

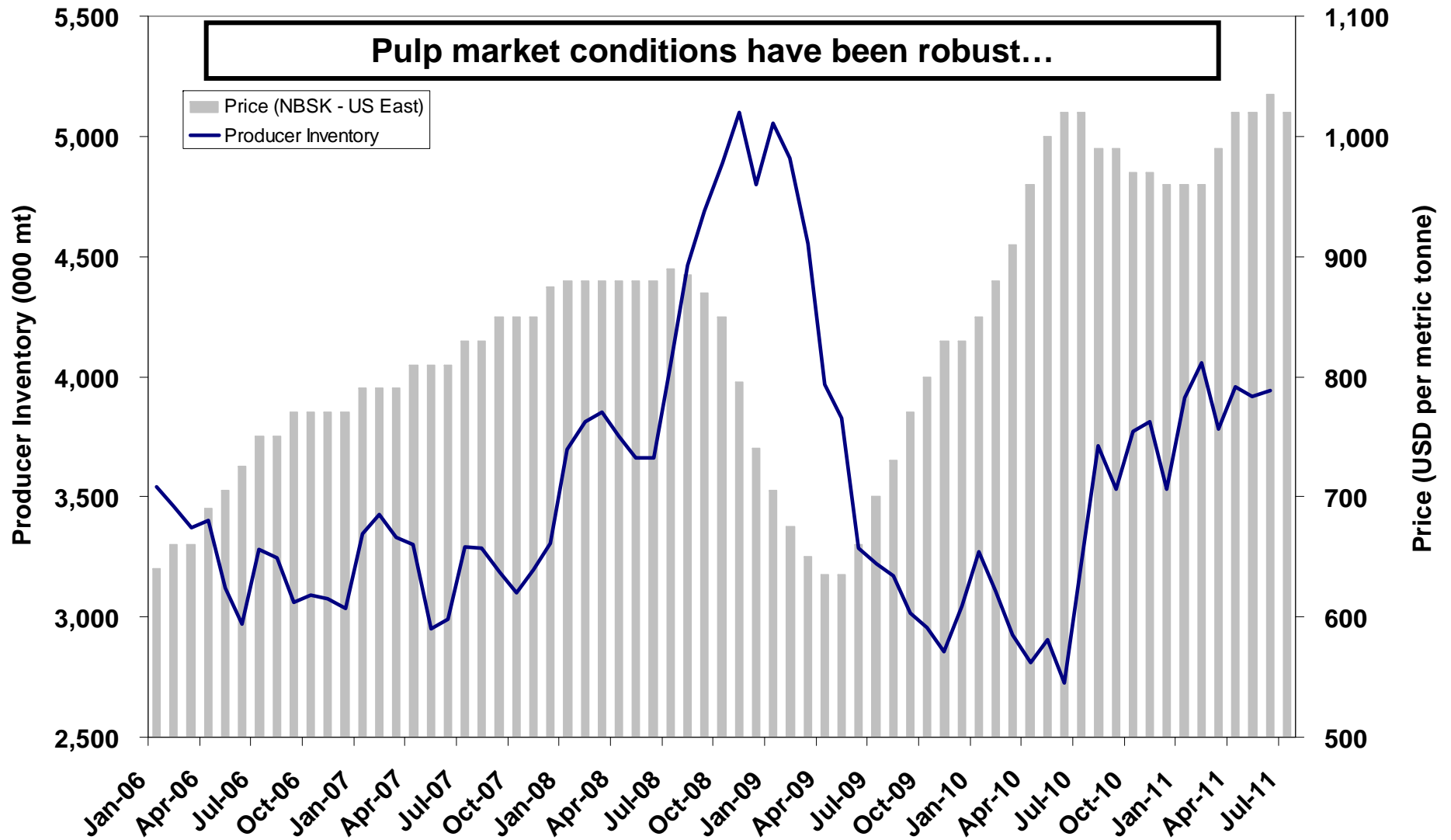


# Positioned for **Strong** Performance



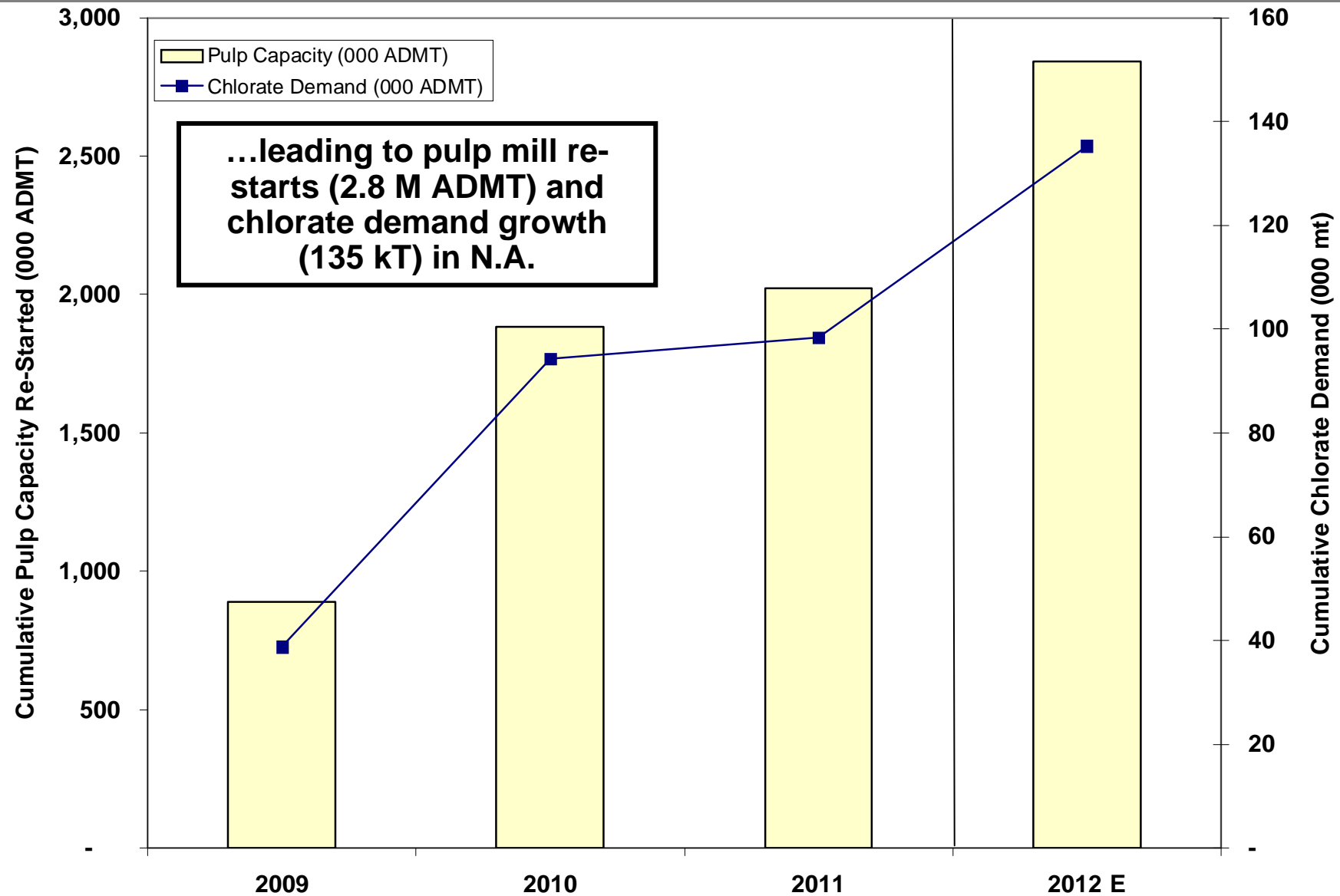
**Second Quarter 2011**  
**Results**  
July 29, 2011

# Pulp Market Dynamics Inventory & Pricing



Source: PPI Pulp & Paper Week

# North America Pulp Capacity Re-Starts



# Global Pulp Market Dynamics

## Signal Continued Tightness



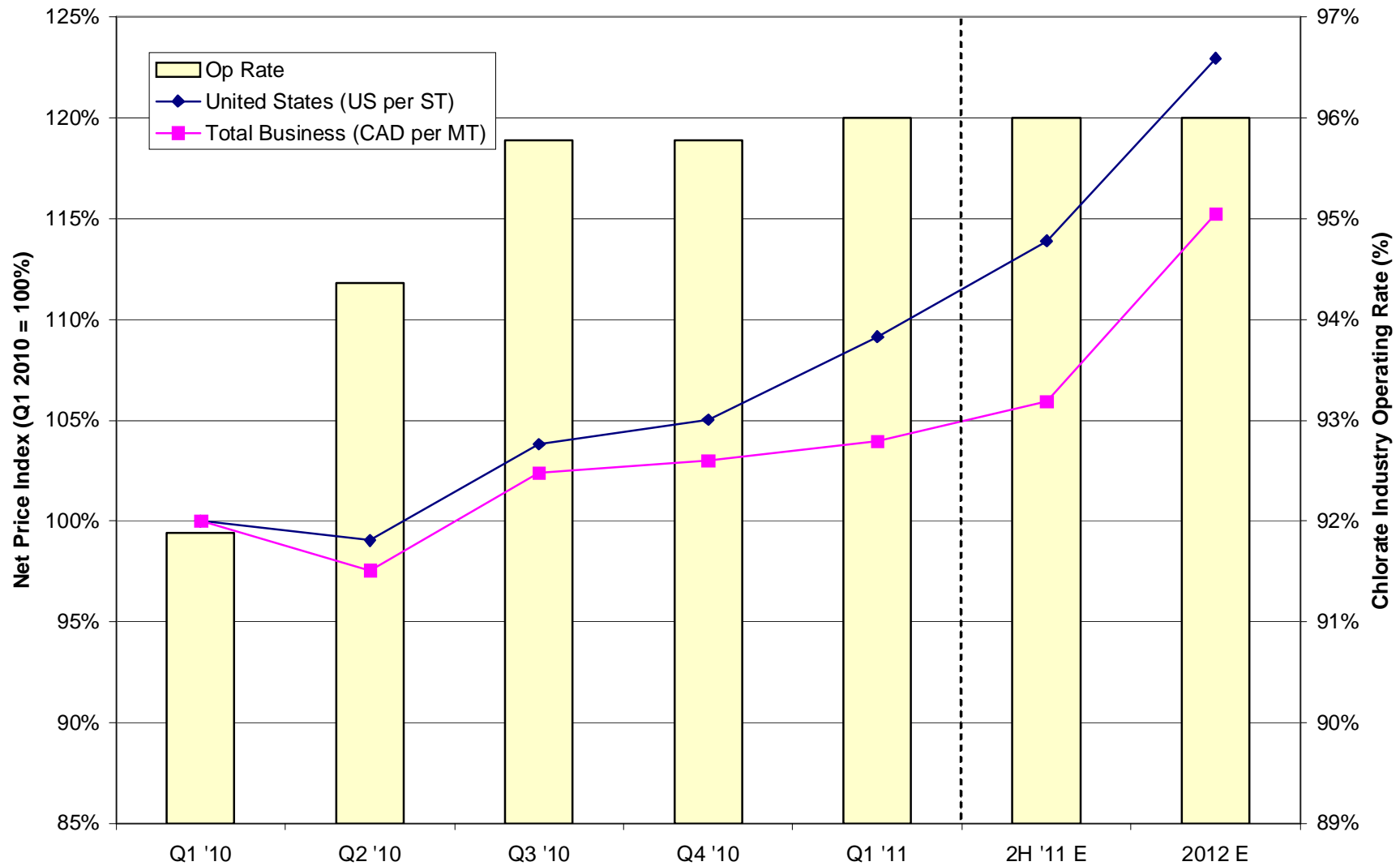
**Demand side growth supports strong pulp market fundamentals**

	2010	2011	2012	2013	Total
Demand Growth (000mt)	2,436	5,336	1,848	1,677	11,297
Greenfield (000mt)	130		500	4,100*	4,730
Re-starts/Creep (000mt)	1,535	140	590		2,265
Repurposed (000mt)	170	(409)			(239)
Net Supply (Deficiency) Excess (000mt)	(601)	(5,605)	(758)	2,423	(4,541)
Demand/Capacity Ratio (%)	86%	92%	92%	90%	+4%

**\* Potential project delays in South America could reduce 2013 available capacity**

# Chlorate Net Price History and Projections

**Strong operating rates support ongoing price appreciation into 2012**



# Caustic Prices Exceeding Expectation



- **Price Peak – Higher than Expected**

- **Supply Disruptions**

- Japanese earthquake & tsunami
- Operation issues and *force majeure* in Taiwan & United States

- **Strong demand from Pulp & Paper, Alumina industries**

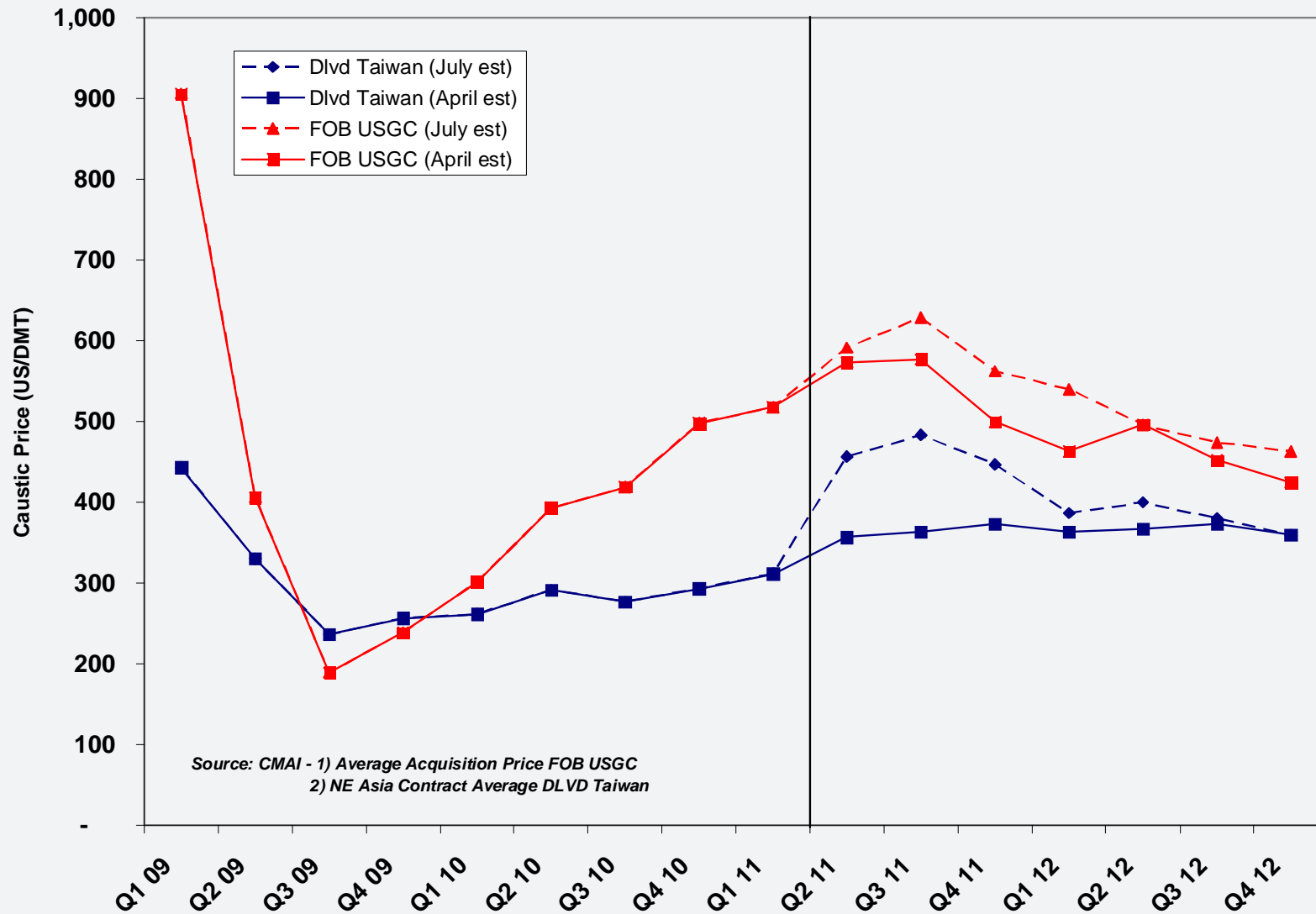
- **Expected cyclical decline has moderated**

- **Lower vinyls demand in Asia & competition from U.S. imports**

- Result – lower chlorine production in Asia constrains caustic availability

- **Rationalization of high-cost capacity expected in North America**

# Caustic Soda Price Forecast



# Hydrochloric Acid Significant Demand Growth



## **Oil & Gas Drilling and Fracturing Technologies**

- **Advances in fracturing technology favorable to HCl demand**
  - **Horizontal drilling and multi-stage fracturing**
  - **Acid fracturing of carbonaceous formations (vs. water & sand)**
- **Current well completions require 10 – 20 times as much HCl compared to traditional wells**

## **Acid Growth Initiatives**

- **Expanding Alberta infrastructure (NATO) to increase transload capability**
- **Evaluating North Vancouver acid expansion**

**Ideal Location and Dual Serving Railroads Support Expanding Market and Product Breadth**

**Oil Sands**

**C5+ Condensate  
Butane  
Diluted Bitumen  
Caustic Soda**

**Conventional Oil**

**Conventional  
Heavy Crude  
LSC**

**Horizontal Fracturing**

**Kerosene  
Low Sulfur Diesel  
Proprietary  
Fracturing Fluids  
HCl**

**Renewable Fuels**

**Biodiesel  
Ethanol**

# 2011 Outlook Building Momentum into 2012



## Operating Cash Flow Expectations for 2011

	<b>Q2 Guidance</b>	<b>Actual</b>
Q1		<b>\$22 M</b>
Q2	<b>\$25-\$30 M</b>	<b>\$29 M</b>
Q3	<b>\$35-\$40 M</b>	
Q4	<b>\$30-\$35M</b>	
Payout Ratio %	<b>90-95%</b>	
F/X	<b>US\$1.02 for balance of 2011</b>	

# Forward-looking Statements

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

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