September 15, 2016

DELIVERED BY EMAIL

Board of Directors
Canexus Corp.
Suite 1200, 144 – 4th Avenue SW
Calgary, Alberta T2P 3N4

Attention: Mr. Art Korpach, Lead Director

Dear Sirs:

We are writing on behalf of our managed accounts which are long time and significant holders of common shares of Canexus Corporation ("**Canexus**" or the "**Corporation**"), in response to the press release issued by Canexus yesterday announcing its intention to proceed with an issuance of high yield notes. Our managed accounts also hold convertible debentures issued by Canexus.

Contrary to Canexus' disclosures, its planned course is:

- completely antithetical to the reasonable expectations of the Corporation's stakeholders, as it is destructive of value, and
- not reasonably reconcilable with the fulfillment of the fiduciary duties of Canexus' board and executive management or with the Corporation's best interests.

We have endeavoured to communicate privately with the Corporation to address these matters in an efficient manner, but in the face of the Corporation's stubborn determination to proceed and its continuing disclosure failures (as outlined below) we are compelled to take more active steps to seek to protect the best interests of the Corporation.

Our confidence in Canexus' board and management has been profoundly shaken by recent events. Most notably, but by no means exhaustively:

- <u>The Superior Plus Debacle</u>: The Canexus board agreed to an entirely flawed and ultimately doomed control transaction with Superior Plus Corp., and failed to properly protect the Corporation's interests in the transaction documents with the result that Canexus did not receive the reverse termination fee in the amount of twenty five million dollars or thirteen cents per share (and therefore got no compensation for the high costs of the process, for paralyzing the company for an extended period or for foregoing other opportunities).

- The NATO Disaster: The Canexus board (including six of the eight current directors) approved financing and expenditures for the catastrophic investment in the NATO trans loading facility, which investment resulted in a loss of $410 million or more than 80% of the investment and ~$2.20 per share (and resulted in a debt load that lead to the termination of the dividend and a startling 90% diminution in share price, from $9.45 in March 2013 to $1.23 on September 13, 2016).

- The Chemtrade Rebuff: Canexus has inexplicably (excluding unexplained references to the "best interests of the Corporation") rejected the acquisition proposal communicated by Chemtrade Logistics Income Fund ("**Chemtrade**")(as publicly disclosed by Chemtrade, not by Canexus), refused to engage with Chemtrade, and determined to proceed with the note offering notwithstanding that the offering would have a direct and significant adverse impact to Canexus stakeholders in the context of a possible control transaction (because others have a materially lower cost of capital than Canexus).

- Poor and Missing Disclosures: As noted, Canexus appears to make disclosure of significant developments only in response to others' disclosures, and the Corporation's disclosures do not provide meaningful information of any sort but instead reflexively refer simply to the Corporation's best interests.

Canexus' disclosed strategy consists of repaying debt (much of it incurred to fund NATO), which is a very long and very risky path. Investors have had ample time to digest, analyze and value this strategy, and the result (prior to Chemtrade's recent press release) was a share price in the range of $1.20-$1.25. In the wake of Chemtrade's disclosure of its interest in acquiring Canexus at a price of $1.45 per share, the Canexus share price rose to $1.41. As you are aware, Chemtrade has indicated that its preparedness to proceed is conditioned on Canexus not completing the proposed offering of high cost notes. The Canexus board appears to be rushing, *without apparent reason*, to complete a financing that will frustrate value-maximizing transactions in order to address financing issues resulting from the company's own poor decisions. This adds insult to injury. Canexus has referred to its precarious financial circumstances resulting from the pending maturity of its $75 million bridge facility in the spring of 2017, notwithstanding its claims of a strong relationship with the lenders and independent validations of the Corporation's asset value. Additionally, Canexus has given no indication that it is seeking financing from other sources (including potential acquirors themselves).

The absence of any cogent reason to disregard the Chemtrade proposal and to proceed with a value-reducing note offering is confusing and extremely discouraging. We expect that the underwriter of the proposed bond offering is incentivized by the fees to be earned and therefore motivated to proceed with the note offering (and consequently unable to provide unbiased financial advice), but the reason for the Corporation to so proceed is unclear and, predictably, undisclosed.

We have heard from significant Canexus shareholders who share the views expressed in this letter. Specifically, shareholders representing over 25% of Canexus shares believe that proceeding with the high yield note offering is the wrong path for the Corporation, and they are supportive of and prepared to commit to an offer from a third party at a premium to current market prices. Canexus shareholders generally should understand that the expressions of support that the Corporation has disclosed are, at best, not representative of many significant holders' views.

There has to date been a consistent pattern of failures of vision, execution and disclosure. It has to stop. The board and management are acting contrary to Canexus' best interests.

We are prepared to take all necessary steps to hold members of the Corporation's board and management personally responsible for damages resulting from its unreasonable and stubborn determination to proceed on its current path despite available and credible superior alternatives, unless Canexus confirms publicly that it is suspending the proposed note offering and establishing a special committee (with disclosed members and independent advisors, not including institutions that would receive fees from the note offering) to engage in discussions that might lead to a value-maximizing transaction.

To be clear, we have no relationship with or interest in Chemtrade, and are not coordinating with them. Our interests are aligned with the best interests of Canexus, full stop. All that we are asking is that Canexus' board and management take steps in furtherance of those same interests.

Sincerely,

Brian Chapman
Clearwater Capital Management Inc.