



Cash Operating Profit Increases 100% over Prior Year Driven by Strong Chlor-Alkali Performance

Dear Shareholders,

Our results for the third quarter were in line with expectations and begin to demonstrate the earnings potential of the Corporation, led by the strong performance of our chlor-alkali facility at North Vancouver. The highlights from the third quarter are:

- Canexus LP recorded cash operating profit for the third quarter of \$37.0 million, an increase of 100% over Q3 2010 and within our guidance for the quarter of \$35.0 - \$40.0 million. Distributable cash available to Canexus Corporation was \$23.7 million (\$0.20 per share) resulting in a payout ratio of 67%. Our guidance for Q4 cash operating profit of \$30.0 - \$35.0 million is unchanged.
- Canexus set both a production record and cash operating profit record at the North Vancouver chlor-alkali facility in the quarter. Production was 53,500 metric electrochemical units ("MECU") or 214,000 MECU on an annualized basis. Cash operating profit was \$16.5 million (after allocation of general and administrative expense), up from \$9.7 million in Q2 2011. We are currently evaluating the expansion of our hydrochloric acid capacity that could see us add approximately 280,000 wet metric tonnes ("WMT") in 2013.
- On November 3, 2011, the Board of Directors of Canexus Corporation approved a \$6.5 million project (to be available in early 2012) to substantially increase diluted bitumen and conventional heavy oil truck-to-railcar transloading at our North American Terminal Operations ("NATO") site at Bruderheim, to respond to terminal service demand that could transition into a unit train loading terminal. The previously announced \$5.5 million project to expand our hydrochloric acid terminal capacity is slated for completion in December.
- On November 3, 2011, the Board of Directors declared the regular quarterly dividend of \$0.1368 per common share payable January 16, 2012 to shareholders of record on December 31, 2011.
- As of September 30, 2011, total borrowings under committed credit facilities were \$288.0 million with remaining available undrawn capacity of approximately \$147.0 million. Cash on hand at September 30, 2011 was \$4.0 million.

These results continue to reflect the benefits of the strategic investments we have made in our business and our commitment to driving future growth while delivering sustainable returns to our shareholders.

A handwritten signature in black ink, appearing to read "Gary L. Kubera".

Gary Kubera
President and Chief Executive Officer

Management's Discussion and Analysis

The following management's discussion and analysis of financial condition and results of operations ("MD&A") is prepared as of November 11, 2011. This MD&A should be read in conjunction with:

- the unaudited condensed consolidated financial statements (the "consolidated financial statements") of Canexus Corporation (the "Corporation", "Canexus", "we" or "our") and the notes thereto for the three and nine months ended September 30, 2011 prepared in accordance with International Financial Reporting Standards ("IFRS") representing generally accepted accounting principles for publicly accountable enterprises in Canada which are included in this report; and
- the audited consolidated financial statements of Canexus Income Fund (the "Fund") and Canexus Limited Partnership ("Canexus LP") and the notes thereto as at and for the year ended December 31, 2010 prepared in accordance with Canadian generally accepted accounting principles ("Previous GAAP") in effect prior to the transition to IFRS which are available on the SEDAR website at www.sedar.com.

On July 8, 2011, the Fund converted (the "Conversion") from an income trust to a corporation. All of the assets of the Fund were transferred to the Corporation and the Corporation assumed all of the liabilities of the Fund, including the liabilities under the debenture indentures in respect of the 8% Series I convertible unsecured subordinated debentures issued August 31, 2009, the 5.75% Series III convertible unsecured subordinated debentures issued September 28, 2010 and the 5.75% Series IV convertible unsecured subordinated debentures issued June 30, 2011. As a result, this MD&A includes the Fund's results of operations for the period up to and including July 8, 2011 and the Corporation's results thereafter. The following discussion and analysis uses the terms shareholder, common share (or "Share") and dividends when referring to periods subsequent to July 8, 2011 and unitholder, unit and distributions when referring to periods prior to July 8, 2011. Where the information presented is for periods before and after July 8, 2011, the terms shareholder, common share and dividends are used to refer to both shareholder/unitholder, common share/unit and dividends/distributions.

The consolidated financial statements of the Corporation have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting and IFRS 1 First-time Adoption of International Financial Reporting Standards as issued by the International Accounting Standards Board. The Fund adopted IFRS on January 1, 2011 with a transition date of January 1, 2010 (the "Transition Date"). Previously, the Fund and Canexus LP prepared their consolidated financial statements in accordance with Previous GAAP. The Corporation has provided IFRS accounting policies and prepared reconciliations between Previous GAAP and IFRS in Note 26 of its September 30, 2011 consolidated financial statements which were authorized for issue on November 3, 2011.

Until February 7, 2011, when the Fund indirectly acquired Nexen Inc.'s ("Nexen") interest in Canexus LP – see Note 3 to the consolidated financial statements of the Corporation for the three and nine months ended September 30, 2011), the Fund earned income from its interest in Canexus LP and interest revenue on the unsecured subordinated debentures of Canexus LP (the "Debentures") and accounted for its investment using the equity method. At September 30, 2011, the Corporation consolidated the results of operations of Canexus LP for the period February 7, 2011 to September 30, 2011 and the financial position of Canexus LP at September 30, 2011. The following MD&A presents a discussion of the financial condition and results of operations for both the Corporation and Canexus LP.

This MD&A contains forward-looking statements and information. Please see "Forward-Looking Statements and Information" for a discussion of the risks, uncertainties and assumptions relating to these statements.

Unless otherwise noted, all dollar amounts are in Canadian dollars and all tabular amounts are in thousands of Canadian dollars.

Additional information relating to the Corporation and Canexus LP is available on the Corporation's profile on the SEDAR website at www.sedar.com.

Non-IFRS Measures

The selected financial information and discussion below also refers to certain measures to assist in assessing financial performance. These “Non-IFRS measures” such as “earnings before interest, income taxes, depreciation and amortization” (“EBITDA”), “Operating Profit”, “Cash Operating Profit”, “Cash Operating Profit Percentage”, “Gross Margin”, “Gross Margin Percentage”, “Distributable Cash” and “Payout Ratio” should not be construed as alternatives to net income or loss or other comparable measures determined in accordance with IFRS as an indicator of performance or as a measure of liquidity and cash flow. Non-IFRS measures do not have standard meanings prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other issuers.

EBITDA is a Non-IFRS measure that represents earnings generated to fund capital investment, meet financial obligations and fund dividends. It is considered a key measure as it demonstrates the ability of the business to meet its capital and financing commitments. EBITDA is calculated as net income (loss) (an IFRS measure) plus/minus interest expense, the provision for income taxes and depreciation and amortization. A reconciliation of EBITDA to net income (loss) for Canexus LP for each financial period covered by this MD&A is provided on pages 33 and 34 under “Additional Information for Canexus LP – Summary of Quarterly Results”.

Operating Profit is a Non-IFRS measure that represents the contribution of product sales and service revenues after taking into consideration direct costs to produce products and deliver services (including depreciation and amortization), distribution, selling and marketing expense and general and administrative expense (including depreciation and amortization). It is considered a key measure as it reflects the ability of the business to generate earnings necessary to fund capital investment, meet financial obligations and fund dividends.

Cash Operating Profit is a Non-IFRS measure that is defined as Operating Profit before depreciation and amortization (which is included in cost of sales and general and administrative expense) and share-based compensation expense (recovery) (which is included in cost of sales, distribution, selling and marketing expense, and general and administrative expense). Cash Operating Profit Percentage is calculated as Cash Operating Profit divided by sales revenue.

Gross Margin is a Non-Previous GAAP measure that represents the contribution of product sales and service revenues after taking into consideration the direct costs to produce products and deliver services. It was considered a key measure as it reflected the ability of the business to generate earnings necessary to fund overhead costs, capital investment, financial obligations and distributions. Gross Margin was calculated as sales revenue less cost of sales (both Previous GAAP measures). Gross Margin Percentage was calculated as Gross Margin divided by sales revenue. Gross Margin and Gross Margin Percentage are applicable for 2009 and prior years under Previous GAAP.

Distributable Cash is not a recognized measure under IFRS and therefore the Corporation’s and Canexus LP’s method of calculating distributable cash is unlikely to be comparable to methods used by other entities. A reconciliation of Distributable Cash to the cash generated from operating activities of the Corporation for the three and nine months ended September 30, 2011 (see the unaudited condensed consolidated statement of cash flows for the three and nine months ended September 30, 2011 included in the Corporation’s consolidated financial statements) is provided on page 29 under “Additional Information for Canexus Corporation – Reconciliation of Net Cash Generated from Operating Activities to Distributable Cash of the Corporation”. Distributable Cash of the Corporation per Share is calculated as Distributable Cash of the Corporation divided by the number of common shares outstanding at the end of the period. Payout Ratio is calculated as dividends declared by the Corporation divided by Distributable Cash of the Corporation.

Distributable Cash of Canexus LP represents Cash Operating Profit of Canexus LP adjusted for interest expense, realized currency translation gains, maintenance capital expenditures, provision for current income taxes, technology conversion project (“TCP”) severance costs paid and other cash impacting items. Maintenance capital expenditures are those cash outlays required to maintain Canexus LP’s plants and other equipment at normal operating and efficiency levels.

Distributable Cash of the Corporation/Fund represents the Corporation’s/Fund’s share of the Distributable Cash of Canexus LP less cash general and administrative expense and any other cash income or expense items of the Corporation/Fund.

Distributable Cash represents the Distributable Cash of Canexus LP plus (minus) other cash items of the Corporation less cash general and administrative expense of the Corporation for the comparable period.

Canexus Corporation

Canexus Corporation was incorporated on March 17, 2011 under the Business Corporations Act (Alberta). Pursuant to an arrangement agreement dated March 25, 2011 among the Fund, Canexus Limited, Canexus Holdings Limited, Canexus LP, Canexus Commercial Trust and Canexus Corporation, the parties agreed to institute a plan of arrangement pursuant to which the business and operations of the Fund would become the business and operations of the Corporation. The arrangement was approved by holders of units of the Fund ("Unitholders") at the Annual and Special Meeting of Unitholders held on May 5, 2011. The arrangement was completed on July 8, 2011 resulting in the successful conversion of the Fund from an income trust to a corporation. The Corporation's common shares are listed on the Toronto Stock Exchange (CUS). The head office and principal business office of Canexus Corporation is located in Calgary, Alberta.

Canexus LP is a limited partnership established under the laws of Alberta, Canada. Canexus LP, through its subsidiaries, produces sodium chlorate and chlor-alkali products in four plants located in Canada and two plants located at one site in Brazil, largely for the pulp and paper and water treatment industries. Canexus LP also provides fee-for-service hydrocarbon transloading services to the oil and gas industry from its terminal at Bruderheim, Alberta.

Canexus LP has Canadian sodium chlorate production facilities located in Beauharnois, Quebec; Brandon, Manitoba and Nanaimo, British Columbia; and a chlor-alkali production facility located in North Vancouver, British Columbia and a South American sodium chlorate and chlor-alkali production facility located in Espirito Santo, Brazil. Canexus LP's head office is located in Calgary, Alberta.

At September 30, 2011, Canexus held, directly or indirectly, a 100 percent equity interest in Canexus LP. At December 31, 2010 and September 30, 2010, the Corporation held a 36.7 and 36.8 percent equity interest respectively in Canexus LP and Nexen held a 63.3 and 63.2 percent controlling equity interest respectively in Canexus LP. Canexus LP is managed by its general partner, Canexus Limited, which holds a 0.01 percent equity interest in Canexus LP.

The Corporation owns 100 percent of the shares of Canexus Limited but has not historically accounted for its investment on a consolidated basis due to Nexen having the ability to appoint the majority of the board positions. As a result of the Fund's indirect acquisition of Nexen's interest in Canexus LP on February 7, 2011, the Corporation has accounted for its interest in Canexus Limited on a consolidated basis since that date.

Highlights

Unless otherwise noted, the discussion which follows in the Highlights, Summary Performance Review, Operating Segment Results, Market Fundamentals and Liquidity and Capital Resources sections are for the 100 percent results of Canexus LP.

	Three Months Ended		
	September 30 2011	June 30 2011	September 30 2010
Sodium Chlorate Sales Volume (000's Metric Tonnes ("MT"))	107	107	115
Chlor-alkali Sales Volume (000's Metric Equivalent Chemical Units ("MECU"))	62	64	46
Sales Revenue	139,278	130,534	119,040
Cash Operating Profit ^{(1) (2)}	37,000	28,968	18,503
Cash Operating Profit Percentage ⁽¹⁾	27%	22%	16%
Distributable Cash ⁽¹⁾	23,725	20,905	29,368
Distributable Cash per Share ⁽¹⁾	\$0.20		
Payout Ratio ⁽¹⁾	67%		

Notes:

(1) See Non-IFRS Measures on page 3.

(2) Cash Operating Profit for the three months ended June 30, 2011 and September 30, 2010 was restated to add (deduct) non-cash share-based compensation expense (recovery).

See "Reconciliation of Cash Operating Profit to Distributable Cash" on page 6.

- Canexus LP recorded Cash Operating Profit for the third quarter of \$37 million, an increase of 100 percent over the third quarter of 2010 and within our guidance for the quarter of \$35 to \$40 million. Distributable Cash of the Corporation was \$23.7 million (\$0.20 per Share) resulting in a Payout Ratio of 67 percent. Our guidance for fourth quarter Cash Operating Profit of \$30 to \$35 million is unchanged.
- Canexus set both a production record and Cash Operating Profit record at the North Vancouver chlor-alkali facility in the quarter. Production was 53,500 MECU or 214,000 MECU on an annualized basis. Cash Operating Profit was \$16.5 million (after allocation of general and administrative expense), up from \$9.7 million in the second quarter. We are currently evaluating the expansion of our hydrochloric acid capacity that could see us add approximately 280,000 wet metric tonnes ("WMT") in 2013.
- On November 3, 2011, the Board of Directors approved a \$6.5 million project (to be available in early 2012) to substantially increase diluted bitumen and conventional heavy oil truck-to-railcar transloading at our North American Terminal Operations ("NATO") site at Bruderheim, Alberta to respond to terminal service demand that could transition into a unit train loading terminal. The previously announced \$5.5 million project to expand our hydrochloric acid terminal capacity is slated for completion in December.
- The Board declared the regular quarterly dividend of \$0.1368 per common share payable January 16, 2012 to shareholders of record on December 31, 2011.
- As of September 30, 2011, total borrowings under committed credit facilities were \$288 million with remaining available undrawn capacity of approximately \$147 million. Cash on hand at September 30, 2011 was \$4 million.

Summary Performance Review

The Corporation's results for the third quarter were in line with expectations and begin to demonstrate the earnings potential of the Corporation, led by the strong performance of our chlor-alkali facility at North Vancouver. These results continue to reflect the benefits of the strategic investments we have made in our business and our commitment to driving future growth while delivering sustainable returns to our shareholders.

Cash Operating Profit for the three months ended September 30, 2011 of \$37 million was 28 percent higher than the three months ended June 30, 2011 and within our guidance for the quarter of \$35 to \$40 million. Distributable Cash of the Corporation was \$23.7 million for the three months ended September 30, 2011 resulting in a Payout Ratio of 67 percent.

Our North America sodium chlorate business unit contributed Cash Operating Profit of \$16 million for the three months ended September 30, 2011 as compared to \$15.1 million for the three months ended June 30, 2011. Sales volumes and realized netback prices were consistent between the two periods with the increase in Cash Operating Profit due primarily to lower electricity and salt costs. Our plants continue to run at capacity. With some supply disruption at a competitor's plant expected to continue into the fourth quarter, industry operating rates are expected to remain in the mid-90's. The power line capacity upgrade to our Brandon plant is on track for completion in 2012 and we continue to be confident about further expansion opportunities at this site.

Record Cash Operating Profit of \$16.5 million for our North America chlor-alkali business unit; up from \$9.7 million for the three months ended June 30, 2011, was driven by higher MECU realized netback prices and higher sales volumes of hydrochloric acid and caustic soda which more than offset lower sale volumes of chlorine due to the normal seasonal downturn in construction materials and water treatment. Caustic soda price increases implemented in the third quarter where contracts allowed, contributed to the improvement in MECU realized netback prices. We expect our plant to run at about 90 percent of practical capacity in the fourth quarter reflecting the seasonality of chlorine demand for water treatment and lower forecast economic growth in North America. MECU realized netback prices are expected to remain robust, with caustic soda prices moderating slightly due to contract timing and offset by significant price increases announced for hydrochloric acid in the fourth quarter (\$70 per WMT or approximately \$200 per MT on a chlorine equivalent basis) as contracts allow. The demand for hydrochloric acid in the oil and gas industry for fracturing is expected to continue to be very strong creating further pricing momentum moving into 2012.

Cash Operating Profit for our Brazil business unit increased from \$5.6 million for the three months ended June 30, 2011 to \$6.1 million for the three months ended September 30, 2011 due to increases in sodium chlorate and hydrochloric acid sales volumes and higher hydrochloric acid realized netback prices, partially offset by higher fixed costs resulting from a planned maintenance shutdown during the third quarter of 2011. We continue to expect both our sodium chlorate and chlor-alkali plants to operate at or near capacity for the remainder of 2011.

Reconciliation of Cash Operating Profit to Distributable Cash

CAD thousands	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Cash Operating Profit of Canexus LP ⁽¹⁾	37,000	18,503	87,925	49,805
Interest Expense ⁽²⁾	(5,975)	(5,089)	(17,819)	(8,528)
Realized Currency Translation Gains	312	21,962	3,292	24,912
Maintenance Capital Expenditures	(4,328)	(2,185)	(11,810)	(9,073)
Provision for Current Income Taxes	(1,003)	(602)	(3,315)	(4,204)
TCP Severance Costs Paid	-	(1,377)	(2,133)	(1,953)
Other	(306)	(1,770)	(411)	3,365
Distributable Cash of Canexus LP ⁽¹⁾	25,700	29,442	55,729	54,324
Cash General and Administrative Expense of the Corporation	(619)	(74)	(1,242)	(333)
DTU Plan Settlement on Conversion ⁽³⁾	(1,505)	-	(1,505)	-
Other	149	-	718	-
Distributable Cash ⁽¹⁾	23,725	29,368	53,700	53,991
Distributable Cash per Share ⁽¹⁾	\$0.20			
Dividends Declared per Share	\$0.1368			
Payout Ratio ⁽¹⁾	67%			

Notes:

- (1) See *Non-IFRS Measures* on page 3.
- (2) Excluding amortization of transaction costs of extendible revolving credit facilities and senior secured notes, and accretion of provisions.
- (3) The liability triggered by the Conversion under the former DTU Plan was \$1.7 million, of which \$1.5 million was paid in cash on July 21, 2011 as required by the terms of the DTU Plan. The remaining \$0.2 million liability is expected to be settled on January 23, 2012. The directors of Canexus have agreed to reinvest the after-tax proceeds received in Canexus Corporation shares from the public market.

See “Reconciliation of Net Cash Generated from Operating Activities to Distributable Cash of the Corporation” for the three months ended September 30, 2011 on page 29.

Operating Segment Results

Three Month Ended September 30, 2011 Compared to Three Months Ended June 30, 2011 and September 30, 2010

North America Sodium Chlorate

CAD thousands, except as noted	Three Months Ended		
	September 30, 2011	June 30, 2011	September 30, 2010
Sodium Chlorate Sales Volume (000's MT)	91	92	98
Sales Revenue	54,610	54,392	56,124
Cost of Sales	32,348	33,780	34,179
Distribution, Selling and Marketing	6,729	6,629	6,952
General and Administrative ⁽²⁾	2,561	2,393	2,232
Operating Profit ⁽¹⁾	12,972	11,590	12,761
Add:			
Depreciation and Amortization included in Cost of Sales	3,043	3,503	3,485
Share-based Compensation Expense (Recovery)	(19)	(14)	14
Cash Operating Profit ⁽¹⁾	15,996	15,079	16,260
Cash Operating Profit Percentage ⁽¹⁾	29%	28%	29%
Capital Expenditures			
Maintenance	1,082	1,464	331
Continuous Improvement	140	297	-
Expansion	253	822	-
Total	1,475	2,583	331

Notes:

- (1) See Non-IFRS Measures on page 3.
- (2) General and administrative expenses are for functional areas such as human resources, finance, information technology and legal and are allocated to the operating segments based on production volumes.

Three Months Ended September 30, 2011 Compared to Three Months Ended June 30, 2011

Sales revenue for the North America sodium chlorate segment increased slightly to \$54.6 million for the three months ended September 30, 2011 from \$54.4 million for the three months ended June 30, 2011. Sales volumes and realized netback prices were consistent for the three months ended September 30, 2011 and June 30, 2011. Cash Operating Profit Percentage increased from 28 percent to 29 percent as a result of higher production volumes and lower electricity and salt costs for the three months ended September 30, 2011 as compared to the three months ended June 30, 2011.

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

Sales revenue for the North America sodium chlorate segment decreased three percent to \$54.6 million for the three months ended September 30, 2011 from \$56.1 million for the three months ended September 30, 2010. Sales volumes decreased seven percent for the three months ended September 30, 2011 as compared to the same period in 2010. Realized netback prices, despite being negatively affected by the stronger Canadian dollar relative to the US dollar (three months ended September 30, 2011 – US \$1.03 as compared to the three months ended September 30, 2010 – US \$0.96), increased four percent over the three months ended September 30, 2010. Cash Operating Profit Percentage of 29 percent was consistent for the three months ended September 30, 2011 and September 30, 2010. Higher realized netback prices and slightly higher production volumes were offset by higher fixed costs, slightly higher electricity and salt costs and higher corporate general and administrative expense allocated to this segment.

North America Chlor-alkali

CAD thousands, except as noted	Three Months Ended		
	September 30, 2011 ⁽²⁾	June 30, 2011 ⁽²⁾	September 30, 2010 ⁽²⁾
Chlor-alkali Sales Volume (000's MECU)	51	52	35
Sales Revenue	57,375	50,732	36,510
Cost of Sales	28,540	28,495	27,563
Distribution, Selling and Marketing	14,777	15,264	10,660
General and Administrative ⁽³⁾	3,245	3,031	2,732
Operating Profit (Loss) ⁽¹⁾	10,813	3,942	(4,445)
Add:			
Depreciation and Amortization included in Cost of Sales	5,695	5,807	3,490
Share-based Compensation Expense (Recovery)	(28)	(22)	24
Cash Operating Profit (Loss) ⁽¹⁾	16,480	9,727	(931)
Cash Operating Profit (Loss) Percentage ⁽¹⁾	29%	19%	(3%)
Capital Expenditures			
Maintenance	-	711	586
Remediation	-	-	858
Continuous Improvement	933	90	482
Expansion	4,655	3,671	10,678
Total	5,588	4,472	12,604

Notes:

- (1) See *Non-IFRS Measures* on page 3.
- (2) Revenues and costs for NATO for the three months ended September 30, 2011, June 30, 2011 and September 30, 2010 are included in North America chlor-alkali.
- (3) General and administrative expenses are for functional areas such as human resources, finance, information technology and legal and are allocated to the operating segments based on production volumes.

Three Months Ended September 30, 2011 Compared to Three Months Ended June 30, 2011

Sales revenue for the North America chlor-alkali segment increased 13 percent to \$57.4 million for the three months ended September 30, 2011 from \$50.7 million for the three months ended June 30, 2011. The increase in sales revenue was due to higher MECU realized netback prices (19 percent) led by caustic soda, and higher hydrochloric acid (18 percent) and caustic soda (three percent) sales volumes, partially offset by lower chlorine sales volumes (nine percent). Cash Operating Profit Percentage increased from 19 percent for the three months ended June 30, 2011 to 29 percent for the three months ended September 30, 2011 as a result of higher MECU realized netback prices and slightly higher production volumes, partially offset by slightly higher electricity costs.

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

Sales revenue for the North America chlor-alkali segment increased 57 percent to \$57.4 million for the three months ended September 30, 2011 from \$36.5 million for the three months ended September 30, 2010 due to higher sales volumes of all products (hydrochloric acid 123 percent; chlorine 30 percent; and caustic soda 25 percent) and higher MECU realized netback prices (19 percent) led by caustic soda, partially offset by lower realized netback prices for hydrochloric acid (26 percent) and chlorine (44 percent). Higher sales volumes were due to the startup and ramp up of the TCP during the third quarter of 2010. Cash Operating Profit (Loss) increased from a loss of \$0.9 million for the three months ended September 30, 2010 to a record profit of \$16.5 million for the three months ended September 30, 2011 as a result of 52 percent higher production volumes with our plant running at planned volumes in the third quarter of 2011. Cash Operating Profit benefitted from higher sales volumes, higher MECU realized netback prices and lower fixed costs, partially offset by higher electricity and salt costs.

South America

CAD thousands, except as noted	Three Months Ended		
	September 30, 2011	June 30, 2011	September 30, 2010
Sodium Chlorate Sales Volume (000's MT)	16	15	17
Chlor-alkali Sales Volume (000's MECU)	11	12	11
Sales Revenue	27,293	25,410	26,406
Cost of Sales	21,043	19,857	20,720
Distribution, Selling and Marketing	359	297	337
General and Administrative ⁽²⁾	1,151	1,149	986
Operating Profit ⁽¹⁾	4,740	4,107	4,363
Add:			
Depreciation and Amortization included in Cost of Sales	1,335	1,458	607
Depreciation and Amortization included in General and Administrative	11	11	-
Share-based Compensation Expense (Recovery)	(16)	(24)	9
Cash Operating Profit ⁽¹⁾	6,070	5,552	4,979
Cash Operating Profit Percentage ⁽¹⁾	22%	22%	19%
Capital Expenditures			
Maintenance	3,267	1,614	1,260
Continuous Improvement	43	7	72
Expansion	-	-	3,947
Total	3,310	1,621	5,279

Notes:

(1) See Non-IFRS Measures on page 3.

(2) General and administrative expenses are for functional areas such as human resources, finance, information technology and legal and are allocated to the operating segments based on production volumes.

Three Months Ended September 30, 2011 Compared to Three Months Ended June 30, 2011

Sales revenue for the South America segment increased seven percent to \$27.3 million for the three months ended September 30, 2011 from \$25.4 million for the three months ended June 30, 2011. Our Cash Operating Profit increased from \$5.6 million for the three months ended June 30, 2011 to \$6.1 million for the three months ended September 30, 2011 due to increases in sodium chlorate sales volumes (seven percent) and higher hydrochloric acid sales volumes and realized netback prices (both increased approximately five percent), partially offset by higher fixed costs resulting from planned maintenance at both our plants during the third quarter of 2011.

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

Sales revenue for the South America segment increased three percent to \$27.3 million for the three months ended September 30, 2011 from \$26.4 million for the three months ended September 30, 2010 primarily due to higher chlorine equivalent sales volumes as a result of higher chlor-alkali production volumes (seven percent). Hydrochloric acid sales volumes and realized netback prices both increased by approximately 19 percent, partially offset by lower chlorine sales volumes (11 percent) and lower realized netback prices (eight percent). Sodium chlorate sales volumes were approximately five percent lower. Higher electricity costs in the third quarter of 2011 also added to sales revenue due to the nature of our fixed US dollar margin contract with our major customer. Our Cash Operating Profit increased from \$5 million for the three months ended September 30, 2010 to \$6.1 million for the three months ended September 30, 2011 as a result of higher chlor-alkali production and sales volumes and lower fixed costs.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

North America Sodium Chlorate

<i>CAD thousands, except as noted</i>	Nine Months Ended	
	September 30, 2011	September 30, 2010
Sodium Chlorate Sales Volume (000's MT)	276	281
Sales Revenue	163,679	157,853
Cost of Sales	99,073	98,945
Distribution, Selling and Marketing	20,518	20,763
General and Administrative ⁽²⁾	7,038	6,422
Operating Profit ⁽¹⁾	37,050	31,723
Add:		
Depreciation and Amortization included in Cost of Sales	10,059	12,114
Share-based Compensation Expense (Recovery)	(11)	61
Cash Operating Profit ⁽¹⁾	47,098	43,898
Cash Operating Profit Percentage ⁽¹⁾	29%	28%
Capital Expenditures		
Maintenance	4,293	2,333
Continuous Improvement	806	60
Expansion	1,075	-
Total	6,174	2,393

Notes:

(1) See *Non-IFRS Measures* on page 3.

(2) General and administrative expenses are for functional areas such as human resources, finance, information technology and legal and are allocated to the operating segments based on production volumes.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

Sales revenue for the North America sodium chlorate segment increased four percent to \$163.7 million for the nine months ended September 30, 2011 from \$157.9 million for the nine months ended September 30, 2010. Sales volumes decreased one percent for the nine months ended September 30, 2011 as compared to the same period in 2010. Realized netback prices, despite being negatively affected by the stronger Canadian dollar relative to the US dollar (nine months ended September 30, 2011 – US \$1.02 as compared to the nine months ended September 30, 2010 – US \$0.96), increased five percent over the nine months ended September 30, 2010. Cash Operating Profit Percentage increased slightly to 29 percent for the nine months ended September 30, 2011 compared to 28 percent for the same period in 2010 as a result of higher realized netback prices, offset by slightly higher salt, electricity and fixed costs and higher corporate general and administrative expense allocated to this business segment.

North America Chlor-alkali

<i>CAD thousands, except as noted</i>	Nine Months Ended	
	September 30, 2011 ⁽²⁾	September 30, 2010 ⁽²⁾
Chlor-alkali Sales Volumes (000's MECU)	142	96
Sales Revenue	151,445	106,861
Cost of Sales	90,212	79,667
Distribution, Selling and Marketing	42,581	31,815
General and Administrative ⁽³⁾	8,917	7,597
Operating Profit (Loss) ⁽¹⁾	9,735	(12,218)
Add:		
Depreciation and Amortization included in Cost of Sales	17,283	6,480
Share-based Compensation Expense (Recovery)	(37)	49
Cash Operating Profit (Loss) ⁽¹⁾	26,981	(5,689)
Cash Operating Profit (Loss) Percentage ⁽¹⁾	18%	(5%)
Capital Expenditures		
Maintenance	1,042	2,487
Remediation	-	3,166
Continuous Improvement	1,157	2,564
Expansion	15,470	92,894
Total	17,669	101,111

Notes:

- (1) See *Non-IFRS Measures* on page 3.
- (2) Revenues and costs for NATO for the nine months ended September 30, 2011 and September 30, 2010 are included in North America chlor-alkali.
- (3) General and administrative expenses are for functional areas such as human resources, finance, information technology and legal and are allocated to the operating segments based on production volumes.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

Sales revenue for the North America chlor-alkali segment increased 42 percent to \$151.4 million for the nine months ended September 30, 2011 from \$106.9 million for the nine months ended September 30, 2010 due to higher sales volumes of all products and 10 percent higher MECU realized netback prices. Cash Operating Profit (Loss) increased from a loss of \$5.7 million for the nine months ended September 30, 2010 to a profit of \$27 million for the nine months ended September 30, 2011 as a result of the higher sales volumes and higher MECU realized netback prices, partially offset by higher fixed costs and higher electricity and salt costs. The North Vancouver chlor-alkali facility was shutdown for a two-month period during the second quarter of 2010 for the TCP transition. Following startup completion of the TCP in late July 2010, our North America chlor-alkali facility operated at 72 percent of practical capacity in August 2010 and 80 percent in September 2010. Production for the nine month period ended September 30, 2011 was 144,000 MECU's, 60,000 MECU's higher than in the comparable period in 2010 due to the TCP transition.

South America

<i>CAD thousands, except as noted</i>	Nine Months Ended	
	September 30, 2011	September 30, 2010
Sodium Chlorate Sales Volumes (000's MT)	49	45
Chlor-alkali Sales Volumes (000's MECU)	35	33
Sales Revenue	80,664	72,365
Cost of Sales	61,996	54,604
Distribution, Selling and Marketing	995	1,006
General and Administrative ⁽²⁾	3,405	3,185
Operating Profit ⁽¹⁾	14,268	13,570
Add:		
Depreciation and Amortization included in Cost of Sales	4,251	2,900
Depreciation and Amortization included in General and Administrative	33	-
Share-based Compensation Expense (Recovery)	(30)	79
Cash Operating Profit ⁽¹⁾	18,522	16,549
Cash Operating Profit Percentage ⁽¹⁾	23%	23%
Capital Expenditures		
Maintenance	6,397	4,178
Continuous Improvement	62	72
Expansion	91	12,980
Total	6,550	17,230

Notes:

- (1) See *Non-IFRS Measures* on page 3.
- (2) General and administrative expenses are for functional areas such as human resources, finance, information technology and legal and are allocated to the operating segments based on production volumes.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

Sales revenue for South America increased 11 percent from \$72.4 million for the nine months ended September 30, 2010 to \$80.7 million for the nine months ended September 30, 2011. Higher sales volumes of sodium chlorate (nine percent), hydrochloric acid (20 percent) and caustic soda (one percent) and higher realized netback prices for sodium chlorate (four percent) and caustic soda (seven percent) were partially offset by lower sales volumes (17 percent) and realized netback prices (seven percent) for chlorine. Higher electricity costs for the nine months ended September 30, 2011 also added to sales revenue due to the nature of our fixed US dollar margin contract with our major customer. Cash Operating Profit Percentage was consistent for the nine months ended September 30, 2011 and September 30, 2010. Higher sodium chlorate and MECU realized netback prices and higher sodium chlorate and MECU production volumes were offset by higher fixed costs due to maintenance shutdowns in the first and third quarters of 2011 as compared to a maintenance shutdown in the third quarter of 2010.

Market Fundamentals

North America Sodium Chlorate

The third quarter of 2011 saw global pulp markets retract from the strong performance recorded in the first half of 2011. Market pulp prices have declined modestly from peak levels in July 2011, eroding some of the price increases recorded earlier in the year by pulp producers. Year to date September 2011, global pulp shipments were up by over five percent from the same period in 2010. Following four consecutive months of increases, producer inventories at the end of September fell by 3 days to stand at 38 days. Producer inventories for both softwood (32 days) and hardwood (44 days) pulp are above historical averages (29 days for softwood and 37 days for hardwood), adding pressure to current price levels. However, most pulp producers are expecting modest demand recovery in the fourth quarter.

Despite the softening of pulp prices, current levels continue to support healthy operating rates from North American bleached pulp mills and strong demand for sodium chlorate. Likewise, sodium chlorate exports from North America continued their growth

trend, with year to date August 2011 volumes slightly higher than the same period in 2010. The supply of sodium chlorate has been in a tight-to-balanced position for the full year, supporting price increases. Barring any strong reversal in the pulp industry or global economy, the chlorate market supply–demand balance should remain at current levels, and could see stronger fundamentals later in 2012 as some of the projected pulp mill re-starts increase overall demand for sodium chlorate.

North America Chlor-alkali

The North America chlor-alkali industry operated at an estimated 83 percent of capacity in the third quarter of 2011, compared with 88 percent in the prior quarter and 91 percent in the third quarter of 2010. The reduction in industry capacity utilization is a direct result of decreased chlorine derivative exports to China from US Gulf Coast producers. Domestic chlorine demand remains weak and the outlook for the fourth quarter is poor when considering the seasonal downturn in construction materials and water treatment. Industry capacity utilization is expected to be at or below 80 percent in the fourth quarter of 2011.

North American hydrochloric acid supply declined significantly consistent with the reduction in chlorine derivative production which generates by-product hydrochloric acid supply – principally the isocyanates and fluorochemicals manufacturers. Chlorine burner supply has increased to capacity levels, but not sufficient to offset the loss of by-product supply. On the demand side, there has been an increase in demand for hydrochloric acid in the oil and gas well stimulation segment, resulting in a market that is undersupplied.

North American caustic soda production declined in the third quarter of 2011 consistent with lower chlorine operating rates. Import supply availability declined due to lower chlorine demand and weak polyvinyl chloride (“PVC”) economics in Asia. Domestic demand remained strong with continued high demand from the pulp and paper sector. Domestic caustic soda supply is expected to decrease further in the fourth quarter of 2011 with the expected lower chlorine operating rates. Import availability will be influenced by PVC margins and chlorine demand in other segments.

North America MECU prices increased during the third quarter of 2011 due to caustic soda price improvement. Additional caustic soda and hydrochloric acid price increases are expected in the fourth quarter, while chlorine prices are expected to erode. Overall, MECU values are forecast to remain stable in the fourth quarter.

South America

Brazilian pulp exports in September 2011 were weaker than in August 2011. Lower exports in September indicates higher producer inventories at this time which, together with recent concerns on global economic activity, may trigger price reductions in the short term. Year-to-date September 2011, exports were three percent higher, indicating flat activity.

Canexus Brazil’s major sodium chlorate customer is on track to meet their 2011 pulp production targets. Canexus Brazil’s other pulp customers are also on track to meet their production objectives for the year. Accordingly, Canexus Brazil’s sodium chlorate plant is projected to operate at maximum rates for the duration of 2011.

During January to August 2011 the Brazilian chlorine capacity utilization rate was 82 percent (seven percent lower than the same period in the prior year). The decreased production rate was the result of demand reduction associated with a power outage and planned outages at several chlor-alkali facilities throughout the year. These disruptions were associated with captive chlorine consumers that are not part of the market segments into which Canexus Brazil sells. In contrast to the Brazilian market as a whole, Canexus Brazil’s chlor-alkali capacity utilization was 94 percent during the nine months ended September 30, 2011.

Liquidity and Capital Resources

Excess of Net Cash Generated from Operating Activities and Excess (Shortfall) of Net Income (Loss) Over Distributions Declared

The table below presents the excess of Canexus LP’s net cash generated from operating activities and the excess (shortfall) of Canexus LP’s net income (loss), over dividends/distributions declared to, as applicable, ordinary limited partnership unit (“Ordinary LP Unit”) holders and the exchangeable limited partnership unit (“Exchangeable LP Unit”) holder for the three and nine months ended September 30, 2011, the three and nine months ended September 30, 2010 and the years ended December 31, 2008 through December 31, 2010.

The Corporation considers the amount of Canexus LP’s net cash generated from operating activities; the amount of Distributable Cash of Canexus LP; the Corporation’s solvency requirements under applicable law and any required funding of expansion

projects in determining the level of dividends to shareholders. The Corporation does not consider net income (loss) in the determination of the level of dividends, as net income (loss) includes significant non-cash items including depreciation, amortization and accretion, change in fair value of convertible debentures and Fund Units (in 2010) and unrealized foreign currency translation gains (losses).

The ability of Canexus Corporation to pay dividends and to fund expansion projects is primarily dependent upon future levels of Canexus LP's net cash generated from operating activities. Canexus LP's net cash generated from operating activities is sensitive to sales volumes, selling prices, electricity prices and foreign currency exchange rates. For a discussion of these risks and their potential impact on Canexus LP's net cash generated from operating activities see "Market and Financial Risk Analysis" beginning on page 21.

Distributable Cash of Canexus LP exceeded dividends/distributions declared for the three and nine months ended September 30, 2011 as a result of the Cash Operating Profit generated by Canexus LP's operating segments for the same periods. See "Operating Segment Results" beginning on page 7 for a discussion of operating results for the three and nine months ended September 30, 2011.

Distributable Cash of Canexus LP exceeded distributions declared for the three and nine months ended September 30, 2010 primarily as a result of the intentional triggering of \$19.4 million of realized currency translation gains on temporary repayments of the Extendible Revolving Credit Facility (see "Capital Resources" beginning on page 19) during the third quarter of 2010 to minimize borrowing costs.

Distributable Cash of Canexus LP for the years ended December 31, 2008 and December 31, 2009 exceeded distributions declared as Distributable Cash of Canexus LP was retained to partially fund the TCP and other expansion projects. Distributable Cash of Canexus LP exceeded distributions declared for the year ended December 31, 2010 primarily due to the intentional triggering of \$19.4 million of realized foreign currency translation gains on temporary repayments of the Extendible Revolving Credit Facility (see "Capital Resources" beginning on page 19) during the third quarter of 2010 to minimize borrowing costs.

	Three Months Ended September 30		Nine Months Ended September 30		Years Ended December 31		
	2011	2010	2011	2010	2010	2009 ⁽²⁾	2008 ⁽²⁾
Net Cash Generated from Operating Activities	33,975	26,960	65,794	70,169	86,950	117,263	72,140
Net Income (Loss)	(5,386)	12,795	15,332	15,552	25,157	73,652	(6,035)
Dividends/Distributions Declared	16,016	14,072	47,430	41,540	55,883	52,476	51,218 ⁽¹⁾
Excess of Net Cash Generated from Operating Activities over Dividends/Distributions Declared	17,959	12,888	18,364	28,629	31,067	64,787	20,922
Excess (Shortfall) of Net Income (Loss) over Dividends/Distributions Declared	(21,402)	(1,277)	(32,098)	(25,988)	(30,726)	21,176	(57,253)

Notes:

- (1) Distributions declared payable to Ordinary LP Unit holders and the Exchangeable LP Unit holder. On December 11, 2008, the Board of Directors of Canexus Limited declared a special distribution of \$0.0456 per LP Unit payable by Canexus LP to LP Unit holders of record December 31, 2008. In addition, on December 11, 2008, the Board of Directors of Canexus Limited declared an additional distribution of \$540,000 payable by Canexus LP to Canexus Commercial Trust and Canexus Commercial Trust in turn declared an additional distribution payable to the Fund. The proceeds from the additional distribution were used by the Fund to repay amounts owing to affiliates for trust administration expenses incurred in 2008.
- (2) Net cash generated from operating activities and net income (loss) for the years ended December 31, 2009 and 2008 were prepared in accordance with Previous GAAP.

Three and Nine Months Ended September 30, 2011

Net cash generated from operating activities exceeded dividends/distributions for the three and nine months ended September 30, 2011. Net cash generated from operating activities for the three months ended September 30, 2011 was increased by temporary decreases in non-cash operating working capital and due to/from affiliates, net. Net cash generated from operating activities for the nine months ended September 30, 2011 was decreased by temporary increases in non-cash operating working capital and due to/from affiliates, net. See "Operating Segment Results" beginning on page 7 for further discussion.

Dividends/distributions declared exceeded net income (loss) for the three and nine months ended September 30, 2011 as net income (loss) was reduced by non-cash expenses including depreciation, amortization and accretion, deferred income taxes, unrealized foreign currency translation losses and changes in fair value of derivative financial instruments.

Three and Nine Months Ended September 30, 2010

Net cash generated from operating activities exceeded distributions declared for the three months ended September 30, 2010 as a result of the intentional triggering of \$19.4 million of realized foreign currency translation gains on temporary repayments of the Extendible Revolving Credit Facility (see "Capital Resources" beginning on page 19) to minimize borrowing costs. Net cash generated from operating activities exceeded distributions declared for the nine months ended September 30, 2010 as a result of the intentional triggering of realized foreign currency translation gains as noted in the preceding sentence and as cash was retained to partially finance the TCP at our North Vancouver chlor-alkali facility and other expansion projects.

Distributions declared exceeded net income for the three months ended September 30, 2010 as net income was reduced by non-cash expenses including depreciation, amortization and accretion, unrealized foreign currency translation losses and changes in fair value of derivative financial instruments. Distributions exceeded net income for the nine months ended September 30, 2010 as net income was negatively impacted by the delay in the startup of the TCP and to the reduction of net income by non-cash expenses including depreciation, amortization and accretion, unrealized foreign currency translation losses and changes in fair value of derivative financial instruments.

Years Ended December 31, 2008 through December 31, 2010

Net cash generated from operating activities exceeded distributions declared for the year ended December 31, 2010 as a result of the intentional triggering of realized foreign currency translation gains noted above and net cash generated from operating activities was increased by temporary decreases in non-cash operating working capital and due to/from affiliates, net. Distributions declared exceeded net income as net income was reduced by non-cash expenses including depreciation, amortization and accretion, unrealized foreign currency translation losses, changes in fair value of derivative financial instruments and pension and post retirement benefit expense in excess of funding.

Net cash generated from operating activities exceeded distributions declared for the year ended December 31, 2009 as cash was retained to partially finance the TCP at our North Vancouver chlor-alkali facility and other expansion projects. Net income exceeded distributions declared as cash was retained to partially finance expansion projects as noted in the preceding sentence. Non-cash expenses including depreciation, amortization and accretion, changes in fair value of derivative financial instruments, deferred income taxes and the impairment of sodium chlorate assets reduced net income, partially offset by unrealized foreign currency translation gains.

Net cash generated from operating activities exceeded distributions declared for the year ended December 31, 2008 as cash was retained to partially finance the expansion of our Brandon, Manitoba sodium chlorate plant, the TCP at our North Vancouver chlor-alkali facility and other expansion projects. Distributions declared exceeded net income (loss) for the year ended December 31, 2008 as net income (loss) was reduced by non-cash expenses including depreciation, amortization and accretion, unrealized foreign currency translation losses, the recording of estimated severance costs payable to employees in 2010 following the startup of the TCP at our North Vancouver chlor-alkali facility and the recording of an estimated impairment loss on our investment in non-bank sponsored ABCP, partially offset by changes in fair value of derivative financial instruments.

Net Debt and Total Equity

	September 30, 2011	December 31, 2010
Long-Term Debt (excluding Unamortized Senior Secured Notes Transaction Costs)	282,581	322,250
Debentures, Principal Amount	138,357	124,609
Less:		
Cash and Cash Equivalents	3,549	3,223
Non-Cash Working Capital	43,297	26,347
Total Net Debt ⁽¹⁾	374,092	417,289
Total Equity ⁽²⁾	180,447	139,261

Notes:

- (1) Includes all long-term debt and is calculated as long-term debt less working capital.
- (2) On February 7, 2011, Nexen exchanged all of its Exchangeable LP Units for Fund Units on a one-for-one basis and subsequently disposed of its Fund Units. At December 31, 2010 there were 38,368,048 Ordinary LP Units (held directly and indirectly by the Fund) and 66,238,563 Exchangeable LP Units (held by Nexen) outstanding.

Liquidity

Canexus LP generated positive net cash from operating activities for the three and nine months ended September 30, 2011 and September 30, 2010. Net cash generated from operating activities for the three months ended September 30, 2011 was used to pay dividends, fund capital investment and repay a portion of the Extendible Revolving Credit Facility (see “Capital Resources” beginning on page 19). Net cash generated from operating activities for the nine months ended September 30, 2011 was used to pay dividends/distributions and fund capital investment. Net cash generated from operating activities in excess of distributions for the three and nine months ended September 30, 2010 was used to fund expansion capital expenditures, including the TCP at our North Vancouver chlor-alkali facility.

The following table provides an overview of Canexus LP's cash flows for the three and nine months ended September 30, 2011 and 2010:

	Three Months Ended September 30			Nine Months Ended September 30		
	2011	2010	Change	2011	2010	Change
Net Cash Generated from Operating Activities	33,975	26,960	7,015	65,794	70,169	(4,375)
Net Cash Generated from (Used in) Financing Activities	(26,300)	4,376	(30,676)	(33,560)	55,353	(88,913)
Net Cash Used in Investing Activities	(10,469)	(26,122)	15,653	(32,073)	(130,826)	98,753

Net Cash Generated from Operating Activities

Net cash generated from operating activities is generated primarily from the sale of sodium chlorate and chlor-alkali products and is reduced by the purchase of raw materials, labour costs and utilities, as well as distribution, selling and marketing expense and general and administrative expense.

Net cash generated from operating activities increased for the three months ended September 30, 2011 as compared to the three months ended September 30, 2010. The increase was primarily due to an increase in the Cash Operating Profit of our North America chlor-alkali operating segment (see “Operating Segment Results” beginning on page 7) and to a temporary net decrease in non-cash operating working capital and due to/from affiliates (as compared to a temporary net increase in non-cash operating working capital and due to/from affiliates for the three months ended September 30, 2010), partially offset by the \$19.4 million of realized foreign currency translation gains that were intentionally triggered during the three months ended September 30, 2010 on temporary repayments of the Extendible Revolving Credit Facility (see “Capital Resources” beginning on page 19).

Non-cash operating working capital decreased during the three months ended September 30, 2011 primarily as a result of a temporary increase in trade and other payables related to operating activities, partially offset by a temporary increase in due from affiliates, net.

Net cash generated from operating activities decreased for the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010. The decrease was primarily due to higher interest paid and not capitalized; lower realized foreign currency translation gains (\$19.4 million of realized currency translation gains were intentionally triggered on temporary repayments of the Extendible Revolving Credit Facility (see “Capital Resources” beginning on page 19) in the third quarter of 2010); a higher temporary net increase in non-cash operating working capital; and lower realized gains on foreign exchange options, partially offset by an increase in Cash Operating Profit of the North America chlor-alkali operating segment for the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010; lower realized losses on the interest rate swaps; and the settlement of a contract matter related to hydrogen supply during the nine months ended September 30, 2010.

Non-cash operating working capital increased during the nine months ended September 30, 2011 primarily as a result of a temporary increase in due from affiliates and temporary decreases in short-term borrowings and trade and other payables.

Net Cash Generated from (Used in) Financing Activities

Changes in net cash generated from (used in) financing activities for the three and nine months ended September 30, 2011 compared to the three and nine months ended September 30, 2010 were comprised of:

	Three Months Ended September 30			Nine Months Ended September 30		
	2011	2010	Change	2011	2010	Change
Proceeds from (Repayments of) Short-Term Borrowings, Net	625	(14,488)	15,113	(5,006)	1,339	(6,345)
Proceeds from Extendible Revolving Credit Facility	-	355,859	(355,859)	28,430	453,920	(425,490)
Repayments of Extendible Revolving Credit Facility	(18,764)	(380,827)	362,063	(76,120)	(403,388)	327,268
Proceeds from Senior Secured Revolving Credit Facility	-	-	-	-	1,068	(1,068)
Repayments of Senior Secured Revolving Credit Facility	-	-	-	-	(14,211)	14,211
Proceeds from EDC Extendible Revolving Credit Facility	-	-	-	-	4,056	(4,056)
Repayments of EDC Extendible Revolving Credit Facility	(3,877)	-	(3,877)	(7,749)	(2,114)	(5,635)
Credit Facility Transaction Costs	-	(89)	89	(3,262)	(4,256)	994
Proceeds from Series III and IV Debentures	-	60,000	(60,000)	60,000	60,000	-
Reimbursement of Fund Series III and IV Convertible Debenture Transaction Costs	(413)	(2,806)	2,393	(2,663)	(2,806)	143
Distributions Paid to Ordinary LP Unit holders and Exchangeable LP Unit holder	(3,871)	(13,273)	9,402	(27,190)	(39,085)	11,895
Funding of Expenditures on Decommissioning Liabilities from Restricted Investments	-	-	-	-	830	(830)
Net Cash Generated from (Used In) Financing Activities	(26,300)	4,376	(30,676)	(33,560)	55,353	(88,913)

Net cash generated from financing activities for the three and nine months ended September 30, 2010 was used to partially fund expansion capital projects and other expenditures on property, plant and equipment. See "Net Cash Used in Investing Activities" below.

Net Cash Used in Investing Activities

Changes in net cash used in investing activities for the three and nine months ended September 30, 2011 compared to the three and nine months ended September 30, 2010 were comprised of:

	Three Months Ended September 30			Nine Months Ended September 30		
	2011	2010	Change	2011	2010	Change
Expenditures on Property, Plant and Equipment	(10,200)	(16,735)	6,535	(30,319)	(113,539)	83,220
Expenditures on Decommissioning Liabilities	(5)	(3)	(2)	(286)	(192)	(94)
Changes in Non-Cash Investing Working Capital	(330)	(7,965)	7,635	(1,565)	(9,928)	8,363
Capitalized Borrowing Costs	(153)	(1,461)	1,308	(336)	(7,272)	6,936
Interest Income Received	219	42	177	433	105	328
Net Cash Used in Investing Activities	(10,469)	(26,122)	15,653	(32,073)	(130,826)	98,753

Future Liquidity

The future liquidity of the Corporation will be primarily dependent on net cash generated from operating activities which will be used to finance ongoing maintenance capital expenditures, dividends to common shareholders and normal course financial commitments. Cash flows are sensitive to changes in sales volumes and selling prices, electricity costs and foreign currency exchange rates and any changes in these will impact future liquidity. See "Market and Financial Risk Analysis" beginning on page 21. Management believes net cash generated from operating activities will be sufficient for the Corporation to meet future obligations and commitments that arise in the normal course of its business activities. In addition, Canexus LP has committed credit facilities which can be used for general corporate purposes and to fund capital expenditures. See "Capital Resources" below.

Debt Covenants

At September 30, 2011, Canexus LP was in compliance with all ongoing covenants (financial and non-financial) and conditions contained in its credit facilities agreements and the note indenture governing the Senior Secured Notes. Canexus LP's debt covenants specifically exclude the Convertible Debentures issued by the Corporation (see "Additional Information for Canexus Corporation – Liquidity and Capital Resources – Convertible Debentures" beginning on page 31), as well as the Debentures issued by Canexus LP to the Corporation.

	Twelve Months Ended	
	September 30, 2011	December 31, 2010 ⁽²⁾
Net Income	19,715	9,372
Interest (including Realized Losses on Interest Rate Swaps and Interest on Convertible Debentures)	26,513	18,028
Income Taxes	6,124	5,204
Depreciation, Amortization and Accretion	54,236	57,030
Non-Cash Expense Items, Net of TCP Severance Costs Paid	3,494	8,570
General and Administrative Expense of the Corporation	(1,368)	(459)
Consolidated EBITDA ⁽¹⁾	108,714	97,745
Short-Term Borrowings	5,505	10,512
Long-Term Debt (excluding Unamortized Senior Secured Notes Transaction Costs)	282,581	322,250
Consolidated Senior Debt ⁽¹⁾	288,086	332,762
Consolidated Total Debt ⁽¹⁾	288,086	332,762
Interest (excluding Interest on Convertible Debentures)	19,344	11,223
Capitalized Interest and Letter of Credit Fees	649	7,140
Consolidated Interest Expense	19,993	18,363
Consolidated Senior Debt to EBITDA Ratio ⁽¹⁾	2.65:1	3.40:1
Consolidated Total Debt to EBITDA Ratio ⁽¹⁾	2.65:1	3.40:1
Consolidated EBITDA to Interest Expense Ratio ⁽¹⁾	5.44:1	5.32:1

Notes:

(1) See Non-IFRS Measures on page 3.

(2) December 31, 2010 debt covenant information was calculated in accordance with Previous GAAP.

Capital Resources

The Corporation had commitments of \$11.7 million at September 30, 2011 and \$18.6 million at November 11, 2011 related primarily to expanding the rail yard at the North Vancouver chlor-alkali facility, upgrading the power line capacity at our Brandon, Manitoba sodium chlorate facility and developing our NATO site. Management anticipates ongoing annual maintenance capital expenditures of approximately \$15 to \$20 million which will be financed primarily out of net cash generated from operating activities. Maintenance capital expenditures are expected to be about \$20 million in 2011 and 2012 as a result of accelerating our electrolyzer recoating programs at our Brandon, Manitoba and Brazil sodium chlorate plants. Additional growth opportunities, including production de-bottlenecking opportunities and acquisitions may result in additional expansion capital requirements which, if incurred, would be financed from a combination of cash on hand, bank debt or issuances of common shares or other securities of the Corporation.

Canexus LP has a \$440 million extendible revolving credit facility (the "Extendible Revolving Credit Facility") that matures June 30, 2014. The Extendible Revolving Credit Facility is available for draw down during the revolving period subject to meeting ongoing covenants (financial and non-financial) and conditions. This credit facility bears interest at rates that vary depending on the consolidated debt to EBITDA ratio of Canexus LP and which may be based on the lender's Canadian prime rate, the US base rate, Canadian bankers' acceptances or the US LIBOR rate, at our option. Canexus LP may draw down this credit facility in either Canadian or US dollars. At September 30, 2011, Canexus LP had \$229 million (US \$220 million) outstanding on this credit facility which is included in Long-Term Debt on the Corporation's unaudited condensed consolidated statement of financial position at September 30, 2011. Short-term swing line loans of up to \$35 million Canadian are available under the credit facility provided that the aggregate principal outstanding under the credit facility does not exceed \$440 million. At September 30, 2011, Canexus LP had \$5.5 million of swing line loans outstanding.

Canexus Brazil has a US \$10 million extendible revolving credit facility with Export Development Canada (the “EDC Extendible Revolving Credit Facility”) which bears interest at a rate based on the US LIBOR rate and matures June 30, 2014. Proceeds from this facility can be used for general Canexus Brazil corporate purposes including capital expenditures. At September 30, 2011, Canexus Brazil had \$2.1 million (US \$2 million) outstanding on this credit facility which is included in Long-Term Debt on the Corporation’s unaudited condensed consolidated statement of financial position at September 30, 2011.

Canexus LP has US \$50 million of senior secured notes (the “Senior Secured Notes”) outstanding which bear interest at a fixed interest rate of 7.32 percent and mature May 1, 2013. The Canadian dollar equivalent of the US \$50 million of Senior Secured Notes of \$51.9 million (before unamortized transaction costs) is included in Long-Term Debt on the Corporation’s unaudited condensed consolidated statement of financial position at September 30, 2011.

At September 30, 2011, the Corporation had \$138.4 million principal amount of Convertible Debentures outstanding (Series I Convertible Debentures - \$18.4 million, Series III Convertible Debentures - \$60 million and Series IV Convertible Debentures - \$60 million). The Series I Convertible Debentures bear interest at 8 percent payable semi-annually on December 31 and June 30 of each year and mature December 31, 2014, the Series III Convertible Debentures bear interest at 5.75 percent payable semi-annually on December 31 and June 30 of each year and mature on December 31, 2015 and the Series IV Convertible Debentures bear interest at 5.75 percent payable semi-annually on December 31 and June 30 of each year and mature December 31, 2018.

Canexus LP is the applicant on one Letter of Credit at September 30, 2011; a standby letter of credit in favour of CIBC Mellon for the Canexus Supplemental Pension Plan obligations (\$1.6 million) which expires January 1, 2012 and fully covers the actuarially determined obligation. This letter of credit is automatically renewed for one year periods unless otherwise advised.

Summary of Contractual Obligations

The Corporation assumes various contractual obligations and commitments in the normal course of its business activities. These obligations and commitments have been considered in the above discussion of future liquidity. At September 30, 2011 these obligations and commitments were as follows:

	Total	2011	2012	2013	2014	2015	Thereafter
Operating Leases ⁽¹⁾	111,726	4,935	16,342	14,590	13,755	12,786	49,318
Purchase Obligations ⁽²⁾	100,769	8,936	36,913	38,024	8,448	8,448	-
Expansion Capital Expenditures ⁽³⁾	13,158	11,668	1,490	-	-	-	-
Provisions ⁽⁴⁾	153,124	362	2,400	1,325	475	250	148,312
Long-Term Debt ⁽⁵⁾	282,581	-	-	51,945	230,636	-	-
Interest on Senior Secured Notes ⁽⁵⁾	6,970	1,584	3,802	1,584	-	-	-
Debentures ⁽⁵⁾	138,357	-	-	-	18,357	60,000	60,000
Interest on Debentures ⁽⁵⁾	46,541	4,184	8,369	8,369	8,369	6,900	10,350
Total	853,226	31,669	69,316	115,837	280,040	88,384	267,980

Notes:

- Payments for operating leases reduce net cash generated from operating activities. Operating leases include minimum lease payment obligations associated with leases for office space, rail cars, vehicles, software maintenance contracts and other property and equipment leases.*
- Purchase obligations include the contractual commitment for the purchase of electricity in South America, 90 to 100 percent of the cost of which is passed through to our major customer, and minimum purchase commitments under some multi-year salt supply contracts.*
- Capital expenditures committed at September 30, 2011 are primarily related to expanding the rail yard at the North Vancouver chlor-alkali facility, to upgrading the power line capacity at our Brandon, Manitoba sodium chlorate production facility and developing our NATO site.*
- At September 30, 2011, the undiscounted provision for decommissioning liabilities was \$153.1 million. The estimated fair value (\$81.5 million) of these obligations is provided for in the Corporation’s consolidated financial statements for the three and nine months ended September 30, 2011 (See Note 19). The timing of any payments is difficult to determine with certainty and have been included in the table above using best estimates.*
- Long-Term Debt amounts are included in the Corporation’s September 30, 2011 unaudited consolidated statement of financial position (See Note 17 Long-Term Debt and Short-Term Borrowings and Note 18 Convertible Debentures to the consolidated financial statements of the Corporation for the three and nine months ended September 30, 2011). The amounts in the table above exclude the unamortized senior secured notes transaction costs. The principal amount and coupon rate of the Debentures outstanding in Canexus LP mirror the Convertible Debentures in the Corporation, as proceeds received from the Convertible Debentures were used by Canexus LP. The Extendible Revolving Credit Facility balance will fluctuate and matures June 30, 2014. Interest is payable on the outstanding balance at rates which vary depending on the consolidated debt to EBITDA ratio of Canexus LP and may be based on the lender’s Canadian prime rate, the US base rate, Canadian bankers’ acceptances or the US LIBOR rate, at our option. The EDC Extendible Revolving Credit Facility balance will fluctuate and matures June 30, 2014. Interest is payable at a rate based on the US LIBOR rate. Interest payments on the Extendible Revolving Credit Facility and the EDC Extendible Revolving Credit Facility have been excluded from the above table as the amount and timing of any interest payments will fluctuate depending on balances outstanding and applicable interest rates. Interest is payable quarterly (May 1, August 1, November 1 and February 1) on the US dollar Senior Secured Notes at a fixed rate of interest of 7.32*

percent. Interest payments have been included in the table above at the Canadian dollar equivalent of the US dollar interest payments using the September 30, 2011 Bank of Canada noon day US dollar to Canadian dollar foreign exchange rate. Interest is payable semi-annually on June 30 and December 31 on the Series I Debentures at a fixed rate of interest of 8 percent and at a fixed rate of interest of 5.75 percent on the Series III Debentures and Series IV Debentures. Interest on the Senior Secured Notes and Debentures in the table above includes amounts accrued in the unaudited condensed consolidated statement of financial position of the Corporation at September 30, 2011. The Series II Debentures which bore interest at 8 percent per annum were redeemed in their entirety on January 27, 2011 (\$40 million principal amount) and accordingly, the interest thereon is no longer included in the above table. See "Capital Resources" beginning on page 19.

Purchase arrangements made in the ordinary course of business have been excluded from the table above as they are discretionary.

Deferred tax liabilities have been excluded from the table above as the amount and timing of any cash payments for income taxes are based primarily on taxable income for each fiscal year in the various operating jurisdictions.

Liabilities for unfunded pension and other post retirement benefit obligations have been included in the September 30, 2011 unaudited condensed consolidated statement of financial position of the Corporation, however these obligations have not been included in the table above due to the uncertainty related to the amount and timing of any payments.

From time to time, the Corporation enters into contracts, particularly relating to the sale of products in the ordinary course of business, which require it to indemnify parties against possible claims. On occasion, the Corporation provides indemnifications to the purchaser. The overall maximum amount of indemnifications cannot be reasonably estimated. No significant payments have been made related to these indemnifications. Management does not expect that these matters would have a material adverse effect on the Corporation's liquidity, consolidated financial position or results of operations.

Contingent Liabilities

In the normal course of business, the Corporation is subject to lawsuits and claims. Management believes the resolution of these matters will not have a material adverse effect, individually or in the aggregate, on the Corporation's liquidity, consolidated financial position or results of operations. The Corporation records costs as they are incurred or become determinable. Additionally, the income tax filings of taxable legal entities included in the companies comprising the Corporation are subject to audit by taxation authorities. Management believes that the Corporation has recorded an adequate provision for income taxes based on available information.

Guarantees

All of the credit facilities and the Senior Secured Notes (see "Capital Resources" beginning on page 19) are secured by a floating charge debenture over all of Canexus LP's assets. The Corporation and each of its wholly owned subsidiaries, Canexus Limited and indirectly, Canexus Holdings Limited, have provided unlimited liability guarantees to and subordinated their rights to receive payments from Canexus LP in respect of Canexus LP's credit facilities and Senior Secured Notes in "events of default" as defined in each of the credit facility agreements and the note indenture governing the Senior Secured Notes filed on the Corporation's SEDAR profile at www.sedar.com.

Market and Financial Risk Analysis

The Corporation is exposed to normal market risks inherent in the chemicals business, as well as financial risks. Included in the risks faced by the Corporation are product price and volume risk, South American chlor-alkali plant operating rate risk, electricity price risk, foreign currency rate risk, interest rate risk and credit risk. The Corporation recognizes these risks and manages its operations to minimize its exposures to the extent practical. For additional information regarding risks impacting the chemicals business, refer to the "Risk Factors" section included in the Fund's Annual Information Form filed on the Corporation's SEDAR profile at www.sedar.com.

Product Price and Volume Risk

Product price risk related to sodium chlorate and chlor-alkali products is a significant market risk exposure. For every \$75 change in the price per MT of North American produced sodium chlorate, income (loss) before income taxes for the three and nine months ended September 30, 2011 would have changed by \$6.8 million and \$20.6 million respectively. For every \$100 change in the price per MECU of chlor-alkali products produced in North America, income (loss) before income taxes for the three and nine months ended September 30, 2011 would have changed by \$5.1 million and \$14.2 million respectively. These sensitivities to changes in prices are based on 91,000 MT of North American sodium chlorate sales and 51,000 MECU of North American chlor-alkali sales for the three months ended September 30, 2011 and 275,000 MT of North American sodium chlorate sales and 142,000 MECU of North American chlor-alkali sales for the nine months ended September 30, 2011. Sensitivities of

\$75 per MT for sodium chlorate and \$100 per MECU for chlor-alkali products are considered reasonable given historical product price changes and market expectations for future movement.

Product volume risk related to sodium chlorate and chlor-alkali products is a significant market risk exposure given the recent economic uncertainty. A change in sales volumes for North American sodium chlorate of 2,500 MT for the three months ended September 30, 2011 and 7,500 MT for the nine months ended September 30, 2011 would have changed income (loss) before income taxes for the three and nine months ended September 30, 2011 by \$0.5 million and \$1.6 million respectively. A change in sales volumes for North American chlor-alkali products of 1,250 MECU for the three months ended September 30, 2011 and 3,750 MECU for the nine months ended September 30, 2011 would have changed income (loss) before income taxes for the three and nine months ended September 30, 2011 by \$0.7 million and \$1.8 million respectively. These sales volume changes are considered to be reasonably possible due to recent economic conditions and market expectations for future movement.

South American Chlor-alkali Plant Operating Rate Risk

Our major customer in South America typically consumes more caustic soda than our Brazil chlor-alkali plant's operating capacity. To the extent we are unable to operate our chlor-alkali plant at capacity due to market factors, such as an inability to sell chlorine or chlorine derivatives or other circumstances, we are required to purchase caustic soda up to our chlor-alkali plant's operating capacity volume at market prices but are only able to bill our major customer for our production cost plus a fixed margin (the "Canexus Price"). During the three and nine months ended September 30, 2011, we acquired 820 MT and 846 MT of caustic soda respectively to make up for our production shortfall at a price which exceeded the Canexus Price.

Electricity Price Risk

The cost of electricity is a key production cost. For every four percent change in the price of electricity in North America, income (loss) before income taxes would have changed by \$0.8 million and \$2.4 million for the three and nine months ended September 30, 2011 respectively. This sensitivity to changes in electricity prices is based on North American electricity consumption of 604,000 megawatt hours ("MWh") and 1,745,000 MWh for the three and nine months ended September 30, 2011. A four percent change in the price of electricity in North America is considered reasonable given historical price changes and market expectations for future movement.

Foreign Currency Rate Risk

A substantial portion of the sales revenue of Canexus LP is denominated in or referenced to the US dollar, including the sale of certain chemical products into the US market, as well as the majority of sales margins in South America. A significant portion of Canexus LP's North American expenses are denominated in Canadian dollars. The average Canadian to US dollar foreign exchange rate for the three months ended September 30, 2011 was US \$1.03 and for the nine months ended September 30, 2011 was US \$1.02. An increase in the Canadian to US dollar exchange rate to US \$1.10 for the three and nine month periods ended September 30, 2011 would have increased the loss before income taxes by \$2.1 million for the three months ended September 30, 2011 and decreased income before income taxes by \$6.9 million for the nine months ended September 30, 2011, before the impact of foreign exchange options. A decrease in the Canadian to US dollar exchange rate to US \$0.95 for the three and nine month periods ended September 30, 2011 would have decreased the loss before incomes taxes by \$3 million for the three months ended September 30, 2011 and increased income before income taxes by \$7.2 million for the nine months ended September 30, 2011. A range of US \$0.95 to US \$1.10 for the Canadian to US dollar exchange rate is considered reasonable given the current value and recent movement of the Canadian dollar relative to the US dollar and market expectations for future movements.

To manage the exposure to the Canadian to US dollar exchange rate, Canexus LP has entered into US dollar denominated long-term debt, incurs other expenditures in US dollars and enters into US dollar foreign exchange option contracts and cross currency swaps.

During the three months ended September 30, 2011, Canexus LP had US dollar foreign exchange option contracts on US \$5 million per month which entitled Canexus LP to sell US dollars and acquire Canadian dollars at an exchange rate of US \$1.026 per Canadian dollar.

During the nine months ended September 30, 2011, Canexus LP had US dollar foreign exchange option contracts as follows:

- US \$5 million per month which entitled Canexus LP to sell US dollars and acquire Canadian dollars at an exchange rate of US \$1.026 per Canadian dollar for the period July 1, 2011 to September 30, 2011;

- US \$3.75 million for May 2011 and US \$5 million for June 2011 which entitled Canexus LP to sell US dollars and acquire Canadian dollars at an exchange rate of US \$1.03 per Canadian dollar; and
- US \$5 million per month which entitled Canexus LP to sell US dollars and acquire Canadian dollars at an exchange rate of US \$0.9804 per Canadian dollar for the period January 1, 2011 to March 31, 2011.

At September 30, 2011, Canexus LP had the following foreign exchange option contract outstanding:

- US \$5 million per month which entitles Canexus LP to sell US dollars and acquire Canadian dollars at an exchange rate of US \$1.02 per Canadian dollar from October 1, 2011 to December 31, 2011.

These options are designed to protect our cash flows if the Canadian dollar strengthens while still allowing our cash flows to benefit from any devaluation of the Canadian dollar relative to the US dollar.

In August 2011, Canexus LP entered into a cross currency swap to effect the payment of interest on the Series IV Debentures in US dollars. Under the terms of the cross currency swap, interest is payable at the rate of 5.69 percent on US \$61.8 million for the period August 8, 2011 to December 31, 2018.

Canexus LP does not have any material exposure to highly inflationary foreign currencies.

Interest Rate Risk

Interest rate risk refers to the risk that cash flows associated with a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk arises principally on Canexus LP's revolving credit facilities. The weighted average 30 day US LIBOR base rate for the three and nine months ended September 30, 2011 was 0.20 percent and 0.23 percent respectively. A change in the 30 day US LIBOR base rate to 0.2 percent for the three and nine month periods ended September 30, 2011 would not have changed the loss before income taxes for the three months ended September 30, 2011 and would have increased income before income taxes by \$0.2 million for the nine months ended September 30, 2011. A change in the 30 day US LIBOR base rate to 2 percent for the three and nine month periods ended September 30, 2011 would have increased the loss before income taxes by \$0.8 million for the three months ended September 30, 2011 and decreased income before income taxes by \$2.7 million for the nine months ended September 30, 2011. A range of 0.2 to 2 percent for the 30 day US LIBOR base rate is considered reasonable given current 30 day US LIBOR base rates and market expectations for future movement.

Canexus LP has entered into interest rate swap agreements under which Canexus LP swaps three month US LIBOR floating interest rates for a fixed rate of interest of 3.2 percent on a notional amount of US \$50 million for the period April 11, 2008 through April 10, 2013. These interest rate swaps are settled quarterly.

Credit Risk

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations and arises principally from Canexus LP's trade accounts receivable. Most of Canexus LP's trade accounts receivable are from counterparties in the pulp and paper, water treatment and oil and gas industries and are subject to normal industry credit risk. The following precautions are taken to reduce this risk:

- the financial strength of counterparties is assessed through a rigorous credit process;
- the total exposure extended to individual counterparties is limited, and collateral may be required from some counterparties;
- credit risk exposures are routinely monitored, including sector, geographic and corporate concentrations of credit;
- credit limits are set based on rating agency credit ratings and internal assessments based on company and industry analysis;
- counterparty credit limits are reviewed regularly; and
- credit limits are periodically reviewed with the Audit Committee of the Board of Directors.

Our North American customers are diverse with no one customer accounting for more than 8 percent of total trade accounts receivable at September 30, 2011. The majority of our South American production is sold to Fibria under a long-term sales agreement. At September 30, 2011, trade amounts owing from Fibria represented 13 percent of total trade accounts receivable (December 31, 2010 – 18 percent).

Management evaluates the collectability of accounts receivable on an ongoing basis and establishes an allowance for doubtful accounts to approximate future expected credit risk loss exposure to existing customers. We have been focusing additional effort on counterparty credit risk as a result of the global economic situation. We are enforcing credit terms, monitoring customer order patterns for abnormalities and are attempting to better understand the financing arrangements of key customers.

Our credit facilities and financial derivative transactions are predominantly with the major Canadian chartered banks.

Transactions With Related Parties

Canexus Limited, as administrator of the Fund, and indirectly the Trustee of Canexus Commercial Trust and the General Partner of Canexus LP, incurred expenditures during the period January 1, 2011 to February 6, 2011 and for the three and nine months ended September 30, 2010 on behalf of these entities for which it was reimbursed at cost. Canexus Limited sub leased office space from Nexen on behalf of the Fund and Canexus LP for which it was reimbursed at cost. The Fund's share of lease payments and operating costs for the period January 1, 2011 to February 6, 2011 were \$15,000. For the three and nine months ended September 30, 2010, the Fund's share of lease payments and operating costs were \$23,000 and \$69,000 respectively.

Proceeds from the Convertible Debentures issued by the Fund were used to purchase the Debentures of Canexus LP. Interest income recognized on the Debentures for the period January 1, 2011 to February 6, 2011 was \$0.7 million. For the three and nine months ended September 30, 2010, interest income recognized by the Fund on the Debentures was \$1.4 million and \$4.6 million respectively.

Derivative Financial Instruments and Off-Balance Sheet Arrangements

At September 30, 2011, Canexus LP did not have any material off-balance sheet arrangements.

During the three and nine months ended September 30, 2011 and at September 30, 2011, Canexus LP had US dollar foreign exchange option contracts, a cross currency swap agreement and interest rate swap agreements outstanding. See "Market and Financial Risk Analysis – Foreign Currency Rate Risk and Interest Rate Risk" for further discussion.

The fair value of derivative financial instruments is provided by third-party brokers as they are over-the-counter instruments.

Critical Accounting Estimates

There are a number of critical estimates underlying the accounting policies applied in the preparation of the consolidated financial statements of the Corporation. These critical estimates are discussed below.

Impairment of Long-Lived Assets

The Corporation evaluates its long-lived assets for impairment at each reporting date by reviewing internal and external indicators for evidence that the carrying value of PP&E and intangible assets may have suffered an impairment loss. Among other things, such indicators might include falling sales prices for chemical products, changes in operating costs and significant or adverse political or legal changes.

An evaluation of events and circumstances at September 30, 2011 did not lead to any indications of impairment of the Corporation's long-lived assets.

Cash flow estimates used for purposes of impairment assessments require assumptions about three primary elements—future sales prices, sales volumes and operating costs. Estimates of future sales prices require significant judgments about highly uncertain future events. Sales price forecasts used to assess impairment are based on prices derived from future price forecasts from industry sources and assessments made by the Corporation. Estimates of future operating costs are made by the Corporation. Given the significant assumptions required and the possibility that actual conditions will differ, the assessment of impairment is considered to be a critical accounting estimate. Any impairment charges would lower net income.

Decommissioning Liabilities

The Corporation is required to remove or remedy the effect of its activities on the environment at its operating sites by dismantling and removing production facilities and remediating any damage caused at the end of plant operating life. Estimating future decommissioning liabilities requires estimates and judgments to be made with respect to activities that will occur many years into the future. In addition, the ultimate financial impact of environmental laws and regulations is not always clearly known and cannot be reasonably estimated as standards evolve in the countries in which the Corporation operates.

Decommissioning liabilities for the Corporation's North America sodium chlorate, North America chlor-alkali and South America operating segments, as well as for NATO, are recorded in the consolidated financial statements of the Corporation for the three and nine months ended September 30, 2011 by discounting the estimated obligations associated with its chemical plants and terminals to the present value using a weighted average risk-free rate of 2.48 percent. In arriving at amounts recorded, numerous assumptions and judgments are made with respect to ultimate settlement amounts, inflation factors, risk-free discount rates, timing of settlement and expected changes in legal, regulatory, environmental and political environments. The present value of expected decommissioning liabilities recorded result in an increase to the carrying value of property, plant and equipment ("PP&E") which is depreciated over the useful life of the plant to which the PP&E relates. The decommissioning liability accretes until the time the obligation is expected to settle.

A change in any one of the assumptions could impact the decommissioning liabilities, PP&E and net income. It is difficult to determine the impact of a change in any one of the assumptions. As a result, the Corporation is unable to provide a reasonable sensitivity analysis of the impact that a change in assumptions would have on its financial position or results of operations. However, management of the Corporation believes that the assumptions it has made are reasonable.

Additional Information for Canexus Corporation

Until February 7, 2011, (the date of the Fund's indirect acquisition of Nexen's interest in Canexus LP), the Fund earned income from its interest in Canexus LP and interest revenue on the Debentures and accounted for its investment using the equity method. The changes in equity income (loss) for each of the three month periods were due to changes in the net income (loss) of Canexus LP for the same periods. Equity income from the investment in Canexus LP for the three months ended March 31, 2011 represents the Fund's share of the net income of Canexus LP for the period January 1, 2011 to February 6, 2011. Effective February 7, 2011 the Fund owned 100 percent of Canexus LP and has consolidated Canexus LP from that date. See also "Additional Information for Canexus LP" beginning on page 33.

Summary of Quarterly Results

CAD thousands, except per share amounts	Three Months Ended			
	September 30 2011	June 30 2011	March 31 2011	December 31 2010
Sodium Chlorate Sales Volume (000's MT) ⁽⁵⁾	107	107	73	-
Chlor-alkali Sales Volume (000's MECU) ⁽⁵⁾	62	64	27	-
Sales Revenue	139,278	130,534	84,085	-
Cost of Sales	82,026	81,947	60,593	-
Distribution, Selling and Marketing	22,666	22,600	13,909	-
General and Administrative	9,969	7,247	6,742	-
Operating Profit ⁽¹⁾	24,617	18,740	2,841	-
Add:				
Depreciation and Amortization included in Cost of Sales	10,073	10,768	7,173	-
Depreciation and Amortization included in General and Administrative	242	240	166	-
Share-based Compensation Expense (Recovery)	1,452	(1,004)	1,464	-
Cash Operating Profit ⁽¹⁾	36,384	28,744	11,644	-
Cash Operating Profit Percentage ⁽¹⁾	26%	22%	14%	-
Cash Operating Profit ⁽¹⁾	36,384	28,744	11,644	-
Add (Deduct):				
Finance Income (Expense) excluding Interest Expense	(15,515)	6,071	10,065	-
Other Income (Expense)	(2,418)	513	(180)	-
Equity Income (Loss) from Investment in Canexus LP ⁽⁴⁾	-	-	12,496	(12,973)
EBITDA ⁽¹⁾	18,451	35,328	34,025	-
(Add) Deduct:				
Interest Expense ⁽⁶⁾	7,267	6,755	5,358	-
Provision for Income Taxes	2,199	6,425	3,207	-
Share-based Compensation Expense (Recovery)	1,452	(1,004)	1,464	-
Depreciation and Amortization	10,315	11,008	7,339	-
Net Income (Loss)	(2,782)	12,144	16,657	(53,403)
Net Income (Loss) Per Share (\$/Share)	(0.02)	0.11	0.20	(1.37)
Diluted Net Income (Loss) Per Share (\$/Share)	(0.02)	0.07	0.17	(1.37)
Dividends/Distributions Declared ⁽³⁾	16,014	15,752	12,260	5,344
Dividends/Distributions Declared (\$/Share)	0.1368	0.1368	0.1368	0.1368
Distributable Cash of the Corporation ⁽¹⁾	23,725	20,905	5,394	2,337

For a discussion of non Cash Operating Profit changes in net income see “Additional Information for Canexus LP – Changes in Net Income” beginning on page 35).

In addition, to the non Cash Operating Profit changes in net income of Canexus LP, changes in finance income (expense) for the Corporation were due to changes in fair value of the Series I and Series III Convertible Debentures for the three month periods.

CAD thousands, except per unit amounts	Three Months Ended			
	September 30 2010	June 30 2010	March 31 2010	December 31 2009 ⁽²⁾
Equity Income (Loss) from Investment in Canexus LP ⁽⁴⁾	(302)	(3,392)	(10,986)	4,239
Net Income (Loss)	(12,495)	(10,591)	(41,042)	6,806
Net Income (Loss) Per Unit (\$/Unit)	(0.33)	(0.29)	(1.20)	0.21
Diluted Net Income (Loss) Per Unit (\$/Unit)	(0.33)	(0.29)	(1.20)	0.18
Distributions Declared ⁽³⁾	5,201	5,021	4,704	4,611
Distributions Declared (\$/Unit)	0.1368	0.1368	0.1368	0.1368
Distributable Cash of the Fund ⁽¹⁾	10,680	2,762	5,648	4,734

Notes:

- (1) See Non-IFRS Measures on page 3.
- (2) Quarterly results for the three months ended December 31, 2009 were prepared in accordance with Previous GAAP.
- (3) Distributions declared for the three month periods ended December 31, 2010, September 30, 2010, June 30, 2010 and March 31, 2010 were classified as finance income (expense) due to the classification of the Fund's units as liabilities. See Note 22(a) to the consolidated financial statements of the Corporation for the three and nine months ended September 30, 2011.
- (4) Equity income (loss) for the three month periods ended March 31, 2011, December 31, 2010, September 30, 2010, June 30, 2010 and March 31, 2010 includes the Fund's proportionate share of the change in fair value of the financial liability created by the obligation to issue Fund Units for the exchange of the Exchangeable LP Units of Canexus LP. See Note 9(a) to the consolidated financial statements of the Corporation for the three and nine months ended September 30, 2011.
- (5) Sodium chloride and chlor-alkali sales volume information for the three months ended March 31, 2011 is for the period February 7, 2011 to March 31, 2011. For sales volume information for the three months ended March 31, 2011 see “Additional Information for Canexus LP -- Summary of Quarterly Results” on pages 33 and 34.
- (6) Interest expense for the three month periods ended September 30, 2011, June 30, 2011, March 31, 2011, December 31, 2010, September 30, 2010, June 30, 2010 and March 31, 2010 includes the amortization of transaction costs and accretion on provisions which are classified as interest expense under IFRS.

Results of Operations

Investment in Canexus LP

At September 30, 2011, the Corporation owned 100 percent of the Ordinary LP Units of Canexus LP. At December 31, 2010, the Corporation had an investment in 38,368,048 Ordinary LP Units (36.7 percent) of Canexus LP. The Corporation accounted for its investment using the equity method until February 7, 2011. As a result of the Fund's indirect acquisition of Nexen's interest in Canexus LP on February 7, 2011, the Fund owned, directly and indirectly, 100 percent of Canexus LP and has consolidated Canexus LP from that date.

For the period January 1, 2011 to February 6, 2011, the Fund's equity income from Canexus LP was \$12.5 million. For the three and nine months ended September 30, 2010, the Fund's equity loss from Canexus LP was \$0.3 million and \$14.7 million respectively.

Expenses

General and administrative expenses of the Corporation included in the consolidated results of operations of the Corporation for the period January 1, 2011 to February 6, 2011 include an allocation of costs including directors' fees, directors' travel, directors and officers liability insurance, professional fees, office rent and public issuer reporting costs.

The Corporation provides share-based compensation in the form of options and corresponding bonus rights under the Canexus Stock Option Plan (“Option Plan”), formerly the Trust Unit Incentive Plan (“TUIP”) of the Fund, and sponsors the granting of unit appreciation rights (“UARs”) and corresponding bonus rights under the Unit Appreciation Rights Plan (“UAR Plan”) to officers and employees. On Conversion, the Corporation replaced the Director's Deferred Trust Unit Compensation Plan (“DTU Plan”) with the Deferred Share Unit Compensation Plan (“DSU Plan”). The DSU Plan has essentially the same terms and conditions as the

DTU Plan with the exception that it is cash-settled. UARs continue to be subject to the same terms and conditions as originally granted.

Prior to the Conversion, all unit-based compensation plans were accounted for as cash-settled plans as a result of the ability of Unitholders to redeem their Fund Units for cash or other financial assets pursuant to the terms of the Fund's trust indenture. Subsequent to the Conversion, the Option Plan is accounted for as equity-settled and the DSU Plan and UAR Plan are accounted for as cash-settled.

The fair value of grants made to officers and employees under the Option Plan is determined at grant date using the Black-Scholes option pricing model. Expense is recognized on a graded vesting basis over the vesting period or other expected term of service based on the number of options that are expected to vest with a corresponding increase to contributed surplus as these instruments are settled by issuing common shares of the Corporation. The fair value of grants made to officers and employees under the UAR Plan is determined at grant date and at each subsequent reporting period end using the Black-Scholes option pricing model. Expense is recognized on a graded vesting basis over the vesting period or other expected term of service based on the number of UARs that are expected to vest with a corresponding increase to liabilities as these instruments are settled in cash. The UAR Plan liability is remeasured to its fair value at each reporting period end with changes in fair value included in share-based compensation expense. The fair value of grants made to directors under the DSU Plan is determined at grant date based on the trading price of the Corporation's common shares on the TSX on the date of grant. Expense is recognized immediately as these instruments vest at the time of grant. The DSU Plan liability is remeasured to its fair value at each reporting period end with changes in fair value included in share-based compensation expense. Fair value of the DSU Plan liability at each reporting period end is determined based on the trading price of the Corporation's common shares on the TSX at that date. Share-based compensation, including changes in fair value, are recognized in cost of sales, selling, distribution and marketing expense or general and administrative expense corresponding with where the associated salaries and wages of the employee, officer or director who received the option, UAR or deferred share unit are recorded.

At the date of Conversion, the Corporation accounted for the exchange of options granted under the TUIP for options under the Option Plan as a modification of a share-based compensation plan. The fair value of the liability at that date was transferred to contributed surplus.

Reconciliation of Net Cash Generated from Operating Activities to Distributable Cash of the Corporation

As a result of the Fund's indirect acquisition of Nexen's entire interest in Canexus LP on February 7, 2011, the Corporation holds, directly and indirectly, a 100 percent interest in the limited partnership units ("LP Units") of Canexus LP. The consolidated financial statements of the Corporation include the Corporation's share of the results of operations of Canexus LP for the period January 1, 2011 to February 6, 2011, the 100 percent results of operations of Canexus LP for the period February 7, 2011 to September 30, 2011 and the financial position of Canexus LP at September 30, 2011. The following reconciliation reconciles net cash generated from operating activities per the unaudited condensed consolidated statement of cash flows included in the Corporation's consolidated financial statements for the three and nine months ended September 30, 2011 to Distributable Cash of the Corporation.

<i>CAD thousands</i>	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011
Net Cash Generated from Operating Activities	32,472	69,177
Changes in Non-Cash Operating Working Capital and Due to/from Affiliates, Net	(2,524)	(7,886)
Non-Cash Change in Income Tax Payable and Interest Payable	(807)	(962)
Interest Income	220	1,103
Maintenance Capital Expenditures	(4,328)	(11,310)
Realized Foreign Currency Translation Gains (Losses) on Cash	(552)	92
TCP Severance Costs Paid	-	(748)
Amortization of the Purchase Cost of Foreign Exchange Options	(278)	(501)
Expenditures on Decommissioning Liabilities	(5)	(297)
Operating Non-Cash Items	(473)	(347)
Fund's Share of Canexus LP's Distributable Cash ⁽²⁾	-	1,703
Distributable Cash of the Corporation ⁽¹⁾	23,725	50,024

Notes:

(1) See *Non-IFRS Measures* on page 3.

(2) The Fund's share of the Distributable Cash of Canexus LP for the period January 1, 2011 to February 6, 2011.

The cost of foreign exchange option contracts is recognized as a decrease in net cash generated from operating activities in the period purchased. For purposes of calculating Distributable Cash of the Corporation the cost is being recognized as a decrease in cash over the term of the foreign exchange option contracts.

Operating non-cash items represent items such as pension expense in excess of pension funding and the cost of foreign exchange option contracts described further in the preceding paragraph.

Reconciliation of Cash Operating Profit to Distributable Cash of the Corporation

<i>CAD thousands</i>	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011
Cash Operating Profit	36,384	76,772
Interest Expense ⁽¹⁾	(5,975)	(16,140)
Maintenance Capital Expenditures	(4,328)	(11,310)
Provision for Current Income Taxes	(1,057)	(2,903)
DTU Plan Settlement	(1,505)	(1,505)
TCP Severance Costs Paid	-	(748)
Fund's Share of Canexus LP's Distributable Cash	-	1,703
Other	206	4,155
Distributable Cash of the Corporation	23,725	50,024

Note:

(1) Excluding amortization of transaction costs of the extendible revolving credit facilities and senior secured notes, and accretion of provisions.

Income Taxes

On July 8, 2011, the Fund completed the Conversion. Any distributions made as an income trust in 2011 prior to the Conversion are expected to be a return of capital to Unitholders and the Corporation is not expected to have any current Canadian income taxes payable as a result of tax shelter in the operating partnerships.

As a corporation, we are subject to income taxes at Canadian corporate tax rates, which are lower than the rate applicable to an income trust. This reduction in rate has resulted in a recovery of deferred income tax of \$10.6 million of which \$0.9 million was recorded in the unaudited condensed consolidated statement of comprehensive income (loss) for the three months ended September 30, 2011; \$2.1 million was recorded in retained earnings and \$7.6 million was recorded in share capital.

As a result of the Fund's indirect acquisition of Nexen's interest in Canexus LP an additional deferred tax liability of \$19 million was recorded in the consolidated financial statements during the three months ended March 31, 2011.

Dividends/Distributions

The Corporation declared dividends of \$0.1368 per common share for the quarter ended September 30, 2011 for total dividends declared of \$16 million. The Fund declared monthly distributions of \$0.0456 per Unit for the period January 1, 2011 to June 30, 2011 for total distributions declared of \$28 million.

On November 3, 2011, the Board of Directors of the Corporation declared a quarterly dividend of \$0.1368 per common share to shareholders of record on December 31, 2011, payable on January 16, 2012.

Liquidity and Capital Resources

Outstanding Securities of the Corporation

At September 30, 2011, the Corporation had 116,680,203 common shares outstanding (November 11, 2011 – 118,157,286).

Net Debt and Total Equity

At September 30, 2011, the Corporation owned, directly and indirectly, 100 percent of Canexus LP and consolidated the financial position of Canexus LP. See also "Liquidity and Capital Resources" of Canexus LP beginning on page 13.

	September 30, 2011
Long-Term Debt (excluding Unamortized Senior Secured Notes Transaction Costs)	282,581
Convertible Debentures, Principal Amount ⁽²⁾	138,357
Less:	
Cash and Cash Equivalents	3,999
Non-Cash Working Capital	22,462
Total Net Debt ⁽¹⁾	394,477
Total Equity	142,463

Notes:

(1) Includes all long-term debt and is calculated as long-term debt less working capital.

(2) See "Convertible Debentures" below.

Convertible Debentures

At September 30, 2011, the Corporation had three series of convertible unsecured subordinated debentures outstanding denoted as Series I ("Series I Convertible Debentures"), Series III ("Series III Convertible Debentures") and Series IV ("Series IV Convertible Debentures"). The Corporation also had a fourth series of convertible unsecured subordinated debentures denoted as series II ("Series II Convertible Debentures" and, together with the Series I Convertible Debentures, Series III Convertible Debentures and Series IV Convertible Debentures, collectively the "Convertible Debentures") which had been issued to Nexen on August 31, 2009 and which were converted into Exchangeable LP Units on January 27, 2011 in connection with Nexen's disposition of its entire interest in the Fund.

As a result of the ability of Unitholders to redeem their Units for cash or other financial assets pursuant to the terms of the Fund's trust indenture, the Convertible Debentures were a financial liability containing an embedded derivative under IFRS when they were issued. The Corporation designated the Series I and Series III Convertible Debentures at fair value through profit or loss ("FVTPL") and recognizes changes in their fair value in net income (loss). The conversion feature and liability components of the Series IV Convertible Debentures were separated. The liability component, net of transaction costs, is accounted for at amortized cost with interest expense recognized on an effective yield basis. The conversion feature was accounted for as a derivative at FVTPL. At the date of Conversion, the fair value of the Series IV conversion option was transferred to equity. The maximum liability exposure is the principal amount of the Convertible Debentures outstanding at September 30, 2011 of \$138.4 million.

	Series I	Series III	Series IV
Maturity Date	December 31, 2014	December 31, 2015	December 31, 2018
Fixed Distribution Rate	8.00%	5.75%	5.75%
Conversion Price	\$5.10	\$8.30	\$11.35

At FVTPL	Series I	Series II	Series III	Total Carrying Value
Outstanding, January 1, 2010	50,130	43,800	-	93,930
Issued	-	-	60,000	60,000
Converted	(26,503)	-	-	(26,503)
Change in Fair Value	10,247	11,260	1,194	22,701
Outstanding, December 31, 2010	33,874	55,060	61,194	150,128
Converted	(8,328)	(52,688)	-	(61,016)
Change in Fair Value	(3,683)	(2,372)	(3,588)	(9,643)
Outstanding, September 30, 2011	21,863	-	57,606	79,469

At Amortized Cost	Series IV	Unamortized Discount and Transaction Costs	Total Carrying Value
Outstanding, January 1, 2011	-	-	-
Issued	60,000	(7,011)	52,989
Outstanding, September 30, 2011	60,000	(7,011)	52,989

Total Convertible Debentures Outstanding, September 30, 2011		132,458
--	--	---------

Selected Annual Financial Information

<i>CAD thousands, except per unit amounts</i>	2010	2009 ⁽²⁾	2008 ⁽²⁾
Equity Income (Loss) from Investment in Canexus LP	(27,654)	25,474	(2,141)
Net Income (Loss)	(117,531)	27,525	(2,587)
Net Income (Loss) (\$/Unit)	(3.20)	0.83	(0.08)
Diluted Net Income (Loss) (\$/Unit)	(3.20)	0.78	(0.08)
Distributions Declared	20,270	18,225	19,048
Distributions Declared (\$/Unit)	0.5472	0.5472	0.5928
Distributable Cash of the Fund ⁽¹⁾	21,427	28,630	31,165
	2010	2009 ⁽²⁾	2008 ⁽²⁾
Total Assets	501,413	383,367	287,519
Total Long-Term Financial Liabilities	397,900 ⁽³⁾	78,516	-

Notes:

- (1) See *Non-IFRS Measures* on page 3.
- (2) Annual financial information for 2008 and 2009 was prepared in accordance with Previous GAAP.
- (3) Includes Unitholders' Interest in Net Assets of the Fund. See Note 22 to the Corporation's consolidated financial statements for the three and nine months ended September 30, 2011.

Additional Information for Canexus LP

Summary of Quarterly Results

CAD thousands, except as noted	Three Months Ended			
	September 30 2011	June 30 2011	March 31 2011	December 31 2010
Sodium Chlorate Sales Volume (000's MT)	107	107	111	108
Chlor-alkali Sales Volume (000's MECU)	62	64	51	44
Sales Revenue	139,278	130,534	125,976	120,278
Cost of Sales	81,873	82,109	87,218	86,035
Distribution, Selling and Marketing	22,567	22,667	20,501	18,931
General and Administrative	7,988	7,731	7,305	7,297
Operating Profit ⁽¹⁾	26,850	18,027	10,952	8,015
Add:				
Depreciation and Amortization included in Cost of Sales	10,073	10,768	10,752	11,556
Depreciation and Amortization included in General and Administrative	242	240	253	433
Share-based Compensation Expense (Recovery)	(165)	(67)	-	128
Cash Operating Profit ⁽¹⁾	37,000	28,968	21,957	20,132
Cash Operating Profit Percentage ⁽¹⁾	27%	22%	17%	17%
Cash Operating Profit ⁽¹⁾	37,000	28,968	21,957	20,132
Add (Deduct):				
Finance Income (Expense) excluding Interest Expense	(20,464)	1,543	7,433	11,424
Other Income (Expense)	(2,642)	709	(73)	(803)
EBITDA ⁽¹⁾	13,894	31,220	29,317	30,753
(Add) Deduct:				
Interest Expense	7,158	6,754	7,429	8,119
Provision for Income Taxes	1,972	1,736	1,954	912
Depreciation and Amortization	10,315	11,008	11,005	11,989
Share-based Compensation Expense (Recovery)	(165)	(67)	-	128
Net Income (Loss)	(5,386)	11,789	8,929	9,605
Dividends/Distributions Declared	16,016	15,753	15,661	14,343
Dividends/Distributions Declared (\$/Unit)	0.1368	0.1368	0.1368	0.1368
Distributable Cash of Canexus LP ⁽¹⁾	25,700	20,545	9,484	6,698
Capital Expenditures				
Maintenance	4,328	3,798	3,684	5,073
Remediation ⁽²⁾	-	-	-	22
Continuous Improvement	1,117	394	3,354	4,085
Expansion	4,908	4,494	4,395	4,381
Total Capital Expenditures	10,353	8,686	11,433	13,561
Average Foreign Exchange Rate (CAD \$ to US \$)	US \$1.03	US \$1.03	US \$1.00	US \$0.98

Notes:

(1) See Non-IFRS Measures on page 3.

- (2) These expenditures were funded from restricted investments. During the fourth quarter of 2010, restricted investments were fully utilized.
- (3) Interest expense for the three month periods ended September 30, 2011, June 30, 2011, March 31, 2011 and December 31, 2010 includes the amortization of transaction costs and accretion on provisions which are classified as interest expense under IFRS.

CAD thousands, except as noted	Three Months Ended			
	September 30 2010	June 30 2010	March 31 2010	December 31 2009 ⁽³⁾
Sodium Chlorate Sales Volume (000's MT)	115	103	108	103
Chlor-alkali Sales Volume (000's MECU)	46	42	41	44
Sales Revenue	119,040	104,324	113,715	110,508
Cost of Sales	82,508	79,316	71,522	81,657
Distribution, Selling and Marketing	18,260	18,474	18,391	-
General and Administrative	7,910	6,414	7,619	-
Operating Profit ⁽¹⁾	10,362	120	16,183	-
Add:				
Depreciation and Amortization included in Cost of Sales	7,582	6,982	6,930	-
Depreciation and Amortization included in General and Administrative	422	421	419	-
Share-based Compensation Expense	137	91	156	-
Cash Operating Profit ⁽¹⁾	18,503	7,614	23,688	-
Cash Operating Profit Percentage ⁽¹⁾	16%	7%	21%	-
Gross Margin ⁽¹⁾	-	-	-	28,851
Gross Margin Percentage ⁽¹⁾	-	-	-	26%
Cash Operating Profit ⁽¹⁾	18,503	7,614	23,688	
Add (Deduct):				
Finance Income (Expense) excluding Interest Expense	9,789	(14,655)	8,660	
Other Income (Expense)	249	7,003	(2,551)	
EBITDA ⁽¹⁾	28,541	(38)	29,797	27,084
(Add) Deduct:				
Interest Expense ⁽⁴⁾	9,058	3,119	2,244	2,037
Provision for (Recovery of) Income Taxes	(1,453)	5,886	754	1,481
Depreciation and Amortization	8,004	7,403	7,349	11,159
Share-based Compensation Expense	137	91	156	-
Net Income (Loss)	12,795	(16,537)	19,294	12,407
Distributions Declared	14,072	13,894	13,574	13,482
Distributions Declared (\$/Unit)	0.1368	0.1368	0.1368	0.1368
Distributable Cash of Canexus LP ⁽¹⁾	29,442	7,970	16,912	14,066
Capital Expenditures				
Maintenance	2,185	4,448	2,440	6,747
Remediation ⁽²⁾	859	1,430	877	1,033
Continuous Improvement	547	1,968	208	5,326
Expansion	14,605	46,198	45,046	40,073
Total Capital Expenditures	18,196	54,044	48,571	53,179
Average Foreign Exchange Rate (CAD \$ to US \$)	US \$0.96	US \$0.98	US \$0.95	US \$0.94

Notes:

- (1) See Non-IFRS Measures on page 3.
- (2) These expenditures were funded from restricted investments.
- (3) Quarterly results for the three months ended December 31, 2009 were prepared in accordance with Previous GAAP.
- (4) Interest expense for the three month periods ended September 30, 2010, June 30, 2010 and March 31, 2010 includes the amortization of transaction costs and accretion on provisions which are classified as interest expense under IFRS.

Seasonality

Demand for chlorine used in water treatment is related to the ambient temperature of the water which results in a seasonal market with the highest demand in May through September and the lowest demand in December through February.

Income Taxes

At September 30, 2011, the book amount of Canexus LP's assets and liabilities exceed their tax basis by approximately \$81 million (December 31, 2010 - \$82 million) which is comprised of the following:

	September 30, 2011	December 31, 2010
Unrealized Foreign Exchange (Gains) Losses	4,876	(16,668)
Property, Plant and Equipment, Net	(116,012)	(77,482)
Other	29,826	11,925
	(81,310)	(82,225)

At September 30, 2011 and December 31, 2010, Canexus LP's major tax pools were as follows:

	September 30, 2011	December 31, 2010
Undepreciated Capital Cost	335,000	406,000
Assets Under Construction	35,000	18,000
	370,000	424,000

Changes in Net Income

Three Months Ended September 30, 2011 compared to Three Months Ended September 30, 2010

Net income decreased from \$12.8 million for the three months ended September 30, 2010 to a net loss of \$5.4 million for the three months ended September 30, 2011 primarily due to foreign currency translation losses on Canexus LP's US dollar denominated long-term debt for the three months ended September 30, 2011 as compared to foreign currency translation gains for the three months ended September 30, 2010 (see discussion on finance expense below); changes in fair value of derivative financial instruments; and a provision for income taxes as compared to a recovery of income taxes for the three months ended September 30, 2010, partially offset by an increase in Cash Operating Profit (see "Operating Segment Results" beginning on page 7) and the reimbursement of the Fund in the third quarter of 2010 for transaction costs on the Series III Convertible Debentures.

Higher depreciation and amortization increased net loss by \$2.3 million

The increase in depreciation and amortization of \$2.3 million (included within cost of sales, distribution, selling and marketing expense and general and administrative expense) for the three months ended September 30, 2011 as compared to the three months ended September 30, 2010 was primarily due to the depreciation of the TCP and other expansion projects completed in 2010.

Higher finance expense increased net loss by \$28.4 million

The increase in finance expense for the three months ended September 30, 2011 was due to higher interest expense, lower interest capitalized to major projects and changes in foreign currency translation gains (losses) on Canexus LP's US dollar denominated long-term debt.

During the three months ended September 30, 2011, Canexus LP recorded \$21.6 million of unrealized foreign currency translation losses on its US dollar denominated long-term debt resulting from the weakening of the Canadian dollar during the third quarter and \$0.9 million of realized foreign currency translation gains on repayments of the Extendible Revolving Credit Facility for a net foreign currency translation loss of \$20.7 million. During the three months ended September 30, 2010, Canexus LP recorded \$10.7 million of unrealized foreign currency translation losses on its US dollar denominated long-term debt and

\$20.5 million of realized foreign currency translation gains on temporary repayments of the Extendible Revolving Credit Facility for a net foreign currency translation gain of \$9.8 million.

Interest expense was higher for the three months ended September 30, 2011 as a result of lower interest capitalized to major projects, interest on the Series IV Debentures issued June 30, 2011 and Series III Debentures issued September 28, 2010 and slightly higher interest rates, partially offset by the reimbursement of the Fund for transaction costs on the Series III Convertible Debentures in the third quarter of 2010.

Interest capitalized to major projects was \$0.2 million for the three months ended September 30, 2011 as compared to \$1.5 million for the three months ended September 30, 2010.

Other expense increased net loss by \$2.9 million

Other expense increased for the three months ended September 31, 2011 as a result of lower foreign currency translation gains on working capital, changes in fair value of derivative financial instruments and impairments recorded (reversed) on Canexus LP's investment in asset backed commercial paper, partially offset by \$0.7 million of sales taxes recorded in the third quarter of 2010 related to the settlement of a contract matter related to hydrogen supply in 2010.

During the three months ended September 30, 2011, fluctuations in exchange rates resulted in unrealized foreign currency translation gains of \$0.6 million and realized foreign currency translation losses of \$0.6 million as compared to unrealized foreign currency translation losses of \$0.2 million and realized foreign currency translation gains of \$1.5 million for a net foreign currency translation gain of \$1.3 million for the three months ended September 30, 2010.

During the three months ended September 30, 2011, we recorded a decrease in fair value of \$1.9 million on a cross currency swap entered into in August 2011 to effect the payment of interest on the Series IV Convertible debentures in US dollars. Under the terms of the cross currency swap, interest is payable at a rate of 5.69% on US \$61.8 million for the period August 8, 2011 to December 31, 2018.

During the three months ended September 30, 2011, we recorded \$0.2 million of impairment on Canexus LP's investment in asset backed commercial paper. During the three months ended September 30, 2010, we reversed \$0.2 million of impairment on Canexus LP's investment in asset backed commercial paper.

Higher income taxes decreased net income by \$3.4 million

Income taxes increased for the three months ended September 30, 2011 as compared to the three months ended September 30, 2010 primarily due to foreign exchange fluctuations in foreign subsidiaries.

Capital Expenditures

Capital expenditures for the three months ended September 30, 2011 were \$10.4 million as compared to the three months ended September 30, 2010 of \$18.2 million. The decrease in capital expenditures was due to a decrease in expansion capital expenditures of \$9.7 million and remediation capital expenditures of \$0.8 million, partially offset by an increase in continuous improvement capital expenditures of \$0.6 million and maintenance capital expenditures of \$2.1 million.

The decrease in expansion capital expenditures was primarily due to the completion and startup of the TCP in late June 2010, as well as other expansion capital projects completed in 2010. The decrease in remediation capital expenditures was due to the completion of the project to replace equipment used in the refrigeration stage of chlorine production at our North Vancouver facility. The increase in continuous improvement capital expenditures was due to a project to enhance the reliability of the North Vancouver chlor-alkali facility. The increase in maintenance capital expenditures was primarily due to higher maintenance capital spending in our South America business unit on the electrolyzer recoating program.

Nine Months Ended September 30, 2011 compared to Nine Months Ended September 30, 2010

Net income of \$15.3 million for the nine months ended September 30, 2011 was consistent with net income for the nine months ended September 30, 2010 of \$15.6 million. Higher foreign currency translation losses (see discussion on finance expense that follows), higher interest expense, lower realized gains on foreign exchange options and a gain recorded during the nine months ended September 30, 2010 on settlement of a contract matter related to hydrogen supply in 2010 was offset by a \$38.1 million increase in Cash Operating Profit (see "Operating Segment Results – Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010" beginning on page 10).

Higher depreciation and amortization decreased net income by \$9.6 million

The increase in depreciation and amortization (included within cost of sales, distribution, selling and marketing expense and general and administrative expense) for the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010 was due to the depreciation of the TCP and other expansion projects completed in the second through fourth quarters of 2010.

Higher finance expense decreased net income by \$22.2 million

During the nine months ended September 30, 2011, Canexus LP recorded an unrealized foreign currency translation loss of \$15.9 million on its US dollar denominated long-term debt as a result of the weakening of the Canadian dollar relative to the US dollar during the period and realized foreign currency translation gains of \$4 million on repayments of its Extendible Revolving Credit Facility for a net foreign currency translation loss of \$11.9 million. During the nine months ended September 30, 2010, Canexus LP recorded unrealized foreign currency translation losses of \$20.5 million on its US dollar denominated long-term debt and realized foreign currency translation gains of \$24.2 million on temporary repayments of the Extendible Revolving Credit Facility for a net foreign currency translation gain of \$3.7 million.

The increase in interest expense for the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010 was due to lower interest capitalized to major projects, higher interest rates, interest on the Series IV Debentures issued June 30, 2011 and Series III Debentures issued September 28, 2010, partially offset by lower borrowings on the credit facilities and lower interest on the Series I and Series II Debentures as a result of redemptions. During the period October 1, 2010 to December 31, 2010, \$2.5 million principal amount of Series I Debentures were redeemed. On January 27, 2011, the Series II Debentures were redeemed in their entirety.

Interest capitalized on major projects was \$0.4 million for the nine months ended September 30, 2011 as compared to \$7.3 million for the nine months ended September 30, 2010. We ceased capitalizing interest associated with TCP capital expenditures on August 1, 2010.

The amount outstanding on our Extendible Revolving Credit Facility at September 30, 2011 was US \$220 million as compared to US \$275 million at September 30, 2010. The weighted average interest rate on borrowings from this credit facility was 4.57 percent, excluding the impact of the interest rate swaps, for the nine months ended September 30, 2011 as compared to 3.5 percent, excluding the impact of the interest rate swaps, for the nine months ended September 30, 2010.

Swing Line Loans under the Extendible Revolving Credit Facility were \$5.5 million at September 30, 2011 as compared to \$1.3 million at September 30, 2010. The weighted average interest rate on the Swing Line Loans was 6.17 percent for the nine months ended September 30, 2011 and 5.01 percent for the nine months ended September 30, 2010.

The amount outstanding on Canexus Brazil's EDC Extendible Revolving Credit Facility was US \$2 million at September 30, 2011 and US \$10 million at September 30, 2010. The weighted average interest rate on borrowings from this credit facility was 4.37 percent for the nine months ended September 30, 2011 as compared to 3.37 percent for the nine months ended September 30, 2010.

At September 30, 2011 Canexus LP had \$18.4 million principal amount of Series I Debentures, \$60 million principal amount of Series III Debentures and \$60 million principal amount of Series IV Debentures (issued June 30, 2011) outstanding which were held by the Corporation. The Series I Debentures bear interest at 8 percent payable semi-annually on December 31 and June 30 of each year and mature on December 31, 2014. The Series III Debentures bear interest at 5.75 percent payable semi-annually on December 31 and June 30 of each year and mature on December 31, 2015. The Series IV Debentures bear interest at 5.75 percent payable semi-annually on December 31 and June 30 of each year and mature on December 31, 2018. At September 30, 2010 Canexus LP had \$27.2 million of Series I Debentures, \$40 million of Series II Debentures and \$60 million of Series III Debentures (issued September 28, 2010) outstanding which were held by the Corporation.

The principal amount and coupon rate of the Debentures outstanding in Canexus LP mirror the Convertible Debentures outstanding in the Corporation, as the proceeds received from the Convertible Debentures were used by Canexus LP.

Changes in other income (expense) items decreased net income by \$6.7 million

Canexus LP recorded \$0.6 million of realized gains on foreign exchange options during the nine months ended September 30, 2011 as compared to \$1.6 million during the nine months ended September 30, 2010.

During the nine months ended September 30, 2010, Canexus LP recorded a net \$6.6 million gain on the settlement of a contract matter for hydrogen supply.

Capital Expenditures

Capital expenditures for the nine months ended September 30, 2011 were \$30.5 million as compared to the nine months ended September 30, 2010 of \$120.8 million. The decrease in capital expenditures was due to a decrease in expansion capital expenditures of \$92 million and remediation capital expenditures of \$3.1 million, partially offset by increases in continuous improvement capital expenditures of \$2.1 million and maintenance capital expenditures of \$2.7 million.

The decrease in expansion capital expenditures was primarily due to the completion and startup of the TCP in late June 2010, as well as other expansion capital projects completed in 2010. The decrease in remediation capital expenditures was due to the completion of the project to replace equipment used in the refrigeration stage of chlorine production at our North Vancouver facility. The increase in continuous improvement capital expenditures was primarily due to a project to enhance the reliability of the North Vancouver chlor-alkali facility. The increase in maintenance capital expenditures was due to the electrolyzer recoating program at our South America facility.

Selected Annual Financial Information

<i>CAD thousands, except as noted</i>	For the Years Ended December 31		
	2010	2009 ⁽²⁾	2008 ⁽²⁾
Sodium Chlorate Sales Volume (000's MT)	434	400	449
Chlor-alkali Sales Volume (000's MECU)	173 ⁽³⁾	181	187
Sales Revenue	457,357	458,447	474,357
Cost of Sales	319,381	312,280	339,060
Distribution, Selling and Marketing	74,056	-	-
General and Administrative	29,240	-	-
Operating Profit ⁽¹⁾	34,680	-	-
Add:			
Depreciation and Amortization included in Cost of Sales	33,050	-	-
Depreciation and Amortization included in General and Administrative	1,695	-	-
Share-based Compensation Expense	512	-	-
Cash Operating Profit ⁽¹⁾	69,937	-	-
Cash Operating Profit Percentage ⁽¹⁾	15%	-	-
Gross Margin ⁽¹⁾	-	146,167	135,297
Gross Margin Percentage ⁽¹⁾	-	32%	29%
Cash Operating Profit ⁽¹⁾	69,937	-	-
Add (Deduct):			
Finance Income excluding Interest Expense	15,217	-	-
Other Income	3,899	-	-
EBITDA ⁽¹⁾	89,053	137,474	45,255
(Add) Deduct:			
Provision for (Recovery of) Income Taxes	6,099	9,840	(3,776)
Depreciation and Amortization	34,745	46,321	43,408
Interest Expense ⁽⁵⁾	22,540	7,661	11,658
Share-based Compensation Expense	512	-	-
Net Income (Loss)	25,157	73,652	(6,035)
Distributions Declared	55,883	52,476	51,218
Distributions Declared (\$/Unit)	0.5472	0.5472	0.5928
Distributable Cash of Canexus LP ⁽¹⁾	61,022	82,884	83,289
Capital Expenditures			
Maintenance	14,146	20,102	15,100
Remediation ⁽⁴⁾	3,188	5,158	1,638
Continuous Improvement	6,808	8,706	4,540
Expansion	110,230	180,318	67,213
Total Capital Expenditures	134,372	214,284	88,491
Average Foreign Exchange Rate (CAD \$ to US \$)	US \$0.97	US \$0.87	US \$0.96

	At December 31		
	2010	2009 ⁽²⁾	2008 ⁽²⁾
Total Assets	747,526	683,940	582,354
Total Long-Term Financial Liabilities	446,438	370,414	291,034

Notes:

- (1) See *Non-IFRS Measures* on page 3.
- (2) Annual financial information for the years ended December 31, 2008 and 2009 was prepared in accordance with Previous GAAP.
- (3) Excludes volumes purchased for resale.
- (4) These expenditures were funded by restricted investments. During the fourth quarter of 2010, restricted investments were fully utilized.
- (5) Interest expense for the year ended December 31, 2010 includes the amortization of transaction costs, and accretion on provisions which are classified as interest expense under IFRS.

Sales revenue for the year ended December 31, 2010 was consistent with sales revenue for the year ended December 31, 2009. Lower North America sodium chlorate sales revenue was mostly offset by higher sales revenue in South America. North America chlor-alkali sales revenue was consistent for the years ended December 31, 2010 and 2009. The Gross Margin Percentage of 22 percent, as previously reported under Previous GAAP (see Management's Discussion and Analysis for the year ended December 31, 2010 available on the Corporation's profile on the SEDAR website www.sedar.com), for the year ended December 31, 2010 decreased from 32 percent for the year ended December 31, 2009 as a result of lower realized netback prices for sodium chlorate and chlor-alkali products, the delay in completing the startup of the TCP resulting in almost no production for three months, higher electricity costs in North America and higher fixed costs in South America, partially offset by lower fixed costs in North America and higher production volumes in North America sodium chlorate and South America.

Capital expenditures for the year ended December 31, 2010 were \$134.4 million as compared to the year ended December 31, 2009 of \$214.3 million. The decrease in capital expenditures was due to decreases in expansion capital expenditures of \$70.1 million, maintenance capital expenditures of \$6 million, remediation capital expenditures of \$2 million and continuous improvement capital expenditures of \$1.9 million. Remediation capital expenditures were incurred to replace equipment used in the refrigeration stage of chlorine production at our North Vancouver chlor-alkali facility to comply with regulations enacted in British Columbia regarding the use of ozone depleting substances. The decrease in expansion capital expenditures was primarily due to the completion of the startup of the TCP in late June 2010, as well as other expansion capital projects completed during the year.

Transition to IFRS – Canexus LP

The following reconciliation outlines the differences between IFRS and Previous GAAP based on Canexus LP's accounting policy choices and the mandatory exceptions and optional IFRS 1 exemptions as disclosed in the Fund's MD&A for the first quarter of 2011 available on the Corporation's profile on the SEDAR website at www.sedar.com.

Reconciliation of the Consolidated Statement of Comprehensive Income for the Three and Nine Months Ended September 30, 2010

CAD thousands	Three Months Ended September 30, 2010			Nine Months Ended September 30, 2010		
	Previous GAAP	Effect of Transition to IFRS	IFRS	Previous GAAP	Effect of Transition to IFRS	IFRS
Sales Revenue	119,040	-	119,040	337,079	-	337,079
Cost of Sales	92,390	(9,882)	82,508	263,763	(30,417)	233,346
Gross Profit	26,650	9,882	36,532	73,316	30,417	103,733
Distribution, Selling and Marketing	-	18,260	18,260	-	55,125	55,125
General and Administrative	8,459	(549)	7,910	24,302	(2,359)	21,943
Interest	5,297	(5,297)	-	9,302	(9,302)	-
Depreciation and Amortization	14,222	(14,222)	-	38,646	(38,646)	-
Operating Profit (Loss)	(1,328)	11,690	10,362	1,066	25,599	26,665
Finance Income (Expense)	-	731	731	-	(10,627)	(10,627)
Income (Loss) before Other Income (Expense) and Income Taxes	(1,328)	12,421	11,093	1,066	14,972	16,038
Other Income (Expense)	10,081	(9,832)	249	8,662	(3,961)	4,701
Income before Income Taxes	8,753	2,589	11,342	9,728	11,011	20,739
Provision for (Recovery of) Income Taxes						
Current	602	-	602	4,204	-	4,204
Deferred	1,053	(3,108)	(2,055)	536	447	983
	1,655	(3,108)	(1,453)	4,740	447	5,187
Net Income	7,098	5,697	12,795	4,988	10,564	15,552
Other Comprehensive Income (Loss)						
Foreign Currency Translation Adjustment Gains (Losses), Net of Tax	(2,213)	755	(1,458)	(1,124)	440	(684)
Experience Losses on Defined Benefit Pension Plans, Net of Tax	-	(3,870)	(3,870)	-	(11,885)	(11,885)
Other Comprehensive Loss	(2,213)	(3,115)	(5,328)	(1,124)	(11,445)	(12,569)
Total Comprehensive Income (Loss)	4,885	2,582	7,467	3,864	(881)	2,983

Adjustments to net income (loss) and comprehensive income (loss) for the three and nine months ended September 30, 2010 are the result of (i) adjustments at Transition Date and for the three and nine months ended September 30, 2010; (ii) changes in accounting policies between Previous GAAP and IFRS; and (iii) reclassification of expenses to comply with IFRS presentation requirements.

IFRS 1 Transition Changes and Accounting Policy Changes

The following expenses were impacted by IFRS 1 transition and/or accounting policy changes:

Depreciation and Amortization

The transition to IFRS resulted in an overall decrease in depreciation and amortization expense for the three and nine months ended September 30, 2010 as compared to Previous GAAP due to the further componentization of assets and assignment of overall average shorter useful lives to items of PP&E which resulted in more items of PP&E being fully depreciated on transition. Depreciation and amortization is included in cost of sales and general and administrative expense based on the function of the assets to which it relates.

Accretion

Accretion expense increased for the three and nine months ended September 30, 2010 as compared to Previous GAAP as a result of an increase in the provision at Transition Date. Accretion expense is included in finance income (expense) under IFRS, as compared to Previous GAAP where it was included in depreciation and amortization. See "Presentation of Expense by Function" below.

Employee Benefits Expense

Employee benefits expense decreased for the three and nine months ended September 30, 2010 as compared to Previous GAAP primarily due to the recognition of experience losses in deficit at Transition Date. Under Previous GAAP, experience losses were amortized to net income over the average remaining service life of the employee group. Employee benefits expense is included in cost of sales, distribution, selling and marketing expense and general and administrative expense corresponding with where the salaries and wages of employees entitled to such benefits are included.

Finance Income (Expense)

Transaction costs incurred for the issue of the Convertible Debentures by the Corporation were reimbursed by Canexus LP. The principal amount and coupon rate of the Debentures in Canexus LP mirror those of the Convertible Debentures in the Corporation as Canexus LP used the proceeds from the issue of the Convertible Debentures.

Under Previous GAAP, transaction costs incurred for the issue of the Convertible Debentures and reimbursed by Canexus LP were deferred and included in interest expense such that interest on the Debentures, inclusive of the transaction costs, was recognized on an effective yield basis. Under IFRS, transaction costs for the issue of the Series I Convertible Debentures, Series II Convertible Debentures and Series III Convertible Debentures reimbursed by Canexus LP were expensed as incurred due to the Fund's designation of the Series I Convertible Debentures, Series II Convertible Debentures and Series III Convertible Debentures at FVTPL. Transaction costs were recognized on an effective yield basis (as noted above) and were included in interest expense under Previous GAAP. Under IFRS transaction costs are included in finance income (expense).

Presentation of Expense by Function

Under IFRS, Canexus LP is required to present expenses in the consolidated statement of comprehensive income (loss) either by nature or by function. Canexus LP chose to present expenses by function which resulted in the following presentation differences from Previous GAAP.

Distribution, selling and marketing expense – all expenses associated with the distribution, selling and marketing function including transportation, salaries and wages, employee benefits, office, energy and utilities, communication, computer and other operating expense are classified as distribution, selling and marketing. Under Previous GAAP, these expenses were reported as cost of sales or general and administrative expense.

Depreciation and amortization – depreciation and amortization expense is included in cost of sales or general and administrative expense based on the function or use of the underlying assets. Under Previous GAAP, depreciation and amortization was reported as a separate line item in the consolidated statement of comprehensive income (loss).

Employee benefits expense – employee benefits expense is included in cost of sales, distribution, selling and marketing expense and general and administrative expense based on the function of the employees to which the employee benefits expense relates. Under Previous GAAP, employee benefits expense was included in cost of sales and general and administrative expense.

Accretion expense – accretion expense is included in finance income (expense). Under Previous GAAP, accretion expense was included in depreciation and amortization.

Foreign currency translation – realized and unrealized foreign currency translation gains (losses) related to borrowings are included in finance income (expense) and all other realized and unrealized foreign currency translation gains (losses) are included in other income (expense). Under Previous GAAP, all foreign currency translation gains (losses) were included in other income (expense).

Interest income – interest income is included in finance income (expense). Under Previous GAAP, interest income was included in other income (expense).

Interest expense – interest expense is included in finance income (expense). Under Previous GAAP, interest expense was reported as a separate line item in the consolidated statement of comprehensive income (loss).

Future Accounting Pronouncements

Standard	Description of Change	Effective Date
IFRS 7	<i>Financial Instruments</i> : Disclosures – Amendments to disclosures for transfers of financial assets.	Effective for annual periods beginning on or after July 1, 2011.
IFRS 9	<i>Financial Instruments</i> – New Standard that is part of a three phase project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> .	Effective for annual periods beginning on or after January 1, 2013.
IFRS 10	<i>Consolidated Financial Statements</i> – New Standard which supercedes IAS 27 and SIC 12 to provide consistency in the standards.	Effective for annual periods beginning on or after January 1, 2013.
IFRS 12	<i>Disclosure of Interests in Other Entities</i> – New Standard to provide consistent disclosure requirements of interests in subsidiaries, joint ventures, associates and other unconsolidated entities.	Effective for annual periods beginning on or after January 1, 2013.
IFRS 13	<i>Fair Value Measurement</i> – New Standard to provide consistency among the IFRSs that deal with fair value measurements.	Effective for annual periods beginning on or after January 1, 2013.
IAS 1	<i>Presentation of Financial Statements</i> – Amendments regarding presentation of items of other comprehensive income.	Effective for annual periods beginning on or after July 1, 2012.
IAS 12	<i>Income Taxes</i> – Amendments regarding deferred tax and the recovery of underlying assets.	Effective for annual periods beginning on or after January 1, 2012.
IAS 19	<i>Employee Benefits</i> – Amendments to the standard eliminate the corridor method of accounting for defined benefit plans, change the recognition pattern of gains and losses, and require additional disclosures.	Effective for annual periods beginning on or after January 1, 2013.

The impact of the initial application of the Standards listed above was not known or reasonably estimable at the time of authorization of the consolidated financial statements of the Corporation for the three and nine months ended September 30, 2011.

Forward Looking Statements and Information

This MD&A contains forward-looking statements and information relating to expected future events and financial and operating results of the Corporation 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; the timing and impact of a hydrochloric acid expansion at the Corporation's North Vancouver chlor-alkali plant; demand from the Corporation's major Brazilian customer and operating capacities at South American plants; demand from the oil and gas industry for hydrochloric acid and terminal capacity at Bruderheim and timing of completion of a facility expansion in relation thereto; fundamentals and demand in the global pulp market and pulp capacity growth in relation thereto; caustic soda supply and demand and the impact on prices, facility utilization and operating rates in relation to demand expectations and expectations in relation to chlorine prices; expected future levels of maintenance capital expenditures; the characterization of 2011 distributions prior to the Fund's Conversion to a corporation on July 8, 2011 and the expectation that Canexus Corporation will not have current income taxes payable as a result of tax shelter in the operating partnerships. 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. Forward looking 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 the Fund's Annual Information Form filed on the Corporation's SEDAR profile at 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, the Corporation 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.

Any financial outlook information contained in this MD&A 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. Readers are cautioned that such financial outlook information contained in this MD&A should not be used for purposes other than those for which it is disclosed herein.

Disclosure Controls and Procedures

The Corporation maintains disclosure controls and procedures (as defined under Multilateral Instrument 52-109 of the Canadian securities regulatory authorities) designed by, or caused to be designed under the supervision of the President and Chief Executive Officer and Chief Financial Officer, to ensure that information required to be disclosed in reports filed or submitted under applicable securities legislation is recorded, processed, summarized and reported within the time periods specified and that material information is accumulated and communicated to our management, including the President and Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Internal Controls over Financial Reporting

The Corporation is responsible for establishing and maintaining internal control over financial reporting (as defined under Multilateral Instrument 52-109 of the Canadian securities regulatory authorities) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS, which represent generally accepted accounting principles for publicly accountable entities in Canada. We have designed internal controls over financial reporting based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance.

The conversion to IFRS from Previous GAAP impacts the way the Corporation presents its financial results. The Corporation has evaluated the impact of the conversion on its accounting and financial reporting systems and updated the requisite systems to enable our reporting of Previous GAAP information related to our initial IFRS adoption and for future periods to be reported under IFRS. There were no changes to internal controls over financial reporting that materially affected, or are reasonably likely to materially affect, internal control over financial reporting during the three and nine months ended September 30, 2011.

Unaudited Condensed Consolidated Statement of Comprehensive Income (Loss)

Canexus Corporation

For the Three and Nine Months Ended September 30, 2011 and 2010

(See Note 3 and 25)

<i>CAD thousands, except per share amounts</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Sales Revenue	139,278	-	353,897	-
Cost of Sales (Notes 7, 8, 15 and 20)	82,026	66	224,566	243
Gross Profit (Loss)	57,252	(66)	129,331	(243)
Distribution, Selling and Marketing (Notes 7, 8 and 20)	22,666	50	59,175	195
General and Administrative (Notes 7, 8, 15 and 20)	9,969	784	23,958	2,287
Operating Profit (Loss)	24,617	(900)	46,198	(2,725)
Equity Income (Loss) from Investment in Canexus Limited Partnership (Note 9)	-	(302)	12,496	(14,680)
Finance Expense (Note 10)	(22,782)	(12,592)	(18,759)	(47,608)
Other Expense (Note 11)	(2,418)	-	(2,085)	-
Income (Loss) Before Income Taxes	(583)	(13,794)	37,850	(65,013)
Provision for (Recovery of) Income Taxes (Note 12)				
Current	1,057	-	2,903	-
Deferred	1,142	(1,299)	8,928	(885)
	2,199	(1,299)	11,831	(885)
Net Income (Loss)	(2,782)	(12,495)	26,019	(64,128)
Other Comprehensive Income (Loss)				
Foreign Currency Translation Adjustment Gains (Losses), Net of Tax	4,149	(537)	2,337	(243)
Experience Losses on Defined Benefit Pension Plans, Net of Tax	(5,452)	(862)	(1,656)	(2,575)
Other Comprehensive Income (Loss) (Note 9)	(1,303)	(1,399)	681	(2,818)
Total Comprehensive Income (Loss)	(4,085)	(13,894)	26,700	(66,946)
Net Income (Loss) Per Share (Note 13)	(0.02)	(0.33)	0.25	(1.78)
Diluted Net Income (Loss) Per Share (Note 13)	(0.02)	(0.33)	0.16	(1.78)

See accompanying notes to the Unaudited Condensed Consolidated Financial Statements

Unaudited Condensed Consolidated Statement of Changes in Equity

Canexus Corporation

For the Nine Months Ended September 30, 2011

<i>CAD thousands</i>	Share Capital (Note 22)	Equity Component of Series IV Debentures	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2011	-	-	-	86,114	(863)	85,251
Comprehensive Income (Loss)						
Net Income	-	-	-	26,019	-	26,019
Foreign Currency Translation Adjustment Gains, Net of Tax (Note 9)	-	-	-	-	2,337	2,337
Experience Losses on Defined Benefit Pension Plans, Net of Tax (Note 9)	-	-	-	(1,656)	-	(1,656)
Total Comprehensive Income	-	-	-	24,363	2,337	26,700
Transactions with Shareholders						
Reclassification of Fund Units	247,772	-	-	-	-	247,772
Common Shares Issued Pursuant to the DRIP	6,070	-	-	-	-	6,070
Common Shares Issued on Exercise of Options	3,754	-	-	-	-	3,754
Common Shares Issued on Conversion of Series I Convertible Debentures	8,328	-	-	-	-	8,328
Common Shares Issued on Settlement of DTU Plan	490	-	-	-	-	490

Unaudited Condensed Consolidated Statement of Changes in Equity

Canexus Corporation

<i>CAD thousands</i>	Share Capital	Equity Component of Series IV Debentures	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Fund Units Issued on Fund's Indirect Acquisition of Canexus LP	(209,175)	-	-	-	-	(209,175)
Adjustment to Deferred Income Taxes Due to Changes in Tax Rates	7,602	-	-	-	-	7,602
Equity Component of Series IV Convertible Debentures	-	4,519	-	-	-	4,519
Reclassification of Share-based Compensation on Conversion	-	-	4,618	-	-	4,618
Share-based Compensation Expense	-	-	974	-	-	974
Exercise of Options	-	-	(414)	-	-	(414)
Dividends Declared (Note 21)	-	-	-	(44,026)	-	(44,026)
Total Transactions with Shareholders	64,841	4,519	5,178	(44,026)	-	30,512
Balance at September 30, 2011	64,841	4,519	5,178	66,451	1,474	142,463

See accompanying notes to the Unaudited Condensed Consolidated Financial Statements

Unaudited Condensed Consolidated Statement of Changes in Equity

Canexus Corporation

For the Nine Months Ended September 30, 2010

<i>CAD thousands</i>	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at January 1, 2010	-	205,733	205,733
Comprehensive Loss			
Net Loss	-	(64,128)	(64,128)
Foreign Currency Translation Adjustment Losses, Net of Tax (Note 9)	(243)	-	(243)
Experience Losses on Defined Benefit Pension Plans, Net of Tax (Note 9)	-	(2,575)	(2,575)
Total Comprehensive Loss	(243)	(66,703)	(66,946)
Balance at September 30, 2010	(243)	139,030	138,787

See accompanying notes to the Unaudited Condensed Consolidated Financial Statements

Unaudited Condensed Consolidated Statement of Financial Position

Canexus Corporation

At September 30, 2011, December 31, 2010 and January 1, 2010

<i>CAD thousands</i>	September 30 2011	December 31 2010	January 1 2010
ASSETS	(Note 3)		
Current Assets			
Cash and Cash Equivalents	3,999	83	394
Trade and Other Receivables	54,799	-	-
Interest Receivable on Debentures of Canexus LP	-	912	19
Distribution Receivable from Canexus LP	-	1,794	1,544
Inventories and Operating Supplies	33,995	-	-
Prepaid Expenses	5,227	105	23
Derivative Financial Instruments	35	-	-
Due from Affiliates, Net	-	-	84
Total Current Assets	98,055	2,894	2,064
Property, Plant and Equipment, Net (Note 15)	647,403	-	-
Intangible Assets, Net	1,276	-	-
Investment in Debentures of Canexus LP	-	124,609	85,780
Investment in Canexus LP (Note 9)	-	373,910	396,946
Long-Term Investments	2,812	-	-
Deferred Tax Assets	10,252	-	-
Other Long-Term Assets (Note 16)	6,441	-	-
Total Assets	766,239	501,413	484,790

Unaudited Condensed Consolidated Statement of Financial Position

Canexus Corporation

At September 30, 2011, December 31, 2010 and January 1, 2010

CAD thousands, except share amounts	September 30 2011	December 31 2010	January 1 2010
LIABILITIES AND EQUITY	(Note 3)		
Current Liabilities			
Short-Term Borrowings (Note 17)	5,505	-	-
Trade and Other Payables	46,164	1	1
Dividend Payable to Shareholders	15,962	1,794	1,544
Interest Payable	1,350	-	-
Interest Payable on Convertible Debentures	2,147	912	19
Share-based Compensation (Note 8)	466	6,953	3,221
Due to Affiliates, Net	-	1,052	-
Total Current Liabilities	71,594	10,712	4,785
Share-based Compensation (Note 8)	100	372	356
Derivative Financial Instruments	4,228	-	-
Long-Term Debt (Note 17)	282,130	-	-
Convertible Debentures (Note 18)	132,458	150,128	93,930
Provisions (Note 19)	79,335	-	-
Deferred Tax Liabilities	24,653	7,178	7,887
Unitholders' Interest in the Net Assets of the Fund (Note 22)	-	247,772	172,099
Other Long-Term Liabilities (Note 16)	29,278	-	-
Total Liabilities	623,776	416,162	279,057
Equity			
Share Capital (116,680,203 Common Shares Outstanding) (Note 22)	64,841	-	-
Equity Component of Convertible Debentures	4,519	-	-
Contributed Surplus	5,178	-	-
Retained Earnings	66,451	86,114	205,733
Accumulated Other Comprehensive (Income) Loss	1,474	(863)	-
Total Equity	142,463	85,251	205,733
Total Liabilities and Equity	766,239	501,413	484,790
Commitments, Contingencies and Guarantees (Note 23)			

See accompanying notes to the Unaudited Condensed Consolidated Financial Statements

Unaudited Condensed Consolidated Statement of Cash Flows

Canexus Corporation

For the Three and Nine Months Ended September 30, 2011 and 2010

<i>CAD thousands</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Operating Activities				
Net Income (Loss)	(2,782)	(12,495)	26,019	(64,128)
Provision for Current Income Taxes	1,057	-	2,903	-
Income Taxes Paid	(2,070)	-	(2,662)	-
Interest Expense (Note 10)	5,975	1,430	16,140	4,619
Interest Paid	(4,155)	-	(15,419)	(3,143)
Interest Income (Note 10)	(220)	(1,430)	(1,103)	(4,619)
Realized Foreign Currency Translation (Gains) Losses on Cash	552	-	(92)	-
Contributions to / Payments for Defined Benefit Plans	(554)	-	(1,645)	-
Purchase of Foreign Exchange Options	-	-	(731)	-
Cash Distributions Received from Canexus LP	-	4,407	-	12,478
Settlement of DTU Plan on Conversion	(1,505)	-	(1,505)	-
Change in Due to / from Affiliates, Net	-	36	(64)	(1,632)
Change in Non-Cash Operating Working Capital	2,524	39	7,950	16
Charges and Credits to Income Not Involving Cash (Note 24)	33,650	12,421	39,386	63,797
Net Cash Generated from Operating Activities	32,472	4,408	69,177	7,388
Financing Activities				
Borrowings (Repayments) of Short-Term Borrowings	625	-	(13,631)	-
Proceeds from Extendible Revolving Credit Facility	-	-	28,430	-
Extendible Revolving Credit Facility Transaction Costs	-	-	(3,262)	-
Repayments of Extendible Revolving Credit Facility	(18,764)	-	(72,972)	-
Repayments of Export Development Canada Extendible Revolving Credit Facility	(3,877)	-	(7,749)	-
Proceeds from Convertible Debentures	-	60,000	60,000	60,000
Convertible Debenture Transaction Costs	(413)	(2,806)	(2,663)	(2,806)
Cash Distributions Paid	(3,871)	(4,407)	(27,188)	(12,478)
Proceeds from Exercise of Share Options	429	792	2,270	2,270
Net Cash Generated from (Used in) Financing Activities	(25,871)	53,579	(36,765)	46,986

Unaudited Condensed Consolidated Statement of Cash Flows

Canexus Corporation

<i>CAD thousands</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Investing Activities				
Purchase of Debentures of Canexus LP	-	(60,000)	-	(60,000)
Reimbursement of Convertible Debenture Transaction Costs	-	2,806	-	2,806
Interest Received on Investments	220	-	416	3,222
Expenditures on Property, Plant and Equipment	(10,200)	-	(29,311)	-
Expenditures on Decommissioning Liabilities	(5)	-	(297)	-
Capitalized Borrowing Costs	(154)	-	(313)	-
Cash of Canexus LP and Canexus Limited on Consolidation – February 7, 2011	-	-	2,744	-
Changes in Non-Cash Investing Working Capital	(329)	-	(3,115)	-
Net Cash Used in Investing Activities	(10,468)	(57,194)	(29,876)	(53,972)
Exchange Rate Changes on Cash and Cash Equivalents	948	-	1,380	-
Increase (Decrease) in Cash and Cash Equivalents	(2,919)	793	3,916	402
Cash and Cash Equivalents – Beginning of Period	6,918	3	83	394
Cash and Cash Equivalents – End of Period	3,999	796	3,999	796

See accompanying notes to the Unaudited Condensed Consolidated Financial Statements

Notes to Unaudited Condensed Consolidated Financial Statements

Canexus Corporation

For the Three and Nine Months Ended September 30, 2011 and 2010

Tabular amounts in CAD thousands, except share and per share amounts

1. Organization and Business of the Corporation

Canexus Corporation (the "Corporation") was incorporated on March 17, 2011 pursuant to the Business Corporations Act (Alberta).

On July 8, 2011, Canexus Income Fund converted (the "Conversion") from an income trust to a corporation. All of the assets of Canexus Income Fund were transferred to the Corporation and the Corporation assumed all of the liabilities of Canexus Income Fund, including the liabilities under the debenture indentures in respect of the 8% Series I convertible unsecured subordinated debentures issued August 31, 2009, the 5.75% Series III convertible unsecured subordinated debentures issued September 28, 2010 and the 5.75% Series IV convertible unsecured subordinated debentures issued June 30, 2011.

These unaudited condensed consolidated financial statements ("consolidated financial statements") present the accounts of the Corporation and its subsidiaries for the period July 8, 2011 to September 30, 2011 and the accounts of Canexus Income Fund and its subsidiaries (collectively, the "Fund") prior to July 8, 2011. The consolidated financial statements use the terms shareholder, common share and dividends when referring to periods subsequent to July 8, 2011 and unitholder, unit and distributions when referring to periods prior to July 8, 2011. Where the information presented is for periods both before and after July 8, 2011, the terms shareholder, common share and dividends are used to refer to both shareholder/unitholder, common share/unit and dividends/distributions.

At September 30, 2011, the Corporation held a 100 percent equity interest in Canexus Limited Partnership ("Canexus LP"). At December 31, 2010, September 30, 2010 and January 1, 2010, the Corporation held a 36.7, 36.8 and 34.2 percent equity interest respectively in Canexus LP and Nexen Inc. ("Nexen") held a 63.3, 63.2 and 65.8 percent controlling equity interest respectively in Canexus LP. On February 7, 2011, the Fund indirectly acquired Nexen's interest in Canexus LP (see Note 3 Fund's Indirect Acquisition of Interest in Canexus LP).

Canexus LP is a limited partnership that was established under the laws of Alberta, Canada on August 9, 2005. Canexus LP, through its subsidiaries, produces sodium chlorate and chlor-alkali products in four plants located in Canada and two plants at one site in Brazil, largely for the pulp and paper and water treatment industries. Canexus LP also provides hydrocarbon transloading services to the oil and gas industry from its terminal in Bruderheim, Alberta.

The registered and head office of the Corporation is located at Suite 600, 801 - 7th Avenue S.W., Calgary, Alberta, T2P 3P7.

2. Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting and International Financial Reporting Standard ("IFRS") 1 First-time Adoption of IFRS as issued by the International Accounting Standards Board.

These consolidated financial statements should be read in conjunction with the Fund's and Canexus LP's audited consolidated financial statements for the year ended December 31, 2010 prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). An explanation of how the transition to IFRS affected the Fund's statement of financial position at September 30, 2010 and its results of operations and cash flows for the three and nine months ended September 30, 2010 is provided in Note 26 Transition to IFRS.

These consolidated financial statements were authorized for issue by the Board of Directors of Canexus Corporation on November 3, 2011.

3. Fund's Indirect Acquisition of Interest in Canexus LP

On February 7, 2011, Nexen exchanged 74,539,604 Exchangeable Limited Partnership Units ("Exchangeable LP Units") of Canexus LP for an equivalent number of units of the Fund ("Fund Units", "Units" or "Unit"). Also on February 7, 2011, Nexen disposed of its entire interest in the Fund through a secondary offering on a bought deal basis of 74,539,604 Fund Units at an offering price of \$6.40 per Fund Unit. As a result of the above transactions, as of February 7, 2011, the Fund held a 100 percent interest in Canexus LP. In accordance with the governance agreement between the Fund, Canexus Commercial Trust, Canexus LP, Canexus Limited, Canexus Holdings Limited and Nexen dated August 18, 2005 (the "Governance Agreement"), upon closing of the secondary offering on February 7, 2011, the Governance Agreement was amended to, among other things, remove Nexen as a party to the Governance Agreement. At the same time, the three Nexen appointees to the Board of Directors of Canexus Limited resigned.

The consolidated statements of financial position, equity, comprehensive income (loss) and cash flows of the Corporation include the financial position, equity, results of operations and cash flows of the Corporation, Canexus Limited, Canexus LP and the wholly owned subsidiaries of those entities from February 7, 2011. The indirect acquisition by the Fund of Canexus LP was accounted for prospectively as a combination of entities under common control at carrying values.

The consolidated statements of financial position, equity, comprehensive income (loss) and cash flows of the Fund for the comparative periods prior to February 7, 2011 have not been restated as Nexen controlled the Fund prior to the disposition of its interest. Prior to February 7, 2011, the Fund owned 100 percent of the common shares of Canexus Limited but did not account for its investment on a consolidated basis due to Nexen having the ability to appoint the majority of the board positions. See Note 25 Canexus LP Comparative Results for Canexus LP's results of operations for the three and nine months ended September 30, 2011 and September 30, 2010.

The carrying values of the assets and liabilities of Canexus Limited, Canexus LP and their wholly owned subsidiaries at February 7, 2011 were as follows:

	February 7, 2011
ASSETS	
Current Assets	
Cash and Cash Equivalents	2,744
Trade and Other Receivables	58,479
Derivative Financial Instruments	237
Inventories and Operating Supplies	37,078
Prepaid Expenses	3,640
Due from Affiliates, Net	14,559
Total Current Assets	116,737
Property, Plant and Equipment, Net	633,022
Intangible Assets, Net	1,532
Long-Term Investments	2,711
Deferred Tax Assets	9,833
Other Long-Term Assets	4,874
Total Assets	768,709
LIABILITIES	
Current Liabilities	
Short-Term Borrowings	19,136
Trade and Other Payables	44,116
Distribution Payable to Ordinary Limited Partnership Unit holders	1,808
Distribution Payable to Exchangeable LP Unit holder, Nexen	3,399
Interest Payable	1,558
Interest Payable on Debentures	1,600
Total Current Liabilities	71,617
Derivative Financial Instruments	2,672
Long-Term Debt	321,140
Debentures	84,111
Provisions	70,908
Deferred Tax Liabilities	458
Other Long-Term Liabilities	21,221
Total Liabilities	572,127

4. Summary of Significant Accounting Policies

The accounting policies which follow have been applied consistently by all entities within the consolidated group in the preparation of the Corporation's consolidated financial statements for the three and nine months ended September 30, 2011. The Conversion did not affect the Corporation's accounting policies except with respect to the accounting for share-based compensation (see (l) below).

(a) Basis of Presentation

These consolidated financial statements have been prepared on a going concern basis using historical cost, unless otherwise noted in the significant accounting policies which follow.

(b) Basis of Consolidation

The consolidated financial statements of the Corporation include the accounts of the Corporation and its wholly owned subsidiaries. Control is considered to be achieved when the Corporation has the power to govern, directly or indirectly, the financial and operating policies of the subsidiary so as to obtain benefits from its activities. All intercompany transactions and balances between the consolidated entities are eliminated upon consolidation.

(c) Revenue Recognition

The Corporation earns revenue from the sale of products (sodium chlorate and chlor-alkali) and services (hydrocarbon transloading). Revenue is measured at the fair value of the consideration received or receivable. Revenue is recorded net of sales tax and is reduced for estimated rebates, discounts, commissions and other similar allowances. Revenue from the sale of products meets the criteria for revenue recognition at the time the product is delivered to the customer's premises. Revenue from hydrocarbon transloading services is recognized in the period the services are provided.

(d) Cost of Sales

Cost of sales is comprised of costs to manufacture products and provide hydrocarbon transloading services. Product manufacturing costs include the cost of raw materials; the cost of energy and other supplies; maintenance costs on and depreciation of manufacturing assets; and salaries, wages and benefit charges for manufacturing personnel. Costs of providing hydrocarbon transloading services include items such as salaries, wages and benefit charges for service personnel; maintenance costs on and depreciation of transloading assets; nitrogen and other operating supplies.

Costs not directly related to the manufacture of products or provision of hydrocarbon transloading services are included in distribution, selling and marketing expense and general and administrative expense as appropriate.

(e) Foreign Currencies

The separate financial statements of each entity within the consolidated group are prepared in the currency of the primary economic environment in which each entity operates (the "functional currency"). The functional currency of the Corporation and the presentation currency of the consolidated financial statements are Canadian dollars.

In preparing the consolidated financial statements, the financial statements of entities within the consolidated group that have a functional currency other than the Canadian dollar are translated as follows: assets and liabilities are translated at the exchange rate on the reporting date and revenues and expenses are translated at the average exchange rate for the month in which the transactions occurred with resulting exchange differences recognized in other comprehensive income (loss). The financial statements of entities within the consolidated group with a Canadian dollar functional currency are translated as follows: monetary assets and liabilities and nonmonetary assets and liabilities which are measured at fair value are translated at the exchange rate on the reporting date, nonmonetary assets and liabilities which are measured at historical cost are translated at the historical exchange rate on the dates on which the transactions occurred and revenues and expenses are translated at the average exchange rate for the month in which the transactions occurred with resulting exchange differences recognized in the consolidated statement of comprehensive income (loss).

Transactions which are denominated in currencies other than the functional currency of the entity are translated into Canadian dollars at the exchange rate on the dates of the transactions with resulting exchange differences recognized in the consolidated statement of comprehensive income (loss). Exchange differences on our US dollar denominated borrowings are included in finance income (expense) and all other exchange differences are included in other income (expense).

The Corporation has no exposure to hyperinflationary currencies.

(f) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction, or production of assets that require a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized as finance income (expense) in the period in which they are incurred.

(g) Retirement Benefit Costs

Net pension and post retirement benefit expense for the retirement benefit plans (defined benefit pension plans, defined contribution pension plans and post retirement benefit plans) are recognized in cost of sales, distribution, selling and marketing expense or general and administrative expense corresponding with where the associated salaries and wages of the employees who have rendered service entitling them to the benefits are recorded. Employee contributions vest immediately and employer contributions vest following continuous employment for more than two years.

(i) Defined Benefit Pension Plans

The defined benefit pension plans include the cost of pension benefits earned by employees under the registered Defined Benefit Plan ("DBP") and under the non-registered Supplemental Plan ("Executive Benefit Plan" or "EBP"), collectively referred to as the "Defined Benefit Pension Plans". The cost of providing these benefits is independently actuarially determined using the projected unit credit method and the best estimate of the plan's investment performance, salary escalations, inflation and various demographic variables and is prorated on employment services and expensed as services are rendered. Net pension expense includes current period service cost, interest cost on the benefit obligation, expected return on plan assets, and any amortization of unvested past service costs. Vested past service costs are recognized immediately and unvested past service costs are amortized on a straight-line basis over the average period until benefits vest. Experience gains and losses are recognized in other comprehensive income (loss) in the period in which they arise. Employer contributions are recorded against the pension liability which is included in other long-term liabilities in the consolidated statement of financial position.

(ii) Defined Contribution Plans

Pension benefits and expense are based on plan contributions.

(iii) Post Retirement Benefits

Post retirement benefits ("PRB") in Canada consist of a company paid \$5,000 group life insurance policy, the payment of provincial health care premiums where applicable, and coverage under the Employee Family Assistance Program. PRB in the US consist of a medical benefits bonus plan. Under the bonus plan, US employees as of December 9, 2006 who attain a minimum of 10 years of completed service are entitled to a benefit of US \$4,000 for every year of completed service. PRB costs are independently actuarially determined using the projected unit credit method and the best estimate of inflation and various demographic variables and are prorated on employment services and expensed as services are rendered. These future obligations are not funded. Experience gains and losses are recognized in other comprehensive income (loss) in the period in which they arise.

(h) Taxation

Income tax expense is comprised of current and deferred income tax. Income tax related to items recorded directly to other comprehensive income (loss), including foreign currency translation adjustment gains (losses) and experience gains (losses) on the Defined Benefit Pension Plans and PRB plans, is recorded in other comprehensive income (loss) (see Note 9 Investment in Canexus LP and Related Party Transactions).

(i) Current Income Tax

Current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date.

(ii) Deferred Income Tax

Deferred income tax is recognized, using the liability method, on unused tax losses, unused tax credits and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized and are based on tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities reflects the tax

consequences that would follow from the manner in which we expect, at the reporting period end date, to recover or settle the carrying value of assets and liabilities.

Deferred tax assets are recognized only to the extent that it is probable that taxable income will be available against which unused tax losses, unused tax credits and deductible temporary differences can be utilized. The carrying value of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow for all or part of the asset to be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and when the Corporation intends to settle the current tax assets and liabilities on a net basis.

(i) Property, Plant and Equipment (“PP&E”) and Intangible Assets

PP&E is measured at historical cost less accumulated depreciation and impairment charges. Historical cost includes expenditures that are directly attributable to the acquisition and installation of the asset, including borrowing costs.

Depreciation of assets is calculated on a straight-line basis to allocate their cost less their residual value over their estimated useful lives as follows:

- Buildings and land improvements – 5 to 40 years;
- Manufacturing machinery and equipment – 2 to 40 years; and
- Other equipment – 5 to 40 years.

Land is not depreciated.

Other equipment includes automobiles and service vehicles, rail shuttle wagons, barges, furniture and fixtures, computer equipment and safety and environmental equipment. Depreciation methods, useful lives and residual values are reassessed at least annually, with the effect of any changes in estimate being accounted for on a prospective basis. Where carrying value exceeds an asset’s estimated recoverable amount an impairment charge is recognized in the consolidated statement of comprehensive income (loss).

Plant decommissioning liabilities are included as a cost of an item of PP&E on initial acquisition of the item or when they arise as a consequence of using the item. Depreciation of these costs occurs over the estimated useful life of the plant to which the item of PP&E relates.

Intangible assets are measured at historical cost less accumulated amortization and impairment charges. Amortization of intangible assets is calculated on a straight-line basis to allocate their cost over their estimated useful lives. Intangible assets consist mostly of software with useful lives ranging from 5 to 10 years.

All repair and maintenance expenses are recognized as cost of sales or general and administrative expense (depending on the function of the PP&E that is being repaired) in the period in which they are incurred. Gains and losses arising on the disposal or retirement of an item of PP&E are calculated as the difference between the sale proceeds and the carrying value of the asset and are recognized in other income (expense).

(j) Inventories and Operating Supplies

Inventories and operating supplies are measured at the lower of cost and net realizable value. The cost of inventories includes all purchase, conversion and other costs incurred to bring the inventories to their present location and condition. The cost of inventories includes direct labor and fixed and variable production overheads, including depreciation. The cost of inventories is determined using a weighted average cost formula.

(k) Provisions

The Corporation recognizes a provision when it has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured as the present value of expenditures expected to be required to settle the obligation using a risk-free discount rate that reflects current market assessments of the time value of money. Estimates of future cash

outflows are adjusted for risks specific to the obligation. The increase of provisions as a result of the passage of time (“accretion”) is recognized in finance income (expense).

(l) Share-based Compensation

The Corporation provides share-based compensation in the form of options and corresponding bonus rights under the Canexus Stock Option Plan (“Option Plan”), formerly the Trust Unit Incentive Plan (“TUIP”), and sponsors the granting of unit appreciation rights (“UARs”) and corresponding bonus rights under the Unit Appreciation Rights Plan (“UAR Plan”) to officers and employees. On Conversion, the Corporation replaced the Director’s Deferred Trust Unit Compensation Plan (“DTU Plan”) with the Deferred Share Unit Compensation Plan (“DSU Plan”). The DSU Plan has essentially the same terms and conditions as the DTU Plan with the exception that it is a cash-settled plan. UARs continue to be subject to the same terms and conditions as originally granted.

Prior to the Conversion, all unit-based compensation plans were accounted for as cash-settled plans as a result of the ability of holders of Fund Units (“Unitholders”) to redeem their Fund Units for cash or other financial assets pursuant to the terms of the Fund’s trust indenture. Subsequent to the Conversion, the Option Plan is accounted for as equity-settled and the DSU Plan and UAR Plan are accounted for as cash-settled.

The fair value of grants made to officers and employees under the Option Plan is determined at grant date using the Black-Scholes option pricing model. Expense is recognized on a graded vesting basis over the vesting period or other expected term of service based on the number of options that are expected to vest with a corresponding increase to contributed surplus as these instruments are settled by issuing common shares of the Corporation. The fair value of grants made to officers and employees under the UAR Plan is determined at grant date and at each subsequent reporting period end using the Black-Scholes option pricing model. Expense is recognized on a graded vesting basis over the vesting period or other expected term of service based on the number of UARs that are expected to vest with a corresponding increase to liabilities as these instruments are settled in cash. The UAR Plan liability is remeasured to its fair value at each reporting period end with changes in fair value included in share-based compensation expense (see Note 8). The fair value of grants made to directors under the DSU Plan is determined at grant date based on the trading price of the Corporation’s common shares on the TSX on the date of grant. Expense is recognized immediately as these instruments vest at the time of grant. The DSU Plan liability is remeasured to its fair value at each reporting period end with changes in fair value included in share-based compensation expense (see Note 8). The fair value of the DSU Plan liability at each reporting period end is determined based on the trading price of the Corporation’s common shares on the TSX at that date. Share-based compensation expense, including changes in fair value, is recognized in cost of sales, selling, distribution and marketing expense or general and administrative expense corresponding with where the associated salaries and wages of the employee, officer or director who received the option, UAR or Deferred Share Unit (“DSU”) are recorded.

At the date of Conversion, the Corporation accounted for the exchange of options granted under the TUIP for options under the Option Plan as a modification of a share-based compensation plan. The fair value of the liability at that date was transferred to contributed surplus.

(m) Financial Assets, Financial Liabilities and Equity Instruments

The Corporation has financial assets which it has classified into the following categories: at fair value through profit or loss (“FVTPL”), held-to-maturity (“HTM”) and loans and receivables. The classification of financial assets into one of these categories depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. During the three and nine months ended September 30, 2011, the Corporation did not have any available-for-sale financial instruments.

The Corporation has debt and equity instruments which it has classified into the following categories: equity instruments, financial liabilities at FVTPL and other financial liabilities. Debt and equity instruments are classified into one of these categories in accordance with the substance of the contractual arrangement which is determined at the time of initial recognition.

The Corporation categorizes its financial instruments carried at fair value into one of three different levels of the fair value hierarchy depending on the observability of the inputs employed in the measurement of their fair value. Financial assets and liabilities are classified in the fair value hierarchy in their entirety based on the lowest level of input that is significant to their fair value measurement. Credit risk associated with counterparty default, as well as our own credit risk, is included in our estimates

of fair value. Assessment of the significance of a particular input to the fair value measurement of financial instruments requires judgment and may affect placement within the fair value hierarchy.

We have not designated any of our financial instruments as hedges. There have been no reclassifications between classes of financial instruments during the three and nine months ended September 30, 2011.

(i) At FVTPL

Financial Assets

The Corporation classifies financial assets at FVTPL when a financial asset is either held-for-trading (“HFT”) or is designated at FVTPL. Derivative financial instruments are HFT. The Corporation has not designated any financial assets at FVTPL. Financial assets at FVTPL are measured at fair value at each reporting period end with changes in fair value recognized in the consolidated statement of comprehensive income (loss) in other income (expense). Transaction costs associated with financial assets at FVTPL are recognized as incurred in the consolidated statement of comprehensive income (loss).

The Corporation enters into derivative financial instruments from time to time to manage exposure to interest rate risk and foreign exchange rate risk, including interest rate swaps, foreign exchange option contracts and cross currency swaps.

A derivative financial instrument is presented as a non-current asset or non-current liability in the consolidated statement of financial position if the remaining maturity of the instrument is more than one year. All other derivatives are presented as current assets or current liabilities.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not measured at fair value. Changes in fair value of separated embedded derivatives are recognized in the consolidated statement of comprehensive income (loss).

Financial Liabilities

Financial liabilities are classified at FVTPL when the financial liability is either HFT or is designated at FVTPL. Financial liabilities classified at FVTPL are measured at fair value at each reporting period end with changes in fair value recognized in the consolidated statement of comprehensive income (loss). Transaction costs associated with financial liabilities at FVTPL are recognized as incurred in the consolidated statement of comprehensive income (loss).

Changes in fair value of HFT financial liabilities, which include derivative financial instruments, are included in other income (expense). Changes in fair value of financial liabilities designated at FVTPL, which include the Series I and III Convertible Debentures and for 2010, Unitholders’ Interest in the Net Assets of the Fund (see Note 22 Share Capital and 2010 Unitholders’ Interest in the Net Assets of the Fund), are recognized in finance income (expense).

The conversion option of each of the Series I, III and IV Convertible Debentures was considered to be an embedded derivative at the time of issuance of each of the Series I, III and IV Convertible Debentures due to the ability of Unitholders under the terms of the Fund’s trust indenture to redeem their Fund Units for cash or other financial assets. The conversion option derivative of the Series I and III Convertible Debentures was not accounted for separately as the Series I and III Convertible Debentures were designated at FVTPL. The conversion option derivative of the Series IV Convertible Debentures was separated and was accounted for at FVTPL. At the date of Conversion, the fair value of the Series IV conversion option was transferred to equity.

The liabilities recognized on our interest rate swap agreements and cross currency swap are classified as long-term liabilities as these agreements expire on April 10, 2013 and December 31, 2018 respectively.

(ii) HTM Investments

Financial assets with fixed or determinable payments and fixed maturity dates for which we have the positive intent and ability to hold to maturity are classified as HTM investments. HTM investments are initially recognized at fair value less any directly attributable transaction costs and are subsequently recognized at amortized cost, adjusted for any impairment losses recognized or reversed, with interest income recognized on an effective yield basis. The Corporation has classified the long-term investments as HTM investments.

(iii) Loans and Receivables

Loans and receivables are financial assets that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value including any directly attributable transaction costs and are subsequently recognized at amortized cost, adjusted for any impairment losses recognized or reversed. Interest income is recognized on an effective yield basis, except for short-term receivables where the recognition of interest income is not material. The Corporation has classified cash and cash equivalents and trade receivables as loans and receivables.

Cash and cash equivalents include all cash balances and short-term highly liquid investments that are directly convertible into cash. Interest income earned on cash and cash equivalents is recognized as finance income (expense).

(iv) Other Financial Liabilities

Other financial liabilities are initially measured at fair value net of directly attributable transaction costs and are subsequently recognized at amortized cost with interest expense recognized on an effective yield basis.

The Corporation has classified the following liabilities as other financial liabilities: short-term borrowings; trade and other payables; dividend payable to shareholders; interest payable; interest payable on Convertible Debentures; due to affiliates, net; the Series IV Convertible Debentures and long-term debt.

(v) Equity Instruments (Fund Units and Unitholders' Interest in the Net Assets of the Fund)

At December 31, 2010 and 2009, Fund Units were classified as liabilities (Unitholders' Interest in the Net Assets of the Fund) and measured at fair value with changes in fair value recognized in finance income (expense) as a result of (i) the ability of Unitholders to redeem Fund Units for cash or other financial assets, and (ii) the Fund's obligation to pay out all of its taxable income such that its taxable income and taxes payable are Nil pursuant to the Fund's trust indenture. During the year ended December 31, 2010, distributions declared payable to Unitholders were recorded in finance income (expense). At January 1, 2011, Fund Units were reclassified to equity at their carrying value on that date as a result of the introduction of the Specified Investment Flow Through ("SIFT") rules introduced on January 1, 2011. With the introduction of the SIFT rules, the Fund was no longer able to deduct distributions paid from taxable income to bring its taxable income and consequently its taxes payable to Nil. Dividends declared between January 1, 2011 and September 30, 2011 are recorded in retained earnings (see Note 22 Share Capital and 2010 Unitholders' Interest in the Net Assets of the Fund).

An equity instrument is a contract that evidences a residual interest in the assets of the Corporation after deducting all liabilities. Equity instruments issued by the Corporation are recorded at the amount of proceeds received net of direct issue costs.

(n) Investment in Associate

At December 31, 2010 and September 30, 2010, the Fund held a direct and indirect equity interest in Canexus LP of 36.7 and 36.8 percent respectively. The Fund, through its equity interest, exercised significant influence over Canexus LP as it had the power to participate in the financial and operating policy decisions of Canexus LP.

The operating results and assets and liabilities of Canexus LP are included in the consolidated financial statements using the equity method of accounting for the period January 1, 2011 to February 6, 2011, the year ended December 31, 2010 and the three and nine months ended September 30, 2010. Under this method, the Fund's investment in Canexus LP was carried on the consolidated statement of financial position at cost and adjusted for post acquisition changes in the Fund's share of the net assets of Canexus LP, which were recognized in the consolidated statement of comprehensive income (loss) (See Note 9 Investment in Canexus LP and Related Party Transactions).

5. Adoption of New and Revised Reporting Standards

(a) Early Adoption of Standards and Interpretations

The Corporation did not adopt any new or revised standards in advance of their effective dates

(b) Standards and Interpretations Issued but Not Yet Effective

At the date of authorization of these consolidated financial statements the following Standards and Interpretations were issued but not yet effective:

Standard	Description of Change	Effective Date
IFRS 7	<i>Financial Instruments: Disclosures</i> – Amendments to disclosures for transfers of financial assets.	Effective for annual periods beginning on or after July 1, 2011.
IFRS 9	<i>Financial Instruments</i> – New Standard that is part of a three phase project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> .	Effective for annual periods beginning on or after January 1, 2013.
IFRS 10	<i>Consolidated Financial Statements</i> – New Standard which supersedes IAS 27 and SIC 12 to provide consistency in the standards.	Effective for annual periods beginning on or after January 1, 2013.
IFRS 12	<i>Disclosure of Interests in Other Entities</i> – New Standard to provide consistent disclosure requirements of interests in subsidiaries, joint ventures, associates and other unconsolidated entities.	Effective for annual periods beginning on or after January 1, 2013.
IFRS 13	<i>Fair Value Measurement</i> – New Standard to provide consistency among the IFRSs that deal with fair value measurements.	Effective for annual periods beginning on or after January 1, 2013.
IAS 1	<i>Presentation of Financial Statements</i> – Amendments regarding presentation of items of other comprehensive income.	Effective for annual periods beginning on or after July 1, 2012.
IAS 12	<i>Income Taxes</i> – Amendments regarding deferred tax and the recovery of underlying assets.	Effective for annual periods beginning on or after January 1, 2012.
IAS 19	<i>Employee Benefits</i> – Amendments to the standard eliminate the corridor method of accounting for defined benefit plans, change the recognition pattern of gains and losses, and require additional disclosures.	Effective for annual periods beginning on or after January 1, 2013.

The impact of the initial application of the Standards listed above is not known or reasonably estimable at the time of authorization of these consolidated financial statements.

6. Critical Accounting Policy Judgments and Key Sources of Estimation Uncertainty

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

(a) Critical Accounting Policy Judgments

The following are the critical judgments, apart from those involving estimates, that have been made in the process of applying the Corporation's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

(i) HTM Financial Assets

We reviewed the HTM financial assets, long-term investments, at September 30, 2011 in light of the Corporation's capital maintenance and liquidity requirements and confirmed our positive intention and ability to hold such long-term investments to maturity. If the Corporation was unable to confirm its positive intention and ability to hold the long-term investments to maturity at a future reporting date this would result in the reclassification from HTM to either at FVTPL or available-for-sale. This change would be treated prospectively.

(b) Key Sources of Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial period.

(i) Impairment of Long-Lived Assets

The Corporation evaluates its long-lived assets for impairment at each reporting date by reviewing for internal and external indicators that the carrying value of PP&E and intangible assets may have suffered an impairment loss. Among other things, such indicators might include falling sales prices for chemical products, changes in operating costs and significant or adverse political or legal changes.

At September 30, 2011, an evaluation of events and changes in circumstances did not lead to any indications of impairment of the Corporation's long-lived assets.

If any indication of impairment existed, the recoverable amount of the asset would be estimated to determine the extent of the impairment loss. The recoverable amount would be the higher of the fair value less costs to sell and value in use. The difference between the recoverable amount and the carrying amount would be recognized immediately as an impairment loss in the consolidated statement of comprehensive income (loss).

(ii) Impairment of Financial Assets

A review for external and internal indicators that financial assets classified as HTM or other loans and receivables (other than those recorded at FVTPL) may be impaired is performed at each reporting date. Financial assets may be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, that estimated future cash flows of the financial asset have been negatively impacted.

The amount of the impairment would be the difference between the asset's carrying value and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying value of financial assets would be reduced by impairment losses directly associated with the financial asset, with the exception of trade receivables where the carrying value would be reduced through the use of an allowance account.

The Corporation performed a review for external and internal indicators that HTM financial assets and loans and receivables may be impaired at and during the three and nine months ended September 30, 2011 and no indicators of impairment were noted.

Long-Term Investments

We have estimated the fair value of our \$4.1 million investment in restructured notes ("Restructured Notes"), which replaced our investment in non-bank sponsored asset backed commercial paper, to be \$2.8 million at September 30, 2011. During the three months ended September 30, 2011, \$0.2 million of impairment charges were recorded. During the nine months ended September 30, 2011, \$0.1 million of impairment charges were reversed. The fair value of our investment in the Restructured Notes was determined by estimating the yield that a prospective purchaser would require for each class of notes. Our estimates of required yield ranged from 6 to 16 percent for the classes of Restructured Notes now held with a maturity date of December 20, 2016.

Trade Receivables

An allowance for doubtful accounts ("AFDA") is established for receivables for which collection is doubtful. The collection of a receivable becomes doubtful when there is objective evidence that we may not be able to collect all amounts due according to the original terms. Significant financial difficulties of a debtor, probability that a debtor will enter into bankruptcy or financial reorganization and default or delinquency in payments are considered indicators that the receivable may be impaired. The amount of the AFDA is management's best estimate of future expected credit risk loss exposure to

existing customers at each reporting date. The carrying value of the asset is reduced by the AFDA and the amount of the loss is recognized in distribution, selling and marketing expense. Subsequent recoveries of amounts previously written off are recorded against the allowance account. Although the Corporation has a program to assess customer credit worthiness the current economic environment makes the estimate of future collectability a critical estimate.

The carrying value of trade receivables was \$50.7 million, net of an AFDA of \$2.5 million, at September 30, 2011. No trade receivables were written off against the AFDA during the three months ended September 30, 2011 (nine months ended September 30, 2011 - \$0.1 million).

(iii) PP&E

Depreciation methods, useful lives and residual values are reassessed at least annually with the effect of any changes in estimate being accounted for on a prospective basis. Residual values of assets are considered insignificant. There were no changes in depreciation methods, or estimates of useful lives or residual values during the three and nine months ended September 30, 2011.

(iv) Provisions

By their nature, provisions for contingent liabilities are dependent upon estimates including assessments as to whether the criteria for recognition have been met, and estimates of the probability and timing of cash outflows. Provisions for litigation are based on an estimate of the obligations, taking into account legal advice and information currently available. Provisions for termination benefits and exit costs involve management's judgment in estimating expected cash outflows for severance payments and site closure or other exit costs. Estimates related to provisions for environmental matters are based on the nature and extent of the contamination, as well as on the technology required to be used for clean-up.

Plant Decommissioning Liabilities

The Corporation is required to remove or remedy the effect of its activities on the environment at its operating sites by dismantling and removing production facilities and remediating any damage caused at the end of each plant's operating life. Estimating future plant decommissioning liabilities requires estimates and judgments to be made with respect to activities that will occur many years into the future. In addition, the ultimate financial impact of environmental laws and regulations is not always clearly known and cannot always be reasonably estimated as standards evolve in the countries in which we operate.

Provisions for plant decommissioning liabilities are estimated using the expected future cash flow approach and are recorded in the consolidated statement of financial position by present valuing the estimated liabilities associated with our production facilities. A current risk-free discount rate is used to discount estimated future risk-adjusted cash flows. Estimates of future cash flows and the discount rate reflect consistent assumptions about price increases attributable to inflation. The present value of the expected provision results in an increase to the carrying value of PP&E which is depreciated over the estimated remaining life of the plant to which the provision relates. The provision is accreted until the time the obligation is expected to settle with accretion expense recognized in finance income (expense).

In arriving at amounts recorded, numerous assumptions and judgments are made with respect to ultimate settlement amounts, discount rates, timing of settlement and expected changes in legal, regulatory, environmental and political environments. At each reporting date we review our assumptions of expected future cash flows, discount rates and timing of settlement of the liabilities. Any changes in estimates are treated prospectively with adjustments made to the carrying values of the provision and the associated PP&E.

(v) Defined Benefit Pension Plans

These obligations will be settled in the future and assumptions regarding the discount rate, the best estimate of the plan's investment performance, salary escalations and retirement ages of employees are required to project the obligations and fair value of plan assets. The Corporation engages independent external actuaries in the valuation of our Defined Benefit Pension Plans on an annual basis and at other than annual reporting period ends when changes in key assumptions may have a significant impact on the reported amounts of plan assets or benefit obligations, funding requirements and periodic costs recorded. Changes in key assumptions can have a significant impact on projected benefit obligations, funding requirements and periodic costs incurred. An actuarial valuation is performed every three years for funding purposes as required by pension laws and was last performed as of December 31, 2010.

(vi) Post Retirement Benefit Plans

The PRB plans include the cost of post retirement benefits earned by employees under either the Canadian PRB plan or the US PRB plan. These obligations will be settled in the future and assumptions regarding the discount rate and retirement ages of employees are required to project obligations. The Corporation engages independent external actuaries in the valuation of our PRB plans on an annual basis and at other than annual reporting period ends when changes in key assumptions may have a significant impact on the reported amount of the benefit obligations and periodic costs recorded. Both the Canadian and US PRB plans are non-funded plans.

(vii) Share-based Compensation

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date with respect to the valuation of share-based compensation have a significant risk of impacting share-based compensation expense.

The Corporation measures the cost of share-based compensation by reference to the fair value of the instruments on the date on which they are granted and for cash-settled share-based compensation at each future reporting date. Estimating fair value for share-based options granted to employees requires determining the most appropriate valuation model to utilize and making assumptions with respect to inputs to the valuation model including the expected life of the option, volatility and dividend yield. The model utilized by the Corporation and the assumptions made in estimating the fair value of share-based compensation are disclosed in Note 8 Share-based Compensation.

7. Employee Benefits Expense

	Three Months Ended		Nine Months Ended	
	September 30 2011	September 30 2010	September 30 2011	September 30 2010
Salaries and Wages	9,969	-	26,343	-
Employee Benefits	6,333	-	14,770	-
	16,302	-	41,113	-
Charged to:				
Cost of Sales	9,784	-	25,600	-
Distribution, Selling and Marketing Expense	1,143	-	2,622	-
General and Administrative Expense	5,375	-	12,891	-
	16,302	-	41,113	-

Employee benefits expense includes short and long-term benefits (including profit sharing plans, disability benefits and paid leaves) and pension and other post retirement benefits (see Note 20 Pensions and Other Post Retirement Benefits).

8. Share-based Compensation

(a) Terms and Conditions of Share-based Compensation Plans

	Option Plan	2005 TUIP	UAR Plan	DSU Plan
Granted to Officers and Employees	Yes	Yes	Yes	No
Granted to Directors	No	No	No	Yes
Expiry Period from Grant Date (Years)	5	5	December 15 of third calendar year following grant date	When cease being a director
Vesting Schedule	34% year 1 33% year 2 33% year 3	34% year 1 33% year 2 33% year 3	33 1/3% each year	Immediate
Exercise Price at Grant Date is equal to Common Share Price at Grant Date	Yes	Yes	Yes	N/A
Bonus Rights / Notional Reinvestment of Dividends available ⁽¹⁾	Yes	Yes	Yes	Yes
Payable in Cash or Common Shares	Common shares	Cash or Fund Units at discretion of officer or employee	Cash	Cash
Maximum Number of Shares Available for Issue	Aggregate of all share- based compensation payable in common shares =< 9% of total outstanding common shares (on a non- diluted basis).	Aggregate of all share- based compensation payable in Units =< 5% of total outstanding Units (on a non-diluted basis).	N/A	N/A

Note:

- (1) Each bonus right may be redeemed on, or in some cases for a period after, the date of exercise of the corresponding option to receive additional shares to reflect the notional investment of dividends ("notional bonus shares") that would have been paid on the shares underlying an option from the date of grant of the option.

On March 3, 2010, the Board of Directors of Canexus Limited approved a special amendment to the TUIP to allow recipients of awards granted in 2005 under the TUIP ("2005 TUIP") the choice to receive cash or Units upon exercise of their options. Awards granted under the TUIP in subsequent years were not amended and continue to be only unit-settled. On Conversion, options and corresponding bonus rights granted under the TUIP were exchanged on a one for one basis for Option Plan options and corresponding bonus rights having substantially the same terms and conditions. Also on Conversion, the DTU Plan was terminated and settled and the DSU Plan was established (see Note 4(l)). UARs continue to be subject to the same terms and conditions as originally granted.

The number of common shares reserved under the Option Plan is equal to 9 percent of the aggregate issued and outstanding common shares which at September 30, 2011 was 10,501,218 common shares. The number of Fund Units reserved under the TUIP and DTU Plan was equal to 5 percent of the aggregate issued and outstanding Fund Units and Exchangeable Limited Partnership Units of Canexus LP (on a non-diluted basis) which at December 31, 2010 was 5,278,981 Fund Units.

(b) Share-based Compensation Expense

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Option Plan ⁽¹⁾	974	12	1,599	1,304
2005 TUIP	-	775	-	925
DTU Plan	643	39	545	165
UAR Plan	(165)	-	(232)	-
	1,452	826	1,912	2,394

Note:

(1) Includes share-based compensation expense for TUIPs granted prior to July 8, 2011 (\$972,303) and for options under the Option Plan granted subsequent to July 8, 2011 (\$1,512).

Charged to:				
Cost of Sales	92	66	78	243
Distribution, Selling and Marketing Expense	70	50	80	195
General and Administrative Expense	1,290	710	1,754	1,956
	1,452	826	1,912	2,394

(c) Share-based Compensation Liabilities

	Option Plan ⁽²⁾	2005 TUIP	UAR Plan	DTU Plan ⁽¹⁾	Total
September 30, 2011					
Short-term	-	-	235	231	466
Long-term	-	-	100	-	100
Total	-	-	335	231	566
December 31, 2010					
Short-term	4,832	-	438	1,683	6,953
Long-term	230	-	142	-	372
Total	5,062	-	580	1,683	7,325
January 1, 2010					
Short-term	2,155	7	35	1,024	3,221
Long-term	323	-	33	-	356
Total	2,478	7	68	1,024	3,577

Notes:

(1) The liability triggered by the Conversion under the former DTU Plan (with the exception of the DTU Plan liability that was settled on August 8, 2011 as described in (h) below) was \$1.7 million, of which \$1.5 million was paid in cash on July 21, 2011 as required by the terms of the DTU Plan. The

remaining \$0.2 million liability is expected to be settled on January 23, 2012. The directors of Canexus have agreed to reinvest the after-tax proceeds received in Canexus Corporation shares from the public market.

(2) The fair value of the liability at July 8, 2011 (date of Conversion) was transferred to contributed surplus.

(d) Weighted Average Fair Value Assumptions

The weighted average fair value of the UAR Plan awards are estimated at each reporting period end using the Black-Scholes option pricing model. Up to the date of the Conversion, the weighted average fair value of the TUIP awards were estimated at each reporting period end using the Black-Scholes option pricing model. On Conversion, TUIP options and corresponding bonus rights were exchanged for Option Plan options and corresponding bonus rights. The fair value of the TUIP options on the date of Conversion was determined using the Black-Scholes option pricing model and was transferred from liabilities to contributed surplus (see Note 4(l)).

	September 30, 2011			December 31, 2010		January 1, 2010	
	Option Plan ⁽²⁾	TUIP ⁽¹⁾	UAR Plan	TUIP	UAR Plan	TUIP	UAR Plan
Risk-Free Interest Rate (%)	1.24	1.60	0.86	2.04	2.00	1.86	2.61
Expected Life (Years)	4.01	1.91	0.97	2.16	1.83	1.82	2.83
Expected Volatility in the Price of Common Shares (%)	39.18	39.91	38.87	37.24	37.24	40.03	40.03
Expected Annual Dividends per Common Share	-	-	-	-	-	-	-
Common Share Price on Revaluation Date	6.21	6.85	5.87	7.07	7.07	5.51	5.51
Fair Value per Common Share at Period End	1.95	1.84	1.19	2.04	2.43	1.28	1.66

Notes:

- (1) Assumptions used to determine the fair value of TUIPs outstanding on July 8, 2011, the Conversion date, using the Black-Scholes option pricing model.
- (2) The weighted average fair value assumptions used to estimate the fair value of the Option Plan awards granted after the Conversion.

(e) Option Plan

(i) Option Plan for the Three and Nine Months Ended September 30, 2011 and September 30, 2010

	Number of Options				Weighted Average Exercise Prices			
	Three Months Ended September 30		Nine Months Ended September 30		Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010	2011	2010	2011	2010
Outstanding, Beginning of Period	-	-	-	-	-	-	-	-
Issued on Exchange of TUIPs (Note 4(l))	2,781,826	-	2,781,826	-	5.37	-	5.37	-
Granted	23,000	-	23,000	-	6.33	-	6.33	-
Exercised	(81,930)	-	(81,930)	-	5.25	-	5.25	-
Forfeited	(16,650)	-	(16,650)	-	6.01	-	6.01	-
Outstanding, End of Period	2,706,246	-	2,706,246	-	5.40	-	5.40	-
Vested, End of Period	1,202,813	-	1,202,813	-	4.90	-	4.90	-
Range of Exercise Prices	\$2.99 - \$7.82	-	\$2.99 - \$7.82	-				
Weighted Average Remaining Contractual Life (Years)	2.59	-	2.59	-				
	Three Months Ended September 30		Nine Months Ended September 30					
	2011	2010	2011	2010				
Notional Bonus Shares Outstanding, End of Period	792,730	-	792,730	-				
Vested Notional Bonus Shares, End of Period	601,126	-	601,126	-				

(f) TUIP

(i) TUIP for the Three and Nine Months Ended September 30, 2011 and September 30, 2010

	Number of Options				Weighted Average Exercise Prices			
	Three Months Ended September 30		Nine Months Ended September 30		Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010	2011	2010	2011	2010
Outstanding, Beginning of Period	2,781,826	2,446,541	3,092,661	3,057,820	5.37	5.07	5.78	5.78
Granted	-	-	18,000	-	-	-	6.96	-
Exercised	-	(107,930)	(288,425)	(233,579)	-	7.33	6.38	6.29
Forfeited	-	-	(40,410)	(35,130)	-	-	5.38	5.41
2005 TUIP as per Amendment	-	-	-	(450,500)	-	-	-	9.73
TUIP Exchanged for Option Plan options Pursuant to Conversion (Note 4(l))	(2,781,826)	-	(2,781,826)	-	5.37	-	5.37	-
Outstanding, End of Period	-	2,338,611	-	2,338,611	-	4.97	-	4.97
Vested, End of Period	-	1,102,802	-	1,102,802	-	5.83	-	5.83
Range of Exercise Prices	-	\$2.99 - \$8.84	-	\$2.99 - \$8.84				
Weighted Average Remaining Contractual Life (Years)	-	2.54	-	2.54				
	Three Months Ended September 30		Nine Months Ended September 30					
	2011	2010	2011	2010				
Notional Bonus Shares Outstanding, End of Period	-	873,777	-	873,777				
Vested Notional Bonus Shares, End of Period	-	571,720	-	571,720				

(i) DSU Plan

The DSU plan replaced the DTU Plan on Conversion. No awards of DSUs were granted under the DSU Plan during the three months ended September 30, 2011.

9. Investment in Canexus LP and Related Party Transactions

(a) Investment in Canexus LP

At September 30, 2011, the Corporation held a 100 percent interest in Canexus LP (see Note 3 Fund's Indirect Acquisition of Interest in Canexus LP). Prior to February 7, 2011, the Fund accounted for its investment in Canexus LP using the equity method and recorded \$12.5 million of equity income for the period January 1, 2011 to February 6, 2011 and a \$0.3 million and \$14.7 million equity loss for the three and nine months ended September 30, 2010.

The Fund had an obligation to provide Fund Units for the exchange of the Exchangeable LP Units of Canexus LP. The Fund Units are redeemable by Unitholders pursuant to the terms of the Fund's trust indenture and accordingly, were considered financial liabilities (see Note 22 Fund Units and 2010 Unitholders' Interest in the Net Assets of the Fund) until January 1, 2011. As a result, and until February 6, 2011, for each reporting period end the Fund reflected its share of the change in fair value of the financial liability created by the obligation to issue Fund Units for the exchange of the Exchangeable LP Units of Canexus LP as an increase or decrease in equity income (loss) and an increase or decrease of its investment in Canexus LP. Canexus LP did not have an obligation to deliver cash or other financial assets on the exchange of the Exchangeable LP Units and therefore, there was no corresponding liability or change in fair value recorded in the accounts of Canexus LP.

For the period January 1, 2011 to February 6, 2011, equity income included a \$12 million gain for the Fund's share of the change in fair value of the liability. A decrease in the fair value of the Funds Units from December 31, 2010 to February 6, 2011 resulted in a decrease in the liability at February 6, 2011. For the three and nine months ended September 30, 2010, the equity loss included a \$5 million loss and a \$20.1 million loss respectively for the Fund's share of the change in fair value of the liability.

For the three and nine months ended September 30, 2010 and for the period January 1, 2011 to February 6, 2011, the Fund recorded its share of Canexus LP's foreign currency translation adjustment gains (losses), net of tax, on certain foreign subsidiaries and its share of experience gains (losses) on the Defined Benefit Pension Plans of Canexus LP in its investment and in other comprehensive income (loss). Deferred income taxes on the Fund's share of the experience gains (losses) were recorded directly by the Fund and did not impact the investment in Canexus LP. From February 7, 2011, the Corporation included Canexus LP's foreign currency translation adjustment gains (losses), net of tax, and experience gains (losses) on the Defined Benefit Pension Plans of Canexus LP in its consolidated results.

(b) Transactions with Related Parties for the Period January 1, 2011 to February 6, 2011

Canexus Limited, as administrator of the Fund, and indirectly the Trustee of Canexus Commercial Trust and the General Partner of Canexus LP, incurs expenditures on behalf of these entities for which it is reimbursed at cost. Canexus Limited sub leases office space from Nexen on behalf of the Fund and Canexus LP for which it is reimbursed at cost. The Fund's share of lease payments and operating costs for the period January 1, 2011 to February 6, 2011 were \$15,000. For the three and nine months ended September 30, 2010, the Fund's share of lease payments and operating costs were \$23,000 and \$69,000 respectively.

The Fund has issued four series of convertible unsecured subordinated debentures denoted as Series I Convertible Debentures, Series II Convertible Debentures, Series III Convertible Debentures and Series IV Convertible Debentures (the "Convertible Debentures"; see Note 18 Convertible Debentures). The Series IV Convertible Debentures were issued on June 30, 2011. The proceeds from the issue of these Convertible Debentures were used to purchase unsecured subordinated debentures of Canexus LP (the "Debentures"). Interest income recognized on the Series I, Series II and Series III Debentures for the period January 1, 2011 to February 6, 2011 was \$0.7 million and for the three and nine months ended September 30, 2010 was \$1.4 million and \$4.6 million respectively.

After February 6, 2011 the Corporation did not have any transactions with related parties.

10. Finance Income (Expense)

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Interest Expense				
Interest on Short-Term Borrowings	(164)	-	(570)	-
Interest on Long-Term Debt	(3,676)	-	(10,572)	-
Interest on Convertible Debentures	(2,135)	(1,430)	(4,998)	(4,619)
	(5,975)	(1,430)	(16,140)	(4,619)
Amortization of Transaction Costs of Extendible Revolving Credit Facilities and Senior Secured Notes	(736)	-	(1,714)	-
Accretion of Provisions (Note 19)	(556)	-	(1,526)	-
	(7,267)	(1,430)	(19,380)	(4,619)
Interest Income				
HFT Non-Derivative Financial Assets				
Interest on Cash and Cash Equivalents	213	-	388	-
Interest Income on Debentures of Canexus LP	-	1,430	687	4,619
Interest on Long-Term Investments	7	-	28	-
	220	1,430	1,103	4,619
Gains (Losses) on HFT Financial Liabilities, measured at FVTPL				
Distributions on Fund Units (Note 21)	-	(5,201)	-	(14,926)
Change in Fair Value of Series I and III Convertible Debentures (Note 18)	4,948	(2,225)	9,643	(8,225)
Change in Fair Value of Fund Units (Note 22)	-	(5,166)	-	(24,457)
Loss on Conversion of Series II Convertible Debentures	-	-	(567)	-
	4,948	(12,592)	9,076	(47,608)
Gains (Losses) on Financial Liabilities, measured at amortized cost				
Long-Term Debt				
Realized Foreign Currency Translation Gains	866	-	3,802	-
Unrealized Foreign Currency Translation Losses	(21,549)	-	(13,360)	-
	(20,683)	-	(9,558)	-
Total Finance Expense	(22,782)	(12,592)	(18,759)	(47,608)

11. Other Income (Expense)

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Gains (Losses) on HFT Financial Assets and Liabilities, measured at FVTPL				
HFT Derivatives				
Change in Fair Value of Foreign Exchange Options	(624)	-	(933)	-
Realized Gains on Foreign Exchange Options	101	-	467	-
Change in Fair Value of Interest Rate Swaps	235	-	325	-
Realized Losses on Interest Rate Swaps	(373)	-	(959)	-
Change in Fair Value of Cross Currency Swap	(1,880)	-	(1,880)	-
Total Losses on HFT Derivatives	(2,541)	-	(2,980)	-
Gains (Losses) on Financial Assets and Liabilities, measured at amortized cost				
Working Capital				
Unrealized Foreign Currency Translation Gains	608	-	372	-
Realized Foreign Currency Translation Gains (Losses)	(355)	-	12	-
Total Foreign Currency Translation Gains on Working Capital	253	-	384	-
Reversal of Impairment (Impairment) on HTM Investments, measured at amortized cost				
Reversal of Impairment (Impairment) on Long-Term Investments	(182)	-	88	-
Other	52	-	423	-
Total Other Expense	(2,418)	-	(2,085)	-

12. Provision for Income Taxes

The provision for income taxes results in an effective tax rate that differs from the combined federal and provincial statutory tax rate as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Income (Loss) before Income Taxes	(583)	(13,794)	37,850	(65,013)
Canadian Statutory Rate	26%	39%	26%	39%
Computed Income Tax Expense (Recovery)	(152)	(5,380)	9,841	(25,355)
Add (Deduct) the Tax Effect of:				
Adjustments to Canadian Statutory Rate	(201)	-	1,257	-
Non-taxable Portion of Capital Gains	(112)	-	(510)	-
Non-taxable Fair Value Adjustment on Convertible Debentures	(1,248)	-	(2,312)	-
Share-based Compensation	381	-	496	-
Rate Difference on Foreign Earnings	(74)	-	73	-
Distributed Earnings Not Subject to Tax	-	4,081	-	24,470
Foreign Exchange	2,955	-	1,710	-
Impact of Deferred Tax Rate Reductions	(231)	-	(5,535)	-
Adjustments to Prior Periods	(414)	-	6,974	-
Other	1,295	-	(163)	-
Provision for (Recovery of) Income Taxes	2,199	(1,299)	11,831	(885)
Effective Tax Rate	(377%)	9%	31%	1%

The deferred tax liability was reduced by \$10.6 million on July 8, 2011 to reflect the change in tax rates applicable to a corporation as compared to an income trust and was reflected in the accounts where it was originally recorded.

13. Net Income (Loss) Per Share

Net income (loss) per share is calculated using net income (loss) divided by the weighted average number of common shares outstanding. Diluted net income (loss) per common share is calculated in the same manner as net income (loss) per share, except (i) the numerator is adjusted to remove the income or expense associated with dilutive instruments, and (ii) the weighted average number of diluted common shares outstanding is used as the denominator. At January 1, 2010 and during the year ended December 31, 2010, Fund Units were classified as financial liabilities under Unitholders' Interest in the Net Assets of the Fund and commencing January 1, 2011 were classified as equity (see Note 22 Share Capital and 2010 Unitholders' Interest in the Net Assets of the Fund).

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Net Income (Loss)	(2,782)	(12,495)	26,019	(64,128)
Adjustments to Net Income (Loss):				
Change in Fair Value of Series I and III Convertible Debentures	-	-	(9,643)	-
Interest Expense on Convertible Debentures, Net of Tax	-	-	2,937	-
Diluted Net Income (Loss)	(2,782)	(12,495)	19,313	(64,128)
Weighted Average Number of Common Shares Outstanding	116,229,475	37,726,404	104,916,605	36,012,415
Common Shares Issuable:				
Pursuant to DTUs and Notional Reinvestments	-	-	231,398	-
Pursuant to Options and Corresponding Bonus Rights	-	-	3,481,167	-
Notional Common Shares to be Purchased with Proceeds from Exercise/Redemption of Options and Corresponding Bonus Rights	-	-	(2,131,727)	-
On Conversion of the Series I Convertible Debentures	-	-	4,429,717	-
On Conversion of the Series III Convertible Debentures	-	-	7,228,916	-
On Conversion of the Series IV Convertible Debentures	-	-	1,781,478	-
Weighted Average Number of Diluted Common Shares Outstanding	116,229,475	37,726,404	119,937,554	36,012,415

As the Corporation reported a net loss for the three months ended September 30, 2011 of \$2.8 million the potential dilutive effects of outstanding options and corresponding bonus rights, DTUs and notional reinvestments and Series I, Series III and Series IV Convertible Debentures were anti-dilutive and accordingly, they were not included in the calculation of the weighted average number of diluted common shares outstanding. As the Fund reported a net loss for the three and nine months ended September 30, 2010 of \$12.5 million and \$64.1 million respectively, the potential dilutive effects of outstanding options and corresponding bonus rights, DTUs and notional reinvestments and Series I, Series II and Series III Convertible Debentures were anti-dilutive and accordingly, they were not included in the calculation of the weighted average number of diluted common shares outstanding.

On February 7, 2011, Nexen disposed of its interest in Canexus LP by exchanging 74,539,604 Exchangeable LP Units of Canexus LP for an equivalent number of Fund Units. Also on February 7, 2011, Nexen disposed of its entire interest in the Fund. These transactions resulted in an increase in the weighted average number of Units outstanding.

During the three and nine months ended September 30, 2011, DTU's and notional reinvestments, outstanding Option Plan options and corresponding bonus rights and the Series I, Series III and Series IV Convertible Debentures were the only potential dilutive instruments.

In calculating the weighted average number of diluted common shares outstanding for the nine months ended September 30, 2011, 173,328 weighted average DTUs and 58,070 corresponding weighted average additional DTUs (from notional reinvestments) were included and 2,670,228 weighted average Share options and 810,939 corresponding weighted average notional bonus shares were included. We did not include 15,000 options and 226 corresponding notional bonus shares for the nine months ended September 30, 2011 as their option exercise price was higher than the average share trading price and associated dividends declared.

14. Operating Segments

The Corporation's operations are comprised of North American sodium chlorate production facilities at Brandon, Manitoba; Beauharnois, Quebec; and Nanaimo, British Columbia; a North American chlor-alkali production facility at North Vancouver, British Columbia; and a sodium chlorate and chlor-alkali production facility in Brazil. Information reported to the Corporation's management team, the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance, considers both a geographic and product perspective. The Corporation's reportable operating segments are as follows:

- North America Sodium Chlorate;
- North America Chlor-alkali; and
- South American Sodium Chlorate and Chlor-alkali.

The reportable operating segments derive their revenue from the sale of sodium chlorate and/or chlor-alkali products (caustic soda, chlorine and hydrochloric acid). The Corporation also provides hydrocarbon transloading services to the oil and gas industry through its North American Terminal Operations ("NATO") business unit. NATO is not considered a reportable operating segment and the results of operations for the three and nine months ended September 30, 2011 are included in the North America Chlor-alkali segment.

Demand for chlorine used in water treatment is impacted by seasonal temperature variations with increased demand in the warmer months. We maintain sales of chlorine into chlorine derivative product segments, and use chlorine internally for the production of hydrochloric acid, to balance this seasonality.

Our South American reportable segment sells both sodium chlorate and chlor-alkali products. For the three months ended September 30, 2011, revenue from the sale of sodium chlorate and chlor-alkali products was \$15.5 million and \$11.8 million respectively and for the nine months ended September 30, 2011, revenue from the sale of sodium chlorate and chlor-alkali products was \$40.3 million and \$31.6 million respectively. The majority of our South American production is sold to Fibria Celulose S.A. ("Fibria") under a long-term US dollar based fixed margin sales agreement. During the three and nine months ended September 30, 2011, sales to Fibria accounted for 76 and 77 percent respectively of the total revenue for the South American operating segment.

The accounting policies of our segments are the same as those described in Note 4 Summary of Significant Accounting Policies. Transactions between reportable segments are recorded at contracted amounts and are eliminated upon consolidation. Transactions and balances within our corporate division do not meet the criteria for a reportable operating segment under IFRS 8 Operating Segments and are disclosed in the Other segment below. Cost of sales and distribution costs are allocated to operating segments based on where the costs originated. Selling and marketing expense and general and administrative expense for functional areas that support the various operating segments including human resources, finance, information technology and legal are allocated to the operating segments based on production volumes. Total assets that are not directly attributable to an operating segment are allocated based on sales revenue.

(a) Operating Segments

Three Months Ended September 30, 2011	North America				Total
	Sodium Chlorate	Chlor-alkali	South America	Other	
Revenues					
Total Segment Revenues	54,691	58,161	27,293	-	140,145
Inter-Segment Revenues	81	786	-	-	867
Total Revenues from External Customers	54,610	57,375	27,293	-	139,278
Cost of Sales (Notes 7, 8, 15 and 20)	32,348	28,540	21,043	95	82,026
Gross Profit (Loss)	22,262	28,835	6,250	(95)	57,252
Distribution, Selling and Marketing (Notes 7, 8 and 20)	6,729	14,777	359	801	22,666
General and Administrative (Notes 7, 8, 15 and 20)	2,561	3,245	1,151	3,012	9,969
Operating Profit (Loss)	12,972	10,813	4,740	(3,908)	24,617
Finance Income (Expense) (Note 10)	(282)	(328)	104	(22,276)	(22,782)
Other Income (Expense) (Note 11)	2	27	(1,004)	(1,443)	(2,418)
Provision for Income Taxes (Note 12)	-	-	2,177	22	2,199
Net Income (Loss)	12,692	10,512	1,663	(27,649)	(2,782)
Non-Cash Items Affecting Operating Profit (Loss)					
Depreciation of PP&E and Amortization of Intangible Assets					
Cost of Sales	3,043	5,695	1,335	-	10,073
General and Administrative	-	-	11	231	242
Total Depreciation of PP&E and Amortization of Intangible Assets	3,043	5,695	1,346	231	10,315
Share-based Compensation Expense (Note 8)	-	-	-	1,452	1,452
Total Non-Cash Items Affecting Operating Profit	3,043	5,695	1,346	1,683	11,767

Three Months Ended September 30, 2010	North America				Total
	Sodium Chlorate	Chlor-alkali	South America	Other	
Revenues					
Total Segment Revenues	-	-	-	-	-
Inter-Segment Revenues	-	-	-	-	-
Total Revenues from External Customers	-	-	-	-	-
Cost of Sales (Note 8)	-	-	-	66	66
Gross Loss	-	-	-	(66)	(66)
Distribution, Selling and Marketing (Note 8)	-	-	-	50	50
General and Administrative (Note 8)	-	-	-	784	784
Operating Loss	-	-	-	(900)	(900)
Equity Loss from Investment in Canexus LP (Note 9)	-	-	-	(302)	(302)
Finance Expense (Note 10)	-	-	-	(12,592)	(12,592)
Recovery of Income Taxes (Note 12)	-	-	-	(1,299)	(1,299)
Net Loss	-	-	-	(12,495)	(12,495)
Non-Cash Items Affecting Operating Loss					
Share-based Compensation Expense (Note 8)	-	-	-	826	826
Total Non-Cash Items Affecting Operating Loss	-	-	-	826	826

Nine Months Ended September 30, 2011	North America				Total
	Sodium Chlorate	Chlor-alkali	South America	Other	
Revenues					
Total Segment Revenues	145,192	139,413	71,847	-	356,452
Inter-Segment Revenues	648	1,907	-	-	2,555
Total Revenues from External Customers	144,544	137,506	71,847	-	353,897
Cost of Sales (Notes 7, 8, 15 and 20)	87,783	81,284	55,415	84	224,566
Gross Profit (Loss)	56,761	56,222	16,432	(84)	129,331
Distribution, Selling and Marketing (Notes 7, 8 and 20)	17,977	38,729	865	1,604	59,175
General and Administrative (Notes 7, 8, 15 and 20)	6,395	8,102	3,027	6,434	23,958
Operating Profit (Loss)	32,389	9,391	12,540	(8,122)	46,198
Equity Income from Investment in Canexus LP (Note 9)	-	-	-	12,496	12,496
Finance Income (Expense) (Note 10)	(736)	(835)	67	(17,255)	(18,759)
Other Income (Expense) (Note 11)	(109)	176	170	(2,322)	(2,085)
Provision for Income Taxes (Note 12)	-	-	4,368	7,463	11,831
Net Income (Loss)	31,544	8,732	8,409	(22,666)	26,019

Nine Months Ended September 30, 2011	North America				Total
	Sodium Chlorate	Chlor-alkali	South America	Other	
Non-Cash Items Affecting Operating Profit (Loss)					
Depreciation of PP&E and Amortization of Intangible Assets					
Cost of Sales	8,889	15,360	3,765	-	28,014
General and Administrative	-	-	29	619	648
Total Depreciation of PP&E and Amortization of Intangible Assets	8,889	15,360	3,794	619	28,662
Share-based Compensation Expense (Note 8)	-	-	-	1,912	1,912
Total Non-Cash Items Affecting Operating Profit	8,889	15,360	3,794	2,531	30,574

Nine Months Ended September 30, 2010	North America				Total
	Sodium Chlorate	Chlor-alkali	South America	Other	
Revenues					
Total Segment Revenues	-	-	-	-	-
Inter-Segment Revenues	-	-	-	-	-
Total Revenues from External Customers	-	-	-	-	-
Cost of Sales (Note 8)	-	-	-	243	243
Gross Loss	-	-	-	(243)	(243)
Distribution, Selling and Marketing (Note 8)	-	-	-	195	195
General and Administrative (Note 8)	-	-	-	2,287	2,287
Operating Loss	-	-	-	(2,725)	(2,725)
Equity Loss from Investment in Canexus LP (Note 9)	-	-	-	(14,680)	(14,680)
Finance Expense (Note 10)	-	-	-	(47,608)	(47,608)
Recovery of Income Taxes (Note 12)	-	-	-	(885)	(885)
Net Loss	-	-	-	(64,128)	(64,128)

Non-Cash Items Affecting Operating Loss					
Share-based Compensation Expense (Note 8)	-	-	-	2,394	2,394
Total Non-Cash Items Affecting Operating Loss	-	-	-	2,394	2,394

Total Assets	North America				Total
	Sodium Chlorate	Chlor-Alkali	South America	Other	
September 30, 2011	209,643	456,473	79,844	20,279	766,239
December 31, 2010	-	-	-	501,413	501,413
January 1, 2010	-	-	-	484,790	484,790

(b) Geographic Segments

Sales	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Canada	57,531	-	140,771	-
United States	54,454	-	141,279	-
South America	27,293	-	71,847	-
	139,278	-	353,897	-

PP&E, Net	September 30, 2011	December 31, 2010	January 1, 2010
Canada	594,301	-	-
United States	140	-	-
South America	52,962	-	-
	647,403	-	-

15. Property, Plant and Equipment

	Land and Land Improvements	Buildings	Manufacturing Machinery and Equipment	Other Equipment	Assets Under Construction	Total
Gross Carrying Amount						
Balance at January 1, 2011	-	-	-	-	-	-
Additions on Consolidation of Canexus LP – February 7, 2011	22,941	232,872	902,760	34,585	19,506	1,212,664
Additions	872	1,246	17,300	270	29,498	49,186
Changes in PP&E Related to Plant Decommissioning Liabilities (Note 19)	-	8,652	-	-	-	8,652
Disposals	-	(338)	(2,056)	(222)	-	(2,616)
Transfers	-	-	-	-	(16,483)	(16,483)
Net Foreign Currency Translation Differences	-	684	4,262	66	119	5,131
Balance at September 30, 2011	23,813	243,116	922,266	34,699	32,640	1,256,534

	Land and Land Improvements	Buildings	Manufacturing Machinery and Equipment	Other Equipment	Assets Under Construction	Total
Accumulated Depreciation						
Balance at January 1, 2011	-	-	-	-	-	-
Accumulated Depreciation on Consolidation of Canexus LP – February 7, 2011	7,744	111,265	436,413	24,220	-	579,642
Depreciation	259	4,075	23,362	960	-	28,656
Disposals	-	(304)	(1,983)	(217)	-	(2,504)
Net Foreign Currency Translation Differences	-	287	3,014	36	-	3,337
Balance at September 30, 2011	8,003	115,323	460,806	24,999	-	609,131
Carrying Amount at September 30, 2011	15,810	127,793	461,460	9,700	32,640	647,403

Depreciation was charged to:

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Cost of Sales	10,039	-	27,924	-
General and Administrative Expense	177	-	470	-
	10,216	-	28,394	-

The weighted average interest rate on funds borrowed to construct PP&E for the three and nine months ended September 30, 2011 was 5.95 and 5.62 percent respectively.

During the three and nine months ended September 30, 2011, \$0.2 million and \$0.4 million respectively of borrowing costs were capitalized on various NATO projects.

16. Other Long-Term Assets and Liabilities

	September 30, 2011	December 31, 2010	January 1, 2010
Other Long-Term Assets			
Credit Facility Transaction Costs, Net	5,526	-	-
Deposits with Energy Resources Conservation Board	130	-	-
Long-Term Receivable	785	-	-
Total Other Long-Term Assets	6,441	-	-

	September 30, 2011	December 31, 2010	January 1, 2010
Other Long-Term Liabilities			
Defined Benefit Pension Liability	25,707	-	-
Post Retirement Benefit Liability	3,489	-	-
Other	82	-	-
Total Other Long-Term Liabilities	29,278	-	-

17. Long-Term Debt and Short-Term Borrowings

	Maturity	September 30 2011	December 31 2010	January 1 2010
Short-Term Borrowings				
Swing Line Loans under Extendible Revolving Credit Facility	June 30, 2014	5,505	-	-
Long-Term Debt				
Credit Facilities				
Extendible Revolving Credit Facility	June 30, 2014	228,558	-	-
Export Development Canada Extendible Revolving Credit Facility	June 30, 2014	2,078	-	-
Total Credit Facilities		230,636	-	-
Senior Secured Notes	May 1, 2013	51,945	-	-
Unamortized Senior Secured Notes Transaction Costs, Net		(451)	-	-
		51,494	-	-
Total Long-Term Debt		282,130	-	-

18. Convertible Debentures

The Corporation had the following Convertible Debentures at September 30, 2011:

	Series I	Series III	Series IV	
Maturity Date	December 31, 2014	December 31, 2015	December 31, 2018	
Fixed Distribution Rate	8.00%	5.75%	5.75%	
Conversion Price	\$5.10	\$8.30	\$11.35	
At FVTPL				
Outstanding, January 1, 2010	50,130	43,800	-	Total Carrying Value 93,930
Issued	-	-	60,000	60,000
Converted	(26,503)	-	-	(26,503)
Change in Fair Value	10,247	11,260	1,194	22,701
Outstanding, December 31, 2010	33,874	55,060	61,194	150,128
Converted	(8,328)	(52,688)	-	(61,016)
Change in Fair Value	(3,683)	(2,372)	(3,588)	(9,643)
Outstanding, September 30, 2011	21,863	-	57,606	79,469
At Amortized Cost				
Outstanding, January 1, 2011		Series IV	Unamortized Discount and Transaction Costs	Total Carrying Value
Issued		60,000	(7,011)	52,989
Outstanding, September 30, 2011		60,000	(7,011)	52,989
Total Convertible Debentures Outstanding, September 30, 2011				132,458

19. Provisions

(a) Plant Decommissioning Liabilities

Total estimated undiscounted liabilities at September 30, 2011 were \$153.1 million. Plant decommissioning liabilities are based on management's best estimate of plant dismantlement, decommissioning and restoration plans and the related costs, and are estimated by management with the help of external independent professional engineers. The provision was calculated as the present value of the estimated future cash outflows using an average discount rate of 2.48 percent at September 30, 2011. Approximately \$5 million of decommissioning liabilities is expected to be settled over the next three years.

	Plant Decommissioning Liabilities
Balance at January 1, 2011	-
Provisions on Consolidation of Canexus LP – February 7, 2011	70,908
Change in Obligation Due to Change in Discount Rates	8,652
Expenditures	(452)
Change in Obligation Reclassified to Current Liabilities	(1,322)
Accretion	1,526
Net Foreign Currency Translation Differences	23
Balance at September 30, 2011	79,335
Current Portion included in Trade and Other Payables	2,212
Total Provisions Balance at September 30, 2011	81,547

(b) Provisions Expense

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Accretion Expense on Plant Decommissioning Liabilities Recognized in Finance Income (Expense)	(556)	-	(1,526)	-

20. Pensions and Other Post Retirement Benefits

(a) Defined Benefit Pension Plans

Under the provisions of the Defined Benefit Pension Plans, employees are provided with a pension at retirement based on years of service and final average earnings. The cost of pension benefits earned by employees under the Defined Benefit Pension Plans are determined using the projected unit credit actuarial cost method prorated on employment services and are expensed as services are rendered. We fund the DBP according to federal and provincial government regulations by contributing to trust funds administered by an independent trustee. These funds are invested 50 percent in equities and 50 percent in bonds. Effective January 1, 2008, the DBP was closed to new entrants. New employees subsequent to January 1, 2008 participate in the defined contribution pension plans. Experience gains (losses) are recognized immediately in other comprehensive income (loss). During the three and nine months ended September 30, 2011, \$11.7 million and \$5.6 million respectively of experience losses were recorded.

	Three Months Ended September 30, 2011			Three Months Ended September 30, 2010		
	DBP	EBP	Total	DBP	EBP	Total
Current Service Cost	824	35	859	-	-	-
Interest Cost on Benefit Obligation	1,118	17	1,135	-	-	-
Expected Return on Plan Assets	(1,047)	-	(1,047)	-	-	-
Net Pension Expense	895	52	947	-	-	-

	Nine Months Ended September 30, 2011			Nine Months Ended September 30, 2010		
	DBP	EBP	Total	DBP	EBP	Total
Current Service Cost	2,198	93	2,291	-	-	-
Interest Cost on Benefit Obligation	2,982	45	3,027	-	-	-
Expected Return on Plan Assets	(2,792)	-	(2,792)	-	-	-
Net Pension Expense	2,388	138	2,526	-	-	-

Pension expense is included in the following expense functions in the consolidated statement of comprehensive income (loss) corresponding with where the associated employee salaries and wages are classified.

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Cost of Sales	626	-	1,684	-
Distribution, Selling and Marketing Expense	63	-	159	-
General and Administrative Expense	258	-	683	-
	947	-	2,526	-

At September 30, 2011, other long-term liabilities included a \$25.7 million defined benefit pension liability (see Note 16 Other Long-Term Assets and Liabilities).

Our total funding contribution for 2011 and 2012 for our Defined Benefit Pension Plans is estimated to be approximately \$6.1 million annually.

(b) Defined Contribution Pension Plans

Under these plans, pension benefits and expense are based on plan contributions. Contributions to the defined contribution pension plans for the three and nine months ended September 30, 2011 were \$230,000 and \$637,000 respectively for the Canadian plan; \$42,000 and \$136,000 respectively for the US plan and \$57,000 and \$147,000 respectively for the South American plan.

(c) Post Retirement Benefits

Post retirement benefits in Canada consist of a company paid \$5,000 group life insurance policy, the payment of provincial health care premiums where applicable, and coverage under the Employee Family Assistance Program. PRB costs are independently actuarially determined using the projected unit credit method and various demographic variables and are prorated on employment services and expensed as services are rendered. At September 30, 2011, other long-term liabilities included a \$3.3 million post retirement benefit liability for the Canadian PRB (see Note 16 Other Long-Term Assets and Liabilities).

Post retirement benefits in the US consist of a medical benefits bonus plan. Under the bonus plan, US employees as of December 9, 2006 who attain a minimum of 10 years of completed service are entitled to a benefit of US \$4,000 for every year of completed service. At September 30, 2011, other long-term liabilities included a \$0.2 million post retirement benefit liability for the US PRB (see Note 16 Other Long-Term Assets and Liabilities).

	Three Months Ended September 30, 2011			Three Months Ended September 30, 2010		
	Canadian PRB	US PRB	Total	Canadian PRB	US PRB	Total
Current Service Cost	28	5	33	-	-	-
Interest Cost	41	3	44	-	-	-
Net PRB Expense	69	8	77	-	-	-

	Nine Months Ended September 30, 2011			Nine Months Ended September 30, 2010		
	Canadian PRB	US PRB	Total	Canadian PRB	US PRB	Total
Current Service Cost	76	13	89	-	-	-
Interest Cost	109	8	117	-	-	-
Net PRB Expense	185	21	206	-	-	-

PRB expense is included in the following expense functions in the consolidated statement of comprehensive income (loss) corresponding with where the associated employee salaries and wages are classified.

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Cost of Sales	51	-	137	-
Distribution, Selling and Marketing Expense	5	-	13	-
General and Administrative Expense	21	-	56	-
	77	-	206	-

21. Dividends

The Corporation declared dividends for the three months ended September 30, 2011 of \$16 million (\$0.1368 per common share). The Fund declared distributions for the six months ended June 30, 2011 of \$28.1 million (\$0.2736 per Unit). For the three and nine months ended September 30, 2010, the Fund declared distributions of \$5.2 million (\$0.1368 per Unit) and \$14.9 million (\$0.4104 per Unit) respectively. Of the total dividends declared for the three and nine months ended September 30, 2011, \$5.5 million and \$10.2 million respectively were reinvested by shareholders in additional common shares pursuant to the Dividend Reinvestment Plan ("DRIP"). Of the total distributions declared for the three and nine months ended September 30, 2010, \$0.7 million and \$2.2 million respectively were reinvested by Unitholders in additional Fund Units pursuant to the DRIP. Distributions are included in finance income (expense) for the three and nine months ended September 30, 2010 and dividends are included in retained earnings for the three and nine months ended September 30, 2011 due to the change in accounting treatment for the Fund Units on January 1, 2011 (see Note 22 Share Capital and 2010 Unitholders' Interest in the Net Assets of the Fund).

On November 3, 2011, the Board of Directors of the Corporation declared a quarterly dividend of \$0.1368 per common share to shareholders of record on December 31, 2011, payable on January 16, 2012.

22. Share Capital and 2010 Unitholders' Interest in the Net Assets of the Fund

(a) Share Capital

At January 1, 2010, September 30, 2010 and December 31, 2010, Fund Units were classified as liabilities in Unitholders Interest in the Net Assets of the Fund as a result of the ability of Unitholders to redeem Fund Units for cash or other financial assets pursuant to the terms of the Fund's trust indenture, and were measured at FVTPL. Distributions and the change in fair value of the Fund Units were recorded in finance income (expense) for the three and nine months ended September 30, 2010 (see Note 10 Finance Income (Expense)). On January 1, 2011, with the introduction of the SIFT rules, Fund Units were reclassified to equity with dividends recorded in retained earnings for the three and nine months ended September 30, 2011. The Conversion resulted in the exchange of all Fund Units for common shares of the Corporation on a one for one basis.

The number of Shares authorized for issue is unlimited.

	Number of Fund Units	Amount
Balance, December 31, 2010	39,341,055	247,772
Fund Units Issued Pursuant to the DRIP	686,034	4,655
Fund Units Issued on Exercise of Unit Options	465,356	2,909
Fund Units Issued on Conversion of Series I Convertible Debentures	876,651	6,231
Fund Units issued on the Fund's Indirect Acquisition of Interest in Canexus LP	74,539,604	(209,175)
Exchange for Common Shares Pursuant to the Conversion (Note 1)	(115,908,700)	(52,392)
Balance, September 30, 2011	-	-

	Number of Shares	Amount
Issuance of Common Shares for Fund Units Pursuant to the Conversion (Note 1)	115,908,700	52,392
Adjustment to Deferred Income Taxes Due to Changes in Tax Rates (Note 12)	-	7,602
Common Shares Issued Pursuant to the DRIP	217,039	1,415
Common Shares Issued on Exercise of Share Options	129,530	845
Common Shares Issued on Conversion of Series I Convertible Debentures	349,212	2,097
Common Shares Issued pursuant to DTU Plan (Note 8(h))	75,722	490
Balance, September 30, 2011	116,680,203	64,841

(b) 2010 Unitholders' Interest in the Net Assets of the Fund

	Year Ended December 31, 2010	
	Number of Units	Amount
Beginning of Year	33,848,871	172,099
Fund Units Issued Pursuant to the DRIP	515,085	3,044
Fund Units Issued on Exercise of Unit Options	825,943	4,639
Fund Units Issued on Conversion of Series I Convertible Debentures	4,151,156	26,503
Change in Fair Value	-	41,487
End of Year	39,341,055	247,772

(c) DRIP

Under the DRIP participants may elect to automatically reinvest quarterly dividends in additional common shares. Pursuant to the DRIP, cash dividends are reinvested in additional common shares at 95 percent of the volume weighted average market price of common shares for the 10 trading days preceding the dividend payment date. Common shares acquired under the DRIP are issued directly from the Corporation's treasury. The Corporation has 22,000,000 common shares reserved for the issuance of common shares pursuant to the DRIP of which 19,487,576 have been issued to date.

23. Commitments, Contingencies and Guarantees

The Corporation assumes various commitments in the normal course of business activities. At September 30, 2011, commitments were as follows:

	2011	2012	2013	2014	2015	Thereafter
Non-Cancellable Operating Leases	4,935	16,342	14,590	13,755	12,786	49,318
Purchase Obligations	8,936	36,913	38,024	8,448	8,448	-
Expansion Capital Expenditures	11,668	1,490	-	-	-	-
	25,539	54,745	52,614	22,203	21,234	49,318

Non-cancellable operating lease payments, which are primarily related to rail cars, a harbor land lease at our North Vancouver chlor-alkali plant and office space, were \$4.6 million and \$12.2 million for the three and nine months ended September 30, 2011 respectively. Purchase obligations include contractual commitments for the purchase of electricity in Brazil of which, approximately 90 to 100 percent of the cost is passed onto our primary customer, and minimum purchase commitments under some multi-year salt supply contracts.

In the normal course of business, the Corporation is subject to lawsuits and claims, including potential income tax reassessments. Management believes the resolution of these matters will not have a material effect, individually or in the aggregate, on the Corporation's liquidity, consolidated financial position or results of operations. The Corporation records costs as they are incurred or become determinable.

All of the credit facilities and the Senior Secured Notes are secured by a floating charge debenture over all of the Corporation's assets.

24. Charges and Credits to Income Not Involving Cash

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Depreciation of PP&E and Amortization of Intangible Assets	10,315	-	28,662	-
Accretion of Provisions	556	-	1,526	-
Amortization of Transaction Costs of Extendible Revolving Credit Facilities and Senior Secured Notes	736	-	1,714	-
Deferred Income Taxes	1,142	(1,299)	8,928	(885)
Equity (Income) Loss from Investment in Canexus LP and Canexus Limited	-	302	(12,496)	14,680
Share-based Compensation	1,452	826	1,912	2,394
Distributions Declared	-	5,201	-	14,926
Change in Fair Value of Convertible Debentures	(4,948)	2,225	(9,643)	8,225
Change in Fair Value of Unitholders' Interest in the Net Assets of the Fund	-	5,166	-	24,457
Change in Fair Value of Interest Rate Swaps	(235)	-	(325)	-
Change in Fair Value of Foreign Exchange Options	624	-	933	-
Change in Fair Value of Cross Currency Swap	1,880	-	1,880	-
Unrealized Foreign Currency Translation Gains	20,941	-	12,988	-
Pension and PRB Expense	1,024	-	2,733	-
(Gains) Losses on Disposal of PP&E	(19)	-	95	-
Loss on Conversion of Series II Convertible Debentures	-	-	567	-
Impairment (Reversal of Impairment) of Long-Term Investments	182	-	(88)	-
	33,650	12,421	39,386	63,797

25. Canexus LP Comparative Results

Below are the consolidated results of Canexus LP for the three and nine months ended September 30, 2011 and September 30, 2010. The results of operations of Canexus LP have been consolidated into the results of the Corporation for the period February 7, 2011 to September 30, 2011 resulting from the indirect acquisition of Nexen's interest in Canexus LP. Refer to Note 3 – Fund's Indirect Acquisition of Interest in Canexus LP.

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Revenues	139,278	119,040	395,788	337,079
Cost of Sales	81,873	82,508	251,200	233,346
Gross Profit	57,405	36,532	144,588	103,733
Distribution, Selling and Marketing	22,567	18,260	65,735	55,125
General and Administrative	7,988	7,910	23,024	21,943
Operating Profit	26,850	10,362	55,829	26,665
Finance Income (Expense)	(27,622)	731	(32,829)	(10,627)
Income (Loss) before Other Income (Expense) and Income Taxes	(772)	11,093	23,000	16,038
Other Income (Expense)	(2,642)	249	(2,006)	4,701
Income (Loss) before Income Taxes	(3,414)	11,342	20,994	20,739
Provision for (Recovery of) Income Taxes				
Current	1,003	602	3,315	4,204
Deferred	969	(2,055)	2,347	983
	1,972	(1,453)	5,662	5,187
Net Income (Loss)	(5,386)	12,795	15,332	15,552
Other Comprehensive Income (Loss)				
Foreign Currency Translation Adjustment Gains (Losses), Net of Tax	4,177	(1,458)	2,607	(684)
Experience Losses on Defined Benefit Pension Plans	(11,732)	(3,870)	(3,110)	(11,885)
Other Comprehensive Loss	(7,555)	(5,328)	(503)	(12,569)
Total Comprehensive Income (Loss)	(12,941)	7,467	14,829	2,983

26. Transition to IFRS

(a) Application of IFRS 1 First-time Adoption of IFRS

IFRS 1 requires an entity to make an explicit and unreserved statement of compliance with IFRS in its first annual financial statements prepared in accordance with IFRS. The consolidated financial statements for the year ended December 31, 2011 will be the first annual consolidated financial statements that comply with IFRS and accordingly, this statement will be included in the Corporation's annual consolidated financial statements for the year ended December 31, 2011.

IFRS 1 also requires that comparative financial information be provided. Accordingly, the date at which the Fund applied IFRS was January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all IFRSs in effect at the date of its first annual financial statements however, it provides for certain optional exemptions and mandatory exceptions for first-time adopters. The Fund did not elect to apply any of the optional exemptions from full retrospective application of IFRS in preparing its opening statement of financial position at January 1, 2010. The unaudited consolidated statements of financial position for the Fund at Transition Date, at September 30, 2010 and at December 31, 2010 and the unaudited consolidated statements of comprehensive income (loss) for the three and nine months ended September 30, 2010 are included below.

(b) Reconciliations between IFRS and Canadian GAAP

(i) Reconciliation of the Consolidated Statement of Financial Position at Transition Date

	Canadian GAAP January 1, 2010	Effect of Transition to IFRS	IFRS January 1, 2010
ASSETS			
Current Assets			
Cash	394	-	394
Interest Receivable on Debentures of Canexus LP	19	-	19
Distribution Receivable from Canexus LP	1,544	-	1,544
Prepaid Expenses	23	-	23
Due from Affiliates, Net	17	67	84
Total Current Assets	1,997	67	2,064
Investment in Debentures of Canexus LP	85,780	-	85,780
Investment in Canexus LP	295,590	101,356	396,946
Total Assets	383,367	101,423	484,790
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and Other Payables	1	-	1
Distribution Payable to Unitholders	1,544	-	1,544
Interest Payable on Convertible Debentures	19	-	19
Unit-based Compensation	-	3,221	3,221
Total Current Liabilities	1,564	3,221	4,785
Unit-based Compensation	20	336	356
Convertible Debentures	78,496	15,434	93,930
Deferred Tax Liabilities	7,479	408	7,887
Unitholders' Interest in the Net Assets of the Fund	-	172,099	172,099
Total Liabilities	87,559	191,498	279,057
Equity Component of Convertible Debentures	7,634	(7,634)	-
Fund Units	325,620	(325,620)	-
Contributed Surplus	7,216	(7,216)	-
Retained Earnings (Deficit)	(44,662)	250,395	205,733
Total Equity	295,808	(90,075)	205,733
Total Liabilities and Equity	383,367	101,423	484,790

(ii) Explanation of the Effects of Transition on the Consolidated Statement of Financial Position at January 1, 2010

Due from Affiliates, Net

The increase in due from affiliates, net, on transition was due to an increase in the unit-based compensation cost of the UARs which is recovered from CCCLP, CUI or Canexus Brazil. The increase in the compensation cost of the UARs was due to a change in the measurement basis from intrinsic value under Canadian GAAP to fair value under IFRS. See "Unit-based Compensation" below.

Investment in Canexus LP

The increase in the Investment in Canexus LP was due to the change in fair value of the financial liability created by the obligation to issue Fund Units for the exchange of the Exchangeable LP Units of Canexus LP (see Note 9(a) Investment in Canexus LP and Related Party Transactions).

Unit-based Compensation

As a result of the ability of Unitholders to redeem their Fund Units for cash or other financial assets pursuant to the terms of the Fund's trust indenture, all unit-based compensation plans are accounted for as cash-settled under IFRS 2 Share-based Compensation.

Under Canadian GAAP, Unit options granted under the TUIP (excluding 2005 TUIP) and Units granted under the DTU Plan were accounted for as equity-settled. Their fair value, measured at grant date, was recognized over their vesting period with a corresponding increase to contributed surplus. The UARs and 2005 TUIP were accounted for as cash-settled. Their intrinsic value, measured at grant date, was recognized over their vesting period with a corresponding increase in liabilities. Their intrinsic value was remeasured at each reporting period end with changes in intrinsic value recognized in comprehensive income (loss).

Under IFRS, cash-settled share-based payments are required to be measured at fair value and recognized as unit-based compensation expense over their vesting period with a corresponding increase in liabilities. At each reporting period end, their fair value is remeasured and changes in fair value are recognized in cost of sales, selling, distribution and marketing expense and general and administrative expense corresponding with the function of the employee who received the TUIP option or UAR grant. All unit-based compensation expense related to DTUs is classified as general and administrative expense as DTUs are granted to directors of Canexus Limited.

IFRS 1 First-time Adoption of IFRS allows a first-time adopter to not apply IFRS 2 Share-based Payments to unit-based compensation liabilities that were settled prior to the adoption of IFRS. The Fund did not elect to utilize this exemption.

At January 1, 2010, the balance of contributed surplus related to the Fund's TUIP and DTU Plan recorded under Canadian GAAP was reclassified to unit-based compensation liabilities. The fair value of unit-based compensation liabilities was measured at January 1, 2010 with the change from carrying value under Canadian GAAP recognized in deficit.

	January 1, 2010
Contributed Surplus Reclassified to Unit-based Compensation Liabilities	(7,216)
Short-Term Unit-based Compensation	3,221
Long-Term Unit-based Compensation	336

Convertible Debentures

As a result of the ability of Unitholders to redeem their Fund Units for cash or other financial assets pursuant to the terms of the Fund's trust indenture, the Convertible Debentures are financial liabilities containing an embedded derivative under IFRS. Under Canadian GAAP, the Convertible Debentures were considered to be compound instruments containing an equity component. Accordingly, the equity component and unamortized deferred transaction costs recorded under Canadian GAAP were derecognized at Transition Date and charged to deficit. The Fund designated the Series I, Series II and Series III Convertible Debentures outstanding at Transition Date at FVTPL and recognizes changes in their fair value in finance income (expense).

	January 1, 2010
Unamortized Deferred Transaction Costs, Net	7,284
Adjustment to Fair Value	8,150
	15,434

Deferred Tax Liabilities

The increase in deferred tax liabilities arises primarily as a result of the requirement for the Fund to record deferred tax on temporary differences at a higher tax rate than was required under Canadian GAAP, partially offset by adjustments at Transition Date related to the PP&E and pension obligations of Canexus LP.

Unitholders' Interest in the Net Assets of the Fund

The carrying value of the Fund's Units under Canadian GAAP was reclassified from equity to liabilities at Transition Date. The fair value of Fund Units was measured at Transition Date with the change from their carrying value under Canadian

GAAP recognized in deficit. Fund Units were reclassified to equity on January 1, 2011 with the introduction of the SIFT rules (see Note 22 Fund Units and Unitholders' Interest in the Net Assets of the Fund).

	January 1, 2010
Reclassification of Fund Units from Equity to Liabilities	325,620
Adjustment to Fair Value	(153,521)
	172,099

Retained Earnings (Deficit)

All changes that arose on transition to IFRS were recorded directly to retained earnings (deficit) at January 1, 2010.

	January 1, 2010
Due from Affiliates, Net	67
Investment in Canexus LP	101,356
Unit-based Compensation	(3,557)
Convertible Debentures	(15,434)
Deferred Tax Liabilities	(408)
Unitholders' Interest in the Net Assets of the Fund	153,521
Equity Component of Convertible Debentures	7,634
Contributed Surplus	7,216
	250,395

(iii) Reconciliation of the Consolidated Statements of Financial Position at December 31, 2010 and September 30, 2010

	December 31, 2010			September 30, 2010		
	Canadian GAAP	Effect of Transition to IFRS	IFRS	Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS						
Current Assets						
Cash	83	-	83	796	-	796
Interest Receivable on Debtures of Canexus LP	912	-	912	1,411	-	1,411
Distribution Receivable from Canexus LP	1,794	-	1,794	1,751	-	1,751
Prepaid Expenses	105	-	105	3	-	3
Total Current Assets	2,894	-	2,894	3,961	-	3,961
Investment in Debtures of Canexus LP	124,609	-	124,609	127,164	-	127,164
Investment in Canexus LP	307,724	66,186	373,910	307,345	80,525	387,870
Total Assets	435,227	66,186	501,413	438,470	80,525	518,995
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and Other Payables	1	-	1	-	-	-
Distribution Payable to Unitholders	1,794	-	1,794	1,751	-	1,751
Interest Payable on Convertible Debtures	912	-	912	1,385	-	1,385
Unit-based Compensation	448	6,505	6,953	377	4,310	4,687
Due to Affiliates, Net	960	92	1,052	2,193	(21)	2,172
Total Current Liabilities	4,115	6,597	10,712	5,706	4,289	9,995
Unit-based Compensation	224	148	372	143	876	1,019
Convertible Debtures	112,126	38,002	150,128	113,933	29,605	143,538
Deferred Tax Liabilities	7,208	(30)	7,178	8,501	(3,185)	5,316
Unitholders' Interest in the Net Assets of the Fund	-	247,772	247,772	-	220,340	220,340
Total Liabilities	123,673	292,489	416,162	128,283	251,925	380,208
Equity						
Equity Component of Convertible Debtures	13,972	(13,972)	-	14,199	(14,199)	-
Fund Units	355,035	(355,035)	-	349,939	(349,939)	-
Contributed Surplus	6,277	(6,277)	-	6,144	(6,144)	-
Retained Earnings (Deficit)	(63,730)	149,844	86,114	(60,095)	199,125	139,030
Accumulated Other Comprehensive Loss	-	(863)	(863)	-	(243)	(243)
Total Equity	311,554	(226,303)	85,251	310,187	(171,400)	138,787
Total Liabilities and Equity	435,227	66,186	501,413	438,470	80,525	518,995

(iv) Explanation of the Effects of Transition on the Consolidated Statements of Financial Position at December 31, 2010 and September 30, 2010

Investment in Canexus LP

The increase in the investment in Canexus LP at December 31, 2010 and September 30, 2010 was the result of the adjustment at Transition Date (see “Investment in Canexus LP” under “Explanation of the Effects of Transition on the Consolidated Statement of Financial Position at January 1, 2010”); an increase in the net income of Canexus LP under IFRS due primarily to a decrease in depreciation expense resulting from the componentization of PP&E at the Transition Date and the assignment of overall shorter useful lives to items of PP&E resulting in more items of PP&E being fully depreciated at the Transition Date under IFRS as compared to Canadian GAAP, a change in fair value of the liability to issue Fund Units for the exchange of the Exchangeable LP Units; and to the equity pickup of the Fund’s share of the components of Canexus LP’s comprehensive loss under IFRS. Deferred income taxes on the Fund’s share of the experience gains (losses) of Canexus LP are recorded directly in the Fund and do not impact the investment in Canexus LP.

	December 31, 2010	September 30, 2010
Transition Adjustment - Fund’s Share of Liability to Issue Fund Units on Exchange of Exchangeable LP Units	101,356	101,356
Fund’s Share of Change in Fair Value of Liability to Issue Fund Units on Exchange of Exchangeable LP Units	(36,683)	(20,131)
Fund’s Share of Increase in Net Income of Canexus LP under IFRS	5,749	3,804
Fund’s Share of the Comprehensive Loss of Canexus LP	(4,236)	(4,504)
	66,186	80,525

Unit-based Compensation

The increase in unit-based compensation liabilities at December 31, 2010 and September 30, 2010 was due to the adjustment at Transition Date (see “Unit-based Compensation” under “Explanation of the Effects of Transition on the Consolidated Statement of Financial Position at January 1, 2010”) and to changes in the fair value of outstanding TUIP options and DTUs less the fair value of TUIP options exercised determined in accordance with IFRS for the year ended December 31, 2010 and the nine months ended September 30, 2010 respectively.

Due to Affiliates, Net

The change in due to affiliates, net, at December 31, 2010 and September 30, 2010 was due to the change in the measurement of the compensation cost of the UARs under IFRS as compared to Canadian GAAP which was recovered from CCCLP, CUI or Canexus Brazil (see “Due from Affiliates, Net” and “Unit-based Compensation” under “Explanation of the Effects of Transition on the Consolidated Statement of Financial Position at January 1, 2010”).

Convertible Debentures

The increase in Convertible Debentures at December 31, 2010 and September 30, 2010 was due to the derecognition of unamortized deferred transaction costs previously recognized under Canadian GAAP (see “Convertible Debentures” under “Explanation of the Effects of Transition on the Consolidated Statement of Financial Position at January 1, 2010”) and to changes in the fair value of the Convertible Debentures during the year ended December 31, 2010 and the nine months ended September 30, 2010.

Deferred Tax Liabilities

The change in deferred tax liabilities at December 31, 2010 and September 30, 2010 was due to the adjustment at Transition Date (see “Deferred Tax Liabilities” under “Explanation of the Effects of Transition on the Consolidated Statement of Financial Position at January 1, 2010”); changes during the year ended December 31, 2010 and the nine months ended September 30, 2010 in the temporary differences underlying the Fund’s investment in Canexus LP, primarily related to changes in the PP&E and pension obligations of Canexus LP under IFRS; and the requirement for the Fund to record deferred tax on temporary differences at a higher tax rate than was required under Canadian GAAP.

Unitholders' Interest in the Net Assets of the Fund

The increase in the unitholders' interest in the net assets of the Fund was due to the reclassification of Fund Units from equity to liabilities at Transition Date (see "Unitholders' Interest in the Net Assets of the Fund" under "Explanation of the Effects of Transition on the Consolidated Statement of Financial Position at January 1, 2010") and to changes in fair value of Fund Units during the year ended December 31, 2010 and the nine months ended September 30, 2010.

Accumulated Other Comprehensive Loss

During the year ended December 31, 2010 and the nine months ended September 30, 2010, the Fund was required under IFRS to equity account for its share of the components of Canexus LP's comprehensive loss. This was not required under Canadian GAAP.

Retained Earnings (Deficit)

	December 31, 2010	September 30, 2010
Investment in Canexus LP	66,186	80,525
Unit-based Compensation	(6,653)	(5,186)
Due to Affiliates, Net	(92)	21
Convertible Debentures	(38,002)	(29,605)
Deferred Tax Liabilities	30	3,185
Unitholders' Interest in the Net Assets of the Fund	107,263	129,599
Equity Component of Convertible Debentures	13,972	14,199
Contributed Surplus	6,277	6,144
Accumulated Other Comprehensive Loss	863	243
	149,844	199,125

(v) *Reconciliation of the Consolidated Statement of Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2010*

CAD thousands, except per unit amounts	Three Months Ended September 30, 2010			Nine Months Ended September 30, 2010		
	Canadian GAAP	Effect of Transition to IFRS	IFRS	Canadian GAAP	Effect of Transition to IFRS	IFRS
Expenses						
Cost of Sales	-	66	66	-	243	243
Distribution, Selling and Marketing	-	50	50	-	195	195
General and Administrative	(65)	849	784	356	1,931	2,287
Operating Profit (Loss)	65	(965)	(900)	(356)	(2,369)	(2,725)
Equity Income (Loss) from						
Investment in Canexus LP	2,611	(2,913)	(302)	1,646	(16,326)	(14,680)
Finance Expense	(241)	(12,351)	(12,592)	(774)	(46,834)	(47,608)
Income (Loss) Before Income Taxes	2,435	(16,229)	(13,794)	516	(65,529)	(65,013)
Provision for (Recovery of) Deferred Income Taxes						
	92	(1,391)	(1,299)	1,023	(1,908)	(885)
Net Income (Loss)	2,343	(14,838)	(12,495)	(507)	(63,621)	(64,128)
Other Comprehensive Loss						
Share of Foreign Currency Translation Adjustment Losses of Canexus LP, Net of Tax	-	(537)	(537)	-	(243)	(243)
Share of Experience Losses on Defined Benefit Pension Plans of Canexus LP, Net of Tax	-	(862)	(862)	-	(2,575)	(2,575)
Other Comprehensive Loss	-	(1,399)	(1,399)	-	(2,818)	(2,818)
Total Comprehensive Income (Loss)	2,343	(16,237)	(13,894)	(507)	(66,439)	(66,946)
Net Income (Loss) Per Unit	0.06	(0.39)	(0.33)	(0.01)	(1.77)	(1.78)
Diluted Net Income (Loss) Per Unit	0.06	(0.39)	(0.33)	(0.01)	(1.77)	(1.78)

(vi) *Explanation of the Effects of Transition on the Consolidated Statements of Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2010*

See “Explanation of the Effects of Transition on the Consolidated Statement of Financial Position at January 1, 2010” and “Explanation of the Effects of Transition on the Consolidated Statements of Financial Position at December 31, 2010 and September 30, 2010” for further explanation.

The increase in cost of sales, selling, distribution and marketing expense and general and administrative expense for the three months ended September 30, 2010 was due to changes in fair value of unit-based compensation liabilities for those periods. Under IFRS, the Fund is required to remeasure the fair value of unit-based compensation liabilities at each reporting period end. Changes in fair value are classified as cost of sales, distribution, marketing and selling expense or general and administrative expense in accordance with the Fund’s choice to report expenses in the statement of comprehensive income (loss) by function.

The increase in equity loss from Canexus LP for the nine months ended September 30, 2010 was due to an increase in the fair value of the liability to issue Fund Units for the exchange of the Exchangeable LP Units, partially offset by an increase in the net income of Canexus LP under IFRS, primarily due to a decrease in depreciation expense resulting from the componentization of PP&E at Transition Date and the assignment of overall shorter useful lives to items of PP&E. This resulted in more items of PP&E being fully depreciated at the Transition Date under IFRS as compared to Canadian GAAP.

The increase in finance expense for the three and nine months ended September 30, 2010 was due to the classification of distributions as finance expense resulting from the classification of Fund Units as liabilities and to changes in fair value of the Fund Units and Convertible Debentures during these periods.

The decrease in deferred income taxes for the three and nine months ended September 30, 2010 was due to changes in temporary differences underlying the Fund's investment in Canexus LP which were primarily related to changes in PP&E and pension obligations of Canexus LP, partially offset by an increase resulting from the requirement for the Fund to record deferred income taxes on temporary differences at a higher tax rate than was required under Canadian GAAP.

The increase in other comprehensive loss for the three and nine months ended September 30, 2010 was due to the requirement under IFRS to equity account for the Fund's share of items recorded by Canexus LP in other comprehensive income (loss) which included foreign currency translation gains and experience losses on the defined benefit plans of Canexus LP during these periods.

(vii) Explanation of the Effects of Transition on the Consolidated Statements of Cash Flows for the Three and Nine Months Ended September 30, 2010

Net Income Changes

See "Explanation of the Effects of Transition on the Consolidated Statements of Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2010" above. Differences between IFRS and Canadian GAAP in the components of net loss resulted in changes in those items reported in the statement of cash flows including:

- Equity Income (Loss) from Investment in Canexus LP;
- Unit-based Compensation;
- Convertible Debentures designated at FVTPL;
- Fair Value of Fund Units; and
- Deferred Income Taxes.

Presentation Changes

The following items have been reclassified and/or presented differently in the statement of cash flows as required by IFRS:

Interest income (expense) and interest received (paid) – IFRS requires that interest income (expense) and interest received (paid) be disclosed separately in the statement of cash flows. Under Canadian GAAP changes in interest payable or receivable were included in changes in working capital related to operating activities and interest paid was disclosed in a supplemental cash flow note to the consolidated financial statements.

Income tax recovery (expense) and Income tax received (paid) – IFRS requires separate disclosure in the statement of cash flows of income tax recovery (expense) and income tax received (paid). Under Canadian GAAP changes in income tax receivable and payable were included in changes in working capital related to operating activities. Income tax received or paid was disclosed in a supplemental cash flow note to the consolidated financial statements.