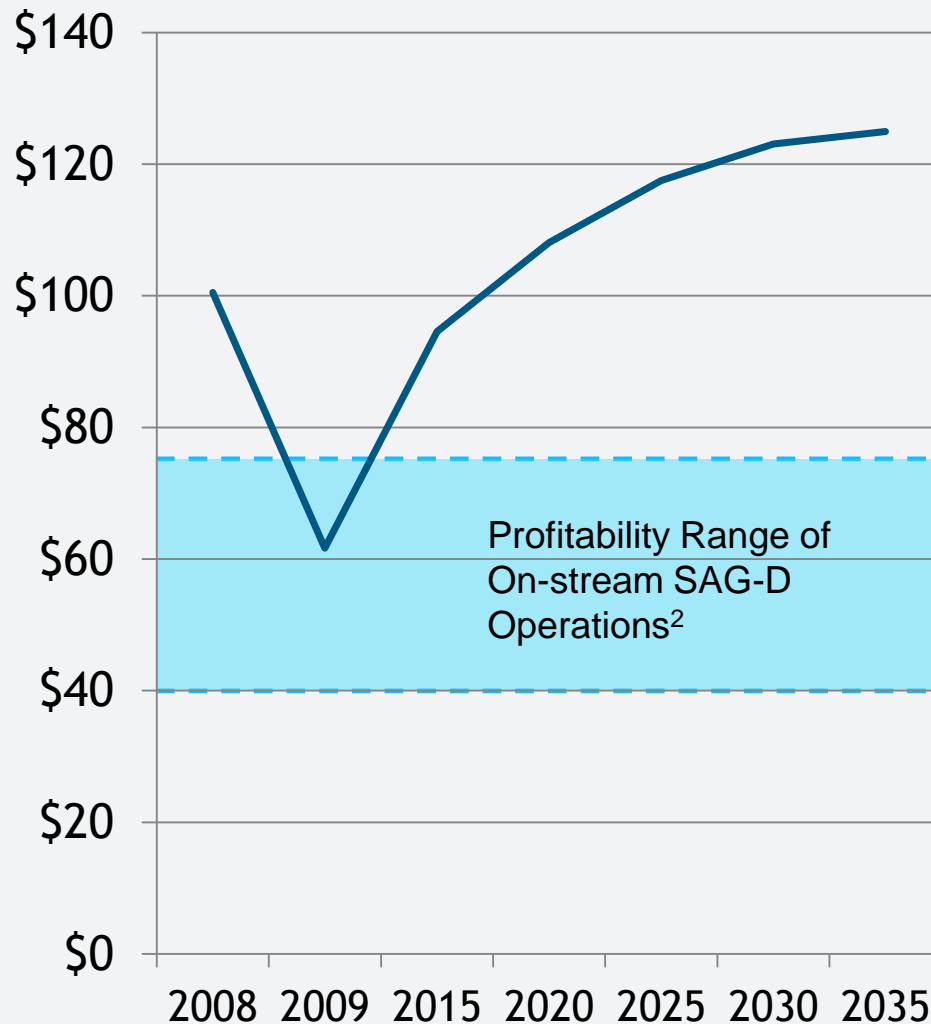


- Oil Sands bitumen & diluent terminalling
- Acid terminalling for horizontal fracturing
- Renewable fuels supply to local refineries



# Crude Oil Price Forecast Supports Strong Oil Sands Growth

Crude Oil Price USD/BBL<sup>1</sup>



- Crude oil price forecast supports robust Oil Sands growth
  - \$240B+ investment projected 2010 - 2030
- Strong support for bitumen production "while upgrading did not appear to generate a substantial ROI"<sup>2</sup>
- Channel-to-market support infrastructure needed:
  - Diluent supply to production sites
  - Bitumen delivery to US and off-shore markets

Sources:

<sup>1</sup>Energy Information Administration, "Annual Energy Outlook with Projections to 2035; April, 2011; Crude oil price is represented by price of light, low-sulfur crude oil delivered at Cushing, Oklahoma

<sup>2</sup>Canadian Energy Research Institute: "Canadian Oil Sands Supply Costs and Development Projects (2010 – 2044)", May 2011

# Bitumen Market Investing for Rail Channel-to-Market

## Crude Oil Unit Train Receiving Terminals



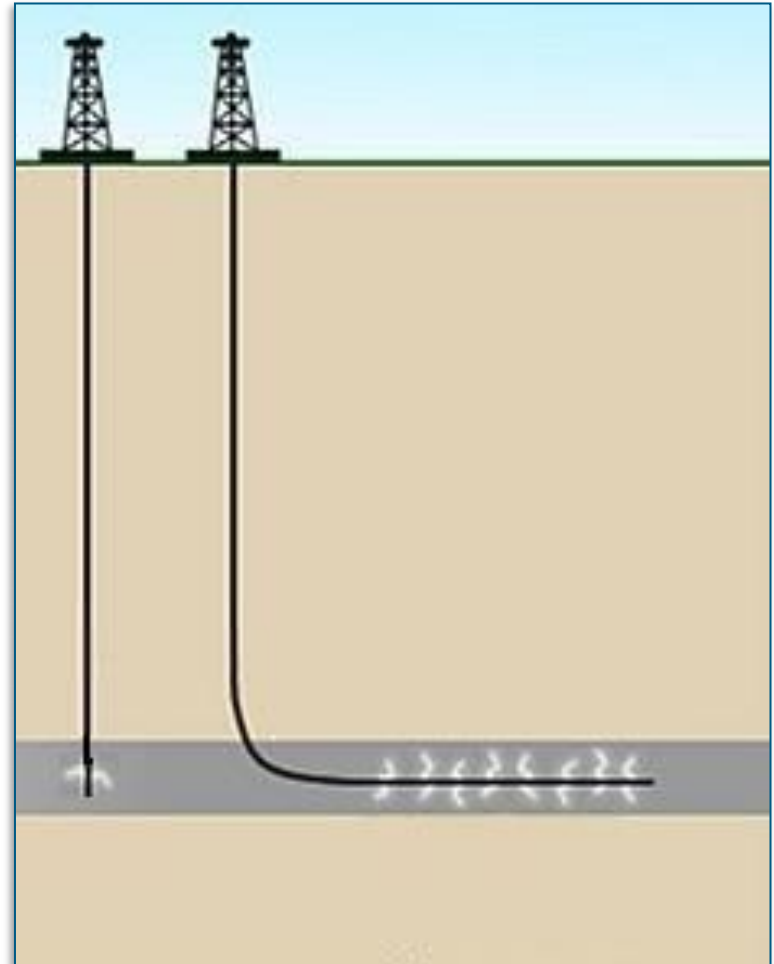
# Oil-by-Rail Sustainability Factors

- Rail shipment benefits
  - No pipeline plans to access California or U.S. east coast refineries
  - Enhanced market flexibility
    - Shorter time commitment by rail than pipeline
    - Facilitates producer arbitrage opportunity in changing markets
  - Rail delivery reduces working capital by up to 75%
  - Lower diluent content increases rail cost competitiveness
- One 100 rail car unit train shipment per day is < 4% of total in-situ production<sup>1</sup>

1. Source: "Crude Oil Forecast, Markets & Pipelines 2011"; Canadian Association of Petroleum Producers; June, 2011

# Only High-Throughput Acid Terminal in Alberta

- Unique capacity to respond to large acid volume fracturing jobs
  - 50 – 250 times historic volume
  - Supports new acid burners: second terminal expansion in progress
  - On-site fluids blending: 2012
- AB acid fracturing epicenter: Swan Hills region
  - Estimated Original Oil in Place = 2.6 Billion bbl\*
  - 840 land sections undrilled, 10 horizontal wells per section, 500 – 1,500 WMT acid per well
  - Demand serviceable from Bruderheim



\* Source: "The Sleeping Giant": BMO; June, 2011

# Expanding Bruderheim Terminal Capabilities

## TARGET MARKET: HORIZONTAL FRACTURING

Hydrochloric Acid  
Kerosene  
Diesel  
Proprietary Fracturing Fluids  
Custom Blending Services

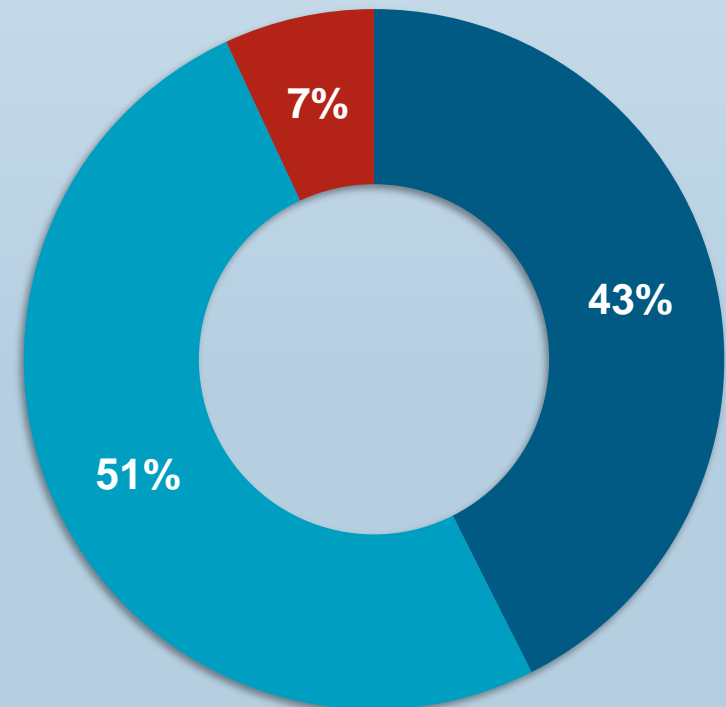
## TARGET MARKET: OIL SANDS & CONVENTIONAL OIL

C5+ Condensate  
Butane  
Pipeline-grade diluted bitumen (70/30)  
Concentrated bitumen (90/10)  
Conventional heavy oil  
Caustic Soda  
Hydrochloric Acid

## TARGET MARKET: RENEWABLE FUELS

Biodiesel  
Ethanol

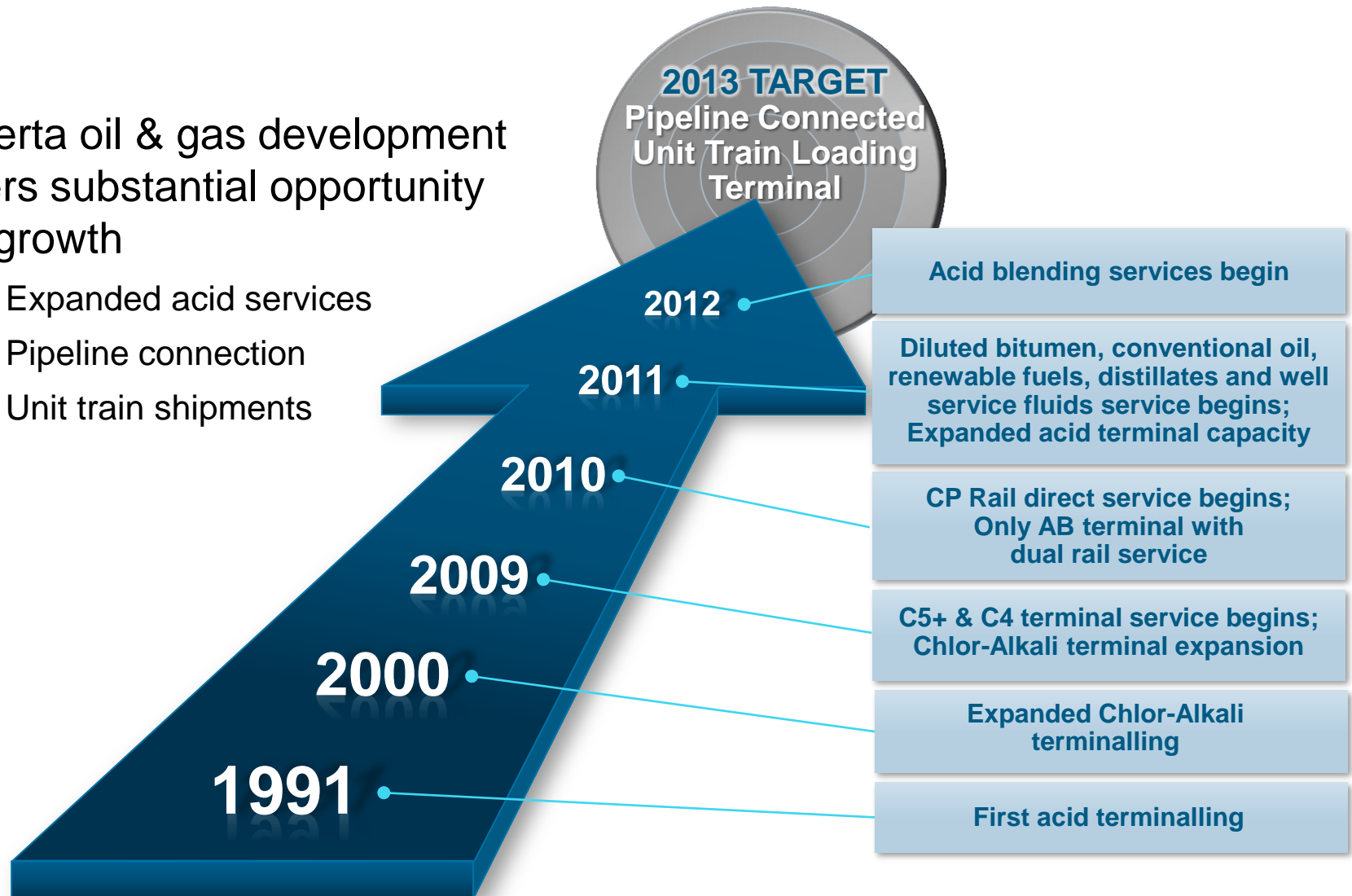
Target Market %



# Focused Growth Plan Builds on History & Target Markets

- Alberta oil & gas development offers substantial opportunity for growth

- Expanded acid services
- Pipeline connection
- Unit train shipments





# Richard McLellan

**SVP, Finance & CFO**

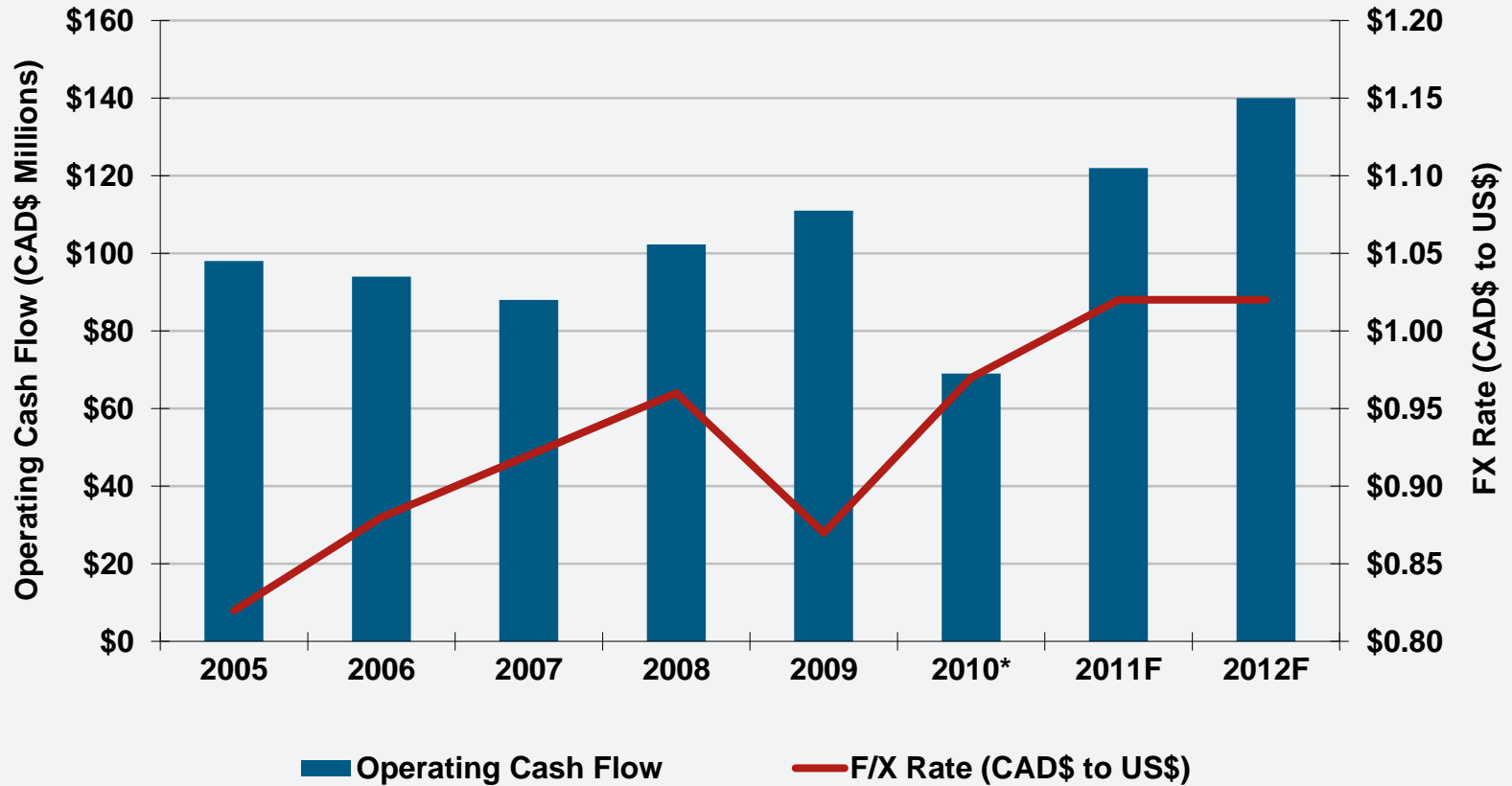
# Expected 2011 Financial Results

	2011F	Q3/11A	Q2/11A	Q1/11A
Cash Operating Profit	\$120.0 - \$122.0 M	\$37.0 M	\$29.0 M	\$22.0 M
Distributable Cash	\$66 M-\$69 M	\$23.7 M	\$20.3 M	\$9.1 M
Payout Ratio	90-95%	67%	77%	173%
Y/E Debt* to EBITDA Ratio	<2.50	2.65	2.63	3.53
F/X	US \$1.02	-	-	-

**2012 payout ratio expected to improve over 2011 with F/X at US\$1.02**

\* Excludes convertible debentures

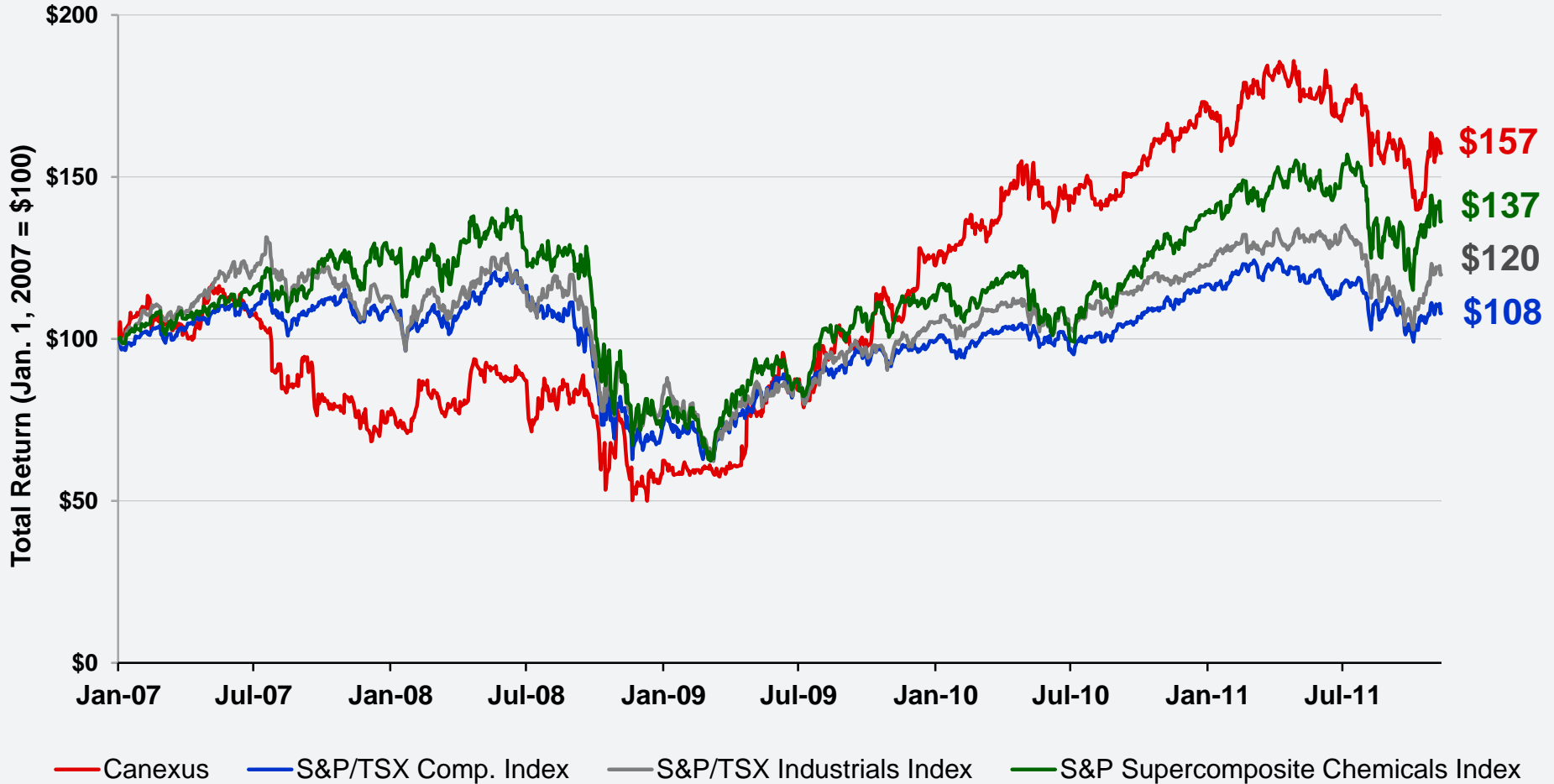
# Operating Cash Flow Performance



\* OCF affected by TCP start-up

# Solid Returns to Investors

## Total Returns Comparison



Source: Scotia Waterous

# Investment Benefits Reduce Leverage

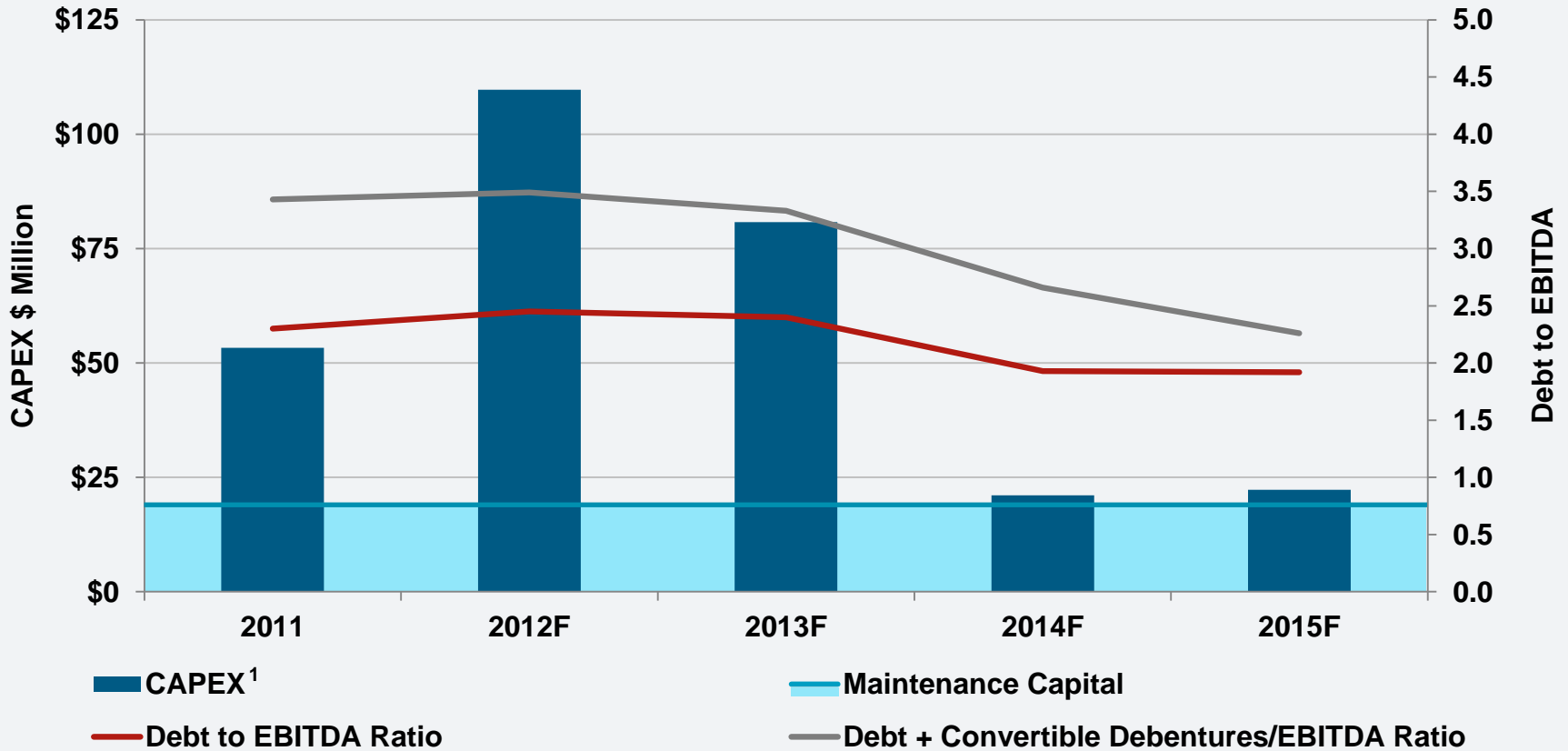
	<b>D/E</b> excluding convertible debentures	<b>Total D/E</b> including convertible debentures <sup>(1)</sup>	<b>Bank Covenants</b> excluding convertible debentures	
			<b>Total Debt/EBITDA</b>	<b>Senior Debt/EBITDA</b>
September 30, 2011	2.65 : 1	3.92 : 1	4.00 : 1	4.00 : 1
December 31, 2011F	2.30 : 1	3.40 : 1	4.00 : 1	3.50 : 1
December 31, 2012F <sup>(2)</sup>	2.00 : 1	3.00 : 1	4.00 : 1	3.50 : 1

**Targeted total debt to EBITDA (including convertible debentures) range is 2.5 : 1 to 3.0 :1. We are prepared to use debt to finance strategic opportunities where we can de-lever quickly thereafter.**

(1) Assumes no further conversions of debentures despite \$18.4 million of the \$138.4 million principal amount outstanding having a conversion price of \$5.10/common share

(2) Includes \$40 million of expansion capital for projects not yet approved

# Capacity to Finance Growth



<sup>1</sup> Assumes 2012/2013 spending of \$90.0 million on NATO projects and \$60.0 million on North Vancouver hydrochloric acid and other growth/continuous improvement capital projects in North America and Brazil



# Gary Kubera

**President & CEO**

# Continued Growth

- Multi-phase NATO expansion
- North Vancouver hydrochloric acid expansion in 2013
- Brandon debottleneck expansion under consideration
- Continued Brazil investment
- Selective expansion into new products and markets

**Sustainability**

**Critical Mass**

**Higher Growth Markets**

**Extend a Proven Track Record of Growth  
Maintain Strong Balance Sheet**

# Forward-looking Statements

This presentation contains forward-looking statements and information relating to expected future events relating to Canexus and its subsidiaries, including with respect to sodium chlorate industry operating rates and their impact on pricing for sodium chlorate, the timing of completion of power line capacity upgrades at Brandon, MECU netbacks, reduced fixed operating costs as a result of completion of the TCP, demand from Canexus' major Brazilian customer, demand from the oil and gas industry for hydrochloric acid terminal capacity at Bruderheim and the timing of completion of a facility expansion and pipeline interconnection in relation thereto, and price expectations for hydrochloric acid, crude oil supplies and their impact on demand for and sustainability of oil-by-rail shipping services, fundamentals and demand in the global pulp market and pulp capacity and production growth in relation thereto, caustic soda supply and demand and the impact on prices, facility utilization and operating rates in relation to demand expectations, expectations regarding payout ratios and the sustainability of operating cash flow and dividends and expectations in relation to Canexus capital structure. The use of the words "expects", "anticipates", "continue", "estimates", "projects", "should", "believe", "plans", "intends", "may", "will" or 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 to differ materially from those anticipated in such forward-looking statements for a variety of reasons, including market and general economic conditions, future costs, treatment under governmental regulatory, tax and environmental regimes and the other risks and uncertainties detailed under "Risk Factors" in Canexus Income Fund's Annual Information Form filed on Canexus Income Fund's SEDAR profile at [www.sedar.com](http://www.sedar.com). Management believes the expectations reflected in these forward-looking statements are currently reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Due to the potential impact of these factors, Canexus disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law. Financial outlook information contained in this press release about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Such financial outlook information should not be used for purposes other than those for which it is disclosed herein.

**All dollar amounts are in Canadian dollars, except as otherwise noted**