

Record Financial Performance for Canexus Income Fund's First Quarter of 2009

Highlights

- Distributable Cash within Canexus LP increased 31 percent to \$27.5 million – the highest quarterly distributable cash generated since Canexus LP's inception; the Fund declared \$4.5 million in distributions for a payout ratio of 46 percent (47 percent when adjusted for timing of maintenance capital spending).
- Revenue increased 14 percent to \$123.8 million.
- Solid financial performance from North American sodium chlorate with significantly improved gross margins over the first quarter of 2008 to 41 percent resulting from higher production from our Brandon plant following the expansion completed in early 2008, improved prices and the weaker Canadian dollar.
- The closure of sodium chlorate production at Bruderheim, Alberta, coincides with start-up at the site of the new North American Terminal Operations unit; the Board has approved Phase 2 of site development to enable expansion to further diversify hydrocarbon handling at a cost of \$3.8 million.
- Chlor-alkali business unit achieved strong results with higher caustic soda prices offsetting reduced volumes and driving improved gross margins; the TCP at North Vancouver remains on schedule for start-up in the first quarter of 2010; approximately \$165 million of the \$208 million budget was spent or committed at March 31, 2009.
- A 2,000-tonne sodium chlorate expansion project at our Brazil plant was completed at the end of January 2009; the previously announced 4,400-tonne expansion is underway and expected to start-up in the first quarter of 2010; a US\$6.2 million hydrochloric acid expansion project at the facility has been approved by the Board to install a new 20,000MT per year burner expected to be operational at the start of the third quarter of 2010.
- Total borrowings under committed credit facilities at March 31, 2009, were \$310 million with remaining available capacity of approximately \$210 million; no debt maturing before August 2011.

Dear Unitholders,

On behalf of the Board and the management team of Canexus Income Fund, I am pleased to report the financial results for the first quarter of 2009. Our record quarter financial performance is largely based on higher realized selling prices in North America for sodium chlorate supported by the positive impact of the lower Canadian dollar compared to 2008, and higher caustic soda prices. Our ability to achieve these results in the current economic atmosphere demonstrates the strength of our business.

We are very excited about our new business unit, North American Terminal Operations, which began operations in April. The plant site located northeast of Edmonton provides a strategic location to apply our logistics experience to trans-load hydrocarbons for nearby Alberta Heartland and oil sands operations, and to support regional chlor-alkali sales.

While there remains considerable economic uncertainty, we are beginning to see some early signs of emerging stability in our markets. As pricing and volumes find new equilibrium, we will continue to benefit from our low-cost position and the relatively weaker Canadian dollar, which is confirmed through our call option protection for 2009. We also continue to expect that our payout ratio for the year will be between 60 and 70 percent. Looking further ahead, we are optimistic the timing of our current growth projects will further extend our low-cost advantage while generating an expected \$50 million in incremental annual operating cash flow that will start to contribute to results in 2010.



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 May 1, 2009. This MD&A should be read in conjunction with:

- the unaudited consolidated financial statements of Canexus Income Fund ("the Fund") and Canexus Limited Partnership ("Canexus LP") and the notes thereto for the three months ended March 31, 2009 included in this report; and
- the audited consolidated financial statements of the Fund and Canexus LP and the notes thereto as at and for the year ended December 31, 2008 available on the SEDAR website at www.sedar.com.

The unaudited consolidated financial statements of the Fund and Canexus LP have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

The Fund earns income from its indirect interest in Canexus LP. The Fund accounts for its investment in Canexus LP using the equity method and therefore does not consolidate the results of operations of Canexus LP. As a result, unaudited consolidated financial statements with accompanying notes thereto have been presented for both the Fund and Canexus LP. The following MD&A presents a discussion of the financial condition and results of operations for both the Fund 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 Fund and Canexus LP is available on the Fund's profile on the SEDAR website at www.sedar.com.

Non-GAAP Measures

The selected financial information and discussion below also refers to certain measures to assist in assessing financial performance. These "non-GAAP measures" such as "earnings before interest, income taxes, depreciation and amortization" ("EBITDA"), "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 GAAP as an indicator of performance or as a measure of liquidity and cash flow. Non-GAAP measures do not have standard meanings prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other issuers.

EBITDA is a non-GAAP measure that represents earnings generated to fund capital investment, meet financial obligations and fund distributions. It is considered a key measure as it demonstrates the ability of the business to meet its capital and financing commitments.

Gross Margin is a non-GAAP measure that represents the contribution of operating activities to earnings. It is considered a key measure as it reflects the ability of the business to generate earnings necessary to fund overhead costs, capital investment and distributions. Gross Margin Percentage is calculated as Gross Margin divided by Sales Revenues.

Distributable Cash and Payout Ratio are non-GAAP measures generally used by Canadian income trusts as an indicator of financial performance. They are considered key measures as they demonstrate the cash available for distribution to Unitholders. The Payout Ratio is calculated as Distributions Declared divided by Distributable Cash available to Canexus Income Fund.

Distributable Cash within Canexus LP represents cash from operating activities adjusted for temporary changes in non-cash operating working capital and due from/to affiliates and other non-cash impacting expenses less maintenance capital expenditures. 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 is not a recognized measure under Canadian GAAP and therefore, the Fund's and Canexus LP's method of calculating Distributable Cash is unlikely to be comparable to methods used by other trusts.

General Description of the Fund and Canexus LP

At March 31, 2009, the Fund held an indirect 35.4 percent (December 31, 2008 – 36.5 percent; March 31, 2008 – 38.4 percent) interest (through its wholly-owned subsidiary Canexus Commercial Trust) in Canexus LP and Nexen Inc. (“Nexen”) held a 64.6 percent (December 31, 2008 – 63.5 percent; March 31, 2008 – 61.6 percent) controlling interest in Canexus LP.

Canexus LP, through its various direct and indirect subsidiaries, produces sodium chlorate and chlor-alkali products in several plants located in Canada and one in South America, largely for the pulp and paper and water treatment industries.

Canexus Income Fund

The Fund is an unincorporated open-ended trust established by a Trust Indenture dated June 28, 2005, as amended and restated August 18, 2005, under the laws of Alberta. The Fund is a “mutual fund trust” for the purposes of the *Income Tax Act* (Canada). The head office and principal business office of the Fund is located in Calgary, Alberta.

The Fund is administered by Canexus Limited, a wholly-owned subsidiary of the Fund. The Fund owns 100 percent of the shares of Canexus Limited but does not account for its investment on a consolidated basis due to Nexen having the ability to appoint the majority of the board positions.

Highlights (See also “Highlights” of Canexus LP)

- Distributable Cash available to Canexus Income Fund of \$9.8 million (March 31, 2008 – \$8.1 million).
- Distributions to Unitholders of \$4.5 million (\$0.1368 per Unit) declared for the three months ended March 31, 2009. Distribution Reinvestment Program (“DRIP”) participation by Fund Unitholders continued at an average participation rate of approximately 21 percent resulting in \$3.6 million of the \$4.5 million of distributions declared being paid in cash.
- Payout ratio of 46 percent; 47 percent when adjusted for the timing of maintenance capital spending (March 31, 2008 – 55 percent; 62 percent when adjusted for the timing of maintenance capital spending).

Summary of Quarterly Results

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. The equity loss from the investment in Canexus LP for the three months ended December 31, 2008 was primarily due to charges to Canexus LP’s net income for unrealized currency translation losses on its US dollar denominated long-term debt. The equity loss from the investment in Canexus LP for the three months ended March 31, 2008 was primarily due to charges to Canexus LP’s net income for unrealized currency translation losses on its US dollar denominated long-term debt and for estimated future severance costs arising from the Technology Conversion Project (“TCP”) at Canexus LP’s North Vancouver chlor-alkali facility (See “Summary of Quarterly Results” discussion relating to Canexus LP).

CAD thousands, except per unit amounts	Three Months Ended			
	March 31 2009	December 31 2008	September 30 2008	June 30 2008
Equity Income (Loss) from Investment in Canexus LP	2,062	(6,243)	1,791	3,602
Net Income (Loss)	2,168	(5,731)	2,122	2,922
Earnings (Loss) Per Unit (\$/Unit)	0.07	(0.18)	0.07	0.09
Diluted Earnings (Loss) Per Unit (\$/Unit)	0.07	(0.18)	0.07	0.09
Distributions Declared	4,500	5,927 ⁽¹⁾	4,406	4,370
Distributions Declared (\$/Unit)	0.1368	0.1824	0.1368	0.1368
Distributable Cash available to Canexus Income Fund	9,848	7,174	9,248	6,774

Note:

(1) Includes a special distribution of \$0.0456 per Unit declared December 11, 2008.

	Three Months Ended			
	March 31 2008	December 31 2007	September 30 2007	June 30 2007 ⁽¹⁾
<i>CAD thousands, except per unit amounts</i>				
Equity Income (Loss) from Investment in	(1,291)	1,625	8,242	6,739
Net Income (Loss)	(1,900)	5	6,228	(4,423)
Earnings (Loss) Per Unit (\$/Unit)	(0.06)	-	0.20	(0.14)
Diluted Earnings (Loss) Per Unit (\$/Unit)	(0.06)	-	0.20	(0.14)
Distributions Declared	4,345	6,077	6,943	6,944
Distributions Declared (\$/Unit)	0.1368	0.1914	0.2187	0.2187
Distributable Cash available to Canexus Income Fund	7,969	4,210	8,064	2,992

Note:

(1) On June 22, 2007, previously announced legislation providing for the income taxation of specified investment flow through entities received Royal Assent. As a result of the new legislation, the Fund initially recognized a \$10.5 million future income tax liability in the three month period ended June 30, 2007 on temporary differences in reported amounts for financial statement and tax purposes in the capital assets underlying its investment in Canexus LP. These differences are expected to reverse subsequent to 2010.

Results of Operations

Investment

At March 31, 2009, the Fund had an indirect investment in 33,004,024 Ordinary Limited Partnership (“LP”) Units (35.4 percent) of Canexus LP at a cost of \$322.1 million. At December 31, 2008, the Fund had an indirect investment in 32,570,814 Ordinary LP Units (36.5 percent) of Canexus LP at a cost of \$320.8 million. The Fund accounts for this investment using the equity method. The Fund’s indirect investment in Canexus LP decreased to 35.4 percent at March 31, 2009 from 36.5 percent at December 31, 2008 due to Nexen’s higher participation in the DRIP than Fund Unitholders.

For the three months ended March 31, 2009, the Fund’s equity income from Canexus LP was \$2.1 million (March 31, 2008 – equity loss of \$1.3 million) and the carrying value of this investment at March 31, 2009 was \$283.1 million (December 31, 2008 – \$284.2 million).

Expenses

Trust administration expenses include an allocation of costs including directors’ fees, directors’ travel, directors and officers (“D&O”) liability insurance, professional fees, office rent and public issuer reporting costs.

The Fund provides unit based compensation in the form of options and accompanying bonus rights and deferred trust units and notional reinvestments. Management uses the fair-value method to recognize compensation expense associated with unit based compensation at the time of grant. Expense is recognized over the vesting period or expected term of service with a corresponding increase to contributed surplus since these instruments are settled by issuing Units of the Fund and are not settled in cash.

Statement of Distributable Cash

<i>CAD thousands, except as noted</i>	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Canexus LP		
Net Income (Loss)	5,749	(3,347)
Realized Foreign Exchange Loss on Cash	36	-
Charges and Credits to Income Not Involving Cash:		
Future Income Taxes	1,993	(48)
Amortization	11,743	9,942
Unrealized Losses on Currency Translation	5,124	7,991
Change in Fair Value of Foreign Exchange Options	5,949	948
Change in Fair Value of Foreign Exchange Forward	1,916	(166)
Change in Fair Value of Interest Rate Swaps	509	-
Accrual for Future TCP Severance Costs	(981)	7,310
Other	1,629	952
Contributions to / Payments for Defined Benefit Plans	(1)	-
Purchase of Foreign Exchange Options	-	(357)
Expenditures on Asset Retirement Obligations	(33)	-
Interest Income on Restricted Investments	(163)	(110)
Changes in Non-Cash Operating Working Capital and Due from/to Affiliates	(4,748)	(10,547)
Cash From Operating Activities	28,722	12,568
Changes in Non-Cash Operating Working Capital and Due from/to Affiliates	4,748	10,547
Maintenance Capital Expenditures	(3,111)	(1,436)
Amortization of the Purchase Cost of Foreign Exchange Options	(1,253)	(179)
Realized Foreign Exchange Loss on Cash	(36)	-
Operating Non-Cash Items	(1,595)	(597)
Distributable Cash within Canexus LP ⁽¹⁾	27,475	20,903
Canexus Income Fund		
Share of Canexus LP's Distributable Cash	9,848	8,057
Trust Administration Expenses	(111)	(88)
Distributable Cash available to Canexus Income Fund ⁽¹⁾	9,737	7,969
Distributions Declared	4,500	4,345
Payout Ratio ⁽¹⁾	46%	55%
Payout Ratio Normalized for Timing of Maintenance Capital Expenditures of \$14.5 million for 2009 ⁽¹⁾	47%	62%

Note:

(1) See comments concerning non-GAAP Measures on page 2.

Net income for the three months ended March 31, 2009 was higher than for the three months ended March 31, 2008 primarily due to an increase in gross margins and changes in the accrual for future TCP severance costs partially offset by higher amortization expense, higher general and administrative expense, changes in fair value and realized gains (losses) on held-for-trading financial instruments and higher income taxes. See Canexus LP "Changes in Net Income Three Months Ended March 31, 2009 versus Three Months Ended March 31, 2008".

Cash from operating activities, before the impact of temporary changes in non-cash operating working capital and due from/to affiliates, increased for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008 due to an increase in gross margins offset by an increase in general and administrative expense.

The change in non-cash operating working capital for the three months ended March 31, 2009 was primarily due to timing differences in the amount of accounts payable and accrued liabilities. The change in due from/to affiliates for the three months ended March 31, 2009 was due to the timing of receipt / payment of amounts owing between affiliates. The change in non-cash operating working capital and due to affiliates for the three months ended March 31, 2008 was primarily due to timing differences in the amount of accounts receivable, inventories and operating supplies and accounts payable and accrued liabilities.

Operating non-cash items represent items such as pension expense in excess of pension funding, expenditures on asset retirement obligations financed by restricted investments established at the time of the initial public offering of the Fund and allowances for doubtful accounts. It also includes the cost of foreign exchange call option contracts described further in the succeeding paragraph.

The cost of foreign exchange call option contracts is recognized as a decrease in cash from operating activities in the period purchased. For Distributable Cash purposes the cost is being recognized as a decrease in cash over the period of the foreign exchange call option contract.

Distributions

The Fund declared monthly distributions of \$0.0456 per Unit for the period January 1, 2009 to March 31, 2009 for total distributions declared of \$4.5 million (\$0.1368 per Unit) for the three months ended March 31, 2009.

At March 31, 2009, the Fund had a distribution receivable from Canexus LP. Upon receipt of this distribution in April 2009, the Fund paid a distribution payable of \$1.5 million outstanding at March 31, 2009.

Income Taxes

On June 22, 2007, legislation that proposed changes to the taxation of publicly traded income trusts (the "SIFT" tax) received Royal Assent. As a result, the Fund has recognized an \$11.1 million future income tax liability as at March 31, 2009 on temporary differences in reported amounts for financial statement and tax purposes in the assets and liabilities underlying its investment in Canexus LP.

Commencing in 2011, a federal tax will be applied to distributions from publicly traded income trusts which could result in reduced cash available for distributions. The rate of tax will be equal to the prevailing general federal corporate income tax rate (slated to be 16.5 percent in 2011 and 15 percent in 2012 and subsequent years) plus a "provincial tax factor" which under enacted regulations will be based on the prevailing provincial corporate income tax rates in the provinces where the Specified Investment Flow Through ("SIFT") has permanent establishments. Based on current enacted rates it is anticipated that the provincial tax factor will be approximately 10.7 percent in 2011 and 2012. This will result in a combined federal and provincial tax rate of approximately 27.2 percent for 2011 and 25.7 percent for 2012 and subsequent years. For accounting purposes the provincial tax factor is considered enacted legislation and has therefore been taken into consideration for purposes of computing the future income tax liability at March 31, 2009. The benefit associated with this rate adjustment was \$950,000.

Under the legislation, trusts existing at October 31, 2006 must limit their expansion to "normal growth" until 2011 to avoid being subject to the SIFT tax before then. On December 15, 2006, the Government issued guidelines with respect to what it would consider normal growth for existing income trusts. Under these guidelines, the amount of equity units that an income trust can issue prior to 2011 may not exceed the greater of \$50 million and the value of its publicly traded equity units on October 31, 2006 (subject to annual limits). In addition, exchangeable limited partnership units in place at October 31, 2006 that are subsequently exchanged by the holder for equity will not be considered growth under the guidelines and outstanding debt at October 31, 2006 that is replaced with new equity will not be considered growth under the guidelines.

On December 4, 2008, the Minister of Finance released explanatory notes for the Notice of Ways and Means Motion that was tabled on November 28, 2008. The explanatory notes contain revisions to the "normal growth" guidelines. Under the revised normal growth guidelines the "safe harbour" amount has been accelerated. The revised guidelines permit a SIFT to immediately issue new equity to bring its cumulative growth up to 100 percent of its October 31, 2006 capitalization. Under the normal growth guidelines, the Fund had available at March 31, 2009 a "safe harbour" amount of \$210 million. This amount does not include

equity that the Fund could issue to replace debt that was outstanding at October 31, 2006 nor does it include equity that would be issued for the Exchangeable Limited Partnership Units issued to Nexen outstanding at October 31, 2006.

At the current time the legislation is not expected to limit the Fund's near term growth opportunities.

The legislation could have the following impacts, and the Fund could take the following actions:

- A portion of the Fund's cash flow could be allocated to the payment of cash taxes and would not be available for distribution.
- If organizational structural changes are not made, the after-tax distributions in 2011 to taxable Canadian investors will remain approximately the same (under current business conditions, before considering the impact of the TCP at our North Vancouver chlor-alkali facility and other factors expected to impact on our business), however, tax-deferred investors and foreign investors would see a significant reduction in their after-tax realizations.
- The Fund could convert to a public corporation pursuant to the legislation discussed below.

On July 14, 2008, the Department of Finance released draft legislation to enable the conversion of existing SIFT's into public corporations without immediate tax consequences to the SIFT's or their investors. This legislation, with some amendments, is now incorporated in Bill C-10, which received Royal Assent on March 12, 2009. The Fund will carefully review its alternatives to most effectively achieve its business strategy and optimize value for the Unitholders in light of the current legislation.

Selected Annual Financial Information

<i>CAD thousands, except per unit amounts</i>	For the Years Ended December 31		
	2008	2007	2006
Equity Income (Loss) from Investment in Canexus LP	(2,141)	21,047	18,190
Net Income (Loss)	(2,587)	5,533	16,122
Earnings (Loss) (\$/Unit)	(0.08)	0.17	0.51
Diluted Earnings (Loss) (\$/Unit)	(0.08)	0.17	0.51
Distributions Declared	19,048	26,908	27,775
Distributions Declared (\$/Unit)	0.5928	0.8475	0.8748
Distributable Cash available to Canexus Income Fund	31,165	22,141	30,849
	2008	2007	2006
Total Assets	287,519	304,183	311,450
Total Long-Term Liabilities	11,573	12,654	-

Liquidity and Capital Structure

Outstanding Securities of the Fund

At March 31, 2009, the Fund had 33,004,024 Units outstanding (May 1, 2009 – 33,115,247).

At March 31, 2009, Nexen held 60,289,891 Exchangeable LP Units of Canexus LP (May 1, 2009 – 61,255,987), each of which is exchangeable into one Unit of the Fund at no cost at any time at the option of Nexen, and each of which carries a special voting right that entitles the holder to receive notice of, and attend and vote at all meetings of Unitholders of the Fund.

Under the Exchange, Voting and Registration Rights Agreement dated August 18, 2005 between Canexus Income Fund, Canexus Commercial Trust, Canexus Limited Partnership and Nexen, an exchange of all or part of the Exchangeable LP Units outstanding by Nexen would result in the purchase of an equivalent number of Fund Units by Canexus LP (to be provided to Nexen for the exchange of the Exchangeable LP Units) through the issue of an equivalent number of Ordinary LP Units of Canexus LP to Canexus Commercial Trust and the issue of an equivalent number of trust units of Canexus Commercial Trust to Canexus Income Fund. As a result of the above transactions, the Fund's indirect interest in Canexus LP would increase by the percentage that the number of Exchangeable LP Units exchanged was to the total of all Exchangeable and Ordinary LP Units prior to the exchange.

Business Risks

The Fund is entirely dependent on distributions from Canexus LP to make its own distributions. Any decrease in the cash generated by Canexus LP or any requirements for Canexus LP to retain cash for capital or other expenditures will reduce the distributions made by Canexus LP to the Fund and as a result will decrease the distributions to Unitholders.

For a discussion of certain risks related to Canexus LP's operations, see the "Market Risk Analysis" discussion relating to Canexus LP. Additional risk factors relating to the Fund and Canexus LP's operations are contained in the Fund's Annual Information Form for the year ended December 31 2008 filed on the Fund's profile on the SEDAR website at www.sedar.com.

Guarantees

The Fund and each of its wholly-owned subsidiaries, Canexus Commercial Trust, Canexus Limited and indirectly, Canexus Holdings Limited, have provided guarantees to and subordinated their rights to receive payments from Canexus LP in respect of Canexus LP's extendible revolving credit facilities and senior secured notes ("Senior Secured Notes") in "events of default" as defined in each of the extendible revolving credit facilities and the note indenture governing the Senior Secured Notes.

Critical Accounting Estimates

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited consolidated financial statements, and revenues and expenses during the reporting period. Management reviews these estimates on an ongoing basis, including those related to litigation, unit based compensation and income taxes. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates.

Canexus Limited Partnership

Canexus Limited Partnership (hereinafter referred to as “Canexus LP”, “we” or “our”) is a limited partnership established under the laws of Alberta. Canexus LP through its subsidiaries produces sodium chlorate and chlor-alkali products in several plants located in Canada and one in South America, largely for the pulp and paper and water treatment industries. We have Canadian sodium chlorate production facilities located in Beauharnois, Quebec; Brandon, Manitoba; Bruderheim, Alberta (closure announced for May 2009) and Nanaimo, British Columbia; and a chlor-alkali production facility located in North Vancouver, British Columbia. Our South American sodium chlorate and chlor-alkali production facility is located in Espirito Santo, Brazil. Canexus LP’s head office is located in Calgary, Alberta with a corporate office located in Houston, Texas.

At March 31, 2009, the Fund held an indirect 35.4 percent (December 31, 2008 – 36.5 percent; March 31, 2008 – 38.4 percent) interest (through its wholly-owned subsidiary Canexus Commercial Trust) and Nexen held a 64.6 percent (December 31, 2008 – 63.5 percent; March 31, 2008 – 61.6 percent) controlling interest in Canexus LP. Canexus LP is managed by Canexus Limited, the general partner (“General Partner”), which holds a 0.01 percent interest in Canexus LP.

Pursuant to the Limited Partnership Agreement between Canexus Limited, Canexus Commercial Trust (a wholly-owned subsidiary of Canexus Income Fund) and Nexen dated August 9, 2005 Canexus Limited, as General Partner, has full power and exclusive authority to employ all persons necessary for the conduct of the business of Canexus LP, to enter into any agreement and to incur any obligation related to the affairs of Canexus LP and is entitled to full reimbursement of all costs and expenses incurred on behalf of Canexus LP. As general and administrative costs incurred by Canexus Limited and pension obligations entered into by Canexus Limited are on behalf of Canexus LP, these costs and obligations have been reflected in the financial statements and notes thereto of Canexus LP.

Executive Summary

Canexus LP achieved record financial performance in the first quarter of 2009 generating distributable cash of \$27.5 million; the highest quarterly distributable cash generated since its inception and an increase of 31 percent over the first quarter of 2008. Higher North American realized selling prices as a result of price increases implemented in 2008 and 2009 and the weaker Canadian dollar relative to the US dollar in the first quarter of 2009 more than offset the impact of a decline in North American sales volumes resulting from the global economic downturn which occurred in the fourth quarter of 2008 and persisted through the first quarter of 2009. Significantly higher gross margins achieved in the first quarter of 2009 as result of higher realized selling prices in North America, lower electricity and natural gas costs and higher production at our low-cost Brandon, Manitoba sodium chlorate production facility contributed to this strong financial performance.

North American sodium chlorate sales revenue increased 9 percent and gross margins improved by 11 percent on lower sales volumes of 14 percent in the first quarter of 2009 as compared to the first quarter of 2008 as a result of a 29 percent increase in realized selling prices.

On April 22, 2009, we announced the closure of our Bruderheim sodium chlorate plant removing approximately 72,000 tonnes of annual capacity from the market. We expect to record additional amortization of \$16 to \$18 million in the second quarter to write off the net book value of the sodium chlorate assets and will also record severance and other closure related costs of approximately \$5 million that we expect to pay over the next few years.

Coinciding with the closure of sodium chlorate production at Bruderheim, Alberta was the start-up of our North American Terminal Operations business unit. The former Bruderheim, Alberta sodium chlorate plant site located northeast of Edmonton, Alberta provides a strategic location to apply our logistics experience to trans-load hydrocarbons for nearby Alberta Heartland and oil sands operations, and to support regional chlor-alkali sales. In April 2009, the Board of Directors approved Phase 2 of site development to enable expansion to further diversify hydrocarbon handling at a cost of \$3.8 million demonstrating the growth potential of this business.

North American chlor-alkali sales revenue increased 31 percent and gross margins improved by 12 percent on lower sales volumes of 15 percent in the first quarter of 2009 as compared to the first quarter of 2008. The increase in sales revenues was primarily attributable to caustic soda price increases implemented in 2008 and 2009 and to the favorable impact of the weaker Canadian dollar relative to the US dollar which more than offset a decline in chlorine revenues over the same periods.

The technology conversion project (“TCP”) at our North Vancouver chlor-alkali facility has fully committed financing and remains on schedule with mechanical completion in late 2009 and start-up in the first quarter of 2010. Approximately \$165 million of the \$208 million budget was spent or committed at March 31, 2009. This project is expected to substantially enhance our competitive strength in the chlor-alkali business, generating an estimated \$35 to \$43 million of incremental annual operating cash flow. Sixty percent of the project value is generated by cost savings. We have accrued estimated future severance costs payable following start-up of the TCP in 2010 of \$6.3 million. These costs and other terms and conditions governing the treatment of employees impacted by the TCP were negotiated and agreed to with the collective bargaining units in 2007. Canexus LP has a foreign exchange forward contract to buy Japanese Yen (“JPY”) 1.74 billion at a rate of JPY 108.11 per US dollar on May 20, 2009 in order to satisfy a purchase commitment related to the TCP.

First quarter 2009 sales revenues from our South American business unit were consistent with revenues from the first quarter of 2008 while gross margins declined from 24 percent to 19 percent. Higher realized selling prices were due to the pass-through nature of the contract with our primary customer which contributes to higher sales revenues as costs increase. The increase in costs was due to higher electricity costs in the first quarter of 2009 as compared to the first quarter of 2008. The decline in gross margins was due primarily to higher fixed costs as a result of annual plant maintenance costs incurred in March and to having to purchase caustic soda up to our chlor-alkali plant’s operating capacity volume at higher market prices than we were able to bill to our primary customer. A 2,000 tonne sodium chlorate expansion project at our Brazil plant was completed at the end of January 2009 and the further 4,400 tonne expansion previously announced is underway and is expected to start-up in the first quarter of 2010. In April 2009, the Board of Directors approved a hydrochloric acid expansion project which is supported by a long-term customer commitment and will provide flexibility for managing chlorine production.

Highlights

- Record financial performance for the first quarter of 2009 with distributable cash of \$27.5 million; the highest quarterly distributable cash generated since Canexus LP’s inception and an increase of 31 percent over the first quarter of 2008.
- Distributions declared to Ordinary LP Unitholders and the Exchangeable LP Unitholder were \$0.1368 per LP Unit for total distributions declared of \$12.6 million. DRIP participation by Ordinary and Exchangeable LP Unitholders continued at an overall participation rate of approximately 71 percent resulting in \$3.6 million of the \$12.6 million of distributions declared being paid in cash.
- Revenue increased 14 percent to \$123.8 million from \$108.7 million in the first quarter of 2008.
- Solid financial performance from our North American sodium chlorate business unit with significantly improved gross margins over the first quarter of 2008 to 41 percent resulting from higher production from our Brandon plant following the expansion completed in early 2008, improved prices and the weaker Canadian dollar.
- The closure of sodium chlorate production at our Bruderheim, Alberta site coincided with the start-up of our new North American Terminal Operations business unit, which trans-loads chlor-alkali products and hydrocarbons for nearby customers through expanded truck loading, rail capacity and product handling. Phase 2 of site development to enable expansion to further diversify hydrocarbon handling at a cost of \$3.8 million was approved by the Board of Directors in April 2009.
- Our chlor-alkali business unit achieved strong results with higher caustic soda prices offsetting reduced volumes and driving improved gross margins.
- The TCP at our North Vancouver chlor-alkali facility remains on schedule for start-up in the first quarter of 2010. Approximately \$165 million of the \$208 million budget was committed at March 31, 2009 with \$85.5 million spent.
- A 2,000 tonne sodium chlorate expansion project at our Brazil plant was completed at the end of January 2009. The further 4,400 tonne expansion previously announced is underway and is expected to start-up in the first quarter of 2010. In April 2009, the Board of Directors approved a US \$6.2 million hydrochloric acid expansion project to install a new 20,000 MT per year burner at the Brazil plant which is expected to be operational at the start of the third quarter of 2010.
- Total borrowings under our committed credit facilities at March 31, 2009 were \$310 million with remaining available capacity of approximately \$210 million. We have no debt maturing before August 2011.

Summary of Quarterly Results

CAD thousands, except as noted	Three Months Ended			
	March 31 2009	December 31 2008	September 30 2008	June 30 2008
Sodium Chlorate Sales Volume (000s Metric Tonnes (MT))	99	104	118	114
Chlor-alkali Sales Volume (000s Metric Electro-Chemical Units (MECU))	41	41	53	46
Sales Revenues	123,819	124,493	130,373	110,763
Cost of Goods Sold	77,801	87,129	90,503	83,928
Gross Margin ⁽¹⁾	46,018	37,364	39,870	26,835
Gross Margin (%) ⁽¹⁾	37%	30%	31%	24%
Net Income (Loss)	5,749	(16,910)	4,768	9,454
Plus: Provision for (Recovery of) Income Taxes	2,194	(3,387)	(2,526)	1,810
Plus: Amortization	11,743	11,594	11,151	10,721
Plus: Interest Expense	2,208	3,478	2,992	2,746
EBITDA ⁽¹⁾	21,894	(5,225)	16,385	24,731
Distributions Declared	12,617	16,682	11,757	11,496
Distributions Declared (\$/Unit)	0.1368	0.1824 ⁽³⁾	0.1368	0.1368
Distributable Cash within Canexus LP ⁽¹⁾	27,475	19,601	24,776	18,009
Capital Expenditures				
Maintenance	3,111	9,166	2,126	2,372
Remediation ⁽²⁾	497	1,638	-	-
Continuous Improvement	1,685	576	1,665	1,659
Expansion	30,949	20,319	20,703	14,487
Total Capital Expenditures	36,242	31,699	24,494	18,518
Average Foreign Exchange Rate (CAD \$ to US \$)	US \$0.81	US \$0.87	US \$0.97	US \$1.00

Notes:

- (1) See comments concerning non-GAAP Measures on page 2.
(2) These expenditures are being funded by restricted investments.
(3) Includes a special distribution of \$0.0456 per LP Unit declared December 11, 2008.

<i>CAD thousands, except as noted</i>	Three Months Ended			
	March 31 2008	December 31 2007	September 30 2007	June 30 2007
Sodium Chlorate Sales Volume (000s Metric Tonnes (MT))	113	114	108	101
Chlor-alkali Sales Volume (000s Metric Electro-Chemical Units (MECU))	47	44	53	43
Sales Revenues	108,728	103,331	104,990	99,207
Cost of Goods Sold	77,500	76,469	68,872	75,064
Gross Margin ⁽¹⁾	31,228	26,862	36,118	24,143
Gross Margin (%) ⁽¹⁾	29%	26%	34%	24%
Net Income (Loss)	(3,347)	4,210	21,361	17,466
Plus: Provision for Income Taxes	327	2,240	2,623	1,379
Plus: Amortization	9,942	11,566	11,034	10,897
Plus: Interest Expense	2,442	2,374	3,091	2,878
EBITDA ⁽¹⁾	9,364	20,390	38,109	32,620
Distributions Declared	11,283	16,325	17,998	17,998
Distributions Declared (\$/Unit)	0.1368	0.1914	0.2187	0.2187
Distributable Cash within Canexus LP ⁽¹⁾	20,903	11,083	21,119	7,886
Capital Expenditures				
Maintenance	1,436	3,744	2,518	4,195
Continuous Improvement	-	584	218	569
Infrastructure and IT	640	-	-	-
Expansion	11,704	17,970	10,874	9,546
Total Capital Expenditures	13,780	22,298	13,610	14,310
Average Foreign Exchange Rate (CAD \$ to US \$)	US \$1.00	US \$1.01	US \$0.95	US \$0.88

Note:

(1) See comments concerning non-GAAP Measures on page 2.

Results of Operations

Changes in Net Income Three Months Ended March 31, 2009 versus Three Months Ended March 31, 2008

<i>CAD thousands</i>	
Loss for the Three Months Ended March 31, 2008	(3,347)
Items Increasing (Decreasing) Net Income	
Sales Revenues	15,091
Cost of Goods Sold	(301)
Amortization	(1,801)
General and Administrative Expense	(1,830)
Interest Expense	234
Change in Fair Value and Realized Gains on Foreign Exchange Options	(5,635)
Change in Fair Value and Realized Gains (Losses) on Interest Rate Swaps	(893)
Change in Fair Value of Foreign Exchange Forward	(1,916)
Currency Translation Losses	248
Income Taxes	(1,867)
Accrual for Future TCP Severance Costs	8,291
Allowance for Doubtful Accounts	(650)
Other	125
Net Income for the Three Months Ended March 31, 2009	5,749

Net income for the three months ended March 31, 2009 increased by \$9.1 million from the three months ended March 31, 2008 and EBITDA for the three months ended March 31, 2009 increased by \$12.5 million or 134 percent from the three months ended March 31, 2008 due to an increase in gross margins and changes in the accrual for future TCP severance costs partially offset by higher amortization expense, higher general and administrative expense, changes in fair value and realized gains (losses) on held-for-trading financial instruments and higher income taxes.

An increase in gross margin of \$14.8 million increased net income

	North America			
	Sodium Chlorate	Chlor-alkali	South America	Total
Three Months Ended March 31, 2009				
Sales Revenues	57,209	42,362	24,248	123,819
Cost of Goods Sold	33,531	24,597	19,673	77,801
Gross Margin ⁽¹⁾	23,678	17,765	4,575	46,018
Gross Margin (%) ⁽¹⁾	41%	42%	19%	37%

	North America			
	Sodium Chlorate	Chlor-alkali	South America	Total
Three Months Ended March 31, 2008				
Sales Revenues	52,247	32,258	24,223	108,728
Cost of Goods Sold	36,515	22,651	18,334	77,500
Gross Margin ⁽¹⁾	15,732	9,607	5,889	31,228
Gross Margin (%) ⁽¹⁾	30%	30%	24%	29%

Note:

(1) See comments concerning non-GAAP Measures on page 2.

North American Sodium Chlorate

Sales revenue for the North American sodium chlorate segment increased 9 percent from \$52.3 million for the three months ended March 31, 2008 to \$57.2 million for the three months ended March 31, 2009 due to a 29 percent increase in realized selling prices partially offset by a 14 percent decline in sales volumes. Realized selling prices increased as a result of price increases implemented in the third quarter of 2008 and the first quarter of 2009 and to the weaker Canadian dollar relative to the

US dollar in the first quarter of 2009 (US \$0.81) as compared to the first quarter of 2008 (US \$1.00). The decrease in sales volumes was due to the deterioration in global pulp demand resulting from the economic downturn which occurred in the fourth quarter of 2008 and which persisted through the first quarter of 2009. The increase in the gross margin percentage from 30 percent for the three months ended March 31, 2008 to 41 percent for the three months ended March 31, 2009 was due to the increase in realized selling prices, an increase in production at our low-cost Brandon, Manitoba facility and lower electricity costs, partially offset by lower production volumes and higher fixed costs.

North American Chlor-alkali

Sales revenue for the North American chlor-alkali segment increased 31 percent from \$32.3 million for the three months ended March 31, 2008 to \$42.4 million for the three months ended March 31, 2009 due to 40 percent higher realized selling prices partially offset by a decline in sales volumes of 15 percent. Caustic soda price increases implemented in the third and fourth quarters of 2008 and the first quarter of 2009 combined with the weaker Canadian dollar relative to the US dollar in the first quarter of 2009 as compared to the first quarter of 2008 more than offset a decline in chlorine selling prices. The decline in sales volumes was due to the economic downturn exacerbating the construction sector slowdown resulting in lower chlorine derivative demand and a slowdown in the pulp sector in Western Canada resulting in lower caustic soda demand. The gross margin percentage increased from 30 percent to 42 percent due to the increase in realized selling prices and lower electricity and natural gas costs, partially offset by lower production volumes and higher fixed costs.

South America

Sales revenue in South America of \$24.3 million for the three months ended March 31, 2009 was consistent with sales revenue of \$24.2 million for the three months ended March 31, 2008. Higher realized selling prices for both sodium chlorate (increase of 32 percent) and chlor-alkali products (increase of 10 percent) and a 3 percent increase in sodium chlorate sales volumes was partially offset by a 9 percent decline in chlor-alkali product sales volumes. The increase in realized selling prices was due to the pass-through nature of the contract with our primary customer which contributes to higher revenues as costs increase. The gross margin percentage declined from 24 percent to 19 percent primarily due to an increase in electricity costs, higher fixed costs as a result of annual plant maintenance costs incurred in March and the purchase of caustic soda up to our chlor-alkali plant's operating capacity volume at market prices, which are presently higher than the price we can bill our primary customer. Commencing in the first quarter of 2009 we are no longer purchasing caustic soda for resale to our primary customer as a service which attracts no gross margin.

Higher amortization expense decreased net income by \$1.8 million

Amortization expense increased for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008 due to higher amortization on our Brandon sodium chlorate plant as a result of the expansion which started up in February 2008 and to the completion of other maintenance and continuous improvement projects which we have begun to amortize.

Higher general and administrative expense decreased net income by \$1.8 million

General and administrative expense was higher for the three months ended March 31, 2009 as a result of slightly higher salary and benefit costs, information technology costs associated with the review and implementation of SAP chemicals best practice processes and an increase in spending on business development activities.

Lower interest expense increased net income by \$0.2 million

The decrease in interest expense for the three months ended March 31, 2009 was due to overall lower borrowings on our credit facilities, lower interest rates and higher interest capitalized to major projects, partially offset by interest on the US \$50 million Senior Secured Notes.

The amount outstanding on our extendible revolving credit facility at March 31, 2009 was US \$177,000,000 as compared to US \$213,000,000 at March 31, 2008. The weighted average interest rate on borrowings from this credit facility was 2.97 percent for the three months ended March 31, 2009 as compared to 4.74 percent for the three months ended March 31, 2008.

The amount outstanding on our US \$20 million Senior Secured Revolving Credit Facility was US \$7,400,000 at March 31, 2009. The weighted average interest rate on borrowings from this credit facility was 2.20 percent for the three months ended March 31, 2009. This credit facility was entered into on May 1, 2008.

The amount outstanding on Canexus Brazil's EDC Extendible Revolving Credit Facility at March 31, 2009 was US \$6 million. The weighted average interest rate on borrowings from this credit facility for the three months ended March 31, 2009 was 2.26 percent. This credit facility was entered into in the third quarter of 2008.

Interest capitalized on major projects was \$547,387 for the three months ended March 31, 2009 as compared to \$414,789 for the three months ended March 31, 2008.

Changes in foreign exchange options decreased net income by \$5.6 million

During the three months ended March 31, 2009 Canexus LP had the following Canadian dollar foreign exchange call option contracts:

- US\$5 million per month which entitled Canexus LP to sell US dollars and acquire Canadian dollars at a price of US \$0.8200 for the period January 1, 2009 to December 31, 2009; and
- US\$5 million per month which entitled Canexus LP to sell US dollars and acquire Canadian dollars at a price of US \$0.8170 for the period January 1, 2009 to December 31, 2009.

Mark-to-market fair value losses of \$5.9 million were recorded on these foreign exchange call option contracts for the three months ended March 31, 2009 as a result of the decline in the value of the Canadian dollar relative to the US dollar during this period, to market expectations of the future value of the Canadian dollar relative to the US dollar and to the shorter remaining term of the contracts. At March 31, 2009 the fair value of these foreign exchange call option contracts was \$2.7 million.

During the three months ended March 31, 2008 Canexus LP had the following Canadian dollar foreign exchange call option contracts:

- US\$5 million per month which entitled Canexus LP to sell US dollars and acquire Canadian dollars at a price of US \$0.9709 per Canadian dollar for the period March 1, 2008 to May 31, 2008; and
- US\$5 million per month which entitled Canexus LP to sell US dollars and acquire Canadian dollars at a price of US \$0.9497 per Canadian dollar for the period September 5, 2007 to February 27, 2008.

Realized gains of \$0.6 million and mark-to-market fair value losses of \$0.9 million were recorded on these foreign exchange call option contracts for a net loss of \$0.3 million for the three months ended March 31, 2008.

Changes in interest rate swaps decreased net income by \$0.9 million

Canexus LP has interest rate swap agreements under which we swap 3 month US LIBOR floating 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. We recorded mark-to-market fair value losses of \$0.5 million and realized losses of \$0.2 million on these interest rate swap agreements for a total loss of \$0.7 million for the three months ended March 31, 2009 due to 3 month US LIBOR floating rates being below the fixed rate of 3.2 percent during this period, to market expectations of future 3 month US LIBOR floating rates and to the shorter remaining term of these interest rate swap agreements. At March 31, 2009, the fair value of these interest rate swap agreements resulted in a financial liability of \$3.3 million. During the three months ended March 31, 2008 we recorded mark-to-market fair value gains of \$0.2 million.

Changes in fair value of a foreign exchange forward decreased net income by \$1.9 million

Canexus LP has a foreign exchange forward contract to buy JPY 1.74 billion at a rate of JPY 108.11 per US dollar on May 20, 2009 in order to satisfy a purchase commitment related to the TCP at our North Vancouver chlor-alkali plant. Mark-to-market fair value losses of \$1.9 million were recorded on this foreign exchange forward contract during the three months ended March 31, 2009 due to the weaker value of the JPY relative to the US dollar during this period, to market expectations of the future value of the JPY relative to the US dollar and to the shorter remaining term of this foreign exchange forward contract. At March 31, 2009, the fair value of this foreign exchange forward contract was \$1.9 million.

Changes in currency translation gains (losses) increased net income by \$0.3 million

Currency translation gains (losses) result from the translation of our US dollar denominated long-term debt and the translation of our US and Brazilian Real denominated monetary balances into their functional currencies.

During the three months ended March 31, 2009, fluctuations in exchange rates resulted in unrealized losses of \$5.1 million and realized losses of \$1.6 million for a total loss of \$6.7 million as compared to unrealized losses of \$8.0 million and realized gains of \$1.0 million for a net loss of \$7.0 million for the three months ended March 31, 2008.

During the three months ended March 31, 2009, we recorded an unrealized currency translation loss of \$7.7 million on our US dollar denominated borrowings as a result of the devaluation of the Canadian dollar in the first quarter of 2009 and realized losses of \$0.7 million on repayments of US \$7.0 million on our extendible revolving credit facility and repayments of US \$2.6 million on our Senior Secured Revolving Credit Facility. During the three months ended March 31, 2008 we recorded an unrealized currency translation loss of \$8.3 million on our extendible revolving credit facility.

We borrow in US dollars as a substantial portion of our revenues are denominated in or referenced to the US dollar and hence our cash flows benefit from a weaker Canadian dollar.

Higher income taxes decreased net income by \$1.9 million

Income taxes increased for the three months ended March 31, 2009, as compared to the three months ended March 31, 2008, due to higher net income and to the recording of tax expense in certain operating subsidiaries arising from the impact of exchange rate movements.

Accrual for estimated future TCP severance costs payable increased net income by \$8.3 million

During the three months ended March 31, 2008 we accrued \$7.3 million for estimated severance costs payable to employees following start-up of the TCP and revised this down by \$1.0 million during the three months ended March 31, 2009 as a result of a current assessment of expected total costs. These costs and other terms and conditions governing the treatment of employees impacted by the TCP were negotiated and agreed to with the collective bargaining units in 2007. Following start-up of the TCP we expect to be able to permanently reduce our work force at this facility by approximately one-third.

Capital Expenditures

Capital expenditures for the three months ended March 31, 2009 were \$36.2 million as compared to the three months ended March 31, 2008 of \$13.8 million. This increase was due to increases in maintenance capital expenditures of \$1.6 million, continuous improvement capital expenditures of \$1.7 million and expansion capital expenditures of \$19.2 million partially offset by a decrease in infrastructure and IT capital expenditures of \$0.6 million. In addition, capital expenditures of \$0.5 million 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 increase in maintenance capital expenditures was due to the timing of spending. The increase in continuous improvement capital expenditures was due to expenditures to construct hydrogen gas cooling, compression and piping infrastructure to transport byproduct hydrogen from a nearby plant to Canexus LP's North Vancouver chlor-alkali plant. The hydrogen will be burned in the North Vancouver chlor-alkali plant's boilers to produce steam used in the sodium hydroxide evaporation process and is a replacement for natural gas and therefore will reduce greenhouse gas emissions, energy consumption and cost. The increase in expansion capital expenditures was related to the TCP at our North Vancouver chlor-alkali plant and the project to expand truck loading, rail capacity and product handling capabilities at our Bruderheim, Alberta facility.

The TCP is budgeted to cost a total of \$208 million, of which \$87.7 million including capitalized interest of \$2.2 million had been spent at March 31, 2009. The TCP will replace existing 50-year old diaphragm technology and assets with proven membrane technology that is newer, more cost-efficient and environmentally friendly. Project benefits are expected to include incremental annual operating cash flow of between \$35 and \$43 million as a result of decreased production costs and increased plant capacity. The TCP is not expected to have a significant impact on our ongoing chlor-alkali operations until the first quarter of 2010, at which point we anticipate a 4 week shutdown period to complete tie-in's and commission the new membrane technology.

Changes in Net Income Three Months Ended March 31, 2009 versus Three Months Ended December 31, 2008

CAD thousands

Loss for the Three Months Ended December 31, 2008	(16,910)
Items Increasing (Decreasing) Net Income	
Sales Revenues	(674)
Cost of Goods Sold	9,328
Amortization	(149)
General and Administrative Expense	(62)
Interest Expense	1,270
Change in Fair Value and Realized Gains on Foreign Exchange Options	(9,427)
Change in Fair Value and Realized Gains (Losses) on Interest Rate Swaps	3,569
Change in Fair Value of Foreign Exchange Forward	(5,083)
Currency Translation Losses	29,010
Income Taxes	(5,581)
Accrual for Future TCP Severance Costs	981
Allowance for Doubtful Accounts	(650)
Other	127
Net Income for the Three Months Ended March 31, 2009	5,749

Net income for the three months ended March 31, 2009 increased from the three months ended December 31, 2008 by \$22.7 million due to higher realized selling prices in North America, lower cost of goods sold due to lower volumes, changes in unrealized currency translation losses and lower interest expense, partially offset by changes in the fair value of and realized gains (losses) on held-for-trading financial instruments and higher income taxes.

Net income increased due to an increase in gross margin of \$8.7 million

Three Months Ended March 31, 2009	North America			Total
	Sodium Chlorate	Chlor-alkali	South America	
Sales Revenues	57,209	42,362	24,248	123,819
Cost of Goods Sold	33,531	24,597	19,673	77,801
Gross Margin ⁽¹⁾	23,678	17,765	4,575	46,018
Gross Margin (%) ⁽¹⁾	41%	42%	19%	37%

Three Months Ended December 31, 2008	North America			Total
	Sodium Chlorate	Chlor-alkali	South America	
Sales Revenues	56,567	41,843	26,083	124,493
Cost of Goods Sold	37,918	26,890	22,321	87,129
Gross Margin ⁽¹⁾	18,649	14,953	3,762	37,364
Gross Margin (%) ⁽¹⁾	33%	36%	14%	30%

Note:

(1) See comments concerning non-GAAP Measures on page 2.

North American Sodium Chlorate

Sales revenue for the North American sodium chlorate segment increased slightly from \$56.6 million for the three months ended December 31, 2008 to \$57.2 million for the three months ended March 31, 2009 due to an 11 percent increase in realized selling prices partially offset by a decline in sales volumes of 9 percent. The increase in realized selling prices was due to price increases in the first quarter of 2009 and to the weaker Canadian dollar relative to the US dollar in the first quarter of 2009 as compared to the fourth quarter of 2008. The decline in sales volumes was due to the deterioration in global pulp demand resulting from the economic downturn. The gross margin percentage increased from 33 percent to 41 percent as a result of

higher realized selling prices, lower fixed costs and higher production in the first quarter of 2009, especially from our low-cost Brandon plant.

North American Chlor-alkali

Sales revenue for the North American chlor-alkali segment increased slightly from \$41.8 million for the three months ended December 31, 2008 to \$42.4 million for the three months ended March 31, 2009 as a result of a 5 percent increase in caustic soda sales volumes which offset decreases in both chlorine sales volumes and realized selling prices. The decline in chlorine sales volume was due to the normal seasonal softening in chlorine demand used in water treatment as well as, a larger than anticipated negative impact on chlorine derivative demand as a result of the construction sector slowdown exacerbated by the economic downturn. The gross margin percentage increased by 6 percent primarily due to lower natural gas and electricity costs.

South America

Sales revenue in South America decreased 7 percent from \$26.1 million for the three months ended December 31, 2008 to \$24.3 million for the three months ended March 31, 2009 primarily due to lower realized selling prices (decrease of 15 percent) and lower sales volumes (decrease of 17 percent) of caustic soda and lower sodium chlorate realized selling prices (decrease of 5 percent), partially offset by higher sodium chlorate sales volumes (increase of 14 percent). The changes in realized selling prices were due to the pass-through nature of the contract with our primary customer. The decline in caustic soda realized selling prices and lower sales volumes of caustic soda were due to a decrease in the volume of caustic soda purchased on the spot market at higher prices for resale at the same amount to our primary customer which has historically been provided as a service. Commencing in the first quarter of 2009 we are no longer providing this service. The increase in sodium chlorate sales volumes was due to the return to near normal production levels by our primary customer from reduced production rates in November 2008 in order to manage high pulp inventory levels. The increase in gross margin percentage from 14 percent to 19 percent was primarily due to a decrease in the purchase of caustic soda on the spot market at higher prices for resale at the same amount as a service to our primary customer and the impact of the weaker Canadian dollar against the US dollar during the first quarter of 2009, as compared to the fourth quarter of 2008, on our fixed US dollar margins, partially offset by higher fixed costs and lower production in the first quarter of 2009 as a result of an annual plant maintenance turnaround performed in March.

Higher amortization expense decreased net income by \$0.2 million

The increase in amortization expense for the three months ended March 31, 2009, as compared to the three months ended December 31, 2008, was due to the completion of maintenance capital projects which we began to amortize in the first quarter of 2009.

Lower interest expense increased net income by \$1.3 million

The decrease in interest expense for the three months ended March 31, 2009 was primarily due to lower interest rates.

The amount outstanding on our extendible revolving credit facility at March 31, 2009 was US \$177,000,000 as compared to US \$176,000,000 at December 31, 2008. The weighted average interest rate on borrowings from this credit facility was 2.97 percent for the three months ended March 31, 2009 as compared to 4.57 percent for the three months ended December 31, 2008.

The amount outstanding on our Senior Secured Revolving Credit Facility at March 31, 2009 was US \$7,400,000. The weighted average interest rate on borrowings from this credit facility was 2.20 percent for the three months ended March 31, 2009. There were no borrowings on this facility at December 31, 2008.

At March 31, 2009 and December 31, 2008, the amount outstanding on Canexus Brazil's EDC Extendible Revolving Credit Facility was US \$6 million. The weighted average interest rate on borrowings from this credit facility was 2.26 percent for the three months ended March 31, 2009 and 2.88 percent for the three months ended December 31, 2008.

Interest capitalized on major projects during the three months ended March 31, 2009 was \$547,387 as compared to \$604,023 during the three months ended December 31, 2008.

Changes in foreign exchange options decreased net income by \$9.4 million

During the three months ended March 31, 2009 Canexus LP had the following Canadian dollar foreign exchange call option contracts:

- US \$5.0 million per month which entitled Canexus LP to sell US dollars and acquire Canadian dollars at a price of US \$0.8200 for the period January 1, 2009 to December 31, 2009; and
- US \$5.0 million per month which entitled Canexus LP to sell US dollars and acquire Canadian dollars at a price of US \$0.8170 for the period January 1, 2009 to December 31, 2009.

Mark-to-market fair value losses of \$5.9 million were recorded on these foreign exchange call option contracts for the three months ended March 31, 2009 as result of the decline in the value of the Canadian dollar relative to the US dollar during this period, to market expectations of the future value of the Canadian dollar relative to the US dollar and to the shorter remaining term of the contracts. At March 31, 2009 the fair value of these foreign exchange call option contracts was \$2.7 million. Unrealized mark-to-market fair value gains of \$3.5 million were recorded on these foreign exchange call option contracts during the three months ended December 31, 2008.

During the three months ended December 31, 2008, Canexus LP had Canadian dollar foreign exchange call option contracts on US \$5 million per month which entitled Canexus LP to sell US dollars and acquire Canadian dollars at a price of US \$0.9588 for the period September 1, 2008 to December 31, 2008.

Changes in interest rate swaps increased net income by \$3.6 million

Canexus LP has interest rate swap agreements under which we swap 3 month US LIBOR floating 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. We recorded mark-to-market fair value losses of \$0.5 million and realized losses of \$0.2 million for a total loss of \$0.7 million during the three months ended March 31, 2009 due to 3 month US LIBOR floating rates being below the fixed rate of 3.2 percent during this period, to market expectations of future 3 month US LIBOR floating rates and to the shorter remaining term of these interest rate swap agreements. At March 31, 2009, the fair value of these interest rate swap agreements resulted in a financial liability of \$3.3 million. During the three months ended December 31, 2008, we recorded mark-to-market fair value losses of \$4.4 million and realized gains of \$0.1 million for a net loss of \$4.3 million.

Changes in fair value of a foreign exchange forward decreased net income by \$5.1 million

Canexus LP entered into a foreign exchange forward contract to buy JPY 1.74 billion at a rate of JPY 108.11 per US dollar on May 20, 2009 in order to satisfy a purchase commitment related to the TCP at our North Vancouver chlor-alkali plant. We recorded mark-to-market fair value losses of \$1.9 million on this foreign exchange forward contract during the three months ended March 31, 2009 as compared to mark-to-market fair value gains of \$3.2 million during the three months ended December 31, 2008. At March 31, 2009, the fair value of this foreign exchange forward contract was \$1.9 million. The mark-to market fair value loss recorded during the three months ended March 31, 2009 were due to the weaker value of the JPY relative to the US dollar during this period, to market expectations of the future value of the JPY relative to the US dollar and to the shorter remaining term of this foreign exchange forward contract.

Changes in currency translation gains (losses) increased net income by \$29.0 million

Currency translation gains (losses) result from the translation of our US dollar denominated long-term debt and the translation of our US and Brazilian Real denominated monetary balances into their functional currencies.

During the three months ended March 31, 2009, fluctuations in exchange rates resulted in unrealized losses of \$5.1 million and realized losses of \$1.6 million for a total loss of \$6.7 million as compared to unrealized losses of \$39.8 million and realized gains of \$4.0 million for a net loss of \$35.8 million for the three months ended December 31, 2008.

During the three months ended March 31, 2009, we recorded an unrealized currency translation loss of \$7.7 million on our US dollar denominated borrowings as a result of the devaluation of the Canadian dollar in the first quarter of 2009 and realized losses of \$0.7 million on repayments of US \$7.0 million on our extendible revolving credit facility and repayments of US \$2.6 million on our Senior Secured Revolving Credit Facility. During the three months ended December 31, 2008, we recorded an

unrealized currency translation loss of \$38.4 million on our US dollar denominated borrowings and a realized loss of \$0.4 million on the repayment of US \$10.0 million on our extendible revolving credit facility.

We borrow in US dollars as a substantial portion of our revenues are denominated in or referenced to the US dollar and hence our cash flows benefit from a weaker Canadian dollar.

Higher income taxes decreased net income by \$5.6 million

Income taxes were higher for the three months ended March 31, 2009, as compared to the three months ended December 31, 2008, due to higher net income and to the recording of tax expense in certain operating subsidiaries arising from the impact of exchange rate movements.

Accrual for estimated future TCP severance costs payable increased net income by \$1.0 million

During the three months ended March 31, 2009, we revised the estimate of severance costs payable to employees following start-up of the TCP at our North Vancouver chlor-alkali facility in 2010 down by \$1.0 million as a result of a current assessment of expected total costs. We initially accrued estimated costs of \$7.3 million for severance costs payable to employees following start-up of the TCP during the three months ended March 31, 2008. These costs and other terms and conditions governing the treatment of employees impacted by the TCP were negotiated and agreed to with the collective bargaining units in 2007. Following start-up of the TCP we expect to be able to permanently reduce our work force at this facility by approximately one-third.

An increase in the allowance for doubtful accounts decreased net income by \$0.7 million

During the three months ended March 31, 2009, Canexus LP recorded an increase of \$0.7 million in its general allowance for doubtful accounts to cover potential credit risk loss exposure to existing customers.

The gross margin percentage of 29 percent for the year ended December 31, 2008 was consistent with the year ended December 31, 2007 with increases in North American realized selling prices and increased production at our low-cost Brandon, Manitoba sodium chlorate facility offset by higher North American natural gas and electricity costs (primarily in Alberta), a lower gross margin in South America and higher fixed costs.

Capital expenditures for the year ended December 31, 2008 were \$88.5 million as compared to the year ended December 31, 2007 of \$61.3 million. This increase was due to increases in maintenance capital expenditures of \$2.4 million, continuous improvement capital expenditures of \$3.1 million and expansion capital expenditures of \$20.5 million offset by a decrease in infrastructure and IT capital expenditures of \$0.4 million. In addition, capital expenditures of \$1.6 million 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. See "Results of Operations – Changes in Net Income 2008 versus 2007 – Capital Expenditures".

Outlook

North America Sodium Chlorate

Sodium chlorate markets continued to retract during the first quarter of 2009. Market pulp inventories remain at historic highs, depressing pulp mill operating rates. Approximately 19 percent of North American market pulp capacity did not operate in the first quarter of 2009 as pulp mills continued to curtail or idle in response to the inventory surplus. However, fourth quarter 2008 and first quarter 2009 curtailment measures have been effective in reducing excess inventory. Although February is historically a month in which market pulp inventories increase, global inventory declined from 50 to 47 days during the month. The February inventory reduction was widely seen as a positive sign that the market is beginning to stabilize. Bleached softwood kraft pulp inventories decreased to 41 days during February and a modest price increase in NBSK pulp was announced for April implementation.

Sodium chlorate demand was approximately 16 percent lower in the first quarter of 2009 than in prior quarters due to the pulp and paper market retraction. In addition to production curtailments, three North American pulp mills were indefinitely idled during the first quarter of 2009, one of which was supplied with sodium chlorate by Canexus. Collectively, the three idled mills consumed approximately 50,000 metric tonnes of sodium chlorate annually.

The combined fourth quarter 2008 and first quarter 2009 decline in sodium chlorate demand resulted in a 15 percent North American sodium chlorate operating rate reduction. Lower operating rates have interjected downward price pressure in the market, which may challenge operating profitability at some chlorate facilities. On April 22, 2009, Canexus announced the closure of our Bruderheim sodium chlorate plant; the facility closure will result in some improvement of market fundamentals. Additionally, one sodium chlorate producer continues to operate in Chapter 11 status and a level of uncertainty remains in the market regarding the fate of that facility. Sodium chlorate supply and demand uncertainties are expected to be resolved within two to three quarters, after which a higher level of clarity should return to the market. Increasing stability in the pulp market in the second half of 2009, the possibility of closure of additional uneconomic sodium chlorate capacity, and improving economic conditions later in the year are expected to restore balance to the sodium chlorate market.

In spite of the fourth quarter 2008 market slowdown, average sodium chlorate market prices increased from the fourth quarter of 2008 to the first quarter of 2009. However, market observations indicate that some producers lowered their price expectations modestly for the first quarter of 2009. Hence, quarter-to-quarter realized price increases were less than previously anticipated due to competitive pressures. Entering the second quarter of 2009, downward price adjustments have been observed reflecting lower market operating rates. To date, the weaker Canadian dollar has mitigated the impact to Canexus of competitive pricing pressures.

Supply and demand fundamentals have weakened price settlements for the first quarter of 2009 and price expectations for the second quarter of 2009. Uncertainties surrounding the potential for both demand improvement and supply reductions during the year lend high ambiguity to price developments in the second half of 2009.

North America Chlor-alkali

North America chlor-alkali industry operating rates remained low in the first quarter of 2009 consistent with depressed economic conditions. The first quarter 2009 industry operating rate is estimated to be 70 percent, compared to 91 percent from the same period in 2008. Chlorine demand has declined from most sectors. The PVC chain, the largest single chlorine consumer, operated at 70 percent of capacity while isocyanate producers operated at 50 percent of capacity. Demand for hydrochloric acid also decreased during the first quarter, particularly from the steel and oil & gas sectors. Chlorine demand in the second quarter is expected to improve modestly due to increased seasonal demand for water treatment. Chlorine production capacity was permanently reduced by 330,000 MECU's per year (2.5 percent of North America capacity) in the first quarter of 2009 with the closure of The Dow Chemical Company's Oyster Creek diaphragm technology production unit at Freeport, Texas.

Caustic soda demand declined significantly in the first quarter of 2009 due to production curtailments in the pulp & paper and alumina sectors. Global caustic inventories were high at the close of the first quarter of 2009 and demand is not expected to improve substantially in the second quarter of 2009. Asian supply for export has increased as Asian chlor-alkali producers attempt to find alternative placement following a dramatic demand loss from the alumina sector.

Chlorine prices continued to erode through the first quarter of 2009 and caustic soda prices began to decline late in the first quarter of 2009 consistent with weak supply/demand fundamentals. North American caustic soda prices declined substantially mid quarter due to pressure from Asian imports and high producer inventories. Caustic soda prices are expected to continue their decline through the third quarter of 2009 as demand continues to deteriorate consistent with economic weakness. North American producer operating rates, which had been restricted by chlorine demand over the past two quarters, are expected to be restricted in the second quarter of 2009 due to low caustic soda demand. Chlorine prices are expected to stabilize in the second quarter of 2009 due to improved demand from the water treatment sector with possible upward momentum later in 2009 as chlorine demand improves but operating rates continue to be constrained by stagnant caustic soda demand.

South America

Canexus' first quarter 2009 sodium chlorate sales in South America were impacted by variable demand from our largest customer. After strong chlorate sales in the first 2 months of the quarter, Aracruz Celulose S.A. reduced operating rates in March to control pulp inventory. Operating rates at the pulp mill were increased at the start of the second quarter; however, they are still partially curtailed. Some variability in sodium chlorate consumption may continue in 2009 as stability is restored in the pulp market.

Weak chlorine demand in Brazil continued during the first quarter of 2009. Sales into the commercial chemicals market were slow as chlorine derivatives consumption continues to languish in Brazil, consistent with the rest of the world. Sluggish demand for chlorine and chlorine derivatives is projected to continue through the second quarter of 2009. Caustic soda consumption was also lower than plan during the first quarter of 2009 as a result of the Aracruz pulp mill operating rate reduction, which reduced requirements for additional caustic soda purchases to maintain our supply commitment to Aracruz Celulose S.A. during the quarter.

The 2,000 metric tonne per year sodium chlorate capacity expansion was completed and safely started up in January 2009. The next incremental expansion of 4,400 metric tonnes of capacity remains on schedule to startup in the first quarter of 2010.

Liquidity and Capital Structure

Excess (Shortfall) of Cash Flows from Operating Activities and Excess (Shortfall) of Net Income, Over Distributions Declared

The following table presents the excess (shortfall) of cash flows from operating activities and the excess (shortfall) of net income (loss), over distributions declared for the first quarter of 2009, the first quarter of 2008 and the years ended December 31, 2006 through December 31, 2008.

Canexus LP considers the amount of cash generated by the business in determining the level of distributions to Ordinary and Exchangeable LP Unitholders. We do not take into account changes in non-cash operating working capital as they are considered to be temporary in nature. Distributable Cash within Canexus LP (see "Statement of Distributable Cash" on page 5) is reduced by both maintenance expense (through a reduction in net income) and maintenance capital expenditures (through a

reduction in Distributable Cash within Canexus LP). Maintenance expenditures (both expense and capital) are those cash outlays required to maintain Canexus LP's plants and other equipment at normal operating and efficiency levels.

We do not consider net income (loss) to be a cash flow measure and do not consider it in the determination of the level of distributions. Net income (loss) includes significant non-cash items including amortization and unrealized foreign exchange gains and losses.

	Three Months Ended March 31		Years Ended December 31		
	2009	2008	2008	2007	2006
Cash Flows from Operating Activities	28,722	12,568	72,489	81,869	81,302
Net Income (Loss)	5,749	(3,347)	(6,035)	54,547	47,143
Distributions Declared ⁽¹⁾	12,617	11,283	51,218	70,319	71,992
Excess (Shortfall) of Cash Flows from Operating Activities over Distributions Declared	16,105	1,285	21,271	11,550	9,310
Excess (Shortfall) of Net Income (Loss) over Distributions Declared	(6,868)	(14,630)	(57,253)	(15,772)	(24,849)

Note:

(1) Distributions declared payable to Ordinary and Exchangeable LP Unitholders. 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 Unitholders 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 to Canexus Commercial Trust and Canexus Commercial Trust in turn declared an additional distribution to Canexus Income Fund. The proceeds from the additional distribution were used by Canexus Income Fund to repay amounts owing to affiliates for trust administration expenses incurred in 2008.

Distributions declared exceeded net income for the three months ended March 31, 2009 due to non-cash expenses including amortization, unrealized currency translation losses, changes in fair value of held-for-trading financial instruments and the recording of an allowance for doubtful accounts.

Distributions declared exceeded net income (loss) for the three months ended March 31, 2008 due to non-cash expenses including amortization, unrealized foreign exchange losses, changes in fair value of held-for-trading financial instruments and an accrual for future TCP severance costs payable in 2010 upon start-up of the TCP.

Distributions declared exceeded net income (loss) for the year ended December 31, 2008 due to non-cash expenses including amortization, unrealized currency translation losses, changes in fair value of held-for-trading financial instruments, the recording of estimated severance costs payable to employees in 2010 following the start-up 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.

Distributions declared exceeded net income for the year ended December 31, 2007 due to non-cash expenses including amortization, changes in fair value of held-for-trading financial instruments and the recording of an estimated impairment loss on our investment in non-bank sponsored ABCP.

Distributions declared exceeded net income for the year ended December 31, 2006 due to non-cash expenses including amortization and changes in fair value of held-for-trading financial instruments.

Net Debt and Total Equity

	March 31, 2009	December 31, 2008
Long-Term Debt	302,588	283,724
Less: Cash and Cash Equivalents	(3,719)	(3,948)
Less: Non-Cash Working Capital	(40,798)	(48,391)
Total Net Debt ⁽¹⁾	258,071	231,385
Total Equity ⁽²⁾	164,435	156,968

Notes:

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

(2) At March 31, 2009 there were 33,004,024 Ordinary LP Units (held indirectly by the Fund) and 60,289,891 Exchangeable LP Units outstanding. At December 31, 2008 there were 32,570,814 Ordinary LP Units (held indirectly by the Fund) and 56,637,539 Exchangeable LP Units outstanding. The Exchangeable LP Units are exchangeable, directly or indirectly, on a one-for-one basis (subject to customary anti-dilution protections) at no extra cost for Units of the Funds at the option of Nexen at any time.

Liquidity

During the periods presented, Canexus LP consistently generated positive cash flows from operating activities. Cash generated from operating activities was used to pay distributions and remaining excess cash, if any, was used to fund expansion capital expenditures.

The following table provides an overview of Canexus LP's cash flows for the three month periods ended March 31, 2009 and March 31, 2008:

	Three Months Ended March 31		Change
	2009	2008	
Cash Flow from Operating Activities	28,722	12,568	16,154
Cash Flow from (used in) Financing Activities	3,521	(2,174)	5,695
Cash Flow used in Investing Activities	(32,526)	(14,835)	(17,691)

Cash Flow from Operating Activities

Cash 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 and utilities, as well as transportation, labour costs and general and administrative expenditures. An increase in gross margins offset by an increase in general and administrative expense and a smaller temporary net increase in non-cash operating working capital and due from/to affiliates resulted in an increase in cash flow from operating activities. The temporary net increase in non-cash operating working capital was primarily due to timing differences in the amount of accounts payable and accrued liabilities.

Cash Flow from (used in) Financing Activities

Changes in cash from (used in) financing activities for the three months ended March 31, 2009 compared to the three months ended March 31, 2008 are comprised of:

Repayments of Short-Term Borrowings, Net	(2,306)
Proceeds from Extendible Revolving Credit Facility	1,092
Proceeds from Senior Secured Revolving Credit Facility	12,107
Repayments of Extendible Revolving Credit Facility	(8,181)
Repayments of Senior Secured Revolving Credit Facility	(3,148)
Deferred Financing and Issue Costs	1,088
Funding of Asset Retirement Expenditures from Restricted Investments	970
Distributions Paid to Ordinary and Exchangeable LP Unitholders	4,073
	5,695

Cash Flow used in Investing Activities

Changes in cash used in investing activities for the three months ended March 31, 2009 compared to the three months ended March 31, 2008 are comprised of:

Expenditures on Property, Plant and Equipment	(22,462)
Changes in Non-Cash Investing Working Capital	4,771
	(17,691)

Future Liquidity

The future liquidity of Canexus LP will be primarily dependent on cash flows from operating activities which will be used to finance its ongoing maintenance capital expenditures, distributions to Unitholders and normal course financial commitments. Cash flows are sensitive to changes in volumes and sales prices, electricity costs and foreign currency exchange rates and any changes in these will impact future liquidity. Management believes cash flows from operating activities will be sufficient for Canexus LP to meet future obligations and commitments that arise in the normal course of its business activities.

Debt Covenants

At March 31, 2009, Canexus LP was in compliance with all ongoing covenants (financial and non-financial) and conditions contained in its extendible revolving credit facilities agreements and the note indenture governing the Senior Secured Notes.

Capital Resources

Canexus LP had commitments of \$89.0 million at March 31, 2009 and \$92.5 million at May 1, 2009, in addition to project inception-to-date expenditures at March 31, 2009 of \$87.7 million including capitalized interest of \$2.2 million, for the TCP at our North Vancouver chlor-alkali facility. The TCP is being financed through excess distributable cash, the DRIP and our committed credit facilities. Management anticipates ongoing annual maintenance capital expenditures of approximately \$14.5 million, which will be financed primarily out of cash flows from operating activities. Additional growth opportunities, including production debottlenecking 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 Units of the Fund or other securities of the Fund.

Canexus LP has a \$420 million, four year revolving credit facility which matures August 18, 2011 and which can be extended each year, at the option of the lenders, for an additional year. The credit facility is available for draw down during the revolving period subject to meeting ongoing covenants (financial and non-financial) and conditions. The 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 the credit facility in either Canadian or US dollars. At March 31, 2009, Canexus LP had \$223,055,400 (US \$177,000,000) outstanding on this credit facility which is included in Long-Term Debt on Canexus LP's unaudited consolidated balance sheet at March 31, 2009. 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 \$420 million. At March 31, 2009, Canexus LP had \$7.2 million of swing line loans outstanding which are included in Short-Term Borrowings on Canexus LP's unaudited consolidated balance sheet at March 31, 2009.

Canexus LP has a US \$20 million Senior Secured Revolving Credit Facility. This credit facility bears interest at a rate based on either the US base rate or the US LIBOR rate at our option and matures August 18, 2011. Proceeds from this facility are available for general corporate and partnership purposes including capital expenditures and acquisitions and the construction and completion of the TCP. At March 31, 2009, Canexus LP had \$9,325,480 (US \$7,400,000) outstanding on this credit facility which is included in Long-Term Debt on Canexus LP's unaudited consolidated balance sheet at March 31, 2009.

Canexus Brazil has a US \$10 million EDC Extendible Revolving Credit Facility which bears interest at a rate based on the US LIBOR rate and matures August 18, 2011. Proceeds from this facility can be used for general Canexus Brazil corporate purposes including capital expenditures. At March 31, 2009, Canexus Brazil had \$7,561,200 (US \$6,000,000) outstanding on this credit facility which is included in Long-Term Debt on Canexus LP's unaudited consolidated balance sheet at March 31, 2009.

Canexus LP has US \$50 million of Senior Secured Notes payable outstanding which bear interest at a fixed interest rate of 6.57 percent and which mature May 1, 2013. The Canadian dollar equivalent of the US \$50 million Senior Secured Notes of \$63,010,000 is included in Long-Term Debt on Canexus LP's unaudited consolidated balance sheet at March 31, 2009.

Canexus LP is the applicant on three Letters of Credit at March 31, 2009 including standby letters of credit in favour of CIBC Mellon for the Canexus Supplemental Pension Plan obligations (\$1.3 million) and the Independent System Operator for power curtailment obligations (\$0.2 million), as well as a documentary letter of credit in favour of Chlorine Engineers Corporation Ltd. for obligations related to the engineering and purchase of an electrolyzer system for the TCP (US \$18.4 million). The CIBC Mellon Letter of Credit expires on January 1, 2010 and is automatically renewed for one year periods unless otherwise advised. The Independent System Operator Letter of Credit expires on December 1, 2009 and is automatically renewed for one year periods unless otherwise advised. The Chlorine Engineers Corporation Ltd. Letter of Credit expires on May 31, 2009.

Summary of Contractual Obligations

Canexus LP 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 March 31, 2009 these obligations and commitments were as follows:

	Total	<1 year	1-3 years	4-5 years	>5 years
Operating Leases ⁽¹⁾	116,460	16,130	35,272	27,210	37,848
Purchase Obligations ⁽²⁾	118,126	16,924	48,288	52,914	-
Expansion Capital Expenditures ⁽³⁾	98,001	86,897	11,104	-	-
Asset Retirement Obligations ⁽⁴⁾	74,105	968	3,385	-	69,752
Long-Term Debt ⁽⁵⁾	302,952	-	239,942	63,010	-
Interest Payments on Senior Secured Notes	14,145	3,105	4,140	6,900	-
Total	723,789	124,024	342,131	150,034	107,600

Notes:

- Payments for operating leases are included in cash flow 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% of the cost of which is passed through to our primary customer.*
- Capital expenditures committed at March 31, 2009 are primarily related to the TCP at our North Vancouver chlor-alkali facility. The total estimated cost of this project is \$208 million, of which \$89.0 million has been included in the table above as committed at March 31, 2009.*
- At March 31, 2009, undiscounted asset retirement obligations are \$74.1 million. The estimated fair value (\$47.0 million) of these obligations has been provided for in Canexus LP's unaudited consolidated financial statements (See Note 12 to the unaudited consolidated financial statements of Canexus LP for the three months ended March 31, 2009). The timing of any payments is difficult to determine with certainty and have been included in the table above using best estimates. Canexus LP has \$8.1 million of restricted investments to be used for future site remediation and asset retirement obligations. Approximately \$4.1 million of restricted investments were invested in non-bank sponsored ("third party") asset backed commercial paper ("ABCP") that was due to be received on September 28, 2007 and was not repaid when due. On January 22, 2009, the ABCP was replaced with long-term asset backed securities ("Restructured Notes") which are divided into several classes. Canexus LP has recorded a \$2.2 million allowance for estimated impairment in value at March 31, 2009 (See Note 10 to the unaudited consolidated financial statements of Canexus LP for the three months ended March 31, 2009).*
- Long-Term Debt amounts are included in Canexus LP's March 31, 2009 unaudited consolidated balance sheet (See Note 11 to the unaudited consolidated financial statements of Canexus LP for the three months ended March 31, 2009). The extendible revolving credit facility balance will fluctuate and does not have fixed repayment terms. 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 Senior Secured Revolving Credit Facility balance will fluctuate and does not have fixed repayment terms. Interest is payable on the outstanding balance based on either the US base rate or the US LIBOR rate at our option. The EDC Extendible Revolving Credit Facility balance will fluctuate and does not have fixed repayment terms. Interest is payable at a rate based on the US LIBOR rate. Interest payments on the extendible revolving credit facility, the Senior Secured 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 on the US dollar Senior Secured Notes at a fixed rate of interest of 6.57 percent. Interest payments have been included in the table above at the Canadian dollar equivalent of the US dollar interest payments using the March 31, 2009 Bank of Canada noon day US dollar to Canadian dollar foreign exchange rate.

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

Future income tax liabilities have been excluded 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 March 31, 2009 unaudited consolidated balance sheet however, these obligations have not been included in the above table due to the uncertainty related to the amount and timing of any payments.

From time to time Canexus LP 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 Canexus LP provides indemnifications to the purchaser. The overall maximum amount 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 Canexus LP's liquidity, consolidated financial position or results of operations.

Contingent Liabilities

In the normal course of business, Canexus LP 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 Canexus LP's liquidity, consolidated financial position or results of operations. Canexus LP records costs as they are incurred or become determinable. Additionally, the income tax filings of taxable legal entities included in the companies comprising Canexus LP are subject to audit by taxation authorities. Management believes that Canexus LP has recorded an adequate provision for income taxes based on available information. Canexus LP is indemnified by Nexen for any claims for income tax re-assessments for periods prior to August 18, 2005.

Guarantees

Canexus LP has a \$420 million extendible revolving credit facility with a syndicate of financial institutions that matures on August 18, 2011, a portion of which was used to acquire the Chemicals Business and can otherwise be used for general corporate and partnership purposes, including future acquisitions and capital expenditures. The credit facility is available for draw down during the revolving period. The 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. We may draw down the credit facility in either Canadian or US dollars. 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 \$420 million. The credit facility is secured by a floating charge debenture over all of our assets and certain guarantees, security interests, and subordination agreements.

Canexus LP also has a US \$20 million Senior Secured Revolving Credit Facility which bears interest at a rate based on either the US base rate or the US LIBOR rate at our option and matures August 18, 2011. Proceeds from this facility are available for general corporate and partnership purposes including capital expenditures and acquisitions and the construction and completion of the TCP.

Canexus LP has US \$50 million of Senior Secured Notes payable outstanding which bear interest at a fixed interest rate of 6.57 percent and mature May 1, 2013. The Senior Secured Notes and the Senior Secured Revolving Credit Facility are secured by a floating charge debenture over all of our assets and certain guarantees, security interests and subordination agreements.

Canexus Brazil has a US \$10 million EDC Extendible Revolving Credit Facility which bears interest at a rate based on the US LIBOR rate and matures August 18, 2011. Proceeds from this facility can be used for general Canexus Brazil corporate purposes including capital expenditures. The EDC Extendible Revolving Credit Facility is secured by a floating charge debenture over all of Canexus LP's assets and certain guarantees, security interests and subordination agreements.

Market Risk Analysis

Canexus LP is exposed to normal market risks inherent in the chemicals business. Included in the risks faced by Canexus LP are product price and volume risk, electricity price risk, foreign currency rate risk, interest rate risk and credit risk. Canexus LP 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 Canexus Income Fund's Annual Information Form for the year ended December 31, 2008 filed on the Fund'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 \$50 change in the price per metric tonne ("MT") of North American produced sodium chlorate, net income before income taxes for the three months ended March 31, 2009 would have changed by \$4.1 million. For every \$100 change in the price per metric electro-chemical unit ("MECU") of chlor-alkali products in North America, net income before income taxes for the three months ended March 31, 2009 would have changed by \$3.0 million. These sensitivities to changes in prices are based on 83,000 MT of North American sodium chlorate sales and 30,000 MECU's of North American chlor-alkali sales for the three months ended March 31, 2009. Sensitivities of \$50 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 current economic uncertainty. A change in sales volumes for North American sodium chlorate of 10,000 MT would have changed net income before income taxes for the three months ended March 31, 2009 by \$3.2 million. A change in sales volumes for North American chlor-alkali products of 5,000 MECU's would have changed net income before income taxes for the three months ended March 31, 2009 by \$3.9 million. These sales volume changes are considered to be reasonably possible due to economic conditions experienced in late 2008 that persisted through the first quarter of 2009.

South American Chlor-alkali Plant Operating Rate Risk

Our primary customer in Brazil, Aracruz Celulose S.A., typically consumes more caustic soda than our South American 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 primary customer for our production cost plus a fixed margin (the "Canexus Price"). Current market prices in Brazil exceed the Canexus Price. For every 3,000 MT of caustic soda we do not produce net income before income taxes would have decreased by \$2.8 million for the three months ended March 31, 2009. For the three months ended March 31, 2009 we acquired 1,807 MT of caustic soda to make up for our production shortfall below operating capacity.

Electricity Price Risk

The cost of electricity is a key production cost. For every 3 percent change in the price of electricity, net income before income taxes would have changed by \$0.5 million for the three months ended March 31, 2009. This sensitivity to changes in electricity prices is based on electricity consumption of 549,000 MWh for the three months ended March 31, 2009.

A 3 percent change in the price of electricity is considered reasonable given historical price changes and market expectations for future movement.

Foreign Currency Rate Risk

A substantial portion of the revenues of Canexus LP are 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. An increase in the Canadian to US dollar exchange rate to US \$1.00 for the three month period would have decreased net income before income taxes by \$7.1 million for

the three months ended March 31, 2009 before the impact of hedging instruments. A decrease in the Canadian to US dollar exchange rate to US \$0.75 for the three month period would have increased net income before income taxes by \$3.0 million for the three months ended March 31, 2009.

A range of US \$0.75 to US \$1.00 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 debt and incurs other expenditures in US dollars. In addition, Canexus LP has foreign exchange call option contracts on a total of US \$10.0 million per month which entitle Canexus LP to sell US dollars and acquire Canadian dollars at a price of US \$0.8200 (US\$5 million per month) and US \$0.8170 (US\$5 million per month) for an average of US \$0.8185 per Canadian dollar from January 1, 2009 to December 31, 2009. These options are designed to protect our cash flows if the Canadian dollar strengthens while still allowing our cash flow to benefit from devaluation of the Canadian dollar relative to the US dollar.

Canexus LP has a forward exchange contract to buy JPY 1.74 billion at a rate of JPY 108.11 per US dollar on May 20, 2009 in order to satisfy a purchase commitment related to the TCP at our North Vancouver chlor-alkali plant.

Canexus LP does not have any 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 our revolving credit facilities. A change in the 30 day US LIBOR base rate to 0.3 percent for the three month period would have increased net income before income taxes by \$0.5 million for the three months ended March 31, 2009. A change in the 30 day US LIBOR base rate to 2 percent for the three month period would have decreased net income before income taxes by \$0.5 million for the three months ended March 31, 2009. A range of 0.3 to 2 percent for the 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 we swap 3 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. The fair value of these interest rate swap agreements are included in derivative financial instruments with changes in their fair value included in other expense. Fair value has been determined by management based on the estimated cash payment or receipt necessary to settle the contracts with counterparty financial institutions.

Credit Risk

Credit risk is the risk of loss if counterparties do not fulfil their contractual obligations. Most of Canexus LP's receivables are from counterparties in the pulp and paper industry, 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 11 percent of total trade accounts receivable at March 31, 2009.

The majority of our South America production is sold to Aracruz Celulose S.A. under a long-term sales agreement. At March 31, 2009, trade amounts owing from Aracruz Celulose S.A. represented 12 percent of total trade accounts receivable (December 31, 2008 – 21 percent).

Management evaluates the collectibility 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 current global economic situation. We plan to strictly enforce credit terms, monitor 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.

Derivative Financial Instruments and Off-Balance Sheet Arrangements

At March 31, 2009, Canexus LP did not have any material off-balance sheet arrangements.

At March 31, 2009, Canexus LP had Canadian dollar foreign exchange call option contracts on a total of US \$10 million per month which entitle Canexus LP to sell US\$5 million per month and acquire Canadian dollars at a price of US \$0.8200 per Canadian dollar and to sell US \$5.0 million per month and acquire Canadian dollars at a price of US \$0.8170 per Canadian dollar from January 1, 2009 through December 31, 2009. These option contracts cover virtually all of our net exposure to the US dollar for 2009. The fair value of these contracts is included in Derivative Financial Instruments on Canexus LP's unaudited consolidated balance sheet at March 31, 2009 and changes in their fair value are included in Other Expense (See Note 16 to the unaudited consolidated financial statements of Canexus LP for the three months ended March 31, 2009).

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

At March 31, 2009, Canexus LP had interest rate swap agreements under which we swap 3 month US LIBOR floating interest 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 swap agreements are settled quarterly. The fair value of these interest rate swap agreements is included in Derivative Financial Instruments on Canexus LP's unaudited consolidated balance sheet at March 31, 2009 and changes in their fair value are included in Other Expense (See Note 16 to the unaudited consolidated financial statements of Canexus LP for the three months ended March 31, 2009).

At March 31, 2009, Canexus LP had a foreign exchange forward contract under which we will buy JPY 1.74 billion at a rate of JPY 108.11 per US dollar on May 20, 2009 in order to satisfy a purchase commitment related to the TCP at our North Vancouver chlor-alkali plant. The fair value of this foreign exchange forward contract is included in Derivative Financial Instruments on Canexus LP's unaudited consolidated balance sheet at March 31, 2009 and changes in its fair value are included in Other Expense (See Note 16 to the unaudited consolidated financial statements of Canexus LP for the three months ended March 31, 2009).

The fair value of derivative financial instruments is determined by management and is estimated based on the cash payment or receipt necessary to settle the contracts with counterparty financial institutions.

Transactions with Related Parties

Due from/to affiliates at March 31, 2009 and December 31, 2008 relate to amounts owing in the normal course of operations as discussed below.

The General Partner employs all persons necessary to conduct the business of Canexus LP. All payroll and related costs incurred by the General Partner are recovered in full from Canexus Chemicals Canada Limited Partnership (directly and indirectly wholly-owned by Canexus LP). Amounts outstanding to the General Partner for these costs at March 31, 2009 and December 31, 2008 are due to timing.

Canexus LP has an agreement with a Nexen affiliate for the purchase of some of its electricity and natural gas requirements at floating market rates plus a retail service fee.

Three Months Ended March 31	2009	2008
Electricity Purchases and Retail Service Fees	1,573	4,895
Natural Gas Purchases and Retail Service Fees	1,435	2,623
	3,008	7,518

Canexus entered into an agreement with a Nexen affiliate effective February 19, 2009 to provide condensate transloading and delivery services for Nexen owned condensate for a term of 5 years for a total contract value of approximately \$2.1 million.

Critical Accounting Estimates

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

Impairment of Long Lived Assets

Canexus LP evaluates its chemical assets for impairment if an adverse event or change occurs. Among other things, this might include falling sales prices for chemical products, changes in operating costs, or significant or adverse political or legal changes. If one of these occurs, undiscounted future cash flows for the assets are estimated to determine if the assets are impaired. If the undiscounted future cash flows for the assets are less than the carrying amount of the assets, the fair value of the assets is calculated using a discounted cash flow approach. The assets would then be written down to their fair value.

Canexus LP's assets were assessed for impairment at March 31, 2009 and it was determined that no impairment had occurred.

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 Canexus LP. Estimates of future operating costs are made by Canexus LP. 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.

Asset Retirement Obligations

Canexus LP 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 to remediate any damage caused at the end of plant operating life. Estimating future asset retirement obligations 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 Canexus LP operates.

Asset retirement obligations are recorded in the unaudited consolidated financial statements of Canexus LP by discounting, to the present value, the estimated retirement obligations associated with its chemical plants using a weighted average credit-adjusted risk free rate of 5.1 percent. In arriving at amounts recorded, numerous assumptions and judgments are made with respect to ultimate settlement amounts, inflation factors, credit-adjusted discount rates, timing of settlement and expected changes in legal, regulatory, environmental and political environments. The present value of expected asset retirement obligations recorded result in an increase to the carrying cost of property, plant and equipment (PP&E) which is amortized over the useful life of the underlying PP&E. The asset retirement obligation accretes until the time the retirement obligation is expected to settle.

A change in any one of the assumptions could impact the asset retirement obligations, property, plant and equipment and net income. It is difficult to determine the impact of a change in any one of the assumptions. As a result, Canexus LP is unable to provide a reasonable sensitivity analysis of the impact that a change in assumptions would have on its financial results. However, management of Canexus LP believes that the assumptions it has made are reasonable.

Changes in Accounting Policies

Goodwill and Intangible Assets

Effective January 1, 2009, the Fund and Canexus LP adopted the new recommendations of the CICA Handbook Section 3064, Goodwill and Intangible Assets which replaces Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. The new section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The adoption of this section did not have a significant impact on either the Fund's or Canexus LP's results of operations or financial position.

Future Accounting Pronouncements

Business Combinations, Consolidated Financial Statements, and Non-Controlling Interests

In January 2009, the CICA issued Section 1582, Business Combinations; Section 1601, Consolidated Financial Statements; and Section 1602, Non-Controlling Interests.

Section 1582 establishes standards for the accounting for a business combination. This new standard applies prospectively to business combinations with an acquisition date on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Early adoption is permitted.

Section 1601 establishes standards for the preparation of consolidated financial statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption is permitted at the beginning of a fiscal year.

Section 1602 establishes standards for the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The new requirements will apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption is permitted at the beginning of a fiscal year.

An entity who chooses to early adopt any one of the aforementioned standards must apply all concurrently.

We do not expect the adoption of these sections to have a significant impact on the Fund's or Canexus LP's results of operations or financial position.

Conversion to International Financial Reporting Standards

In February 2008, the Accounting Standards Board ("AcSB") announced that publicly accountable entities ("PAEs") will be required to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. In April 2008, the AcSB issued an IFRS Omnibus Exposure Draft proposing that PAE's be required to apply IFRS, in full and without modification, on January 1, 2011.

On June 27, 2008 the Canadian Securities Administrators ("CSA") issued Staff Notice 52-321, *Early Adoption of IFRS*, which indicated that the CSA would be prepared to grant an exemption to allow Canadian financial statement issuers to adopt IFRS early on a case-by-case basis, provided that they could demonstrate that they met certain conditions. The Fund and Canexus LP are not planning to adopt IFRS early.

The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for its year ended December 31, 2010, and of the opening balance sheet at January 1, 2010. The AcSB proposes that CICA Handbook Section 1506, Accounting Changes, which would require an entity to disclose information relating to a new primary source of GAAP that has been issued but is not yet effective and that the entity has not applied, not be applicable with respect to the IFRS Omnibus Exposure Draft.

The Fund is continuing to assess the financial reporting and disclosure impacts of the adoption of IFRS on both the Fund and Canexus LP and, at this time, the impact on the Fund's and Canexus LP's future financial position, results of operations and disclosures is not reasonably determinable or estimable.

The Fund commenced its IFRS conversion project in 2008 and has developed a conversion implementation plan which has been reviewed with the Audit Committee. Reporting to the Audit Committee on the status of the conversion implementation and review of the results of the project team's assessment of the impacts of IFRS on the Fund and Canexus LP occurs quarterly.

The Fund's conversion implementation plan has three phases—Scoping and Project Plan Development, Analysis and Development and Implementation.

The Scoping and Project Plan Development phase has been completed and consisted of project planning, staffing, core project team training and the identification of high level differences between Canadian GAAP and IFRS. Based on analysis completed to-date, the identified areas of accounting difference of highest potential impact to the Fund and Canexus LP, based on existing IFRS, are property, plant and equipment and initial adoption of IFRS under the provisions of IFRS 1, First-Time Adoption of IFRS.

The Analysis and Development phase is currently underway and is anticipated to be completed by October 2009. This phase involves a detailed evaluation of the impacts of various options and alternative methodologies provided for under IFRS; the identification and design of changes to operational and financial processes and controls; further training of staff and other key stakeholders; analysis of IFRS 1 optional and mandatory exceptions to full retrospective application of IFRS; identification and development of IFRS disclosure requirements for 2011 reporting and the identification of impacts on information technology systems and development of solutions to address such impacts.

The Implementation phase is anticipated to begin in August 2009 and will overlap the Analysis and Development phase. This phase will involve the execution of changes to operational and financial processes and controls; changes to information technology systems; formal management and Audit Committee approval for the IFRS 1 exemptions utilized and accounting policy and disclosure changes required to become IFRS compliant and further training of staff, as required. Completion of this phase will result in operational and financial processes and information technology systems which enable the collection and reporting of IFRS compliant financial statements and the approval by the Board of Directors of IFRS compliant financial statements.

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 Fund, Canexus LP and its subsidiaries including with respect to the timing of the Brazil expansion, the stability of sodium chlorate prices, expected volumes of sodium chlorate, the Fund's expected payout ratio, global caustic soda demand, expectations for MECU netbacks, TCP contributions to operating cash flow, expected workforce reductions as a result of the TCP, expected future levels of maintenance capital expenditures, anticipated future operating rates, expected future inventory levels and the estimated write off of the net book value of the Bruderheim, Alberta sodium chlorate assets and other closure related costs. 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 for the year ended December 31, 2008 filed on the Fund'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 Fund and Canexus LP disclaim 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

We maintain disclosure controls and procedures designed 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 such 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. 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.

Internal Controls over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. We have designed our 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.

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 months ended March 31, 2009.

Unaudited Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

Canexus Income Fund

For the Three Months Ended March 31, 2009 and 2008

<i>CAD thousands, except per unit amounts</i>	2009	2008
Revenues		
Equity Income (Loss) from Investment in Canexus Limited Partnership	2,062	(1,291)
Expenses		
Trust Administration Expenses	111	88
Unit Based Compensation (Note 11)	222	110
	333	198
Income (Loss) Before Future Income Taxes	1,729	(1,489)
Provision for (Recovery of) Future Income Taxes (Note 12)	(439)	411
Net Income (Loss) and Comprehensive Income (Loss)	2,168	(1,900)
Earnings (Loss) Per Unit (Note 6)	0.07	(0.06)
Diluted Earnings (Loss) Per Unit (Note 6)	0.07	(0.06)

See accompanying notes to the Unaudited Consolidated Financial Statements

Unaudited Consolidated Statements of Deficit

Canexus Income Fund

For the Three Months Ended March 31, 2009 and 2008

<i>CAD thousands</i>	2009	2008
Beginning of Period	(53,962)	(32,328)
Net Income (Loss)	2,168	(1,900)
Distributions Declared	(4,500)	(4,345)
End of Period	(56,294)	(38,573)

See accompanying notes to the Unaudited Consolidated Financial Statements

Unaudited Consolidated Balance Sheets

Canexus Income Fund

As at March 31, 2009 and December 31, 2008

<i>CAD thousands</i>	March 31 2009	December 31 2008
ASSETS		
Current Assets		
Cash	1	1
Due from Affiliates	182	277
Distribution Receivable from Canexus Limited Partnership	1,505	2,970
Prepaid Expenses	22	31
Total Current Assets	1,710	3,279
Investment in Canexus Limited Partnership (Note 7)	283,051	284,240
Total Assets	284,761	287,519
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts Payable and Accrued Liabilities	6	-
Distribution Payable to Unitholders (Note 10)	1,505	2,970
Total Current Liabilities	1,511	2,970
Future Income Taxes (Note 12)	11,134	11,573
Equity		
Unitholders' Equity (33,004,024 Fund Units outstanding) (Note 5)	322,051	320,801
Contributed Surplus (Note 11)	6,359	6,137
Deficit	(56,294)	(53,962)
Total Equity	272,116	272,976
Total Liabilities and Equity	284,761	287,519

See accompanying notes to the Unaudited Consolidated Financial Statements

Unaudited Consolidated Statements of Cash Flows

Canexus Income Fund

For the Three Months Ended March 31, 2009 and 2008

<i>CAD thousands</i>	2009	2008
Operating Activities		
Net Income (Loss)	2,168	(1,900)
Charges and Credits to Income Not Involving Cash		
Equity (Income) Loss from Investment in Canexus Limited Partnership	(2,062)	1,291
Unit Based Compensation	222	110
Future Income Taxes	(439)	411
Distributions Received from Canexus Limited Partnership	5,965	4,344
Change in Due to Affiliates, Net	95	58
Change in Non-Cash Operating Working Capital	16	30
	5,965	4,344
Financing Activities		
Distributions Paid	(4,715)	(4,182)
Investing Activities		
Investment in Canexus Limited Partnership (Note 7)	(1,250)	(162)
Increase in Cash	-	-
Cash – Beginning of Period	1	-
Cash – End of Period	1	-

See accompanying notes to the Unaudited Consolidated Financial Statements

Notes to Unaudited Consolidated Financial Statements

Canexus Income Fund

For the Three Months Ended March 31, 2009 and 2008

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

1. Organization and Business of the Fund

Canexus Income Fund (the "Fund", "we" or "our") is an unincorporated open-ended trust established by the Fund Trust Indenture dated June 28, 2005, as amended and restated August 18, 2005, under the laws of Alberta. The Fund is a "mutual fund trust" for the purposes of the *Income Tax Act* (Canada). The head office and principal business office of the Fund is located in Calgary, Alberta. Canexus Limited is the administrator of the Fund and the general partner ("General Partner") of Canexus Limited Partnership ("Canexus LP") in which it holds a 0.01 percent interest.

As at March 31, 2009, the Fund held an indirect 35.4 percent (December 31, 2008 – 36.5 percent; March 31, 2008 – 38.4 percent) interest (through its wholly owned subsidiary Canexus Commercial Trust) in Canexus LP. Nexen Inc. ("Nexen") held a 64.6 percent (December 31, 2008 – 63.5 percent; March 31, 2008 – 61.6 percent) controlling interest in Canexus LP.

The Fund owns 100 percent of the shares of Canexus Limited, but does not account for its investment on a consolidated basis due to Nexen having the ability to appoint the majority of the board positions.

2. Summary of Significant Accounting Policies

These unaudited consolidated financial statements have been prepared in accordance with the requirements of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1751, Interim Financial Statements. Accordingly, certain information and note disclosure normally included in annual financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP") have been omitted or condensed. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Fund for the year ended December 31, 2008. The Fund does not have any other comprehensive income.

In the opinion of management, the unaudited consolidated financial statements contain all adjustments of a normal and recurring nature necessary to present fairly the Fund's financial position at March 31, 2009 and the results of its operations and cash flows for the three months ended March 31, 2009 and March 31, 2008. The unaudited consolidated financial statements were prepared using the same accounting policies as described in Note 2 of the audited consolidated financial statements of the Fund for the year ended December 31, 2008, except as described in Note 3.

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited consolidated financial statements, and revenues and expenses during the reporting period. Management reviews these estimates on an ongoing basis including those related to litigation, unit based compensation and income taxes. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates.

3. Changes in Accounting Policies

Goodwill and Intangible Assets

Effective January 1, 2009, the Fund adopted the new recommendations of the CICA Handbook Section 3064, Goodwill and Intangible Assets which replaces Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. The new section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The adoption of this section did not have any impact on the Fund's results of operations or financial position.

4. Future Accounting Pronouncements

Business Combinations, Consolidated Financial Statements, and Non-Controlling Interests

In January 2009, the CICA issued Section 1582, Business Combinations; Section 1601, Consolidated Financial Statements; and Section 1602, Non-Controlling Interests.

Section 1582 establishes standards for the accounting for a business combination. This new standard applies prospectively to business combinations with an acquisition date on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Early adoption is permitted.

Section 1601 establishes standards for the preparation of consolidated financial statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption is permitted at the beginning of a fiscal year.

Section 1602 establishes standards for the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The new requirements will apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption is permitted at the beginning of a fiscal year.

An entity who chooses to early adopt any one of the aforementioned standards must apply all concurrently.

We do not expect these sections to have a significant impact on the Fund's results of operations or financial position.

5. Unitholders' Equity

	March 31, 2009		December 31, 2008	
	Number of Units	Amount	Number of Units	Amount
Beginning of Period	32,570,814	320,801	31,750,000	317,500
Issued Pursuant to the DRIP	433,210	1,250	820,814	3,301
End of Period	33,004,024	322,051	32,570,814	320,801

Under the Distribution Reinvestment Plan ("DRIP") participants may elect, in the case of holders of Units of the Fund, to automatically reinvest monthly distributions in additional Units of the Fund and, in the case of Exchangeable LP Units of Canexus LP, to automatically reinvest monthly distributions in additional Exchangeable LP Units of Canexus LP.

Pursuant to the DRIP, cash distributions will be reinvested in additional units at 95 percent of the volume weighted average market price of Units of the Fund for the 10 trading days preceding the distribution payment date. Units acquired under the DRIP will be issued directly from the Fund's or Canexus LP's treasury, as applicable. The Fund has reserved 17,000,000 Units for the issuance of Units pursuant to the DRIP and for the exchange of any additional Exchangeable LP Units issued pursuant to the DRIP.

Under the terms of the Exchange, Voting and Registration Rights Agreement dated August 18, 2005, the Exchangeable LP Units held by Nexen are exchangeable for Units of the Fund on a one-for-one basis. The Fund has reserved 60,289,891 Units as at March 31, 2009 (December 31, 2008 – 56,637,539 Units) for the exchange of the Exchangeable LP Units.

Under the Exchange, Voting and Registration Rights Agreement dated August 18, 2005 between Canexus Income Fund, Canexus Commercial Trust, Canexus Limited Partnership and Nexen, an exchange of all or part of the Exchangeable LP Units outstanding by Nexen would result in the purchase of an equivalent number of Fund Units by Canexus LP (to be provided to Nexen for the exchange of the Exchangeable LP Units) through the issue of an equivalent number of Ordinary LP Units of Canexus LP to Canexus Commercial Trust and the issue of an equivalent number of trust units of Canexus Commercial Trust to Canexus Income Fund. As a result of the above transactions, the Fund's indirect interest in Canexus LP would increase by the

percentage that the number of Exchangeable LP Units exchanged was to the total of all Exchangeable and Ordinary LP Units prior to the exchange.

6. Earnings (Loss) Per Unit

Earnings (Loss) per unit is calculated using net income (loss) divided by the weighted average number of Units outstanding. Diluted earnings (loss) per unit is calculated in the same manner as basic earnings (loss) per unit, except the weighted average number of diluted Units outstanding is used as the denominator.

Three Months Ended March 31	2009	2008
Weighted Average Number of Units Outstanding	32,815,323	31,756,125
Units Issuable Pursuant to Deferred Trust Units ("DTUs") and Notional Reinvestments (Note 11(b))	167,401	100,318
Units Issuable Pursuant to Options and Corresponding Bonus Rights (Note 11(a))	892,496	13,301
Notional Units to be Purchased from Proceeds from Exercise/Redemption of Options and Corresponding Bonus Rights	(865,506)	(12,703)
Weighted Average Number of Diluted Units Outstanding	33,009,714	31,857,041

During the periods presented, outstanding options and corresponding bonus rights and deferred trust units and notional reinvestments were the only potential dilutive instruments.

In calculating the weighted average number of diluted Units outstanding for the three months ended March 31, 2009, 134,000 weighted average deferred trust units and 33,401 corresponding weighted average additional DTUs (from notional reinvestments) were included and 839,322 weighted average unit options and 53,174 corresponding weighted average notional bonus units were included. We excluded 1,982,800 unit options and 755,398 corresponding notional bonus units as their option exercise price was greater than the average Unit trading price and associated distributions declared.

In calculating the weighted average number of diluted Units outstanding for the three months ended March 31, 2008, 87,000 weighted average deferred trust units and 13,318 corresponding weighted average additional DTUs (from notional reinvestments) and 13,000 weighted average unit options and 301 corresponding weighted average notional bonus units were included. We excluded 2,216,800 unit options and 394,569 corresponding notional bonus units as their option exercise price was greater than the average Unit trading price and associated distributions declared.

7. Investment in Canexus LP

	March 31, 2009		December 31, 2008	
	Number of Ordinary LP Units	Amount	Number of Ordinary LP Units	Amount
Beginning of Period	32,570,814	284,240	31,750,000	302,667
Equity Income (Loss) from Investment in Canexus LP	-	2,062	-	(2,141)
Distributions Reinvested Pursuant to the DRIP	433,210	1,250	820,814	3,301
Distributions Received from Canexus LP	-	(2,996)	-	(16,617)
Distributions Receivable from Canexus LP	-	(1,505)	-	(2,970)
End of Period	33,004,024	283,051	32,570,814	284,240

Proceeds from the reinvestment of distributions by Unitholders of the Fund are utilized by the Fund to subscribe for additional Units in Canexus Commercial Trust which in turn, utilizes the proceeds to subscribe for additional Ordinary LP Units of Canexus LP.

8. Financial Instruments and Financial Risk Management

(a) Classification of Financial Instruments

The Fund has classified its financial instruments as follows:

	March 31 2009	December 31 2008
Financial Assets		
Loans and Receivables, measured at amortized cost		
Due from Affiliates	182	277
Distribution Receivable from Canexus LP	1,505	2,970
Total Financial Assets	1,687	3,247
Financial Liabilities		
Other Financial Liabilities, measured at amortized cost		
Accounts Payable and Accrued Liabilities	6	-
Distribution Payable to Unitholders	1,505	2,970
Total Financial Liabilities	1,511	2,970

The Fund did not have held-for-trading or available-for-sale financial instruments as at or during the three months ended March 31, 2009 and the year ended December 31, 2008.

The carrying value of due from affiliates, distribution receivable, accounts payable and accrued liabilities and distribution payable approximate their fair value as these financial instruments are near maturity.

(b) Financial Risk Management

The Fund has exposure to credit risk and liquidity risk as it is entirely dependent on the receipt of cash distributions from Canexus LP for purposes of paying cash distributions to Unitholders.

9. Capital Risk Management

The Fund manages its capital to ensure that it has the financial capacity and liquidity to meet obligations as they come due and to provide returns to Unitholders. The capital structure of the Fund consists of issued capital. The Fund manages its capital structure and makes adjustments in order to preserve its ability to meet financial obligations, to provide an appropriate investment return to the Fund's Unitholders and to allow financing options to the Fund as financing needs arise. Management, upon approval of the Board of Directors, may balance the Fund's overall capital structure through new Unit issues, the issuance of debt or by undertaking other activities as deemed appropriate.

10. Distributions

The Fund pays monthly distributions to its Unitholders of record on the last business day of each month approximately 15 days after the end of each month. At March 31, 2009, the Fund had a distribution payable of \$1.5 million.

The Fund declared distributions of \$4.5 million (\$0.1368 per Unit) for the three months ended March 31, 2009 and \$4.3 million (\$0.1368 per Unit) for the three months ended March 31, 2008. Of the total distributions paid for the three months ended March 31, 2009, \$1.3 million (March 31, 2008 – \$0.2) were reinvested by Unitholders in additional Fund Units pursuant to the DRIP. Total distributions of \$88.5 million (\$2.7771 per Unit) have been declared from inception of the Fund to March 31, 2009.

11. Unit Based Compensation

The Fund has unit based compensation in the form of options and corresponding bonus rights and deferred trust units and notional reinvestments. The Fund has a Trust Unit Incentive Plan ("TUIP") and a Directors' Deferred Trust Unit Compensation Plan ("DTUCP") under which Units may be issued in accordance with such plans.

(a) Trust Unit Incentive Plan

The Fund has granted options and corresponding bonus rights to officers and employees under the TUIP.

Each option permits the holder to purchase one Unit at a stated exercise price. The options granted vest over three years and are exercisable on a cumulative basis over five years. Each option's exercise price equals the market price at the time of grant.

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 Units to reflect the notional reinvestment of distributions ("notional bonus Units") that would have been paid on the Unit underlying an option from the date of grant of the option.

The number of Units reserved under the TUIP and the DTUCP is equal to 5 percent of the issued and outstanding Units (March 31, 2009 – 4,664,696), which is the maximum allowable under the Plan (on a non-diluted basis, including the number of Exchangeable LP Units). Of that number, as at March 31, 2009, 3,672,864 Units (March 31, 2008 – 2,624,812) are reserved and available for issuance upon the exercise of options and redemption of bonus rights.

As at March 31, 2009, a total of 2,840,400 Unit options and 2,840,400 corresponding bonus rights have been granted with the Unit options having a weighted average exercise price of \$5.79. Accumulated notional bonus Units on these bonus rights were 832,464 as at March 31, 2009. At March 31, 2009, there were 1,186,551 vested Unit options exercisable into 1,186,551 Units, as well as 1,186,551 corresponding bonus rights redeemable into 533,340 notional bonus Units accumulated thereon.

As at March 31, 2008, a total of 2,229,800 Unit options and 2,229,800 corresponding bonus rights had been granted, with the Unit options having a weighted average exercise price of \$6.97. Accumulated notional bonus Units on these bonus rights were 395,012 as at March 31, 2008. At March 31, 2008, there were 421,362 vested Unit options exercisable into 421,362 Units, as well as 421,362 corresponding bonus rights redeemable into 118,478 notional bonus Units accumulated thereon.

The estimated weighted average fair value of Unit options issued is \$0.86 per Unit option (March 31, 2008 – \$0.91) using the Generalized Black-Scholes option pricing model under the following weighted average assumptions:

	March 31, 2009	March 31, 2008
Risk-Free Interest Rate (%)	4.14	4.18
Estimated Hold Period Prior to Exercise (years)	5	5
Expected Volatility in the Price of Units (%)	32.2	30.2
Expected Annual Distributions per Unit (\$/unit)	0.6731	0.7246

(b) Deferred Trust Unit Compensation Plan

As at March 31, 2009, there were 167,401 DTUs outstanding under the DTUCP comprised of 134,000 DTUs granted and 33,401 additional DTUs accumulated by notional reinvestments of the monthly cash distributions into DTUs. As at March 31, 2008, there were 101,759 DTUs outstanding under the DTUCP comprised of 87,000 DTUs granted and 14,759 additional DTUs accumulated by notional reinvestments of the monthly cash distributions into DTUs.

An aggregate of 200,000 Units are reserved under the DTUCP.

12. Income Taxes

These unaudited consolidated financial statements do not reflect any provision for current income taxes as the Fund intends to distribute to its Unitholders substantially all of its taxable income and the Fund intends to comply with the provisions of the *Income Tax Act* (Canada) that permit, amongst other items, the deduction of distributions to Unitholders from the Fund's taxable income.

The Fund, a specified investment flow-through entity, will be subject to income tax beginning in 2011. As a result, the Fund has recognized an \$11.1 million future income tax liability as at March 31, 2009 (December 31, 2008 – \$11.6 million) on temporary differences in reported amounts for financial statement and tax purposes in the property, plant and equipment underlying its investment in Canexus LP. These differences are expected to reverse subsequent to 2010.

13. Related Party Transactions

Canexus Limited as administrator of Canexus Income Fund, the General Partner of Canexus LP and indirectly, the Trustee of Canexus Commercial Trust, incurs expenditures on behalf of these entities for which it is reimbursed at cost.

14. Economic Dependence

The Fund is entirely dependent on cash distributions received from Canexus LP.

15. Subsequent Event

On April 22, 2009, Canexus LP announced the closure of the Bruderheim sodium chlorate plant and expects to record additional amortization of \$16 to \$18 million in the second quarter to write off the net book value of the sodium chlorate assets. Canexus LP will also record severance and other closure related costs of approximately \$5 million that they expect to pay over the next few years.

Unaudited Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

Canexus Limited Partnership

For the Three Months Ended March 31, 2009 and 2008

<i>CAD thousands</i>	2009	2008
Revenues		
Sales	123,819	108,728
Expenses		
Cost of Goods Sold	77,801	77,500
Amortization	11,743	9,942
General and Administrative	9,260	7,430
Interest	2,208	2,442
	101,012	97,314
Income before Other Expense and Income Taxes	22,807	11,414
Other Expense (Note 16)	(14,864)	(14,434)
Income (Loss) before Income Taxes	7,943	(3,020)
Provision for (Recovery of) Income Taxes		
Current	201	375
Future	1,993	(48)
	2,194	327
Net Income (Loss)	5,749	(3,347)
Other Comprehensive Income, Net of Tax (Note 16)	2,552	3,060
Comprehensive Income (Loss)	8,301	(287)

See accompanying notes to the Unaudited Consolidated Financial Statements

Unaudited Consolidated Statements of Deficit and Accumulated Other Comprehensive Loss

Canexus Limited Partnership

For the Three Months Ended March 31, 2009 and 2008

<i>CAD thousands</i>	2009	2008
Deficit		
Beginning of Period	(94,430)	(37,177)
Net Income (Loss)	5,749	(3,347)
Distributions Declared	(12,617)	(11,283)
End of Period	(101,298)	(51,807)
Accumulated Other Comprehensive Loss		
Beginning of Period	(14,724)	(31,790)
Other Comprehensive Income, Net of Tax (Note 16)	2,552	3,060
End of Period	(12,172)	(28,730)

See accompanying notes to the Unaudited Consolidated Financial Statements

Unaudited Consolidated Balance Sheets

Canexus Limited Partnership

As at March 31, 2009 and December 31, 2008

<i>CAD thousands, except unit amounts</i>	March 31, 2009	December 31, 2008
ASSETS		
Current Assets		
Cash and Cash Equivalents	3,719	3,948
Accounts Receivable (Note 5)	60,645	70,761
Inventories and Operating Supplies (Note 6)	38,316	39,523
Derivative Financial Instruments (Note 7)	1,260	9,634
Prepaid Expenses (Note 8)	3,742	4,172
Due from Affiliates (Note 19)	1,204	-
Total Current Assets	108,886	128,038
Property, Plant and Equipment, Net (Note 9)	460,500	431,528
Intangible Assets, Net (Note 9)	1,072	1,134
Restricted Investments (Note 10)	8,130	8,943
Future Income Taxes	6,179	7,761
Other Long-Term Assets (Note 13)	11,259	2,147
Total Assets	596,026	579,551
LIABILITIES AND EQUITY		
Current Liabilities		
Short-Term Borrowings (Note 11)	7,200	10,870
Accounts Payable and Accrued Liabilities	51,390	54,640
Distribution Payable to Ordinary LP Unitholders	1,506	2,970
Distribution Payable to Exchangeable LP Unitholder, Nexen Inc.	2,748	5,167
Accrued Interest Payable	1,525	1,687
Due to Affiliates (Note 19)	-	365
Total Current Liabilities	64,369	75,699
Long-Term Debt (Note 11)	302,588	283,724
Future Income Taxes	8,893	8,280
Asset Retirement Obligations (Note 12)	45,997	44,771
Other Long-Term Liabilities (Note 13)	9,744	10,109
Total Liabilities	431,591	422,583
Equity		
Ordinary LP Units (33,004,024 outstanding) (Note 14)	306,301	305,051
Exchangeable LP Units (60,289,891 outstanding) (Note 14)	(28,396)	(38,929)
Total LP Units	277,905	266,122
Deficit	(101,298)	(94,430)
Accumulated Other Comprehensive Loss	(12,172)	(14,724)
Total Deficit and Accumulated Other Comprehensive Loss	(113,470)	(109,154)
Total Equity	164,435	156,968
Commitments, Contingencies and Guarantees (Note 17)		
Total Liabilities and Equity	596,026	579,551

See accompanying notes to the Unaudited Consolidated Financial Statements

Unaudited Consolidated Statements of Cash Flows

Canexus Limited Partnership

For the Three Months Ended March 31, 2009 and 2008

<i>CAD thousands</i>	2009	2008
Operating Activities		
Net Income (Loss)	5,749	(3,347)
Realized Foreign Exchange Loss on Cash	36	-
Charges and Credits to Income Not Involving Cash (Note 20(a))	27,882	26,929
Contributions to / Payments for Defined Benefit Plans	(1)	-
Purchase of Foreign Exchange Options	-	(357)
Expenditures on Asset Retirement Obligations (Note 12)	(33)	-
Interest Income on Restricted Investments	(163)	(110)
Change in Due from/to Affiliates, Net	(1,473)	1,065
Changes in Non-Cash Operating Working Capital (Note 20(b))	(3,275)	(11,612)
	28,722	12,568
Financing Activities		
Repayments of Short-Term Borrowings, Net	(3,670)	(1,364)
Proceeds from Senior Secured Revolving Credit Facility	12,107	-
Proceeds from Extendible Revolving Credit Facility	10,171	9,079
Repayments of Senior Secured Revolving Credit Facility	(3,148)	-
Repayments of Extendible Revolving Credit Facility	(8,181)	-
Deferred Financing and Issue Costs	(17)	(1,105)
Cash Distributions Paid to Ordinary LP Unitholders	(4,717)	(4,181)
Cash Distributions Paid to Exchangeable LP Unitholder, Nexen Inc.	-	(4,609)
Funding of Asset Retirement Expenditures from Restricted Investments (Note 10)	976	6
	3,521	(2,174)
Investing Activities		
Expenditures on Property, Plant and Equipment	(36,242)	(13,780)
Changes in Non-Cash Investing Working Capital (Note 20(b))	3,716	(1,055)
	(32,526)	(14,835)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	54	139
Decrease in Cash and Cash Equivalents	(229)	(4,302)
Cash and Cash Equivalents – Beginning of Period	3,948	10,056
Cash and Cash Equivalents – End of Period	3,719	5,754
Supplemental Cash Flow Information (Note 20(c))		

See accompanying notes to the Unaudited Consolidated Financial Statements

Notes to Unaudited Consolidated Financial Statements

Canexus Limited Partnership

For the Three Months Ended March 31, 2009 and 2008

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

1. Organization and Business of Canexus Limited Partnership

Canexus Limited Partnership ("Canexus LP", "we" or "our") is a limited partnership established under the laws of Alberta. Canexus LP, through its subsidiaries, produces sodium chlorate and chlor-alkali products in several plants located in Canada and one in South America, largely for the pulp and paper and water treatment industries. The head office is located in Calgary, Alberta with a corporate office located in Houston, Texas.

As at March 31, 2009, Canexus Income Fund (the "Fund") indirectly held a 35.4 percent (December 31, 2008 – 36.5 percent; March 31, 2008 – 38.4 percent) interest and Nexen Inc. ("Nexen") held a 64.6 percent (December 31, 2008 – 63.5 percent; March 31, 2008 – 61.6 percent) controlling interest in Canexus LP. Canexus LP is managed by Canexus Limited, the general partner ("General Partner"), which holds a 0.01 percent interest in Canexus LP.

Pursuant to the Limited Partnership Agreement between Canexus Limited, Canexus Commercial Trust (a wholly owned subsidiary of Canexus Income Fund) and Nexen dated August 9, 2005, Canexus Limited as General Partner, has full power and exclusive authority to employ all persons necessary for the conduct of the business of Canexus LP, to enter into any agreement and to incur any obligation related to the affairs of Canexus LP and is entitled to full reimbursement of all costs and expenses incurred on behalf of Canexus LP. As general and administrative costs incurred by Canexus Limited and pension obligations entered into by Canexus Limited are on behalf of Canexus LP, these costs and obligations have been reflected in the consolidated financial statements and notes thereto of Canexus LP.

2. Summary of Significant Accounting Policies

These unaudited consolidated financial statements have been prepared in accordance with the requirements of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1751, Interim Financial Statements. Accordingly, certain information and note disclosure normally included in annual financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP") have been omitted or condensed. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements of Canexus LP for the year ended December 31, 2008.

In the opinion of management, the unaudited consolidated financial statements contain all adjustments of a normal and recurring nature necessary to present fairly Canexus LP's financial position at March 31, 2009 and the results of its operations and cash flows for the three months ended March 31, 2009 and March 31, 2008. The unaudited consolidated financial statements were prepared using the same accounting policies as described in Note 2 of the audited consolidated financial statements of Canexus LP for the year ended December 31, 2008, except as described in Note 3.

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited consolidated financial statements, and revenues and expenses during the reporting period. Management reviews these estimates on an ongoing basis including those related to litigation, asset retirement obligations and income taxes. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates.

3. Changes in Accounting Policies

Goodwill and Intangible Assets

Effective January 1, 2009, Canexus LP adopted the new recommendations of the CICA Handbook Section 3064, Goodwill and Intangible Assets which replaces Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. The new section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The adoption of this section did not have a significant impact on Canexus LP's results of operations or financial position.

4. Future Accounting Pronouncements

Business Combinations, Consolidated Financial Statements, and Non-Controlling Interests

In January 2009, the CICA issued Section 1582, Business Combinations; Section 1601, Consolidated Financial Statements; and Section 1602, Non-Controlling Interests.

Section 1582 establishes standards for the accounting for a business combination. This new standard applies prospectively to business combinations with an acquisition date on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Early adoption is permitted.

Section 1601 establishes standards for the preparation of consolidated financial statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption is permitted at the beginning of a fiscal year.

Section 1602 establishes standards for the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The new requirements will apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption is permitted at the beginning of a fiscal year.

An entity who chooses to early adopt any one of the aforementioned standards must apply all concurrently.

We do not expect these sections to have a significant impact on Canexus LP's results of operations or financial position.

5. Accounts Receivable

	March 31 2009	December 31 2008
Accounts Receivable – Trade	55,566	56,160
Allowance For Doubtful Accounts	(3,347)	(2,697)
	52,219	53,463
Accounts Receivable – Value Added Taxes and Other	8,426	17,298
	60,645	70,761

The aging of trade receivables as at March 31, 2009 is set out below:

	North America	South America	Asia	Total
Current	30,470	9,020	520	40,010
Past Due 0 – 30 days	12,247	279	-	12,526
Past Due 31 – 60 days	1,996	117	-	2,113
Past Due 61 – 90 days	95	-	-	95
Past Due Greater than 90 Days	822	-	-	822
	45,630	9,416	520	55,566

The movement in the allowance for doubtful accounts in respect of trade receivables is set out below:

	March 31 2009	December 31 2008
Beginning of Period	(2,697)	(2,000)
Allowance for Doubtful Accounts	(650)	(700)
Write Off of Specific Accounts Receivable	-	3
End of Period	(3,347)	(2,697)

Management evaluates the collectibility 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.

6. Inventories and Operating Supplies

	March 31 2009	December 31 2008
Raw Materials	5,601	6,214
Work-in-Progress	1,537	1,728
Finished Goods	17,044	16,787
Operating Supplies	14,134	14,794
	38,316	39,523

7. Financial Instruments and Financial Risk Management

(a) Classification of Financial Instruments

Canexus LP has classified its financial instruments as follows:

	March 31, 2009		December 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Held-For-Trading, measured at fair value				
Cash and Cash Equivalents	3,719	3,719	3,948	3,948
Derivative Financial Instruments				
Foreign Exchange Options	2,691	2,691	8,640	8,640
Foreign Exchange Forward	1,881	1,881	3,797	3,797
Interest Rate Swaps	(3,312)	(3,312)	(2,803)	(2,803)
Total Derivative Financial Instruments	1,260	1,260	9,634	9,634
Total Held-For-Trading	4,979	4,979	13,582	13,582
Loans and Receivables, measured at amortized cost				
Accounts Receivable	60,645	60,645	70,761	70,761
Due from Affiliates	1,204	1,204	-	-
Total Loans and Receivables	61,849	61,849	70,761	70,761
Held-to-Maturity, measured at amortized cost				
Restricted Investments (Note 10)	8,130	8,130	8,943	8,943
Total Financial Assets	74,958	74,958	93,286	93,286
Financial Liabilities				
Financial Liabilities, measured at amortized cost				
Short-Term Borrowings	7,200	7,200	10,870	10,870
Accounts Payable and Accrued Liabilities	51,390	51,390	54,640	54,640
Distribution Payable	4,254	4,254	8,137	8,137
Accrued Interest Payable	1,525	1,525	1,687	1,687
Due to Affiliates	-	-	365	365
Long-Term Debt	302,588	289,219	283,724	281,221
Accrual for Future TCP Severance Cost (Note 13)	6,329	6,329	7,310	7,310
Total Financial Liabilities	373,286	359,917	366,733	364,230

Canexus LP did not have available-for-sale financial instruments as at or during the three months ended March 31, 2009 or the year ended December 31, 2008.

Canexus LP's maximum exposure for all financial instruments is their carrying value.

Derivative financial instruments are carried at fair value as determined by management which is based on the estimated cash payment or receipt necessary to settle the contracts with counterparty financial institutions. The carrying value of accounts receivable approximate their fair value as these financial instruments are near maturity. The carrying value of restricted investments, net of an allowance for impairment, approximates their fair value. The carrying value of short-term borrowings, accounts payable and accrued liabilities, distribution payable, accrued interest payable and due from/to affiliates approximate their fair value as these financial instruments are near maturity. The carrying value of the extendible revolving credit facilities loans approximates their fair value as these loans bear interest at floating rates. At March 31, 2009, the fair value of the US \$50 million Senior Secured Notes was \$49.6 million (US \$39.4 million) excluding deferred issue costs (December 31, 2008 – \$47.9 million (US \$39.1 million)).

(b) Financial Risk Management

(i) Overview

Canexus LP has exposure to credit risk, liquidity risk and market risk (including foreign currency rate risk, product price and volume risk, South American chlor-alkali plant operating rate risk, electricity rate risk, and interest rate risk). The Board of Directors has overall responsibility for the oversight of Canexus LP's risk management framework. Canexus LP has established risk management policies governing the use of derivative financial instruments, investing of excess liquidity and cash management. These policies are periodically reviewed and approved by the Board of Directors. Compliance with policies and exposure limits is reviewed by Internal Audit on a periodic basis.

Canexus LP's Corporate Finance, Manufacturing and Sales functions provide services to the business, coordinate access to domestic and international financial markets and monitor and manage the financial risks relating to the operations of the company by analyzing exposures by degree and magnitude of risk. Canexus LP seeks to minimize the effects of these risks by using derivative financial instruments to hedge these risk exposures where appropriate. Canexus LP does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Corporate Finance, Manufacturing and Sales functions report to the Board of Directors on a periodic basis on the results of their risk management activities.

(ii) 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. The following precautions are taken to reduce this risk:

- the financial strength of counterparties is assessed through a 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, if available, 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.

Credit risk concentrations as at March 31, 2009 for trade accounts receivable were as follows:

Industry Category	North America		South America		Asia		Total	
	Carrying Value	Percent	Carrying Value	Percent	Carrying Value	Percent	Carrying Value	Percent
Pulp and Paper	34,062	75	7,449	79	520	100	42,031	76
Water Treatment	6,158	13	619	7	-	-	6,777	12
Chemicals	1,786	4	66	1	-	-	1,852	3
Oil and Gas	1,931	4	-	-	-	-	1,931	4
Other	1,693	4	1,282	13	-	-	2,975	5
	45,630	100	9,416	100	520	100	55,566	100

Geographical Area	Carrying Value	Percent
Canada	19,640	35
United States	25,990	47
South America	9,416	17
Asia	520	1
	55,566	100

Our North American customers are diverse with no one customer accounting for more than 11 percent of total trade accounts receivable at March 31, 2009.

The majority of our South America production is sold to Aracruz Celulose S.A. under a long-term sales agreement. As at March 31, 2009, trade amounts owing from Aracruz Celulose S.A. represented 12 percent of total trade accounts receivable (December 31, 2008 – 21 percent).

(iii) Liquidity Risk

Liquidity risk is the risk that Canexus LP will not be able to meet its financial obligations as they come due. Our approach to managing this risk includes the continual monitoring of forecast and actual cash flows to ensure we have sufficient liquidity to meet financial obligations when due and maintaining adequate committed borrowing facilities. As at March 31, 2009, Canexus LP had the following committed borrowing facilities:

- \$420 million extendible revolving credit facility with a syndicate of financial institutions which matures August 18, 2011. We may draw down this credit facility in either Canadian or US dollars. Short-term swing line loans of up to \$35 million Canadian are available under this facility provided that the aggregate principle outstanding under the credit facility does not exceed \$420 million. As at March 31, 2009, we had \$223,055,400 (US \$177,000,000) outstanding on this credit facility as well as, \$7,200,000 of outstanding short-term swing line loans.
- Canexus Quimica Brasil Ltda., (“Canexus Brazil”), an indirect, wholly owned subsidiary of Canexus LP, has a US \$10 million extendible revolving credit facility with Export Development Canada (“EDC Extendible Revolving Credit Facility”) which matures August 18, 2011. As at March 31, 2009, Canexus Brazil had \$7,561,200 (US \$6,000,000) outstanding on this facility.
- US \$20 million senior secured revolving credit facility (“Senior Secured Revolving Credit Facility”) which matures on August 18, 2011. As at March 31, 2009, we had \$9,325,480 (US \$7,400,000) outstanding on this credit facility.

(iv) Market Risks

Foreign Currency Rate Risk

A substantial portion of the revenues of Canexus LP are 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. An increase in the Canadian to US dollar exchange rate to US \$1.00 for the three month period would have decreased net income before income taxes by \$7.1 million for the three months ended March 31, 2009 before the impact of hedging instruments. A decrease in the Canadian to US dollar exchange rate to US \$0.75 for the three month period would have increased net income before income taxes by \$3.0 million for the three months ended March 31, 2009.

A range of US \$0.75 to US \$1.00 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 debt and incurs other expenditures in US dollars. In addition, Canexus LP has foreign exchange call option contracts on a total of US \$10 million per month which entitle Canexus LP to sell US dollars and acquire Canadian dollars at a price of US \$0.8200 (US \$5 million per month) and US \$0.8170 (US \$5 million per month) for an average of US \$0.8185 per Canadian dollar from January 1, 2009 to December 31, 2009.

Canexus LP has a foreign exchange forward contract whereby we will buy JPY (Japanese Yen) 1.74 billion at a rate of JPY 108.11 per US dollar on May 20, 2009 in order to satisfy a purchase commitment related to our North Vancouver chlor-alkali plant technology conversion project ("TCP").

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

Product Price and Volume Risk

Product price risk related to sodium chlorate and chlor-alkali products is a significant market risk exposure. For every \$50 change in the price per metric tonne ("MT") of North American produced sodium chlorate, net income before income taxes for the three months ended March 31, 2009 would have changed by \$4.1 million. For every \$100 change in the price per metric electro-chemical unit ("MECU") of chlor-alkali products in North America, net income before income taxes for the three months ended March 31, 2009 would have changed by \$3.0 million. These sensitivities to changes in prices are based on 83,000 MT of North American sodium chlorate sales and 30,000 MECU's of North American chlor-alkali sales for the three months ended March 31, 2009. Sensitivities of \$50 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 current economic uncertainty. A change in sales volumes for North American sodium chlorate of 10,000 MT would have changed net income before taxes for the three months ended March 31, 2009 by \$3.2 million. A change in sales volumes for North American chlor-alkali products of 5,000 MECU's would have changed net income before taxes for the three months ended March 31, 2009 by \$3.9 million. These sales volume changes are considered to be reasonably possible due to economic conditions experienced in late 2008 that persisted through the first quarter of 2009.

South American Chlor-alkali Plant Operating Rate Risk

Our primary customer in Brazil, Aracruz Celulose S.A., typically consumes more caustic soda than our South American 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 primary customer for our production cost plus a fixed margin (the "Canexus Price"). Current market prices in Brazil exceed the Canexus Price. For every 3,000 MT of caustic soda we do not produce net income before income taxes would have decreased by \$2.8 million for the three months ended March 31, 2009. For the three months ended March 31, 2009 we acquired 1,807 MT of caustic soda to make up for our production shortfall below operating capacity.

Electricity Rate Risk Management

The cost of electricity is a key production cost. For every 3 percent change in the price of electricity, net income before income taxes would have changed by \$0.5 million for the three months ended March 31, 2009. This sensitivity to changes in electricity prices is based on electricity consumption of 549,000 MWh for the three months ended March 31, 2009.

A 3 percent change in the price of electricity is considered reasonable given historical price changes and market expectations for future movement.

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 our revolving credit facilities. A change in the 30 day US LIBOR base rate to 0.3 percent for the three month period would have increased net income before income taxes by \$0.5 million for the three months ended March 31, 2009. A change in the 30 day US LIBOR base rate to 2 percent for the three month period would have decreased net income before income taxes by \$0.5 million for the three months ended March 31, 2009. A range of 0.3 to 2 percent for the 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 we swap 3 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. The fair value of these interest rate swap agreements are included in derivative financial instruments with changes in their fair value included in other expense. Fair value has been determined by management based on the estimated cash payment or receipt necessary to settle the contracts with counterparty financial institutions.

8. Prepaid Expenses

	March 31 2009	December 31 2008
Prepaid Insurance	1,126	2,096
Prepaid Freight	886	676
Prepaid Property Tax	12	14
Other	1,718	1,386
	3,742	4,172

The majority of Other prepaid expenses consists primarily of information technology software licenses and SAP maintenance costs.

9. Property, Plant and Equipment and Intangible Assets

(a) Property, Plant and Equipment

March 31, 2009	Cost	Accumulated Amortization	Net Book Value
North America Sodium Chlorate	573,513	329,708	243,805
North America Chlor-alkali	251,550	130,085	121,465
South America	140,663	52,783	87,880
Corporate	15,380	8,030	7,350
	981,106	520,606	460,500

December 31, 2008	Cost	Accumulated Amortization	Net Book Value
North America Sodium Chlorate	572,136	323,551	248,585
North America Chlor-alkali	221,594	127,625	93,969
South America	135,080	49,361	85,719
Corporate	11,035	7,780	3,255
	939,845	508,317	431,528

The balances at March 31, 2009 include capitalized costs of \$120.9 million relating primarily to the TCP at our North Vancouver facility (\$87.7 million including capitalized interest of \$2.2 million) as well as other projects under construction or development. The balances at December 31, 2008 included capitalized costs of \$85.0 million relating primarily to the TCP at our North Vancouver facility (\$65.7 million including capitalized interest of \$1.7 million) as well as other projects under construction or development. These costs are not being amortized.

(b) Intangible Assets

March 31, 2009	Cost	Accumulated Amortization	Net Book Value
South America	422	143	279
Corporate	1,912	1,119	793
	2,334	1,262	1,072

December 31, 2008	Cost	Accumulated Amortization	Net Book Value
South America	410	123	287
Corporate	1,912	1,065	847
	2,322	1,188	1,134

Intangible assets consist of software.

10. Restricted Investments

Restricted investments represent funds segregated for specific use. These funds and any interest earned on these funds are to be used for the settlement of ongoing asset retirement obligations and site remediation activities.

	March 31, 2009	December 31, 2008
Beginning of Period	8,943	13,007
Interest Earned	163	349
Funding of Asset Retirement Obligation Expenditures	(976)	(2,813)
Allowance for Impairment	-	(1,600)
End of Period	8,130	8,943

On June 29, 2007, Canexus LP invested a portion (\$4.1 million) of the restricted investments in non-bank sponsored asset backed commercial paper ("ABCP") with a maturity of September 28, 2007 which was not repaid when due. On January 22, 2009, the ABCP was replaced with long-term asset backed securities ("Restructured Notes") which are divided into several classes. We have estimated the fair market value of our investment in the Restructured Notes to be \$1.9 million as at March 31, 2009 (December 31, 2008 – \$1.9 million). We recorded an impairment charge of \$1.6 million in the year ended December 31, 2008 in addition to an impairment of \$0.6 million recognized in the fourth quarter of 2007. The fair market value was determined by estimating the yield that a prospective purchaser would require as at the balance sheet date. Our estimates of required yield ranged from 10 to 42 percent for the classes of Restructured Notes now held with a maturity date of December 20, 2016.

11. Long-Term Debt and Short-Term Borrowings

	March 31 2009	December 31 2008
Short-Term Borrowings		
Swing Line Loans under Extendible Revolving Credit Facility	7,200	10,870
Long-Term Debt		
Credit Facilities		
Extendible Revolving Credit Facility	223,055	215,530
EDC Extendible Revolving Credit Facility	7,561	7,347
Senior Secured Revolving Credit Facility	9,326	-
Total Credit Facilities	239,942	222,877
Senior Secured Notes		
Senior Secured Notes	63,010	61,230
Deferred Issue Costs	(364)	(383)
	62,646	60,847
Total Long-Term Debt	302,588	283,724

Canexus LP has a \$420 million, four year revolving facility which matures August 18, 2011 and which can be extended each year, at the option of the lenders, for an additional year. The credit facility is available for draw down during the revolving period subject to meeting ongoing covenants (financial and non-financial) and conditions. Canexus LP may draw down the credit facility in either Canadian or US dollars. The credit facility bears interest at rates that vary depending on the consolidated debt to earnings before interest, income taxes, depreciation and amortization ("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. 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 \$420 million. The credit facility is secured by a floating charge debenture over all of our assets and certain guarantees, security interests and subordination agreements. The credit facility also contains covenants with respect to certain financial ratios. At March 31, 2009 we were in compliance with all covenants and conditions.

At March 31, 2009, we had \$223,055,400 (US \$177,000,000) outstanding on this extendible revolving credit facility (excluding swing line loans). The weighted average interest rate for the three months ended March 31, 2009 was 2.97 percent and total interest and standby fees incurred were \$1,561,878. At March 31, 2008, we had \$218,942,700 (US \$213,000,000) outstanding on this credit facility. The weighted average interest rate for the three months ended March 31, 2008 was 4.74 percent and total interest and standby fees incurred were \$2,638,782.

The weighted average interest rate on the swing line loans for the three months ended March 31, 2009 was 3.47 percent and total interest and standby fees incurred were \$48,006. The weighted average interest rate on the swing line loans for the three months ended March 31, 2008 was 5.68 percent and total interest and standby fees incurred were \$168,594.

Canexus LP has a US \$20 million Senior Secured Revolving Credit Facility. This credit facility bears interest at a rate based on either the US base rate or the US LIBOR rate at our option and matures August 18, 2011. At March 31, 2009, we had \$9,325,480 (US \$7,400,000) outstanding on this credit facility. The weighted average interest rate for the three months ended March 31, 2009 was 2.20 percent and total interest and standby fees incurred were \$44,114. At March 31, 2008 there was no balance outstanding on this credit facility.

Canexus Brazil has a US \$10 million EDC Extendible Revolving Credit Facility which bears interest at a rate based on the US LIBOR rate and matures August 18, 2011. Proceeds from this facility can be used for general Canexus Brazil corporate purposes including capital expenditures. At March 31, 2009, we had \$7,561,200 (US \$6,000,000) outstanding on this credit facility. The weighted average interest rate for the three months ended March 31, 2009 was 2.26 percent and total interest and standby fees incurred were \$99,593. At March 31, 2008 there was no balance outstanding on this credit facility.

Canexus LP has US \$50 million of Senior Secured Notes payable outstanding which bear interest at a fixed interest rate of 6.57 percent and mature May 1, 2013. At March 31, 2009, the Canadian dollar equivalent of the US \$50 million of Senior Secured Notes was \$63,010,000.

Canexus LP is the applicant on three Letters of Credit as at March 31, 2009 including standby letters of credit in favour of CIBC Mellon for the Canexus Supplemental Pension Plan obligations (\$1.3 million) and the Independent System Operator for power curtailment obligations (\$0.2 million), as well as a documentary letter of credit in favour of Chlorine Engineers Corporation Ltd. for obligations related to the engineering and purchase of an electrolyzer system for the TCP (US \$18.4 million). The CIBC Mellon Letter of Credit expires January 1, 2010 and is automatically renewed for one year periods unless otherwise advised. The Independent System Operator Letter of Credit expires on December 1, 2009 and is automatically renewed for one year periods unless otherwise advised. The Chlorine Engineers Corporation Ltd. Letter of Credit expires on May 31, 2009.

12. Asset Retirement Obligations

Changes in the carrying amounts of the asset retirement obligations associated with our property, plant and equipment are as follows:

	March 31 2009	December 31 2008
Beginning of Period	44,771	42,123
Additions	-	649
Expenditures on Asset Retirement Obligations	(33)	(1,121)
Accretion Expense	713	2,732
Effect of Foreign Exchange	129	823
Change in Obligations Reclassified to Current Liabilities ⁽¹⁾	417	(435)
End of Period	45,997	44,771

Note:

(1) Obligations estimated to be due within 12 months are included in accounts payable and accrued liabilities. At March 31, 2009, \$967,515 was included in accounts payable and accrued liabilities (December 31, 2008 – \$1,385,000).

Our total estimated undiscounted asset retirement obligations at March 31, 2009 amounted to \$74.1 million (December 31, 2008 – \$74.1 million). We have discounted the total estimated asset retirement obligations using a weighted average credit-adjusted risk-free rate of 5.91 percent. Approximately \$4.4 million included in our asset retirement obligations are expected to be settled over the next three years.

13. Other Long-Term Assets and Liabilities

	March 31 2009	December 31 2008
Other Long-Term Assets		
Deferred Financing Costs, Net of Accumulated Amortization	1,839	2,017
Deposits with Energy Utilities Board	130	130
Accounts Receivable – Value Added Taxes and Other	9,290	-
Total Other Long-Term Assets	11,259	2,147
Other Long-Term Liabilities		
Accrual for Future TCP Severance Costs	6,329	7,310
Defined Benefit Pension Liability (Note 18)	1,771	893
Post Retirement Benefit Liability (Note 18)	1,644	1,841
Other	-	65
Total Other Long-Term Liabilities	9,744	10,109

14. Equity

Canexus LP is entitled to issue various classes of partnership interests, for such consideration and on such terms and conditions as determined by the General Partner.

	March 31, 2009		December 31, 2008	
	Number of Units	Amount	Number of Units	Amount
General Partner Units				
Beginning of Period	1	-	1	-
Issued	-	-	-	-
End of Period	1	-	1	-
Ordinary Limited Partnership (“LP”) Units				
Beginning of Period	32,570,814	305,051	31,750,000	301,750
Issued Pursuant to the DRIP	433,210	1,250	820,814	3,301
End of Period	33,004,024	306,301	32,570,814	305,051
Exchangeable Limited Partnership (“LP”) Units				
Beginning of Period	56,637,539	(38,929)	50,535,714	(63,085)
Issued Pursuant to the DRIP	3,652,352	10,533	6,101,825	24,156
End of Period	60,289,891	(28,396)	56,637,539	(38,929)

Under the Distribution Reinvestment Plan (“DRIP”) participants may elect, in the case of holders of Units of the Fund, to automatically reinvest monthly distributions in additional Units of the Fund and, in the case of Exchangeable LP Units of Canexus LP, to automatically reinvest monthly distributions in additional Exchangeable LP Units of Canexus LP.

Pursuant to the DRIP, cash distributions will be reinvested in additional units at 95 percent of the volume weighted average market price of Units of the Fund for the 10 trading days preceding the distribution payment date. Units acquired under the DRIP will be issued directly from the Fund's or Canexus LP's treasury, as applicable. The Fund has reserved 17,000,000 Units for the issuance of Units pursuant to the DRIP and for the exchange of any additional Exchangeable LP Units issued pursuant to the DRIP.

The General Partner Unitholder is entitled to one vote for each unit held at all meetings of holders of partnership units and to an allocation of 0.01% of the income or loss of Canexus LP for each fiscal year.

The Ordinary LP Unitholders and the Exchangeable LP Unitholder are entitled to one vote for each LP unit held at all meetings of holders of the LP units and have economic rights that are equivalent in all material respects, except that Exchangeable LP Units are exchangeable, directly or indirectly, on a one-for-one basis (subject to customary anti-dilution protections) for Fund Units at the option of the holder at any time. Additionally, Exchangeable LP Units have special voting rights that entitle the holder to receive notice of, attend and to vote at all meetings of Unitholders of the Fund. Canexus LP declared distributions of \$0.1368 per LP Unit for the three months ended March 31, 2009 (\$0.5928 for the year ended December 31, 2008) to Ordinary and Exchangeable LP Unitholders. On March 12, 2009, a distribution of \$0.0456 was declared payable to Ordinary and Exchangeable LP Unitholders of record March 31, 2009 for payment on or about April 15, 2009.

15. Capital Risk Management

Canexus LP manages its capital structure and makes adjustments in order to preserve its ability to meet financial obligations, deploy capital to provide an appropriate investment return to its LP Unitholders and to maintain a capital structure that allows financing options to Canexus LP as financing needs arise. The capital structure of Canexus LP consists of cash and cash equivalents, short-term borrowings, long-term debt and equity comprised of Ordinary and Exchangeable LP Units issued.

	March 31 2009	December 31 2008
Cash and Cash Equivalents	3,719	3,948
Short-Term Borrowings	(7,200)	(10,870)
Long-Term Debt	(302,588)	(283,724)
Ordinary LP Units	(306,301)	(305,051)
Exchangeable LP Units	28,396	38,929
	(583,974)	(556,768)

Management, upon approval of the Board of Directors, may balance its overall capital structure through new LP Unit issues, the issuance of new debt or by undertaking other activities as deemed appropriate. Canexus LP monitors capital using financial metrics equivalent to those defined in the financial covenants of its credit agreements. Under the extendible revolving credit facility, the US \$50 million Senior Secured Notes, the US \$20 million Senior Secured Revolving Credit Facility and the US \$10 million EDC Extendible Revolving Credit Facility, the following financial covenants are required to be met through to, and including, December 31, 2010:

- Consolidated Senior Debt to EBITDA Ratio not to exceed 4.5 to 1.0
- Consolidated Total Debt to EBITDA Ratio not to exceed 4.5 to 1.0
- Consolidated EBITDA to Interest Expense Ratio not to be less than 2.5 to 1.0

Effective March 31, 2011, the Consolidated Senior Debt to EBITDA Ratio is not to exceed 3.5 to 1.0, the Consolidated Total Debt to EBITDA Ratio is not to exceed 4.0 to 1.0 and the Consolidated EBITDA to Interest Expense Ratio is not to be less than 3.0 to 1.0.

Consolidated Senior Debt, Consolidated Total Debt and Consolidated EBITDA are non-GAAP measures and are defined in the various credit facility agreements. Consolidated Senior Debt is defined as the aggregate of all long-term debt of the Fund and Canexus LP including Canexus LP's credit facilities and short-term swing line loans, less subordinated long-term debt and intercompany subordinated long-term debt. Consolidated Total Debt is the sum of Consolidated Senior Debt plus subordinated long-term debt. Consolidated EBITDA is defined as the sum of the Fund's and Canexus LP's earnings before interest, taxes, depreciation and amortization and other non-cash income or expense items on a rolling twelve month basis. Other non-cash income and expense items include unrealized foreign currency translation gains (losses), mark-to-market changes in fair value of derivative financial instruments and other non-cash items. Consolidated Interest Expense is the sum of the Fund's and Canexus LP's interest expense incurred, before the capitalization of any interest, on a rolling twelve month basis.

As at March 31, 2009 and December 31, 2008, Canexus LP was in compliance with all financial covenants and conditions.

	Twelve Months Ended	
	March 31, 2009	December 31, 2008
Net Income (Loss)	3,061	(6,035)
Interest	11,424	11,658
Income Taxes	(1,909)	(3,776)
Amortization	45,210	43,408
Non-Cash (Income) Expense Items	62,112	66,806
Canexus Income Fund Trust Administration Expense	(319)	(297)
Consolidated EBITDA	119,579	111,764
Short-Term Borrowings	7,200	10,870
Long-Term Debt (before Deferred Issue Costs)	302,952	284,107
Consolidated Senior Debt	310,152	294,977
Consolidated Total Debt	310,152	294,977
Interest	11,424	11,658
Capitalized Interest and Letter of Credit Fees	2,537	1,919
Consolidated Interest Expense	13,961	13,577
Consolidated Senior Debt to EBITDA Ratio	2.59:1	2.64:1
Consolidated Total Debt to EBITDA Ratio	2.59:1	2.64:1
Consolidated EBITDA to Interest Expense Ratio	8.57:1	8.23:1

16. Other Expense

Three Months Ended March 31	2009	2008
Currency Translation Gains (Losses)		
Unrealized Currency Translation Gains (Losses)		
Debt	(7,672)	(8,292)
Working Capital	2,548	301
Total Unrealized Currency Translation Losses	(5,124)	(7,991)
Realized Currency Translation Gains (Losses)		
Debt	(736)	-
Working Capital	(899)	984
Total Realized Currency Translation Gains (Losses)	(1,635)	984
Total Currency Translation Losses	(6,759)	(7,007)
Gains (Losses) on Held-for-Trading Financial Instruments		
Change in Fair Value of Foreign Exchange Options	(5,949)	(948)
Realized Gains on Foreign Exchange Options	-	634
Change in Fair Value of Interest Rate Swaps	(509)	166
Realized Losses on Interest Rate Swaps	(218)	-
Change in Fair Value of Foreign Exchange Forward	(1,916)	-
Interest Income Earned on Cash and Cash Equivalents	8	27
Total Gains (Losses) on Held-for-Trading Financial Instruments	(8,584)	(121)
Gains on Held-to-Maturity Financial Instruments		
Interest Income on Restricted Investments	163	110
Other		
Accrual for Future TCP Severance Costs	981	(7,310)
Allowance for Doubtful Accounts	(650)	-
Other	(15)	(106)
Total Other	316	(7,416)
Total Other Expense	(14,864)	(14,434)

Comprehensive income consists of net income and other comprehensive income (loss) ("OCI"). OCI for Canexus LP consists of foreign exchange translation gains and losses on the translation of financial statements of self sustaining foreign operations.

17. Commitments, Contingencies and Guarantees

Canexus LP assumes various contractual obligations and commitments in the normal course of its business activities. As at March 31, 2009 these obligations and commitments were as follows:

	2009	2010	2011	2012	2013	Thereafter
Operating Leases	16,130	18,039	17,233	15,189	12,021	37,848
Purchase Obligations	16,924	23,602	24,686	25,820	27,094	-
Expansion Capital Expenditures	86,897	11,104	-	-	-	-
	119,951	52,745	41,919	41,009	39,115	37,848

Purchase obligations include contractual commitments for the purchase of electricity in South America, approximately 90% to 100% of the cost of which is passed on to our primary customer.

Expansion capital expenditures include contractual obligations related primarily to the TCP at our North Vancouver chlor-alkali facility. Total budgeted capital expenditures for TCP are \$208 million. As at March 31, 2009, actual capital expenditures were \$87.7 million for the TCP including capitalized interest of \$2.2 million.

From time to time, Canexus LP enters into multi-year salt supply contracts with certain strategic suppliers. These contracts are entered into in the normal course of business, are discretionary in nature and do not give rise to any material commitments and therefore have not been included in the table above.

In the normal course of business, Canexus LP 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 Canexus LP's liquidity, consolidated financial position or results of operations. Canexus LP records costs as they are incurred or become determinable.

18. Pension and Other Post Retirement Benefits

(a) Net Pension Expense Recognized Under Our Defined Benefit Pension Plans

Three Months Ended March 31	2009	2008
Cost of Benefits Earned by Employees	690	883
Interest Cost on Benefits Earned	986	839
Expected Return on Plan Assets	(844)	(909)
Net Amortization and Deferral	46	5
Net Pension Expense	878	818

(b) Employer Funding Contributions

Total funding contributions for 2009 for our defined benefit pension plans are estimated to be \$2.5 million.

(c) Contributions Under the Defined Contribution Pension Plans

Under these plans, pension benefits and expense are based on plan contributions. Contributions to the defined contribution pension plans were \$183,682 for the Canadian plan and \$50,260 for the US plan for the three months ended March 31, 2009 and \$132,323 for the Canadian plan and \$18,751 for the US plan for the three months ended March 31, 2008.

(d) Post Retirement Benefits

Post retirement benefits in Canada include group life and supplemental health insurance. These costs are fully accrued as compensation in the period employees work, however, these future obligations are not funded. The expense recognized for the three months ended March 31, 2009 was \$74,999 (March 31, 2008 – \$82,000). As at March 31, 2009 other long-term liabilities includes a \$1,569,923 (December 31, 2008 – \$1,499,704) post retirement benefit liability.

Post retirement benefits in the US consist of a medical benefits bonus plan approved on October 30, 2007. Prior to October 30, 2007, the post retirement benefits consisted of a medical benefit which was adopted on December 9, 2006. 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. The total amount payable will be paid to employees on the 1st day of the seventh month following the date of retirement and will be grossed up by 40 percent to reimburse retirees for estimated personal taxes. The amounts paid may be used to offset costs of medical expenses or health insurance but are not required to be used for such purposes. The transitional obligation arising on the initial adoption of the plan is being amortized over the remaining average service life of the existing US employee group. During the year ended December 31, 2008, a review of the plan for compliance with US Internal Revenue Code rules related to non management employees resulted in the removal of certain employees from the plan and the recognition of a curtailment loss of \$206,000. The expense recognized for the three months ended March 31, 2009 was \$11,071 (March 31, 2008 – \$17,000). As at March 31, 2009 other long-term liabilities includes a \$74,448 (December 31, 2008 – \$341,004) post retirement benefit liability.

19. Amounts Due from / to Affiliates and Related Party Transactions

Due from/to affiliates at March 31, 2009 and December 31, 2008 relate to amounts owing in the normal course of operations as discussed below.

The General Partner employs all persons necessary to conduct the business of Canexus LP. All payroll and related costs incurred by the General Partner are recovered in full from Canexus Chemicals Canada Limited Partnership (directly and

indirectly wholly owned by Canexus LP). Amounts outstanding to the General Partner for these costs as at March 31, 2009 and December 31, 2008 are due to timing.

Canexus LP has an agreement with a Nexen affiliate for the purchase of some of its electricity and natural gas requirements at floating market rates plus a retail service fee.

Three Months Ended March 31	2009	2008
Electricity Purchases and Retail Service Fees	1,573	4,895
Natural Gas Purchases and Retail Service Fees	1,435	2,623
	3,008	7,518

Canexus entered into an agreement effective February 17, 2009 with a Nexen affiliate to provide condensate transloading and delivery services for Nexen owned condensate for a term of 5 years for a total contract value of approximately \$2.1 million.

20. Cash Flows

(a) Charges and Credits to Income Not Involving Cash

Three Months Ended March 31	2009	2008
Amortization	11,743	9,942
Change in Fair Value of Foreign Exchange Options	5,949	948
Change in Fair Value of Foreign Exchange Forward	1,916	-
Change in Fair Value of Interest Rate Swaps	509	(166)
Unrealized Currency Translation Losses	5,124	7,991
Future Income Taxes	1,993	(48)
Pension and Post Retirement Benefit Expense	960	914
Accrual for Future TCP Severance Costs	(981)	7,310
Allowance for Doubtful Accounts	650	-
Other	19	38
	27,882	26,929

(b) Changes in Non-Cash Working Capital

Three Months Ended March 31	2009	2008
Accounts Receivable	176	(11,334)
Inventories and Operating Supplies	1,207	(4,646)
Prepaid Expenses	430	(453)
Accounts Payable and Accrued Liabilities	(1,345)	2,769
Accrued Interest Payable	(162)	(190)
Effect of Foreign Exchange on Non-Cash Working Capital	135	1,187
Total Change in Non-Cash Working Capital	441	(12,667)
Relating to:		
Operating Activities	(3,275)	(11,612)
Investing Activities	3,716	(1,055)
Total Change in Non-Cash Working Capital	441	(12,667)

(c) Other Cash Flow Information

Three Months Ended March 31	2009	2008
Interest Paid	3,002	2,951
Income Taxes Paid	247	621
Cash and Cash Equivalents		
Cash	3,666	5,580
Cash Equivalents	53	174
Total	3,719	5,754

21. Operating Segments

Canexus LP's operations comprise North American sodium chlorate production facilities at Beauharnois, Quebec; Brandon, Manitoba; Bruderheim, Alberta; and Nanaimo, British Columbia as well as, a North American chlor-alkali production facility at North Vancouver, British Columbia and a sodium chlorate and chlor-alkali production facility in South America. In South America, most of our sales are made to a single customer, Aracruz Celulose S.A., under a long-term sales agreement. Identifiable assets are those used in the operations of the segments.

(a) Operating Segments

Three Months Ended March 31, 2009	North America				Total
	Sodium Chlorate	Chlor-alkali	South America	Corporate	
Revenues					
Sales	57,209	42,362	24,248	-	123,819
Expenses					
Cost of Goods Sold	33,531	24,597	19,673	-	77,801
Amortization	6,646	2,852	2,053	192	11,743
General and Administrative	3,493	2,616	1,179	1,972	9,260
Interest	-	-	-	2,208	2,208
	43,670	30,065	22,905	4,372	101,012
Income (Loss) before Other Expense and Income Taxes	13,539	12,297	1,343	(4,372)	22,807
Other Expense	-	-	-	(14,864)	(14,864)
Income (Loss) before Income Taxes	13,539	12,297	1,343	(19,236)	7,943
Capital Expenditures	1,967	29,698	1,223	3,354	36,242

Three Months Ended March 31, 2008	North America				Total
	Sodium Chlorate	Chlor-alkali	South America	Corporate	
Revenues					
Sales	52,247	32,258	24,223	-	108,728
Expenses					
Cost of Goods Sold	36,515	22,651	18,334	-	77,500
Amortization	5,840	2,537	1,564	1	9,942
General and Administrative	2,805	2,475	628	1,522	7,430
Interest	-	-	-	2,442	2,442
	45,160	27,663	20,526	3,965	97,314
Income (Loss) before Other Expense and Income Taxes	7,087	4,595	3,697	(3,965)	11,414
Other Expense	-	-	-	(14,434)	(14,434)
Income (Loss) before Income Taxes	7,087	4,595	3,697	(18,399)	(3,020)
Capital Expenditures	4,378	8,754	307	341	13,780

Identifiable Assets	North America				Total
	Sodium Chlorate	Chlor-alkali	South America	Corporate	
March 31, 2009	290,652	155,311	125,165	24,898	596,026
December 31, 2008	292,972	128,178	126,809	31,592	579,551

(b) Geographic Segments

Property, Plant and Equipment, Net	March 31, 2009	December 31, 2008
Canada	372,264	345,450
United States	356	359
South America	87,880	85,719
	460,500	431,528

Sales	Three Months Ended	
	March 31, 2009	March 31, 2008
Canada	43,139	36,466
United States	54,325	44,001
South America	24,248	24,223
Asia	2,107	4,038
	123,819	108,728

22. Subsequent Event

On April 22, 2009 we announced the closure of our Bruderheim sodium chlorate plant and expect to record additional amortization of \$16 to \$18 million in the second quarter to write off the net book value of the sodium chlorate assets. We will also record severance and other closure related costs of approximately \$5 million that we expect to pay over the next few years.