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Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Vice President, General Counsel & Corporate Secretary of Canexus Corporation at Suite 2100, 144 – 4th Avenue S.W., Calgary, Alberta, T2P 3N4 (telephone (403) 571-7300) and are also available electronically at www.sedar.com.

Short Form Prospectus

New Issue

May 27, 2014



CANEXUS CORPORATION

\$75,000,000

6.50% Convertible Unsecured Subordinated Series VI Debentures

This short form prospectus qualifies the distribution (the “Offering”) of \$75,000,000 aggregate principal amount of 6.50% convertible unsecured subordinated Series VI Debentures (the “Series VI Debentures”) of Canexus Corporation (“Canexus” or the “Corporation”) at a price of \$1,000 per Series VI Debenture. The Series VI Debentures have a maturity date of December 31, 2021 (the “Series VI Debenture Maturity Date”). See “Plan of Distribution”.

The Series VI Debentures will bear interest from the date of issue at 6.50% per annum payable semi-annually in arrears on June 30 and December 31 in each year, commencing December 31, 2014. The Series VI Debentures will not be redeemable before December 31, 2017, other than in the event of a Change of Control (as hereinafter defined). On or after December 31, 2017 and prior to December 31, 2019, the Debentures may be redeemed in whole or in part from time to time at the option of the Corporation, on not more than 60 days and not less than 30 days prior notice, at a price equal to their principal amount plus accrued and unpaid interest, provided that the Current Market Price (as hereinafter defined) of the common shares in the capital of the Corporation (the “Common Shares”) on the date on which the notice of redemption is given is not less than 125% of the Conversion Price (as hereinafter defined). On or after December 31, 2019 and before the Series VI Debenture Maturity Date, the Series VI Debentures may be redeemed, in whole or in part from time to time at the option of the Corporation, on not more than 60 days and not less than 30 days prior notice, at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date for redemption. See “Details of the Offering”.

Series VI Debenture Conversion Privilege

Each Series VI Debenture will, subject to the Cash Conversion Option (as hereinafter defined), be convertible into Common Shares at the option of the holder (a “Debentureholder”) at any time prior to the close of business on the earlier of the Series VI Debenture Maturity Date and the business day immediately preceding the date specified by the Corporation for redemption of the Series VI Debentures, at a conversion price of \$6.50 per Common Share (the “Conversion Price”), being a conversion rate of approximately 153.8462 Common Shares for each \$1,000 principal amount of Series VI Debentures, subject to adjustment in certain events as described in the Indenture (as hereinafter defined). Debentureholders converting their Series VI Debentures will receive accrued and unpaid interest thereon. Upon conversion, and in lieu of delivering Common Shares, the Corporation at its option may elect to pay the holder in cash. Notwithstanding the foregoing, no Series VI Debentures may be converted during the three business days preceding December 31 and June 30 in each year, commencing June 30, 2014, as the registers of Computershare Trust Company of Canada, as debenture trustee (the “Debenture Trustee”), will be closed during those periods. See “Details of the Offering – Conversion Privilege” and “– Cash Conversion Option”.

The issued and outstanding Common Shares are listed on the Toronto Stock Exchange (the “TSX”) under the symbol “CUS”. On May 13, 2014, the day of the public announcement of the Offering, the closing price of the Common Shares on the TSX was \$4.75. On May 26, 2014, the closing price of the Common Shares on the TSX was \$4.99. The TSX has conditionally approved

the listing of the Series VI Debentures issuable pursuant to the Offering and the Common Shares issuable on the conversion, redemption or maturity of the Series VI Debentures. Listing of the Series VI Debentures and the Common Shares is subject to Canexus fulfilling all of the listing requirements of the TSX on or before August 20, 2014. The outstanding 5.75% convertible unsecured subordinated Series III debentures issued on September 28, 2010 (the “**Series III Debentures**”), the 5.75% convertible unsecured subordinated Series IV Debentures issued on June 30, 2011 (the “**Series IV Debentures**”) and the 5.75% convertible unsecured subordinated Series V Debentures issued on August 30 and September 30, 2013 (the “**Series V Debentures**”) are listed on the TSX under the symbol “CUS.DB.A”, “CUS.DB.B” and “CUS.DB.C”, respectively.

The price of the Series VI Debentures offered hereunder was determined by negotiation among Canexus and CIBC World Markets Inc. (“**CIBC**”), National Bank Financial Inc. (“**National**”), Scotia Capital Inc. (“**Scotia**”) and TD Securities Inc. (“**TD**”) and, together with CIBC, National and Scotia, the “**Co-Lead Underwriters**”), on their own behalf and on behalf of BMO Nesbitt Burns Inc., HSBC Securities (Canada) Inc. (“**HSBC**”), Raymond James Ltd. and Acumen Capital Finance Partners Limited (together with the Co-Lead Underwriters, the “**Underwriters**”). See “*Plan of Distribution*”.

Price: \$1,000 per Series VI Debenture

	<u>Price to Public</u>	<u>Underwriters' Fee⁽¹⁾</u>	<u>Net Proceeds to the Corporation⁽²⁾⁽³⁾</u>
Per Series VI Debenture.....	\$ 1,000.00	\$ 37.50	\$ 962.50
Total.....	\$ 75,000,000.00	\$ 2,812,500.00	\$ 72,187,500.00

Notes:

- (1) The Underwriters' Fee represents 3.75% of the offering price of the Series VI Debentures.
- (2) Before deducting expenses of the Offering, estimated to be \$400,000.
- (3) Canexus has granted to the Underwriters an over-allotment option (the “**Over-Allotment Option**”) entitling them to purchase up to an additional \$11,250,000 aggregate principal amount of Series VI Debentures for purposes of covering the Underwriters' over-allocation position (as defined in National Instrument 41-101 – *General Prospectus Requirements* (“**NI 41-101**”)). The Over-Allotment Option is exercisable at any time and from time to time, in whole or in part, until and including the date that is 30 days following the Closing Date (as hereinafter defined). This short form prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Series VI Debentures issuable upon exercise of the Over-Allotment Option, if any. A purchaser who acquires Series VI Debentures forming part of the Underwriters' over-allocation position acquires those Series VI Debentures under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Over-Allotment Option is exercised in full, the total Price to Public, Underwriters' Fee and Net Proceeds to the Corporation (before deducting the expenses of the Offering) will be \$86,250,000, \$3,234,375 and \$83,015,625, respectively. See “*Plan of Distribution*” and the table below.

The following table sets out information concerning the amount of Series VI Debentures that may be offered by Canexus pursuant to the Over-Allotment Option.

<u>Underwriters' Position</u>	<u>Maximum Size or Number of Securities Available</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	\$11,250,000 aggregate principal amount of Series VI Debentures	Until and including the date that is 30 days following the Closing Date	\$1,000 per Series VI Debenture

The Underwriters, as principals, conditionally offer the Series VI Debentures, subject to prior sale, if, as and when issued by Canexus and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement defined and referred to under “*Plan of Distribution*” and subject to approval of certain legal matters on behalf of Canexus by Stikeman Elliott LLP and on behalf of the Underwriters by Burnet, Duckworth & Palmer LLP (collectively, “**Counsel**”).

The Underwriters propose to offer the Series VI Debentures initially at the public offering price specified above. After a reasonable effort has been made to sell all of the Series VI Debentures at the price specified, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Series VI Debentures remaining unsold. Any such reduction will not affect the proceeds received by Canexus. See “*Plan of Distribution*”.

Subscriptions for Series VI Debentures will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that closing of the Offering will occur on or about June 3, 2014, or such other date not later than 42 days after the date of the receipt for this short form prospectus (the “**Closing Date**”). Except in limited circumstances, the Series VI Debentures will be issued and deposited in electronic form with CDS Clearing and Depository Services Inc. (“**CDS**”) or its nominee pursuant to the book-based system administered by CDS. Certificates evidencing the Series VI Debentures will not be issued to subscribers and subscribers will receive only a customer confirmation from the Underwriter or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Series VI Debentures is purchased. Subscribers who are not issued a certificate evidencing the Series VI Debentures

which are subscribed for by them at closing are entitled under the *Business Corporations Act* (Alberta) (the “**ABCA**”) to request that a certificate be issued in their name. Such a request will need to be made through the CDS participant through whom the beneficial interest in the securities are held at the time of the request. See “*Details of the Offering – Depository Services*”.

Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Series VI Debentures at levels other than those that might otherwise prevail on the open market. See “*Plan of Distribution*”.

Canexus intends to utilize the net proceeds of the Offering initially to repay indebtedness under the Syndicated Facility (as hereinafter defined) which will then be available to be drawn as required to fund the repayment of the Series III Debentures and for working capital and/or general corporate purposes. See “*Use of Proceeds*”.

Each of CIBC, National, Scotia, TD and HSBC is, directly or indirectly, a wholly-owned or majority-owned subsidiary of a Canadian chartered bank which is a lender to Canexus and to which Canexus is currently indebted. The net proceeds of the Offering are intended to be used to repay a portion of Canexus’ indebtedness to such banks. Consequently, Canexus is considered to be a connected issuer of each of these Underwriters for the purposes of Canadian securities laws. See “*Relationship Between Canexus and Certain of the Underwriters*”.

There is no market through which the Series VI Debentures may be sold and purchasers may not be able to resell the Series VI Debentures purchased under this short form prospectus. This may affect the pricing of the Series VI Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Series VI Debentures and the extent of issuer regulation. See “*Risk Factors*”. An investment in the Series VI Debentures involves risk. The risk factors identified under the heading “*Risk Factors*” and “*Note Regarding Forward-Looking Statements*” in this short form prospectus should be carefully reviewed and evaluated by prospective purchasers before purchasing the Series VI Debentures offered hereunder.

The earnings coverage ratio in respect of Canexus’ indebtedness for the twelve-month period ended March 31, 2014 after giving effect to the Offering is 0.91, which is less than 1:1. See “*Earnings Coverage*”.

Words importing the singular number only include the plural, and *vice versa*, and words importing any gender include all genders. All dollar amounts set forth in this short form prospectus are in Canadian dollars, except where otherwise indicated.

Canexus’ head and registered office is located at Suite 2100, 144 – 4th Avenue S.W., Calgary, Alberta, T2P 3N4.

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ELIGIBILITY FOR INVESTMENT

In the opinion of Counsel, on the basis of the applicable legislation in effect on the date hereof, the Series VI Debentures, if issued on the date hereof, would be qualified investments under the *Income Tax Act* (Canada) and the regulations thereunder (collectively, the “**Tax Act**”) for trusts governed by registered retirement savings plans (“**RRSP**”), registered retirement income funds (“**RRIF**”), deferred profit sharing plans (except a deferred profit sharing plan to which the Corporation, or an employer that does not deal at arm's length with the Corporation, has made a contribution), registered education savings plans, registered disability savings plans and tax-free savings accounts (“**TFSA**”) (collectively, “**Deferred Plans**”). Common Shares issuable upon the conversion, redemption or maturity of the Series VI Debentures (together with the Series VI Debentures being, collectively, the “**Securities**”), if issued on the date hereof, would be qualified investments under the Tax Act for Deferred Plans.

Notwithstanding that the Securities may be qualified investments for a trust governed by a RRSP, RRIF or a TFSA, the annuitant under an RRSP or RRIF or the holder of a trust governed by a TFSA may be subject to a penalty tax if such Securities are a “prohibited investment” for the RRSP, RRIF or TFSA within the meaning of the Tax Act. The Securities, if issued on the date hereof, would generally not be a “prohibited investment” for trusts governed by a TFSA, RRSP, or RRIF unless the holder of the TFSA or the annuitant under the RRSP or RRIF, as applicable, does not deal at arm's length with the Corporation for purposes of the Tax Act or has a “significant interest” as defined in the Tax Act in the Corporation.

Prospective investors who intend to hold Securities in their RRSP, RRIF or TFSA should consult their own tax advisers regarding whether the Securities will be a prohibited investment in their particular circumstances.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus and the documents incorporated herein by reference contain forward-looking statements. These statements relate to future events or Canexus' future performance. All statements other than statements of

historical fact may be forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe”, “plan”, “intend” and similar expressions are intended to identify forward-looking statements. Forward-looking statements are often, but not always, identified by such words. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Canexus believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this short form prospectus should not be unduly relied upon. These statements speak only as of the date of this short form prospectus or as of the date specified in the documents incorporated herein by reference, as the case may be.

In particular, this short form prospectus and the documents incorporated herein by reference contain forward-looking statements with respect to:

- the Closing Date and the use of proceeds of the Offering;
- expectations for unit trains to be loaded in May 2014; timing of the completion of work, including the timing and duration of operational downtime, on the pipeline connected unit train facility expansion, including the tie-in to the Cold Lake system; expectations for timing of reaching planned operating rates at the pipeline connected unit train facility; estimated cost of the pipeline connected unit train facility; expectations for the resolution of current issues relating to railroad capacity and power in relation to the pipeline connected unit train facility; and expectations for Canexus to retain significant capital as a result of the reduction in the quarterly dividend;
- future market prices for sodium chlorate and chlor-alkali products;
- future levels of sodium chlorate and chlor-alkali production and production capacity and pulp and paper production;
- future growth opportunities and capital expenditure programs;
- projections of market prices and production costs and the related impact on dividends;
- future supply and demand for sodium chlorate and chlor-alkali products;
- future demand for terminal services and cavern storage;
- future expenditures and allowances relating to environmental matters;
- expectations regarding the ability of Canexus to raise capital and to maintain and enhance cash flows through acquisitions and internal opportunities;
- expected project costs, completion dates and benefits to be realized therefrom, as well as how such projects may be financed, including without limitation the hydrochloric acid capacity expansions at Canexus’ North Vancouver chlor-alkali production facility and pipeline connected unit train operations at the North American Terminal Operations site at Bruderheim, Alberta (“NATO”);
- expectations regarding the NATO business;
- available tax deductions;
- future foreign exchange rates and economic cycles;
- reasonability of insurance coverage levels and whether such coverage levels are typical for the industry;
- material compliance with regulations and laws under governmental regulatory, environmental and tax regimes; and
- treatment under governmental regulatory and environmental regimes and tax laws.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this short form prospectus and the documents incorporated herein by reference:

- demand for, and supply of, chemicals products;
- cyclical nature of the chemicals business;
- impact of changes in economic conditions;
- cost of electricity, natural gas and hydrogen gas;
- access to other raw materials;
- labour and labour relations;
- reliance on key facilities;

- reliance on pulp and paper industry;
- reliance on significant customers and renewal of contracts;
- reliance on significant customer contracts and renewal of contracts for unit train services;
- reliance on third party transportation;
- potential cost increases associated with chlorine transportation;
- potential cost increases associated with oil and bitumen transportation;
- competition;
- potential replacement or reduced use of chemicals products;
- international sales and operations;
- demand for, and supply of, terminal services;
- reliance on third party customer production;
- foreign currency risk;
- operational hazards;
- capital expenditures;
- environment, health and safety requirements and liabilities;
- decommissioning, abandonment and reclamation costs;
- critical accounting estimates relating to asset retirement obligations and site restoration costs;
- uninsured or underinsured losses;
- hedging and risk management;
- legal or regulatory proceedings;
- credit facility and interest rates;
- delays in receipt of funds;
- risks from acquisitions, strategic alliances and joint ventures;
- production facilities located in seismically active areas;
- reliance on directors, management and key personnel;
- reliance on Canexus' subsidiaries;
- unpredictability and volatility of the Common Share price;
- cash dividends;
- cash-on-cash yield;
- structural subordination of the Common Shares;
- debt service, leverage and restrictive covenants;
- restrictions on potential growth;
- tax related risks;
- dilution and future sales of Common Shares; and
- conflicts of interest.

Although the forward-looking statements contained in this short form prospectus and the documents incorporated herein by reference are based upon assumptions which Canexus believes to be reasonable, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this short form prospectus and the documents incorporated herein by reference, Canexus has made assumptions regarding, among other things: global economic performance; health of the pulp and paper industry; demand for, and supply of, chemicals products; demand for and supply of terminal services; cost of electricity and salt; access to other raw materials; labour and labour relations; expectations regarding capital projects including associated benefits; significant customers and renewal of contracts and the cost of chlorine transportation.

Although Canexus believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. None of Canexus or the Underwriters can guarantee future results, levels of activity, performance, or achievements. Moreover, none of Canexus or the Underwriters, nor any other person, assumes responsibility for the accuracy and completeness of the forward-looking statements. Canexus' actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Canexus will derive therefrom. Canexus disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by

applicable law. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement.

Financial outlook information contained in this short form prospectus and the documents incorporated herein by reference 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 short form prospectus and the documents incorporated herein by reference should not be used for purposes other than for which it is disclosed herein.

NON-GAAP MEASURES

Certain of Canexus' documents incorporated by reference in this short form prospectus use and refer to supplemental financial measures used to assist in assessing financial performance of Canexus including "earnings before provisions for interest, income taxes, depreciation and amortization", "Operating Profit", "Cash Operating Profit", "Cash Operating Profit Percentage", "Distributable Cash" and "Cash Payout Ratio". These supplemental financial measures ("**Non-GAAP Measures**") do not have standardized meanings under International Financial Reporting Standards representing generally acceptable accounting principles for publicly accountable enterprises in Canada ("**GAAP**") and therefore are unlikely to be comparable to similar measures presented by other issuers and should not be construed as alternatives to net income or loss or other comparable measures determined in accordance with GAAP as an indicator of Canexus' performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. Reference is made to the non-GAAP measures advisories in such documents incorporated by reference in this short form prospectus for the definitions and descriptions of such terms.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Vice President, General Counsel & Corporate Secretary of the Corporation at Suite 2100, 144 – 4th Avenue S.W., Calgary, Alberta, T2P 3N4 (telephone (403) 571-7300) and are also available electronically at www.sedar.com.

The following documents of Canexus filed with the various provincial securities commissions or similar authorities in Canada, are specifically incorporated into and form an integral part of this short form prospectus:

- (a) the annual information form of Canexus dated March 27, 2014 for the year ended December 31, 2013 (the "**AIF**");
- (b) the audited consolidated statement of financial position of Canexus as at December 31, 2013 and December 31, 2012 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, together with the notes thereto and the independent auditor's report thereon (collectively, the "**Annual Statements**");
- (c) management's discussion and analysis of financial condition and results of operations for Canexus for the years ended December 31, 2013 and 2012, dated March 14, 2014;
- (d) the information circular and proxy statement of Canexus dated March 24, 2014, relating to the annual and special meeting of the holders of Common Shares ("**Shareholders**") held on May 8, 2014;
- (e) the unaudited condensed consolidated financial statements of Canexus as at March 31, 2014 and December 31, 2013 and for the three month periods ended March 31, 2014 and 2013, together with the notes thereto;

- (f) management’s discussion and analysis of financial condition and results of operations for Canexus for the three month period ended March 31, 2014, dated May 7, 2014;
- (g) the material change report of Canexus dated January 23, 2014 relating to an offering of Common Shares and an update on Canexus’ pipeline connected unit train expansion;
- (h) the material change report of Canexus dated March 7, 2014 relating to the former President and Chief Executive Officer of Canexus stepping down and the assumption on an interim basis of those roles by Richard Ott; and
- (i) the “template version” (as defined in NI 41-101) of the Term Sheet for the Bought Treasury Offering of Convertible Unsecured Subordinated Debentures of Canexus (the “**Term Sheet**”) filed May 13, 2014.

Any documents of the type described in Item 11.1 of Form 44-101F1 to National Instrument 44-101 – *Short Form Prospectus Distributions* (“**NI 44-101**”) to be incorporated by reference in a short form prospectus (except confidential material change reports) filed by Canexus with the securities commissions or similar authorities in Canada after the date of this short form prospectus and before the termination of the Offering, are deemed to be incorporated by reference in this short form prospectus.

Applicable portions of documents are not incorporated by reference to the extent their contents are modified or superseded by a statement contained in this short form prospectus or in any other subsequently filed document that is also incorporated by reference in this short form prospectus. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

MARKETING MATERIALS

The template version of the Term Sheet is not part of this short form prospectus to the extent that the contents of the template version of the Term Sheet have been modified or superseded by a statement contained in this short form prospectus. Any template version of “marketing materials” (as defined in NI 41-101) filed after the date of this short form prospectus and before the termination of the distribution under the Offering (including any amendments to, or an amended version of, the Term Sheet) is deemed to be incorporated into this short form prospectus.

CANEXUS

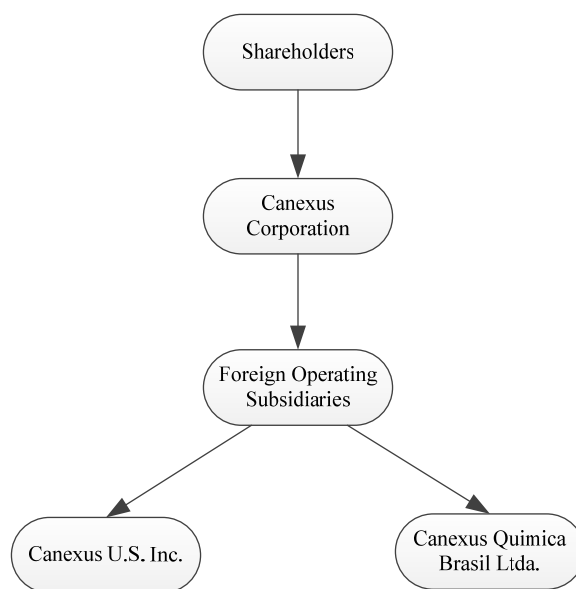
General

Canexus was incorporated on March 17, 2011 under the ABCA. Pursuant to an arrangement agreement dated March 25, 2011 among Canexus Income Fund (the “**Fund**”), Canexus Limited, Canexus Commercial Trust, Canexus Limited Partnership, Canexus Holdings Limited and Canexus, the parties agreed to institute a plan of arrangement pursuant to which the business and operations of the Fund would become the business and operations of Canexus (the “**Conversion**”). The Conversion was approved by unitholders of the Fund at the annual and special meeting of unitholders of the Fund held on May 5, 2011. The Conversion was completed on July 8, 2011 resulting in the successful conversion of the Fund from an income trust to a corporation. On December 31, 2012 and January 1, 2013 Canexus dissolved and amalgamated several legal entities to simplify its corporate structure.

Canexus operates, directly and indirectly, what management believes are reliable, strategically located, relatively low-cost production facilities that capitalize on competitive electricity costs and transportation infrastructure in order to minimize production and delivery costs and maximize profitability and cash flow. Canexus also provides fee-for-service hydrocarbon transloading services to the oil and gas industry from Canexus’ Bruderheim Terminal (the “**Bruderheim Terminal**”).

Organizational Structure

The following diagram sets forth the organizational structure of Canexus and its material direct and indirect subsidiaries as at the date hereof.



Note:

(1) Canexus U.S. Inc. is a Delaware corporation and Canexus Quimica Brasil Ltda. is a Brazilian corporation.

Recent Developments

Reduction of Quarterly Dividend

On May 7, 2014, the board of directors of Canexus declared a quarterly dividend of \$0.10 per Common Share, representing a 27% reduction from the previous quarterly dividend of \$0.1368. This change results in Canexus retaining significant capital as the NATO unit train expansion project is completed. See “*Risk Factors – Cash Dividends*” in the AIF incorporated by reference herein.

Operational Update

Start-up and commissioning activities of the initial phase of the unit train project were completed at the end of February. Canexus loaded seven and 12 unit trains in the months of March and April, respectively, and expects to load approximately 16 unit trains in May. To date, unit train activity levels have been negatively affected by rail service and vapour incineration system issues identified during early start-up and commissioning activities.

The next staged expansion, to further increase unit train loading capacity at the Bruderheim Terminal and connect it to the Cold Lake pipeline system, is expected to start up in late August. The Corporation plans to take a 60- to 90-day period of downtime, commencing in June, to most efficiently complete the remaining work. Canexus does not expect to reach planned activity levels of 10.5 unit trains per week until sometime in 2015 given start-up and commissioning commencing in late August, the ramp up of the expanded capacity and uncertain timing for implementation of design changes to the vapour incineration system. The total estimated cost of the project is \$315 million. To date, 60-70% of unit train planned activity levels are contracted for multiple years and Canexus continues to meet with existing and potential customers for the remaining volumes. Canexus is no longer in active discussions with the prospective customer referenced in the March 14, 2014 Fourth Quarter 2013 Conference Call presentation for an additional two unit trains per week.

Management anticipates that Canexus will continue to face challenges in the North American chlor-alkali business during the remainder of 2014 and needs to complete the construction and ramp up of the NATO unit train expansion on the anticipated timetable. See “*Risk Factors – Potential for Cost Overruns and/or Delays in Project Completion*”. In addition, although railroad capacity and power continue to be an issue, Canexus expects they will resolve themselves as short term railroad congestion to clear the record fall grain harvest of 2013 is alleviated and Canexus corrects certain vapour incineration system design issues and improves its operating performance at the Bruderheim Terminal.

Corporate Update

On March 6, 2014, Canexus announced that Gary Kubera had stepped down from his position as president and chief executive officer and a director of Canexus. Canexus also announced that the board of directors had commenced an international search for a new president and chief executive officer and, until such time as a new president and chief executive officer was appointed, Mr. Richard Ott would assume the function of president and chief executive officer on an interim basis.

On May 7, 2014, Canexus reported making solid progress in the search for a permanent Calgary-based president and chief executive officer to lead Canexus.

DETAILS OF THE OFFERING

The Offering consists of \$75,000,000 aggregate principal amount of Series VI Debentures at a price of \$1,000 per Series VI Debenture (\$86,250,000 aggregate principal amount in the event the Over-Allotment Option is exercised in full). The following is a summary of the material attributes and characteristics of the Series VI Debentures and is subject to, and qualified in its entirety by, reference to the terms of the amended and restated trust indenture dated July 8, 2011 (the “**Principal Indenture**”) between the Corporation and the Debenture Trustee, as supplemented by a fifth supplemental indenture to be dated as of the Closing Date (together with the Principal Indenture, collectively, the “**Indenture**”) between the Corporation and the Debenture Trustee. For greater certainty, in the event of any conflict between the summary provided in this short form prospectus and the Indenture in respect of the terms of the Series VI Debentures, the Indenture shall govern.

General

The Series VI Debentures will be issued under the Indenture. The Series VI Debentures authorized for issue immediately will be limited in aggregate principal amount to \$86,250,000. The Corporation may, however, from time to time, without the consent of the Debentureholders but subject to the limitations described herein, issue additional debentures of the same series or of a different series under the Indenture, in addition to the Series VI Debentures offered hereby. The Series VI Debentures will be issuable only in denominations of \$1,000 and integral multiples thereof. The Series VI Debentures will be dated the Closing Date and have a maturity date of December 31, 2021.

The Series VI Debentures will bear interest from the date of issue at 6.50% per annum. Interest on the Series VI Debentures will be payable semi-annually in arrears on June 30 and December 31 in each year, commencing December 31, 2014. The first interest payment will include interest accrued from the Closing Date to, but excluding, December 31, 2014.

The principal amount of the Series VI Debentures will be payable in lawful money of Canada or, at the option of the Corporation and subject to applicable regulatory approval, by payment of Common Shares as further described under “*Payment upon Redemption or Maturity*” and “*Redemption and Purchase*”. The interest on the Series VI Debentures will be payable in lawful money of Canada including, at the option of the Corporation and subject to applicable regulatory approval, in accordance with the Common Share Interest Payment Election as defined and described under “*Interest Payment Option*”.

The Series VI Debentures will be direct obligations of the Corporation and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to other liabilities of the Corporation as described under “*Subordination*”. The Indenture will not restrict the Corporation from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its properties to secure any indebtedness.

Conversion Privilege

The Series VI Debentures will, subject to the Cash Conversion Option, be convertible at the Debentureholder’s option into fully paid and non-assessable Common Shares at any time prior to 4:30 p.m. (Calgary time) on the earlier of the Series VI Debenture Maturity Date and the business day immediately preceding the date specified by the Corporation for redemption of the Series VI Debentures, at the Conversion Price, being a conversion rate of 153.8462 Common Shares for each \$1,000 principal amount of Series VI Debentures. The conversion rate is subject to adjustment in certain circumstances described below. Notwithstanding the foregoing, no Series VI Debentures may be converted during the three business days preceding June 30 and December 31 in each year, commencing June 30, 2014, as the registers of the Debenture Trustee will be closed during such periods.

Except as set forth below, no adjustment to the Conversion Price will be made for dividends on Common Shares issuable upon conversion or for interest accrued on Series VI Debentures surrendered for conversion; however, Debentureholders converting their Series VI Debentures will receive, in addition to the applicable number of Common Shares, accrued and unpaid interest (less any taxes required to be deducted) thereon for the period up to, but excluding, the date of conversion from, and including, the most recent Interest Payment Date (as hereinafter defined). For clarity, payment of such interest, whether in cash or by delivery of Common Shares pursuant to the exercise of the Common Share Interest Payment Election, may, at the option of the Corporation, be paid on the next regularly scheduled Interest Payment Date following the date of conversion.

Subject to the provisions thereof, the Indenture will provide for the adjustment of the Conversion Price in certain events including: (a) the subdivision or consolidation of the outstanding Common Shares; (b) the distribution of Common Shares to all or substantially all Shareholders by way of distribution or otherwise, other than an issue of securities to Shareholders who have elected to receive dividends in securities of the Corporation in lieu of receiving cash distributions paid in the ordinary course; (c) the payment of a quarterly cash dividend to all or substantially all of the Shareholders in excess of \$0.10 per Common Share, proportionally adjusted in the case of an applicable period that is not one fiscal quarter; (d) the issuance of options, rights or warrants to Shareholders entitling them to acquire Common Shares or other securities convertible or exchangeable into Common Shares at less than 95% of the then Current Market Price of the Common Shares; and (e) the distribution to all or substantially all Shareholders of any securities or assets (other than cash distributions and equivalent distributions in securities paid in lieu of cash dividends in the ordinary course). There will be no adjustment of the Conversion Price in respect of any event described in (b), (c), (d) or (e) above if the Debentureholders are allowed to participate as though they had converted their Series VI Debentures prior to the applicable record date or effective date. The Corporation will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%; provided however, that any adjustments which are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

In the case of any reclassification or capital reorganization (other than a change resulting from consolidation or subdivision) of the Common Shares or in the case of any consolidation, amalgamation or merger of the Corporation with or into any other entity, or in the case of any sale or conveyance of the properties and assets of the Corporation as, or substantially as, an entirety to any other entity, or a liquidation, dissolution or winding-up of the Corporation, the terms of the conversion privilege shall be adjusted so that each Debentureholder shall, after such reclassification, capital reorganization, consolidation, amalgamation, merger, sale, conveyance, liquidation, dissolution or winding-up, be entitled to receive the

number of Common Shares or other securities or property such Debentureholder would be entitled to receive if on the effective date thereof, it had been the holder of the number of Common Shares into which the Series VI Debenture was convertible prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, merger, sale, conveyance, liquidation, dissolution or winding-up.

No fractional Common Shares will be issued on any conversion but in lieu thereof the Corporation shall satisfy fractional interests by a cash payment equal to the Current Market Price of any fractional interest.

Cash Conversion Option

Upon conversion of the Series VI Debentures, in lieu of delivering Common Shares, the Corporation may elect, by written notice delivered to the Debenture Trustee within one business day of the applicable conversion date, to pay the holder in cash (the “**Cash Conversion Option**”). If no election is made by the Corporation, Common Shares will be delivered upon exercise of the conversion right as described under “*Conversion Privilege*” above. If the Corporation elects to use the Cash Conversion Option, settlement amounts under the Cash Conversion Option will be computed by paying cash to the converting holder of Series VI Debentures in an amount equal to the sum of the Daily Conversion Values for each of the 10 consecutive trading days during the related Observation Period.

In the Indenture, (i) “**Daily Conversion Value**” shall mean, for each of the 10 consecutive trading days during the Observation Period, one-tenth (1/10th) of the product of (i) the Conversion Rate on such day and (ii) the Daily VWAP of the Common Shares on such trading day; (ii) “**Daily VWAP**” for the Common Shares will generally be the per Common Share volume-weighted average price on the TSX in respect of the period from the scheduled open of trading until the scheduled close of trading of the primary trading session on such trading day; and (iii) “**Observation Period**” shall be defined, in respect of any Series VI Debentures to which a Cash Conversion Option applies, as: (A) for conversions that occur on or after the 12th trading day prior to the Series VI Debenture Maturity Date, the 10 consecutive trading day period beginning on, and including, the 12th trading day preceding the Series VI Debenture Maturity Date; and (B) in all other cases, the 10 consecutive trading day period beginning on, and including, the third trading day after the applicable conversion date.

Pursuant to the Cash Conversion Option, the Corporation will pay cash to the holders that converted their Series VI Debentures as soon as practicable and, in any event, no later than the third business day following the last day of the related Observation Period.

Any payments pursuant to the Cash Conversion Option are subject to the subordination provisions contained in the Indenture as though such payments were payments of principal or interest on the Series VI Debentures. In addition, notwithstanding any election by the Corporation to use the Cash Conversion Option or any election by a holder of Series VI Debentures to convert Series VI Debentures into Common Shares, the Cash Conversion Option shall be immediately suspended if any payment pursuant to the Cash Conversion Option would violate the subordination provisions of the Indenture and if, and for so long as any default, event of default or acceleration has occurred and is continuing under any Senior Indebtedness (as hereinafter defined) or if the payment under such Cash Conversion Option would reasonably be expected to result in such a default, event of default or acceleration, and any holder who converted their Series VI Debentures shall receive Common Shares in accordance with the procedure outlined under “*Conversion Privilege*” above. See “*Subordination*” below.

Redemption and Purchase

The Series VI Debentures will not be redeemable before December 31, 2017, other than in the event of a Change of Control. On or after December 31, 2017 and prior to December 31, 2019, the Debentures may be redeemed in whole or in part from time to time at the option of the Corporation, on not more than 60 days and not less than 30 days prior notice, at a price equal to their principal amount (the “**Redemption Price**”) plus accrued and unpaid interest to, but excluding, the date for redemption, provided that the Current Market Price of the Common Shares on the date on which the notice of redemption is given is not less than 125% of the Conversion Price. On or after December 31, 2019 and before the Series VI Debenture Maturity Date, the Series VI Debentures may be redeemed, in whole or in part from time to time at the option of the Corporation, on not more than 60 days and not less than 30 days prior notice, at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date for redemption.

In the case of redemption of less than all of the Series VI Debentures, the Series VI Debentures to be redeemed will be selected by the Debenture Trustee on a *pro rata* basis or in such other manner as the Debenture Trustee deems equitable, subject to the consent of the TSX, if applicable.

The Corporation will have the right to purchase Series VI Debentures in the market, by tender or by private contract.

Payment upon Redemption or Maturity

On redemption or at maturity, the Corporation will repay the indebtedness represented by the Series VI Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the aggregate Redemption Price of the outstanding Series VI Debentures which are to be redeemed or the principal amount of the outstanding Series VI Debentures which have matured, as the case may be, together with accrued and unpaid interest thereon. The Corporation may, at its option, on not more than 60 days and not less than 40 days prior notice and subject to applicable regulatory approval, elect to satisfy its obligation to pay the Redemption Price of the Series VI Debentures which are to be redeemed or the principal amount of the Series VI Debentures which have matured, as the case may be, by issuing Common Shares to such Debentureholders. Any accrued and unpaid interest thereon will be paid in cash. The number of Common Shares to be issued will be determined by dividing the aggregate Redemption Price of the outstanding Series VI Debentures which are to be redeemed or the principal amount of the outstanding Series VI Debentures which have matured, as the case may be, by 95% of the Current Market Price on the date fixed for redemption or the maturity date, as the case may be. No fractional Common Shares will be issued on redemption or maturity but in lieu thereof the Corporation shall satisfy fractional interests by a cash payment equal to the Current Market Price of any fractional interest.

The term “**Current Market Price**” will be defined in the Indenture to mean the weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date of the applicable event. The weighted average trading price will be determined by dividing the aggregate sale price of all Common Shares sold on the TSX during the 20 consecutive trading days by the total number of Common Shares so sold.

Subordination

The payment of the principal of, and interest on, the Series VI Debentures will be subordinated in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness of the Corporation and indebtedness to trade creditors of the Corporation. “**Senior Indebtedness**” of the Corporation will be defined in the Indenture as the principal of and premium, if any, and interest on and other amounts in respect of all indebtedness of the Corporation (whether outstanding as at the date of the Indenture or thereafter incurred), other than indebtedness evidenced by the Series VI Debentures and all other existing and future debentures or other instruments of the Corporation which, by the terms of the instrument creating or evidencing the indebtedness, is expressed to be *pari passu* with, or subordinate in right of payment to, the Series VI Debentures.

The Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Corporation, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Corporation, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Corporation, then those holders of Senior Indebtedness, including any indebtedness to trade creditors, will receive payment in full before the Debentureholders will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Series VI Debentures or any unpaid interest accrued thereon. The Indenture will also provide that the Corporation will not make any payment, and the Debentureholders will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including, without any limitation, by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Series VI Debentures (a) in a manner inconsistent with the terms (as they exist on the date of issue) of the Series VI Debentures or (b) at any time when an event of default has occurred under the Senior Indebtedness and is continuing and the notice of such event of default has been given by or on behalf of the holders of Senior Indebtedness to the Corporation, unless the Senior Indebtedness has been repaid in full.

Change of Control of the Corporation

Within 30 days following the occurrence of a change of control of the Corporation involving the acquisition by any person or group of persons acting jointly or in concert (within the meaning of Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids*) of voting control or direction over 50% or more of the Common Shares or the sale or other transfer of all or substantially all of the consolidated assets of the Corporation, excluding in either case an acquisition, merger, reorganization, amalgamation, arrangement, combination or other similar transaction if the holders of voting securities of the Corporation immediately prior to such transaction hold securities representing at least 50% of the voting control or direction in the Corporation or the successor entity upon completion of the transaction (a “**Change of Control**”), the

Corporation will be required to make an offer in writing to purchase all of the Series VI Debentures then outstanding (the “**Debenture Offer**”), at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest up to, but excluding, the date of acquisition by the Corporation or a related party of such Series VI Debentures (the “**Debenture Offer Price**”).

The Indenture will contain notification and repurchase provisions requiring the Corporation to give written notice to the Debenture Trustee of the occurrence of a Change of Control within 30 days of such event together with the Debenture Offer. The Debenture Trustee will thereafter promptly mail to each Debentureholder a notice of the Change of Control together with a copy of the Debenture Offer to repurchase all the outstanding Series VI Debentures.

If 90% or more of the aggregate principal amount of the Series VI Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered to the Corporation pursuant to the Debenture Offer, the Corporation will have the right and obligation to redeem all the remaining Series VI Debentures at the Debenture Offer Price. Notice of such redemption must be given by the Corporation to the Debenture Trustee within 10 days following the expiry of the Debenture Offer, and as soon as possible thereafter, by the Debenture Trustee to the Debentureholders of the Series VI Debentures not tendered pursuant to the Debenture Offer.

Cash Change of Control

In addition to the requirement for the Corporation to make a Debenture Offer in the event of a Change of Control occurring prior to the Series VI Debenture Maturity Date, if a Change of Control occurs on or before December 31, 2019 in which 10% or more of the consideration for the Common Shares in the transaction or transactions constituting a Change of Control consists of:

- (a) cash, other than cash payments for fractional Common Shares and cash payments made in respect of dissenter's appraisal rights;
- (b) equity securities that are not traded or intended to be traded immediately following such transactions on a recognized stock exchange; or
- (c) other property that is not traded or intended to be traded immediately following such transaction on a recognized stock exchange,

then subject to regulatory approvals, during the period beginning 10 days before the anticipated effective date of the Change of Control and ending 30 days after the date the Debenture Offer is delivered, holders of Series VI Debentures will be entitled to convert their Series VI Debentures, subject to certain limitations, and receive, in addition to the number of Common Shares (or cash or other property or securities in substitution therefor) they would otherwise be entitled to receive as set forth under “– *Conversion Privilege*” above, an additional number of Common Shares (or cash or other property or securities in substitution therefor) per \$1,000 principal amount of Series VI Debentures as set forth below (in each case, a “**Make Whole Premium**”).

The number of additional Common Shares per \$1,000 principal amount of Series VI Debentures constituting the Make Whole Premium will be determined by reference to the table below and is based on the date on which the Change of Control becomes effective (the “**Effective Date**”) and the price (the “**Share Price**”) paid per Common Share in the transaction constituting the Change of Control. If holders of Common Shares receive (or are entitled and able in all circumstances to receive) only cash in the transaction, the Share Price shall be the cash amount paid per Common Share. Otherwise, the Share Price shall be equal to the Current Market Price of the Common Shares on the day immediately preceding the Effective Date.

The following table shows what the Make Whole Premium would be for each hypothetical Share Price and Effective Date set forth below, expressed as additional Common Shares per \$1,000 principal amount of Series VI Debentures. For the avoidance of doubt, the Corporation shall not be obliged to pay the Make Whole Premium otherwise than by issuance of the applicable number of Common Shares (or cash or other property or securities in substitution therefor) upon conversion, subject to the provision relating to adjustment of the Conversion Price in certain circumstances and following the completion of certain types of transactions described under “– *Conversion Privilege*” above.

Make Whole Premium Upon a Change of Control
(Number of Additional Common Shares per \$1,000 Series VI Debenture)

Effective Date	Common Share Price (\$)											
	\$4.75	\$5.00	\$5.50	\$6.00	\$6.50	\$7.00	\$7.50	\$8.00	\$9.00	\$10.00	\$11.00	\$12.00
3-Jun-14	56.680	51.332	40.475	32.178	25.551	18.099	13.584	11.455	6.421	3.135	1.153	0.167
31-Dec-14	56.680	50.782	39.847	31.220	24.365	17.299	12.745	10.559	5.263	2.187	0.655	0.116
31-Dec-15	56.680	50.138	38.620	29.352	22.155	16.559	12.225	8.909	2.839	0.583	0.000	0.000
31-Dec-16	56.680	47.798	35.698	26.093	18.642	12.886	8.528	5.366	0.349	0.000	0.000	0.000
31-Dec-17	56.680	46.154	32.211	22.062	14.583	8.950	4.721	1.628	0.070	0.000	0.000	0.000
31-Dec-18	56.680	46.154	27.972	13.847	7.015	2.939	0.796	0.013	0.000	0.000	0.000	0.000
31-Dec-19	56.680	46.154	27.972	12.821	1.622	1.651	0.337	0.000	0.000	0.000	0.000	0.000

The actual Share Price and Effective Date may not be set forth in the table, in which case:

- (a) if the actual Share Price on the Effective Date is between two Share Prices in the table or the actual Effective Date is between two Effective Dates in the table, the Make Whole Premium will be determined by a straight-line interpolation between the Make Whole Premiums set forth for the two Share Prices and the two Effective Dates in the table based on a 365-day year, as applicable;
- (b) if the Share Price on the Effective Date exceeds \$12.00 per Common Share, subject to adjustment as described below, the Make Whole Premium will be zero; and
- (c) if the Share Price on the Effective Date is less than \$4.75 per Common Share, subject to adjustment as described below, the Make Whole Premium will be zero.

The Share Prices set forth in the table above will be adjusted as of any date on which the Conversion Price of the Series VI Debentures is adjusted. The adjusted Share Prices will equal the Share Prices applicable immediately preceding such adjustment multiplied by a fraction, the denominator of which is the Conversion Price immediately preceding the adjustment giving rise to the Share Price adjustment and the numerator of which is the Conversion Price as so adjusted. The number of additional Common Shares set forth in the table above will be adjusted in the same manner as the Conversion Price as set forth above under “– *Conversion Privilege*”, other than by operation of an adjustment to the Conversion Price by adding the Make Whole Premium as described above.

Amalgamation, Mergers or Sales of Assets

The Indenture will provide that the Corporation may not without the consent of the Debentureholders enter into any transaction or series of transactions whereby all or substantially all of its undertaking, property or assets would become the property of any other person (the “**Successor**”) whether by way of reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, unless:

- (a) prior to or contemporaneously with the consummation of such transaction the Corporation and the Successor shall have executed such instruments and done such things as, in the opinion of counsel, are necessary or advisable to establish that upon the consummation of such transaction:
 - (i) the Successor will have assumed all the covenants and obligations of the Corporation under the Indenture in respect of the debentures (including the Series VI Debentures);
 - (ii) the debentures will be valid and binding obligations of the Successor entitling the holders thereof, as against the Successor, to all the rights of Debentureholders under the Indenture; and
 - (iii) in the case of an entity organized otherwise than under the laws of the Province of Alberta, the Successor shall attorn to the jurisdiction of the courts of the Province of Alberta;
- (b) such transaction, in the opinion of counsel, shall be on such terms as to substantially preserve and not impair any of the rights and powers of the Debenture Trustee or of the Debentureholders under the Indenture; and

- (c) no condition or event shall exist as to the Corporation (at the time of such transaction) or the Successor (immediately after such transaction) and after giving full effect thereto or immediately after the Successor shall become liable to pay the principal monies, premium, if any, interest and other monies due or which may become due under the Indenture, which constitutes or would constitute an Event of Default;

provided, however, that the sale, conveyance, transfer or lease (in a single transaction or a series of transactions) of the properties or assets of one or more subsidiaries (other than to the Corporation or another direct or indirect wholly-owned subsidiary) which, if such properties or assets were directly owned by the Corporation, would constitute all or substantially all of the properties and assets of the Corporation and its subsidiaries taken as a whole, shall be deemed to be the sale, conveyance, transfer or lease of all or substantially all of the properties and assets of the Corporation.

Upon the assumption of the Corporation's obligations by the Successor in such circumstances, subject to certain exceptions, the Corporation shall be relieved from all obligations and covenants under the Series VI Debentures and the Indenture. Although such transactions are permitted under the Indenture, certain of the foregoing transactions occurring could constitute a Change of Control, which would require the Corporation to offer to purchase the Series VI Debentures as described above. An assumption of the Corporation's obligations under the Series VI Debentures and the Indenture by the Successor might be deemed for Canadian federal income tax purposes to be an exchange of the Series VI Debentures for new debentures by the holders thereof, resulting in recognition of gains or losses for such purposes and possibly other adverse tax consequences to the holders. **Holders should consult their own tax advisors regarding the tax consequences of such an assumption.**

Interest Payment Option

The Corporation may elect, subject to regulatory approval, from time to time to satisfy its obligation to pay all or any part of the interest on the Series VI Debentures (the "**Interest Obligation**"), on the date it is payable under the Indenture (an "**Interest Payment Date**"), by delivering sufficient Common Shares to the Debenture Trustee to satisfy all or the part, as the case may be, of the Interest Obligation in accordance with the Indenture (the "**Common Share Interest Payment Election**"). The Indenture will provide that, upon such election, the Debenture Trustee shall (a) accept delivery from the Corporation of Common Shares, (b) accept bids with respect to, and consummate sales of, such Common Shares, each as the Corporation shall direct in its absolute discretion, (c) invest the proceeds of such sales in short-term permitted government securities (as defined in the Indenture) which mature prior to the applicable Interest Payment Date, and use the proceeds received from such permitted government securities, together with any proceeds from the sale of Common Shares not invested as aforesaid, to satisfy the Interest Obligation, and (d) perform any other action necessarily incidental thereto.

The Indenture will set forth the procedures to be followed by the Corporation and the Debenture Trustee in order to effect the Common Share Interest Payment Election. If a Common Share Interest Payment Election is made, the sole right of a Debentureholder in respect of interest will be to receive cash from the Debenture Trustee out of the proceeds of the sale of Common Shares (plus any amount received by the Debenture Trustee from the Corporation attributable to any fractional Common Shares) in full satisfaction of the Interest Obligation, and such Debentureholder will have no further recourse to the Corporation in respect of the Interest Obligation.

Neither the Corporation's making of the Common Share Interest Payment Election nor the consummation of sales of Common Shares will (a) result in the Debentureholders not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the interest payable on such Interest Payment Date, or (b) entitle such Debentureholders to receive any Common Shares in satisfaction of the Interest Obligation.

Events of Default

The Indenture will provide that an event of default ("**Event of Default**") in respect of the Series VI Debentures will occur if any one or more of the following described events has occurred and is continuing with respect to such Series VI Debentures: (a) failure for 10 days to pay interest on such Series VI Debentures when due; (b) failure to pay principal or premium, if any (whether by payment in cash or delivery of Common Shares), on such Series VI Debentures when due, whether at maturity, upon redemption, upon a Change of Control, by declaration or otherwise; (c) default in the delivery, when due, of all cash and any Common Shares or other consideration, including any Make Whole Premium, payable upon conversion with respect to the Series VI Debentures, which default continues for 15 days; (d) certain events of bankruptcy, insolvency or reorganization of the Corporation under bankruptcy or insolvency laws; or (e) default in the observance or performance of any material covenant or condition of the Indenture and continuance of such default for a period of 30 days after notice in writing has been given by the Debenture Trustee to the Corporation specifying such default and requiring the

Corporation to rectify the same. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall upon request of holders of not less than 25% of the principal amount of the Series VI Debentures then outstanding, declare the principal of and interest on all outstanding Series VI Debentures to be immediately due and payable. In certain cases, the holders of more than 50% of the principal amount of such Series VI Debentures then outstanding may, on behalf of all of the Debentureholders, waive any Event of Default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

Offers for Debentures

The Indenture will contain provisions to the effect that if an offer is made for the Series VI Debentures which is a take-over bid for such Series VI Debentures within the meaning of the *Securities Act* (Alberta) and not less than 90% of the Series VI Debentures (other than Series VI Debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror), are taken up and paid for by the offeror, the offeror will be entitled to acquire the Series VI Debentures held by the Debentureholders who did not accept the offer on the terms offered by the offeror.

Modification

The rights of the Debentureholders as well as any other series of debentures that may be issued under the Indenture may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture will contain certain provisions which will make binding on all Debentureholders resolutions passed at meetings of the Debentureholders by votes cast thereat by holders of not less than 66 $\frac{2}{3}$ % of the principal amount of the Series VI Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66 $\frac{2}{3}$ % of the principal amount of the Series VI Debentures then outstanding. In certain cases, the modification will, instead or in addition, require assent by the holders of the required percentage of Series VI Debentures of each particularly affected series.

Depository Services

Except in limited circumstances, the Series VI Debentures will be issued and deposited in electronic form with CDS or its nominee pursuant to the book-based system administered by CDS. Certificates evidencing the Series VI Debentures will not be issued to subscribers and subscribers will receive only a customer confirmation from the Underwriter or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Series VI Debentures is purchased. Subscribers who are not issued a certificate evidencing the Series VI Debentures which are subscribed for by them at closing are entitled under the ABCA to request that a certificate be issued in their name. Such a request will need to be made through the CDS participant through whom the beneficial interest in the securities are held at the time of the request.

The ability of a beneficial owner of Series VI Debentures to pledge such shares or otherwise take action with respect to such owner's interest in such shares (other than through a CDS participant) may be limited due to the lack of a physical certificate.

Neither Canexus nor the Underwriters will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Series VI Debentures held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Series VI Debentures; or (c) any advice or representation made by or with respect to CDS and those contained in this short form prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its CDS participants. The rules governing CDS provide that it acts as the agent and depository for the CDS participants. As a result, CDS participants must look solely to CDS and persons, other than CDS participants, having an interest in the Series VI Debentures must look solely to CDS participants for payments made by or on behalf of Canexus to CDS in respect of the Series VI Debentures.

The Series VI Debentures will be issued to beneficial owners in fully registered and certificated form (the “**Debenture Certificates**”) only if: (a) required to do so by applicable law (including if requested by a beneficial holder pursuant to the ABCA); (b) the book-based system ceases to exist; (c) the Corporation or CDS advises the Debenture Trustee that CDS is no longer willing or able to properly discharge its responsibilities as depository with respect to the Series VI Debentures and the Corporation is unable to locate a qualified successor; (d) the Corporation, at its option, decides to terminate the book-based system through CDS; or (e) after the occurrence of an Event of Default (as defined herein), provided that CDS participants acting on behalf of beneficial owners representing, in the aggregate, more than 25% of the aggregate principal amount of the Series VI Debentures then outstanding advise CDS in writing that the continuation of a book-based system

through CDS is no longer in their best interest, and provided further that the Debenture Trustee has not waived the Event of Default in accordance with the terms of the Indenture.

Upon the occurrence of any of the events described in the immediately preceding paragraph, the Debenture Trustee must notify CDS, for and on behalf of CDS participants and beneficial owners, of the availability through CDS of Debenture Certificates. Upon receipt of instructions from CDS for the new registrations, the Debenture Trustee will deliver the Series VI Debentures in the form of Debenture Certificates and thereafter the Corporation will recognize the holders of such Debenture Certificates as Debentureholders under the Indenture.

Interest on the Series VI Debentures will be paid directly to CDS while the book-based system is in effect. If Debenture Certificates are issued, interest will be paid by cheque drawn on the Corporation and sent by prepaid mail to the registered Debentureholder or by such other means as may become customary for the payment of interest. Payment of principal, including payment in the form of Common Shares if applicable, and the interest due, at maturity or on a redemption date, will be paid directly to CDS while the book-based system is in effect. If Debenture Certificates are issued, payment of principal, including payment in the form of Common Shares if applicable, and interest due, at maturity or on a redemption date, will be paid upon surrender thereof at any office of the Debenture Trustee or as otherwise specified in the Indenture.

PLAN OF DISTRIBUTION

Pursuant to the underwriting agreement dated as of May 13, 2014 between Canexus and the Underwriters in respect of the Offering (the “**Underwriting Agreement**”), Canexus has agreed to issue and sell \$75,000,000 aggregate principal amount of Series VI Debentures (\$86,250,000 aggregate principal amount of Series VI Debentures if the Over-Allotment Option is exercised in full) to the Underwriters, and the Underwriters have severally, and not jointly, agreed to purchase such Series VI Debentures on the Closing Date. Delivery of the Series VI Debentures is conditional upon payment on closing of \$1,000 per Series VI Debenture by the Underwriters to the Corporation. The Underwriting Agreement provides that the Corporation will pay the Underwriters’ fee of \$37.50 per Series VI Debenture for Series VI Debentures issued and sold by the Corporation, for an aggregate fee payable by the Corporation of \$2,812,500 (\$3,234,375 if the Over-Allotment Option is exercised in full), in consideration for their services in connection with the Offering. The terms of the Offering were determined by negotiation between the Corporation and the Co-Lead Underwriters, on their own behalf and on behalf of the other Underwriters.

The Corporation has granted to the Underwriters the Over-Allotment Option (for the purposes of covering the Underwriters’ over-allocation position), which option is exercisable, in whole or in part, until and including the date that is 30 days following the Closing Date and entitles the Underwriters to purchase up to an additional \$11,250,000 aggregate principal amount of Series VI Debentures for purposes of covering the Underwriters’ over-allocation position, at a price of \$1,000 per Series VI Debenture. Series VI Debentures distributed in connection with the exercise of the Over-Allotment Option will have the same terms and conditions as the other Series VI Debentures distributed pursuant to the Offering. This short form prospectus qualifies both the grant of the Over-Allotment Option and the distribution of Series VI Debentures issuable upon the exercise of the Over-Allotment Option. If the Over-Allotment Option is fully exercised, the total Price to Public, Underwriters’ Fee and Net Proceeds to the Corporation under the Offering will be \$86,250,000, \$3,234,375 and \$83,015,625, respectively (prior to giving effect to the expenses of the Offering, which are estimated to be \$400,000). A purchaser who acquires Series VI Debentures forming part of the Underwriters’ over-allocation position acquires those Series VI Debentures under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The Underwriters propose to offer the Series VI Debentures initially at the public offering price on the cover page of this short form prospectus. After a reasonable effort has been made to sell all of the Series VI Debentures at the price specified, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Series VI Debentures remaining unsold. Any such reduction will not affect the proceeds received by Canexus.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint, and may be terminated at their discretion upon the occurrence of certain stated events, including among other things: (a) any order to cease or suspend trading in any securities of the Corporation, or prohibiting or restricting the distribution of the Series VI Debentures offered hereunder or the Common Shares issuable upon conversion, redemption or at maturity of the Series VI Debentures is made, or any proceeding is announced or commenced or threatened for the making of any such order, by any securities regulatory authority, any stock exchange or by any other competent authority, and has not been rescinded, revoked or withdrawn; (b) any inquiry, action, suit, investigation (whether formal or informal) or other proceeding is commenced, threatened or announced or any order or ruling is issued under or pursuant to any statute of Canada or any

other province of Canada (excluding Quebec), or of the United States or any state thereof or any other jurisdiction or by any official of any stock exchange or by any other regulatory authority having jurisdiction over a material portion of the business and affairs of the Corporation, taken as a whole or otherwise, or there is any change of law, or the interpretation, pronouncement or administration thereof or in respect thereof, which in the reasonable opinion of the Underwriter prevents or operates to prevent or restrict the distribution of, trading in, or marketability of, the Series VI Debentures offered hereunder or the Common Shares (including the Common Shares issuable upon conversion, redemption or at maturity of the Series VI Debentures); (c) there should develop, occur or come into effect or existence any event, action, or occurrence of national or international consequence, any governmental law or regulation, state, condition or major financial occurrence, or other occurrence of any nature, which, in the Underwriter's reasonable opinion, seriously adversely affects, or may seriously adversely affect, the financial markets in Canada or the business, operations or affairs of the Corporation, taken as a whole; (d) there shall occur any event or change (actual, imminent or reasonably expected), or any development including a prospective event or change, financial or otherwise, in the business, financial condition, affairs, operations, assets, liabilities (contingent or otherwise) or capital of the Corporation and the Corporation's subsidiaries (taken as a whole) or if there should occur or come into effect any adverse change in the financial markets which, in the Underwriter's opinion, could reasonably be expected to have a significant adverse effect on the market price or value of the Series VI Debentures offered hereunder or the Common Shares (including the Common Shares issuable upon conversion, redemption or at maturity, as the case may be, of the Series VI Debentures, the Series III Debentures, the Series IV Debentures, the Series V Debentures, or any of them); (e) there is announced any change or proposed change in the income tax laws of Canada or in the interpretation or administration thereof and such change would, in the reasonable opinion of the Underwriter, be expected to have a significant adverse effect on the market price or value of the Series VI Debentures offered hereunder or the Common Shares (including the Common Shares issuable upon conversion, redemption or at maturity of the Series VI Debentures, the Series III Debentures, the Series IV Debentures, the Series V Debentures, or any of them); or (f) the Underwriter shall become aware of any material adverse information or fact with respect to the Corporation or the Corporation's subsidiaries which had not been publicly disclosed prior to the date of the Underwriting Agreement, which in the Underwriter's opinion, acting reasonably, would seriously adversely affect the value or market price of the Series VI Debentures offered hereunder or the Common Shares (including the Common Shares issuable upon conversion, redemption or at maturity of the Series VI Debentures, the Series III Debentures, the Series IV Debentures, the Series V Debentures, or any of them).

If an Underwriter fails to purchase the Series VI Debentures that it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Series VI Debentures; provided, however, that in the event that the percentage of the Series VI Debentures which one or more Underwriters has failed or refused to purchase is less than 8% of the total number of Series VI Debentures which the Underwriters have agreed to purchase, the other Underwriters shall be obligated severally to purchase on a *pro rata* basis the Series VI Debentures which would otherwise have been purchased by the one or more Underwriters which failed or refused to purchase. The Underwriters are, however, obligated to take up and pay for all Series VI Debentures if any are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that Canexus will indemnify the Underwriters and their directors, officers, agents, shareholders and employees against certain liabilities and expenses.

Except in limited circumstances, the Series VI Debentures will be issued in electronic form into the book-based system administered by CDS and must be purchased or transferred through a participant in the depository service of CDS. See "*Details of the Offering – Depository Services*".

Canexus has been advised by the Underwriters that, in connection with the Offering, the Underwriters may effect transactions that stabilize or maintain the market price of the Series VI Debentures at levels other than those that might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

Canexus has agreed that, subject to certain exceptions (including the issuance of Common Shares on the conversion, redemption or maturity of any Series VI Debentures), it will not offer or issue, or enter into an agreement to offer or issue, Common Shares, convertible debentures or any other securities convertible or exchangeable into Common Shares or convertible debentures for a period of 90 days subsequent to the Closing Date without the consent of the Co-Lead Underwriters, on their own behalf and on behalf of the other Underwriters, which consent may not be unreasonably withheld.

The TSX has conditionally approved the listing of the Series VI Debentures issuable pursuant to the Offering and the Common Shares issuable on the conversion, redemption or maturity of the Series VI Debentures. Listing of the Series VI Debentures and the Common Shares is subject to Canexus fulfilling all of the listing requirements of the TSX on or before August 20, 2014.

Neither the Series VI Debentures offered hereby nor the Common Shares issuable on conversion, redemption or maturity of the Series VI Debentures have been or will be registered under the 1933 Act or any state securities laws, and accordingly may not be offered or sold within the United States except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. The Underwriting Agreement permits the Underwriters to offer and resell the Series VI Debentures that they have acquired pursuant to the Underwriting Agreement to certain qualified institutional buyers in the United States, provided such offers and sales are made in accordance with Rule 144A under the 1933 Act and exemptions under applicable state securities laws. Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Series VI Debentures outside the United States only in accordance with Rule 903 of Regulation S under the 1933 Act.

In addition, until 40 days after the commencement of the Offering, an offer or sale of Series VI Debentures within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the 1933 Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements of the 1933 Act.

CONSOLIDATED CAPITALIZATION OF CANEXUS

There have been no material changes in the consolidated share and loan capital of Canexus from March 31, 2014 to the date of this short form prospectus.

The following table sets forth the consolidated capitalization of Canexus as at March 31, 2014 both before and after giving effect to the Offering and the anticipated use of net proceeds of the Offering.

Designation	As at March 31, 2014 (\$)	As at March 31, 2014 after giving effect to the Offering and the anticipated use of net proceeds of the Offering ⁽³⁾⁽⁴⁾⁽⁵⁾ (\$)
Long Term Debt		
Syndicated Facility ⁽¹⁾	248,692,500 ⁽²⁾	227,137,500
Series III Debentures	59,879,000	59,879,000
Series IV Debentures	60,000,000	60,000,000
Series V Debentures	107,500,000	107,500,000
Series VI Debentures	-	75,000,000 ⁽⁷⁾
Share Capital		
Common Shares.....	491,770,600 (180,772,577 Common Shares)	498,661,600 (182,243,546 Common Shares) ⁽⁶⁾

Notes:

- (1) In addition, Canexus had short term borrowings of \$6.7 million in swing line loans under the Syndicated Facility as at March 31, 2014.
- (2) At March 31, 2014 there was remaining available undrawn capacity of approximately \$124 million under the Syndicated Facility. This amount is determined by deducting the amount drawn from the lesser of the \$500 million Syndicated Facility and a bank covenant which establishes the maximum amount of consolidated senior debt relative to EBITDA (which must not exceed 4.5:1). Note that this covenant is only determined on a quarterly basis with the most recent calculation being performed at March 31, 2014. See Note 14 “*Financial Instruments and Financial Risk Management – (c) Capital Risk Management*” of the Annual Statements incorporated herein by reference for all of the financial covenants to which the Syndicated Facility is subject.
- (3) As at May 23, 2014, Canexus’ existing indebtedness under the Syndicated Facility was approximately \$298.9 million. See “*Use of Proceeds*” and “*Relationship Between Canexus and Certain of the Underwriters*”.
- (4) After (i) adding additional borrowings subsequent to March 31, 2014 of \$50.2 million, and (ii) deducting expenses of the Offering, estimated to be \$400,000, and the Underwriters’ fee of \$2,812,500. Assumes the net proceeds of the Offering, before any exercise of the Over-Allotment Option, are applied to reduce Canexus’ indebtedness under the Syndicated Facility. See “*Use of Proceeds*”. For a description of the Syndicated Facility see “*Relationship Between Canexus and Certain of the Underwriters*”.
- (5) If the Over-Allotment Option is exercised in full, and after deducting expenses of the Offering, estimated to be \$400,000, and the Underwriters’ fee of \$3,234,375, the aggregate indebtedness under the Syndicated Facility will decrease to \$216,309,375, as Canexus intends to apply all net proceeds from the exercise of the Over-Allotment Option to further reduce its existing indebtedness under the Syndicated Facility. See “*Use of Proceeds*”.
- (6) Including an aggregate of 1,470,969 Common Shares issued subsequent to March 31, 2014 pursuant to exercises of Options (as hereinafter defined) (178,831 Common Shares) and the reinvestment of dividends pursuant to the DRIP (as hereinafter defined) (1,292,138 Common Shares).

- (7) Represents the face value of the Series VI Debentures. Under GAAP, the Series VI Debentures will be a financial liability with an embedded conversion option derivative. The liability component and embedded conversion option derivative will be separated. The liability component, net of transaction costs and discount, will be accounted for at amortized cost with interest expense recognized on an effective yield basis. The embedded conversion option derivative will be accounted for at fair value through profit or loss.

EARNINGS COVERAGE

The following earnings coverage ratios are calculated for the twelve months ended December 31, 2013 and March 31, 2014 (prior to giving effect to the distribution of Series VI Debentures pursuant to the exercise of the Over-Allotment Option).

The earnings (loss) of the Corporation before interest and income tax expense for the twelve-month periods ended December 31, 2013 and March 31, 2014 were \$36.4 million and \$24.7 million, respectively and the interest expense for the twelve-month periods ended December 31, 2013 and March 31, 2014 were \$23.2 million and \$22.7 million, respectively, for a ratio of 1.57 and 1.09 times, respectively.

After giving effect to the issuance of the Series VI Debentures, the pro forma earnings (loss) of the Corporation before interest and income tax expense for the twelve-month periods ended December 31, 2013 and March 31, 2014 were \$36.4 million and \$24.7 million, respectively. The *pro forma* interest expense for the twelve-month periods ended December 31, 2013 and March 31, 2014 were \$27.4 million and \$27.0 million, respectively, for a ratio of 1.33 and 0.91 times, respectively. The dollar amount of earnings required to achieve a ratio of 1.00 times for the twelve-month period ended March 31, 2014 would have been \$2.3 million.

Under GAAP, the Series VI Debentures will be a financial liability with an embedded conversion option derivative. The liability component and embedded conversion option derivative will be separated. The liability component, net of transaction costs and discount, will be accounted for at amortized cost with interest expense recognized on an effective yield basis. The embedded conversion option derivative will be accounted for at fair value through profit or loss.

DESCRIPTION OF COMMON SHARES

Canexus is authorized to issue an unlimited number of Common Shares without nominal or par value. Holders of Common Shares are entitled to one vote per share at meetings of Shareholders, to receive dividends if, as and when declared by the board of directors of Canexus and to receive *pro rata* the remaining property and assets of Canexus upon its dissolution or winding-up.

PRIOR SALES

Canexus has not sold or issued any Common Shares or securities convertible into Common Shares during the twelve month period prior to the date hereof, except:

- (a) 26,800,000 Common Shares on February 5, 2014 pursuant to a bought deal short form prospectus offering at a price of \$5.60 per Common Share;
- (b) \$100,000,000 aggregate principal amount of Series V Debentures on August 30, 2013 pursuant to a bought deal short form prospectus offering and an additional \$7,500,000 aggregate principal amount of Series V Debentures on September 30, 2013 pursuant to the partial exercise of an over-allotment option granted to the underwriters as part of the initial offering;
- (c) 13,616,000 Common Shares on June 4, 2013 pursuant to a bought deal short form prospectus offering at a price of \$8.45 per Common Share;
- (d) 1,487,242 Common Shares on the conversion of 8.00% convertible unsecured subordinated Series I debentures of Canexus due December 31, 2014 (the “**Series I Debentures**”) at a conversion price of \$5.10 per Common Share as set forth below. All of the then issued and outstanding Series I Debentures were redeemed by Canexus on October 3, 2013 at a price of \$1,020.82 for each \$1,000 principal amount of Series I Debentures.

<u>Date</u>	<u>Number of Common Shares</u>
May 27, 2013	980
May 31, 2013	3,137
June 19, 2013	14,705
June 26, 2013	60,980
July 3, 2013	196
July 4, 2013	9,803
July 16, 2013	38,039
July 24, 2013	58,823
July 25, 2013	20,784
August 6, 2013	7,843
August 15, 2013	5,882
August 23, 2013	1,960
August 29, 2013	9,607
August 30, 2013	60,196
September 3, 2013	146,078
September 4, 2013	25,098
September 5, 2013	10,784
September 11, 2013	131,568
September 17, 2013	7,843
September 19, 2013	125,490
September 23, 2013	10,980
September 24, 2013	66,666
September 26, 2013	298,431
September 27, 2013	17,647
September 30, 2013	6,469
October 1, 2013	7,058
October 2, 2013	340,195

- (e) 602 Common Shares on the conversion of 5.75% convertible unsecured subordinated Series III debentures of Canexus due December 31, 2015 at a conversion price of \$8.30 per Common Share as set forth below:

<u>Date</u>	<u>Number of Common Shares</u>
May 30, 2013	602

- (f) 1,047,692 Common Shares on the exercise of options to acquire Common Shares (“Options”) granted pursuant to Canexus’ stock option plan as set forth below:

<u>Date</u>	<u>Exercise Price (\$)</u>	<u>Number of Common Shares</u>
June 13, 2013	6.10	2,639
June 14, 2013	3.12	10,912
June 17, 2013	3.12	19,830
June 18, 2013	3.12	20,307
July 4, 2013	3.12	1,863

Date	Exercise Price (\$)	Number of Common Shares
July 5, 2013	5.19	12,789
July 5, 2013	6.72	17,833
July 5, 2013	6.10	11,302
July 11, 2013	3.12	6,235
July 15, 2013	3.12	3,164
July 16, 2013	3.12	55,384
July 17, 2013	3.12	9,494
July 25, 2013	3.12	9,494
August 13, 2013	3.12	10,443
August 22, 2013	3.12	3,956
August 23, 2013	6.72	19,369
August 26, 2013	6.72	40,000
August 29, 2013	3.12	7,912
September 12, 2013	4.20	27,896
September 17, 2013	3.12	14,241
September 19, 2013	7.41	7,823
September 19, 2013	6.10	3,827
September 26, 2013	5.19	193
September 26, 2013	6.72	2,643
September 26, 2013	6.10	3,827
September 27, 2013	3.12	15,896
September 27, 2013	3.12	181,978
October 1, 2013	3.12	30,000
October 7, 2013	3.12	3,164
October 7, 2013	3.12	25,000
October 8, 2013	3.12	3,164
October 8, 2013	3.12	15,824
October 8, 2013	3.12	10,444
October 8, 2013	3.12	16,209
October 10, 2013	3.12	3,164
October 11, 2013	3.12	4,051
October 15, 2013	3.12	12,900
October 16, 2013	3.12	1,612
October 18, 2013	3.12	61
October 18, 2013	3.12	77
October 18, 2013	3.12	4,260
October 21, 2013	3.12	3,225
October 21, 2013	3.12	61
November 8, 2013	3.12	199
November 13, 2013	3.12	301
November 14, 2013	3.12	1,357
November 18, 2013	6.72	8,474
November 18, 2013	6.10	9,456

Date	Exercise Price (\$)	Number of Common Shares
December 16, 2013	6.72	2,352
December 16, 2013	6.10	2,649
December 17, 2013	6.10	57,585
January 8, 2014	6.10	1,969
January 8, 2014	5.19	13,646
February 7, 2014	6.72	7,328
February 7, 2014	6.10	7,833
February 13, 2014	2.99	35,435
February 21, 2014	6.72	17,027
February 21, 2014	6.10	14,684
February 26, 2014	6.10	1,506
February 27, 2014	5.19	13,914
March 6, 2014	6.72	10,847
March 6, 2014	6.10	7,833
April 22, 2014	5.19	178,831

(g) 3,100,062 Common Shares on the reinvestment of dividends under the DRIP as set forth below:

Date	Issue Price (\$)	Number of Common Shares
July 15, 2013	8.6563	543,622
October 15, 2013	6.9724	559,864
January 15, 2014	6.7045	704,438
April 15, 2014	4.5908	1,292,138

(h) 2,227,100 Options granted pursuant to the Corporation's stock option plan as set forth below:

Date	Exercise Price (\$)	Number of Options
August 19, 2013	7.88	20,000
November 8, 2013	7.16	2,192,100
May 12, 2014	4.48	15,000

PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

The Common Shares are listed and posted for trading on the TSX under the symbol “CUS”. The following table sets forth the market price ranges and the aggregate volume of trading of the Common Shares on the TSX for the periods indicated.

Period	High (\$)	Low (\$)	Close (\$)	Volume (Common Shares)
2014				
May (1-26)	5.10	3.97	4.99	13,728,312
April	5.28	4.63	4.82	16,154,013
March	6.18	4.61	5.01	23,138,518
February	6.20	5.40	6.15	15,117,428
January	7.56	5.68	5.75	25,924,239
2013				
December	7.22	6.03	7.16	9,469,547
November	7.35	5.72	6.05	11,349,296
October	7.57	6.99	7.26	6,535,339
September	7.72	6.95	7.54	9,978,306
August	8.70	7.33	7.57	6,937,576
July	9.44	8.28	8.53	6,599,838
June	9.30	8.69	9.20	7,785,986
May	9.53	8.42	9.14	13,110,382
April	9.43	8.31	9.43	5,618,306

On May 13, 2014, the day of the public announcement of the Offering, the closing price of the Common Shares on the TSX was \$4.75 per Common Share. On May 26, 2014, the closing price of the Common Shares on the TSX was \$4.99.

CASH DIVIDENDS ON COMMON SHARES

Canexus makes quarterly cash dividend payments to Shareholders to the extent determined prudent by the board of directors of Canexus. Quarterly dividend payments, when declared, are paid to Shareholders of record on the last business day of each calendar quarter or such other date as may be determined from time to time by the board of directors of Canexus and are paid generally on the 15th day of the following month. Prior to the Conversion, the Fund made monthly cash distributions to unitholders of the Fund.

Canexus has adopted a dividend reinvestment plan (the “DRIP”) for Shareholders. The DRIP provides eligible Shareholders with the opportunity to reinvest dividends into Common Shares at a 5% discount to the average market price of the Common Shares on the TSX on the applicable dividend payment date, calculated in the manner set out in the DRIP. The DRIP is subject to prorating and other limitations on availability of new Common Shares in certain events. Shareholders resident in the United States are not entitled to participate in the DRIP.

Record of Cash Distributions on Fund Units and Cash Dividends on Common Shares

The following table sets forth the per Fund unit amount of monthly cash distributions paid by the Fund and the per Common Share amount of quarterly cash dividends paid by Canexus, as applicable, since January 2011.

Dividend Payment Date (On or About)	Dividend Record Date (On or About)	2014	2013	2012	2011 ⁽¹⁾
February 15	January 31				\$ 0.0456
March 15	February 28				0.0456
April 15	March 31	\$ 0.1368	\$ 0.1368	\$ 0.1368	0.0456
May 15	April 30				0.0456
June 15	May 31				0.0456
July 15	June 30	\$ 0.1000 ³	\$ 0.1368	\$ 0.1368	0.0456

Dividend Payment Date (On or About)	Dividend Record Date (On or About)	2014	2013	2012	2011⁽¹⁾
August 15	July 31				
September 15	August 31				
October 15	September 30			\$ 0.1368	0.1368 ⁽²⁾
November 15	October 31				
December 15	November 30				
January 15	December 31			\$ 0.1368	0.1368

Notes:

- (1) Consists of distributions on units of the Fund through to and including the June 30, 2011 record date and dividends on Common Shares of the Corporation for subsequent periods.
- (2) The Fund, prior to the Conversion, paid distributions monthly. Canexus pays dividends quarterly.
- (3) On May 7, 2014, the Corporation declared a quarterly dividend of \$0.1000 per Common Share payable to holders of record on June 30, 2014.

The historical dividends and distributions described above may not be reflective of future dividends which are subject to review and determination by the board of directors of Canexus.

USE OF PROCEEDS

The net proceeds to Canexus from the Offering (excluding any Series VI Debentures that may be issued pursuant to the exercise of the Over-Allotment Option) will be approximately \$71,787,500, after deducting the Underwriters' fee of \$2,812,500 and estimated expenses of the Offering of \$400,000. If the Over-Allotment Option is exercised in full, the net proceeds of the Offering will be approximately \$82,615,625, after deducting the Underwriters' fee of \$3,234,375 and estimated expenses of the Offering of \$400,000. The expenses of the Offering and Underwriters' fee will be paid out of Canexus' general funds.

Canexus intends to utilize the net proceeds of the Offering to repay a portion of Canexus' existing indebtedness under the Syndicated Facility, which as of May 23, 2014 had an outstanding balance owing of approximately \$298.9 million, and subsequently redraw as required to fund the repayment of the Series III Debentures and for working capital and/or general corporate purposes. If the Over-Allotment Option is exercised, Canexus intends to apply all net proceeds from the Over-Allotment Option to further reduce Canexus' existing indebtedness under the Syndicated Facility.

A portion of Canexus' current indebtedness under the Syndicated Facility has been incurred to fund Canexus' suite of organic growth projects at the North Vancouver chlor-alkali facility and at the Bruderheim Terminal. The expenditures incurred on growth projects at the North Vancouver chlor-alkali facility over the preceding twenty three (23) months through March 31, 2014 aggregate to approximately \$37.4 million, which amounts were applied to the hydrochloric acid expansions and enhancements to the technology conversion project at Canexus' North Vancouver facility. The expenditures incurred on growth projects at the Bruderheim Terminal over the preceding twenty three (23) months through March 31, 2014 aggregate to approximately \$380.1 million, which amounts were applied to constructing and increasing transloading capacity for biodiesel, condensate and diluted bitumen and conventional heavy oil; expanding hydrochloric acid transloading capacity and adding acid blending capacity; and ongoing development of pipeline connected unit train capabilities at the Bruderheim Terminal. Each of the North Vancouver chlor-alkali facility projects and the Bruderheim Terminal projects has been financed by a combination of borrowings under the Syndicated Facility, excess distributable cash, DRIP proceeds and a portion of the net proceeds of prior Common Share and convertible debenture offerings, as applicable. In addition, the Syndicated Facility was utilized to repay US\$50 million of outstanding senior secured notes which matured on May 1, 2013.

RELATIONSHIP BETWEEN CANEXUS AND CERTAIN OF THE UNDERWRITERS

CIBC, National, Scotia, TD and HSBC are, directly or indirectly, subsidiaries or affiliates of Canadian chartered banks that are lenders to Canexus. The net proceeds of the Offering are intended to be used to repay a portion of Canexus' indebtedness to such banks. Accordingly, pursuant to applicable securities legislation, Canexus is considered a "connected issuer" of each of CIBC, National, Scotia, TD and HSBC. As at May 23, 2014, Canexus was indebted to a syndicate of lenders, including lender affiliates of the foregoing Underwriters in the approximate amount of \$298.9 million under a \$500 million extendible revolving credit facility with a syndicate of financial institutions which matures June 30, 2016 (the "**Syndicated Facility**") and which is secured by, among other things, a floating charge debenture over all of Canexus' assets and certain guarantees, security interests and subordination agreements. Canexus is presently in compliance with the terms of the Syndicated Facility and none of the lenders has waived a breach of the agreements governing the Syndicated Facility since its execution. Except as otherwise set forth in this short form prospectus and the documents incorporated herein by reference, the consolidated financial position of Canexus has not changed materially since the indebtedness under

the Syndicated Facility was incurred by Canexus. The decision to distribute the Series VI Debentures qualified for distribution under this short form prospectus and the determination of the terms of the distribution were made through negotiations involving Canexus and the Co-Lead Underwriters, on their own behalf and on behalf of the other Underwriters. The affiliate lenders of such Underwriters did not have any involvement in such decision or determination, but have been advised of the issuance and terms thereof. As a consequence of the sale of the Series VI Debentures, each of the Underwriters will receive their respective share of the Underwriters' fee.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Counsel, the following summary describes the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to a holder who acquires Series VI Debentures pursuant to the Offering and who, for purposes of the Tax Act and at all relevant times, holds the Securities as capital property and deals at arm's length with the Corporation and the Underwriters and is not affiliated with the Corporation. Generally, the Securities will be considered to be capital property to a holder provided the holder does not hold the Securities in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain holders resident in Canada who might not otherwise be considered to hold their Series VI Debentures and Common Shares as capital property may, in certain circumstances, be entitled to have the Series VI Debentures and Common Shares, and all other "Canadian securities" (as defined in the Tax Act) owned by such holders in the year of the election or in any subsequent taxation year, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. **Holders who are considering making such election should consult their own tax advisors.**

This summary is not applicable to (i) a holder that is a "financial institution", as defined in the Tax Act for the purposes of the mark-to-market rules, (ii) a holder an interest in which would be a "tax shelter investment" as defined in the Tax Act, (iii) a holder that is a "specified financial institution" as defined in the Tax Act, (iv) a holder who has entered or will enter into a "derivative forward agreement", as defined in the Tax Act, in respect of any of the Securities or (v) a holder whose functional currency for the purposes of the Tax Act is the currency of a country other than Canada. Any such holder should consult its own tax advisor with respect to an investment in the Series VI Debentures.

This summary is based upon the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly announced prior to the date hereof (the "**Proposed Amendments**") and Counsel's understanding of the current published administrative practices of the Canada Revenue Agency (the "**CRA**"). This summary assumes the Proposed Amendments will be enacted in the form proposed; however, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, if at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account any changes in the law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder or prospective holder of Series VI Debentures, and no representations with respect to the income tax consequences to any holder or prospective holder are made. Consequently, holders and prospective holders of Series VI Debentures should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring Series VI Debentures pursuant to this offering, having regard to their particular circumstances.

Holders Resident in Canada

The following discussion applies to a holder of Securities who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty or convention, is resident in Canada (a "**Resident Holder**").

Taxation of Interest on Series VI Debentures

A Resident Holder of Series VI Debentures that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Series VI Debentures that accrues to it to the end of the particular taxation year or that has become receivable by or is received by the Resident Holder before the end of that taxation year, except to the extent that such interest was included in computing the Resident Holder's income for a preceding taxation year.

Any other Resident Holder, including an individual, will be required to include in computing income for a taxation year all interest on the Series VI Debentures that is received or receivable by the Resident Holder in that taxation year (depending upon the method regularly followed by the Resident Holder in computing income), except to the extent that the interest was included in the Resident Holder's income for a preceding taxation year. In addition, if at any time a Series VI Debenture should become an "investment contract" (as defined in the Tax Act) in relation to a Resident Holder, such Resident Holder will be required to include in computing income for a taxation year any interest that accrues to the Resident Holder on the Series VI Debenture up to any "anniversary day" (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in the Resident Holder's income for that year or a preceding year.

A Resident Holder of Series VI Debentures that throughout the relevant taxation year is a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay the refundable tax of 6 2/3% on its "aggregate investment income", which is defined in the Tax Act to include interest income.

Exercise of Conversion Privilege

Generally, a Resident Holder who converts a Series VI Debenture into Common Shares (or Common Shares and cash delivered in lieu of a fraction of a Common Share) pursuant to the conversion privilege will be deemed not to have disposed of the Series VI Debenture and, accordingly, will not be considered to realize a capital gain (or capital loss) on such conversion. Under the current administrative practice of the CRA, a Resident Holder who, upon conversion of a Series VI Debenture, receives cash not in excess of \$200 in lieu of a fraction of a Common Share may either treat this amount as proceeds of disposition of a portion of the Series VI Debenture, thereby realizing a capital gain (or capital loss), or reduce the adjusted cost base of the Common Shares that the Resident Holder receives on the conversion by the amount of the cash received.

The aggregate cost to a Resident Holder of the Common Shares acquired on the conversion of a Series VI Debenture will generally be equal to the aggregate of the Resident Holder's adjusted cost base of the Series VI Debenture immediately before the conversion. The adjusted cost base to a Resident Holder of Common Shares at any time will be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the Resident Holder as capital property at that time.

Where a Resident Holder has exercised its conversion privilege in respect of a Series VI Debenture and the Corporation pays cash to the Resident Holder pursuant to the Cash Conversion Option, the Resident Holder will be considered to have disposed of the Series VI Debenture for proceeds of disposition equal to the amount of cash consideration so received (except any cash received in satisfaction of accrued interest). In such circumstances, the Resident Holder will be subject to the tax treatment described below under "*Disposition of Series VI Debentures*".

Disposition of Series VI Debentures

A disposition or deemed disposition of a Series VI Debenture by a Resident Holder, whether to the Corporation or another party, and including a redemption, payment on maturity or pursuant to the Cash Conversion Option, or purchase for cancellation, but not including the conversion of a Series VI Debenture into Common Shares pursuant to the Resident Holder's right of conversion as described above, will generally result in the Resident Holder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition (adjusted as described below) are greater (or less) than the aggregate of the Resident Holder's adjusted cost base thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under "*Taxation of Capital Gains and Capital Losses*".

If the Corporation pays any amount upon the redemption, purchase or maturity of a Series VI Debenture by issuing Common Shares to the Resident Holder, the Resident Holder's proceeds of disposition of the Series VI Debenture will be equal to the fair market value, at the time of disposition of the Series VI Debenture, of the Common Shares and any other consideration so received, but not including amounts in respect of interest, as described below. The Resident Holder's adjusted cost base of the Common Shares so received will be equal to the fair market value of such Common Shares. The adjusted cost base to a Resident Holder of Common Shares at any time will be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the Resident Holder as capital property at that time.

Upon a disposition or deemed disposition of a Series VI Debenture, interest accrued thereon to the date of disposition will be included in computing the income of the Resident Holder as described above under “*Taxation of Interest on Series VI Debentures*”, and will be excluded in computing the Resident Holder’s proceeds of disposition of the Series VI Debenture.

Disposition of Common Shares

A disposition or a deemed disposition of a Common Share by a Resident Holder (other than to the Corporation or in a tax-deferred transaction) will generally result in the Resident Holder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Common Share are greater (or less) than the aggregate of the Resident Holder’s adjusted cost base thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under “*Taxation of Capital Gains and Capital Losses*”.

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a “**taxable capital gain**”) realized by a Resident Holder in a taxation year must be included in the Resident Holder’s income for the year, and one-half of any capital loss (an “**allowable capital loss**”) realized by a Resident Holder in a taxation year must be deducted from taxable capital gains realized by the Resident Holder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of a Common Share may be reduced by the amount of dividends received or deemed to be received by it on such Common Share (or on a share for which the Common Share has been substituted) to the extent and under the circumstances described in the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares, whether directly or indirectly through another partnership or a trust.

A Resident Holder that is, throughout the relevant taxation year, a “Canadian-controlled private corporation”, as defined in the Tax Act, may be liable to pay the refundable tax of 6 2/3% on its “aggregate investment income”, which is defined to include taxable capital gains.

Receipt of Dividends on Common Shares

A Resident Holder will generally be required to include in computing its income for a taxation year any dividends received (or deemed to be received) on Common Shares.

In the case of a Resident Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit rules for “eligible dividends”. Eligible dividends will generally include dividends paid by taxable Canadian corporations, such as the Corporation, where those dividends have been designated as “eligible dividends” by the corporation at or prior to the time the dividends are paid. There are limitations on the ability of a corporation to designate dividends as eligible dividends. The Corporation has announced that all dividends paid on the Common Shares will be designated as eligible dividends for these purposes.

Taxable dividends received by an individual (including certain trusts) may give rise to a liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act.

In the case of a Resident Holder that is a corporation, dividends received (or deemed to be received) on Common Shares by the Resident Holder will generally be included in the Resident Holder’s income for the taxation year in which such dividends are received and will generally be deductible in computing the Resident Holder’s taxable income. A “private corporation”, as defined in the Tax Act, or any other corporation controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), generally will be liable to pay a refundable tax of 33 1/3% under Part IV of the Tax Act on dividends received (or deemed to be received) on Common Shares to the extent such dividends are deductible in computing taxable income for the year.

Holders Not Resident in Canada

The following discussion applies to a holder of Securities who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty or convention: (i) is neither resident nor deemed to be resident in Canada; (ii) does not, and is not deemed to, use or hold Securities in carrying on a business in Canada; (iii) is not a “specified shareholder” of the Corporation for purposes of subsection 18(5) of the Tax Act or a person who does not deal at arm’s length with such a specified shareholder; and (iv) deals at arm’s length with any transferee that is resident in Canada for purposes of the Tax Act to whom the holder disposes of a Series VI Debenture (a “**Non-Resident Holder**”). In addition, this discussion does not apply to an insurer who carries on an insurance business in Canada and elsewhere or to an authorized foreign bank (as defined in the Tax Act).

Taxation of Interest on Series VI Debentures

A Non-Resident Holder generally will not be subject to Canadian withholding tax in respect of amounts paid or credited or deemed to have been paid or credited by the Corporation as, on account or in lieu of payment of, or in satisfaction of, interest or principal on the Series VI Debentures (including (i) interest paid to a Non-Resident Holder, (ii) interest which has accrued on the Series VI Debentures to the date of disposition, and (iii) amounts deemed to be interest (see “*Holders Not Resident in Canada – Disposition of Series VI Debentures and Common Shares*”) paid to the Non-Resident Holder on their disposition of a Series VI Debenture).

Exercise of Conversion Privilege

The conversion of a Series VI Debenture into Common Shares on the exercise of a conversion privilege by a Non-Resident Holder will generally be deemed not to constitute a disposition of the Series VI Debenture and, accordingly, a Non-Resident Holder will not realize a gain or a loss on such conversion.

Where a Non-Resident Holder has exercised its conversion privilege in respect of a Series VI Debenture and the Corporation pays cash to the Non-Resident Holder in accordance with the Cash Conversion Option, the Non-Resident Holder will be considered to have disposed of the Series VI Debenture for proceeds of disposition equal to the amount of cash so received (except cash received in satisfaction of accrued interest). In such circumstances, the Non-Resident Holder will be subject to the tax treatment described below under “*Disposition of Series VI Debentures and Common Shares*”.

Disposition of Series VI Debentures and Common Shares

A Non-Resident Holder generally will not be subject to tax under the Tax Act on a disposition of a Series VI Debenture (including as a result of a redemption, payment on maturity or pursuant to the Cash Conversion Option, or purchase for cancellation) or of a Common Share, as the case may be, unless the Series VI Debenture or Common Share constitutes “taxable Canadian property” (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention.

Provided the Common Shares are then listed on a designated stock exchange (which currently includes the TSX), the Series VI Debentures and the Common Shares generally will not constitute taxable Canadian property of a Non-Resident Holder unless at any time during the 60-month period immediately preceding the disposition of the Series VI Debenture or Common Share, as the case may be: (i) the Non-Resident Holder, persons not dealing at arm’s length with such Non-Resident Holder, one or more partnerships in which the Non-Resident Holder or any such persons held a membership interest (either directly or indirectly through one or more partnerships), or any combination of the foregoing, owned 25% or more of the issued shares of any class or series of shares of the capital stock of the Corporation; and (ii) more than 50% of the fair market value of the Common Shares was derived directly or indirectly, from one or any combination of real or immovable property situated in Canada, Canadian resource property, timber resource property, or any option in respect of, or interests in, such properties.

Receipt of Dividends on Common Shares

Where a Non-Resident Holder receives or is deemed to receive a dividend on Common Shares, the amount of such dividend will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividend unless the rate is reduced under the provisions of an applicable income tax convention between Canada and the Non-Resident Holder’s country of residence. Where the Non-Resident Holder is a resident of the United States who is entitled to benefits under the

Canada-United States Income Tax Convention (1980) and is the beneficial owner of the dividends, the rate of Canadian withholding tax applicable to dividends is generally reduced to 15%.

RISK FACTORS

An investment in the securities of Canexus is subject to certain risks. **Investors should carefully consider the risks described at pages 34 to 47 under “Risk Factors” in the AIF incorporated herein by reference, as well as the risk factors set out below. In addition, investors should carefully review and consider all other information contained in this short form prospectus, including the documents incorporated herein by reference, before making an investment decision.**

Market for Series VI Debentures

There is currently no market through which the Series VI Debentures may be sold and purchasers may not be able to resell Series VI Debentures purchased under this short form prospectus. There can be no assurance that an active or liquid trading market will develop for the Series VI Debentures after the Offering, or if developed, that such a market will be sustained at the price level of the Offering. If an active or liquid market for the Series VI Debentures fails to develop or be sustained, the prices at which the Series VI Debentures trade may be adversely affected.

The market price of the Series VI Debentures will be based on a number of factors, including but not limited to: (i) the prevailing interest rates being paid by entities similar to the Corporation; (ii) the overall condition of the financial and credit markets; (iii) interest rate volatility; (iv) the markets for similar securities; (v) the financial condition, results of operations and prospects of the Corporation; (vi) the publication of earnings estimates or other research reports and speculation in the press or investment community; (vii) the market price and volatility of the Common Shares; (viii) changes in the industry in which the Corporation operates and competition affecting the Corporation; and (ix) general market and economic conditions.

The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the market price of the Series VI Debentures.

Prior Ranking Indebtedness

The Series VI Debentures will be direct, unsecured obligations of the Corporation and will rank equally with one another and, except as prescribed by law, will rank equally with all other unsecured indebtedness (other than Senior Indebtedness) of the Corporation. The payment of the principal and premium, if any, of, and interest on, the Series VI Debentures will be subordinate in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness of the Corporation, which includes all indebtedness for borrowed money, all obligations under swap and hedging arrangements, all trade payables, any guarantees of the foregoing, and all other obligations, liabilities and indebtedness which could be classified as liabilities of the Corporation in accordance with GAAP. Furthermore, since the Series VI Debentures are unsecured obligations of the Corporation, they are effectively subordinate to all of the Corporation's existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. Therefore, in the event of the insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of the Corporation, the Corporation's assets will be available to pay its obligations with respect to the Series VI Debentures only after it has paid all of its secured creditors and all holders of Senior Indebtedness. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the Series VI Debentures then outstanding. The Series VI Debentures are also effectively subordinate to claims of creditors (including trade creditors) of the Corporation's subsidiaries except to the extent that the Corporation is a creditor of any such subsidiaries ranking at least *pari passu* with such other creditors.

The ability of the Corporation to meet its debt service requirements will depend on its ability to generate cash in the future, which depends on many factors, including the financial performance of the Corporation and its subsidiaries, debt service obligations, working capital and future capital expenditure requirements. In addition, the ability of the Corporation and its subsidiaries to borrow funds in the future to make payments on outstanding debt will depend on the satisfaction of covenants in existing credit agreements and other agreements. A failure to comply with any covenants or obligations under the Corporation's and its subsidiaries' consolidated indebtedness could result in a default, which, if not cured or waived, could result in the termination of distributions by the Corporation and permit acceleration of the relevant indebtedness. If such indebtedness were to be accelerated, there can be no assurance that the assets of the Corporation and its subsidiaries would be sufficient to repay such indebtedness in full. There can also be no assurance that the assets of the Corporation and

its subsidiaries will generate cash flow in amounts sufficient to pay outstanding indebtedness or to fund any other liquidity needs.

Absence of Covenant Protection

The Indenture will not limit the ability of the Corporation or any of its subsidiaries to incur additional debt or liabilities (including Senior Indebtedness) or to make distributions. The Indenture does not contain any provision specifically intended to protect Debentureholders in the event of a future leveraged transaction involving the Corporation or any of its subsidiaries.

Dilutive Effects on Shareholders

The Corporation may determine to redeem outstanding Series VI Debentures for Common Shares, to repay outstanding principal amounts thereunder at maturity of the Series VI Debentures by issuing additional Common Shares or, subject to regulatory approval, to satisfy its Interest Obligation by delivering sufficient Common Shares to the Debenture Trustee to satisfy all or part, as the case may be, of the Interest Obligation. Accordingly, Shareholders may suffer dilution and the price of both Common Shares and Series VI Debentures may be adversely impacted. See “*Details of the Offering – Payment upon Redemption or Maturity*”.

Coverage Ratios

See “*Earnings Coverage*”, which is relevant to an assessment of the risk that the Corporation may be unable to pay interest or principal on the Series VI Debentures when due.

Impact of Prevailing Yields on Similar Securities

Prevailing yields on similar securities will affect the market value of the Series VI Debentures. Assuming all other factors remain unchanged, the market value of the Series VI Debentures will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline.

Change of Control

The Corporation is required to make an offer to Debentureholders to purchase all or a portion of their Series VI Debentures for cash in the event of certain transactions that would constitute a Change of Control. The Corporation cannot assure Debentureholders that, if required, it would have sufficient cash or other financial resources at that time or would be able to arrange financing to pay the purchase price of the Series VI Debentures in cash. The Corporation’s ability to purchase the Series VI Debentures in such an event may be limited by law, by the Indenture governing the Series VI Debentures, by the terms of other present or future agreements relating to the Corporation’s credit facilities and other indebtedness and agreements that the Corporation may enter into in the future which may replace, supplement or amend the Corporation’s future debt. The Corporation’s credit agreements or other agreements may contain provisions that could prohibit the purchase by the Corporation of the Series VI Debentures without the consent of the lenders or other parties thereunder. If the Corporation’s obligation to offer to purchase the Series VI Debentures arises at a time when the Corporation is prohibited from purchasing or redeeming the Series VI Debentures, the Corporation could seek the consent of lenders to purchase the Series VI Debentures or could attempt to refinance the borrowings that contain this prohibition. If the Corporation does not obtain a consent or refinance these borrowings, the Corporation could remain prohibited from purchasing the Series VI Debentures under its offer. The Corporation’s failure to purchase the Series VI Debentures would constitute an Event of Default under the Indenture, which might constitute a default under the terms of the Corporation’s other indebtedness at that time.

If a holder of Series VI Debentures converts its Series VI Debentures in connection with a Change of Control that occurs, the Corporation may, in certain circumstances, be required to increase the conversion rate as described under “*Details of the Offering – Cash Change of Control*”. While the increased conversion rate is designed to compensate a holder of Series VI Debentures for the lost option time value of its Series VI Debentures as a result of a Change of Control in certain circumstances, the increased conversion rate amount is only an approximation of such lost value and may not adequately compensate the holder for such loss. In addition, in some circumstances as described under “*Details of the Offering – Cash Change of Control*” no adjustment will be made.

Investment Eligibility

The Corporation will endeavour to ensure that the Securities continue to be qualified investments for trusts governed by RRSPs, RRIAs, registered education savings plans, registered disability savings plans, deferred profit sharing plans (except, in the case of Series VI Debentures, a deferred profit sharing plan to which the Corporation, or an employer that does not deal at arm's length with the Corporation, has made a contribution) and TFSAs. No assurance can be given in this regard. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments and prohibited investments.

The Series VI Debentures may be redeemed by the Corporation prior to maturity

The Series VI Debentures may be redeemed, at the Corporation's option, subject to certain conditions, on or after December 31, 2017 and prior to the Series VI Debenture Maturity Date in whole or in part, at a redemption price equal to the principal amount thereof, together with any accrued and unpaid interest, as described under "*Details of the Offering – Redemption and Purchase*". Holders of Series VI Debentures should assume that this redemption option will be exercised if the Corporation is able to refinance at a lower interest rate or it is otherwise in the interest of the Corporation to redeem the Series VI Debentures.

Cash Conversion Option

The Series VI Debentures, although generally convertible into Common Shares at the Conversion Price, have a feature pursuant to which the Corporation can elect to satisfy its obligation under the conversion right of investors by paying cash. Investors should be aware that the value paid pursuant to the Cash Conversion Option can be less than the principal amount of the Series VI Debentures as the calculation is based on the trading prices of the Common Shares commencing on the third day following the date of conversion and the number of Common Shares used to determine the cash value is based on the Conversion Price (which may be higher than the trading price). Holders should also be aware that there are different tax consequences of receiving cash pursuant to the Cash Conversion Option and receiving Common Shares pursuant to the conversion feature. See "*Certain Canadian Federal Income Tax Considerations*".

The Corporation's election to deliver cash in respect of the conversion obligation as described under "*Details of the Offering - Cash Conversion Option*" may: (a) result in tax liability that would otherwise be deferred upon a conversion of Series VI Debenture until the Common Shares received on conversion were sold, and (b) delay holders' receipt of the consideration due upon conversion. Pursuant to the Cash Conversion Option, the Corporation will pay the cash consideration due upon conversion of the Series VI Debentures as soon as practicable, but in any event no later than the third business day after the last trading day in the Observation Period, which will generally be 15 trading days after the date holders surrender their Series VI Debentures for conversion.

If the Corporation has elected to deliver cash in respect of the conversion obligation, because the consideration due upon conversion is based on the trading prices of the Common Shares during the Observation Period, any decrease in the price of the Common Shares after a holder surrenders the Series VI Debentures for conversion may significantly decrease the value of the consideration a holder receives upon conversion.

Use of Proceeds

As set out under "*Use of Proceeds*" in this short form prospectus, Canexus intends to use the net proceeds of the Offering to repay indebtedness under the Syndicated Facility which will then be available to be drawn as required to fund the repayment of the Series III Debentures and for working capital and/or general corporate purposes. Although these allocations are based on the current expectations of management of Canexus, there may be circumstances where, for business reasons, a reallocation of funds may be necessary as may be determined at the discretion of Canexus, and there can be no assurance as of the date of this short form prospectus as to how those funds may be reallocated.

Potential for Cost Overruns and/or Delays in Project Completion

There is risk involved in expansion projects such as the pipeline connected unit train expansion at NATO. Project delays may adversely affect expected revenues and cost overruns may adversely affect project economics. Canexus' ability to complete the expansion on time and on the current anticipated budget depends on many factors beyond Canexus' control, including the availability of equipment and personnel, access, weather, accidents, equipment breakdown and unexpected or uncontrollable increases in the costs of materials. Other risks include, but are not limited to, unforeseen difficulties encountered during the expansion process, including labour disputes and other risks that generally apply to Canexus.

Accordingly, actual costs and the timetable for project completion can vary from estimates and these differences can be material.

Currently, the total planned capital expenditures for unit train capability at NATO are approximately \$315 million; an increase of approximately 40% over the previous estimate of \$225 million. There can be no assurance that further capital cost overruns will not occur. Capital cost overruns may have the effect of rendering the unit train capability dilutive to holders of Common Shares. In addition, and although Canexus anticipates having sufficient liquidity to fully finance the remaining capital expenditures associated with the unit train expansion, in the event of significant further capital cost overruns, Canexus may not have enough capital, without further borrowings or financing, to complete the unit train expansion at NATO. There can be no assurance that additional financing will be available on acceptable commercial terms in such circumstance.

Potential Impact of Wildlife Protection Legislation

In addition to environmental laws, policies, guidelines, standards, codes, permits and approvals relating to the protection of the environment and people, with which Canexus endeavours to be in full compliance (see “*Risk Factors - Environment, Health and Safety Requirements and Liabilities*” in the AIF incorporated by reference herein), Canexus operates in regions where regulation relating to the protection of endangered or threatened species and their habitat may also be imposed by federal, state, provincial and local governments. Notably, Canexus’ construction activities at NATO may be impacted by the federal *Migratory Birds Convention Act, 1994* (Canada), which prohibits, among other things, the disturbance or destruction of nests of certain migratory birds. Similarly, the *Wildlife Act* (Alberta) prohibits, among other things, in prescribed areas and at prescribed times, the molestation, disturbance or destruction of houses, nests or dens of certain prescribed wildlife, including endangered animals, certain upland and migratory game birds, bats, snakes and beaver.

From time to time species protected by the foregoing and other applicable legislation have and may appear on or near Canexus’ sites or in close proximity thereto, in which case Canexus has adopted and intends to continue to adopt appropriate environmental protection plans to ensure full compliance with such applicable legislation. Such protection plans may require ongoing monitoring or mitigation activities, including the modification of the timing and intensity of, or the postponement or suspension entirely of, certain activities intended to be undertaken at such sites.

For instance, Canexus has adopted an environmental protection plan for the pipeline connected unit train facility expansion at NATO, including the tie-in to the Cold Lake system, pursuant to which if nests or niche sites of certain protected birds are discovered on or near the site or in close proximity, or suspected or observed during construction/clean up, work may be postponed. While certain of these protected birds have been identified in and around the tie-in area, Canexus is currently assessing whether and what mitigation measures might be required in the circumstances, if any.

As a result of such mitigation activities, Canexus’ operations at its facilities could be delayed, curtailed or suspended, either briefly or for a prolonged period of time or require adjustments resulting in cost overruns or delays at projects under construction, such as NATO, and/or negative impacts on ongoing operations at existing facilities, any of which could also have negative implications on Canexus’ ability to discharge its contractual obligations and entitle the counterparties thereto to certain remedies, including potentially damages and/or termination. Such mitigation activities and the implications thereof, if not offset or defrayed by adjustments to project parameters or activities or otherwise themselves mitigated, or if not capable of such offset, defrayal or mitigation, could negatively affect the financial condition, results of operations and cash flows of the Corporation, and ultimately dividends to Shareholders.

Forward-looking information may prove inaccurate

Investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumptions and uncertainties are found in this short form prospectus under the heading “*Note Regarding Forward-Looking Statements*”.

INTEREST OF EXPERTS

Certain legal matters in connection with the issuance of the Series VI Debentures offered hereby will be passed upon on behalf of Canexus by Stikeman Elliott LLP and on behalf of the Underwriters by Burnet, Duckworth & Palmer LLP. As of the date hereof, the partners and associates of Stikeman Elliott LLP, as a group, and the partners and associates of Burnet, Duckworth & Palmer LLP, as a group, each owned, directly or indirectly, less than one (1%) percent of the outstanding Common Shares.

The auditor of Canexus is Deloitte LLP, Chartered Accountants. Deloitte LLP is independent of Canexus within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

LEGAL PROCEEDINGS

There are no outstanding legal proceedings material to Canexus to which it is a party or in respect of which its properties are subject, nor are there any such proceedings known to Canexus to be contemplated.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditor of Canexus is Deloitte LLP, Chartered Accountants, Suite 700, 850 – 2nd Street S.W., Calgary, Alberta, T2P 0R8.

The transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada at its principal offices in Toronto and Calgary.

ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS OR COMPANIES

Mr. Richard A. Ott, the interim President and Chief Executive Officer of Canexus who has signed the Certificate of the Corporation in this short form prospectus, and Mr. William J. McAdam, a director of the Corporation, reside outside of Canada. Each of Mr. Ott and Mr. McAdam has appointed Stikeman Elliott LLP, 4300 Bankers Hall West, 888 – 3rd Street S.W., Calgary, Alberta, T2P 5C5 as their agent for service of process in Alberta.

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against a person that resides outside of Canada, even if the party has appointed an agent for service of process.

PURCHASERS' CONTRACTUAL RIGHTS

Original purchasers of Series VI Debentures will have a contractual right of rescission against the Corporation in respect of the conversion of such Series VI Debentures. The contractual right of rescission will entitle such original purchasers to receive the amount paid upon conversion of the Series VI Debentures, upon surrender of the Common Shares, in the event that this prospectus contains a misrepresentation, provided that both the conversion occurs, and the right of rescission is exercised, within 180 days of the date of the purchase of the Series VI Debentures under this prospectus. This contractual right of rescission will be consistent with the statutory right of rescission described under section 203 of the *Securities Act* (Alberta), and is in addition to any other right or remedy available to original purchasers under section 203 of the *Securities Act* (Alberta) or otherwise at law. Original purchasers are further advised that in certain provinces the statutory right of action for damages in connection with a prospectus misrepresentation is limited to the amount paid for the convertible security that was purchased under a prospectus, and therefore a further payment at the time of conversion may not be recoverable in a statutory action for damages. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

CERTIFICATE OF THE CORPORATION

Date: May 27, 2014

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada except Quebec.

CANEXUS CORPORATION

(signed) RICHARD A. OTT
INTERIM PRESIDENT AND CHIEF EXECUTIVE OFFICER

(signed) RICHARD T. MCLELLAN
SENIOR VICE PRESIDENT, FINANCE AND CHIEF
FINANCIAL OFFICER

**On behalf of the Board of Directors
of CANEXUS CORPORATION:**

(signed) HUGH FERGUSSON
DIRECTOR

(signed) ARTHUR KORPACH
DIRECTOR

CERTIFICATE OF THE UNDERWRITERS

Date: May 27, 2014

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada except Quebec.

CIBC WORLD MARKETS INC.

**NATIONAL BANK FINANCIAL
INC.**

SCOTIA CAPITAL INC.

By: (signed) JASON STEFANSON

By: (signed) CRAIG LANGPAP

By: (signed) DAVID BABONEAU

TD SECURITIES INC.

By: (signed) SIMON KWONG

BMO NESBITT BURNS INC.

By: (signed) CRAIG F. KING

HSBC SECURITIES (CANADA) INC.

RAYMOND JAMES LTD.

By: (signed) GREG GANNETT

By: (signed) REBECCA RENNISON

ACUMEN CAPITAL FINANCE PARTNERS LIMITED

By: (signed) KELLY HUGHES