Q2 2008 Interim Report

To our Unitholders,

We are pleased to share with you our operating and financial results for Acadian Timber Income Fund's ("Acadian") three months ended June 28, 2008 (herein referred to as the "second quarter"). Acadian generated distributable cash from operations of negative $2.0 million or negative $0.12 per unit. This reflects the impact of a Crown reconciliation adjustment and seasonal operating conditions, which this year resulted in a slower than usual start to the summer operating season owing to heavy winter snowfall and very wet weather.

Financial Performance

Acadian generated net sales of $8.3 million on consolidated log sales volumes of 212.9 thousand m^3 in the second quarter of 2008. This compares to net sales of $13.3 million on consolidated log sales volumes of 267.6 thousand m^3 in the second quarter of 2007.

In addition to the seasonal weakness of the second quarter and weak market conditions for softwood sawlogs, the quarter was significantly impacted by a reconciliation of volumes, royalties and overhead costs related to the management of the Crown licensed timberlands. This reconciliation resulted in New Brunswick Timberlands having to remit $0.4 million during the second quarter and $1.0 million year-to-date to sublicencees as less volume had been harvested by sublicencees than expected. This compares to a $0.5 million payment received by New Brunswick Timberlands in the comparable period of 2007 as sublicencees harvested more volume than expected. This reconciliation resulted in Acadian generating EBITDA of negative $1.0 million, or $2.9 million lower than the second quarter of 2007. Excluding this reconciliation, EBITDA for the second quarter was negative $0.6 million.

Operations

Acadian continued to demonstrate a strong safety performance during the second quarter. New Brunswick Timberlands experienced one minor reportable incident among employees and no reportable incidents among contractors during the second quarter. Maine Timberlands had no accidents among its employees or its contractors during the quarter.

Heavy winter snowfall and rain resulted in serious flooding early in the second quarter which caused significant damage to roads and bridges in the region. Fortunately, Acadian's roads and bridges suffered only modest damage; however, poor trafficability and repair activities created increased demand for a limited number of road building contractors which resulted in reduced harvest levels across the region.

Acadian's weighted average selling price across all products decreased 4% year-over-year. This decline largely reflects a change in sales mix where lower valued hardwood pulpwood increased from 34% of total sales in the second quarter of 2007 to 53% of total sales in the second quarter of 2008. We believe this relatively modest decline and the demonstration of Acadian's ability to modify its harvest profile continues to highlight the sustainability of Acadian's cash flows given current market conditions and the strong Canadian dollar. Acadian was able to sell all of its production but experienced higher freight costs owing to higher fuel surcharges, which were mitigated by sales to close proximity markets.

Prices for softwood sawlogs declined by 6% year-over-year while prices for hardwood sawlogs declined by 12% on very small volumes. The year-over-year declines reflect a combination of market conditions, species mix, freight costs, and in the case of foreign exchange translations from the Maine operations, a stronger Canadian dollar. Prices for softwood pulpwood increased by 4% year-over-year while prices for hardwood pulpwood increased by 9%. Hardwood pulplog markets remain very strong. Biomass markets remained stable during the quarter although year-over-year pricing comparisons were not valid owing to changes in the delivery point to a roadside basis as compared to a delivered basis.

Outlook

Current weak lumber markets, combined with the possibility of further market-related downtime at regional sawmills, including Fraser Papers' sawmills, is expected to maintain pressure on pricing throughout 2008. However, this situation is expected to be partially mitigated by continued high levels of demand and strong pricing for softwood and hardwood pulpwood and biomass. Demand and pricing for hardwood sawlogs is expected to remain relatively stable. We anticipate that our decision to reduce production volumes of spruce-fir sawlogs in our NB operations will leave us well positioned to maximize cash flows when the softwood lumber market recovers.

Despite the prevalent view that these difficult market conditions will persist for another 12 to 18 months, we remain very confident of Acadian's longer-term business model. There is growing support for the belief that we are entering a period of increasing scarcity of timber, both regionally and globally. This reflects a combination of supply shocks and new demand. Factors impacting supply include:

- The Mountain Pine Beetle infestation in western Canada, and the U.S. inland and Midwest;
- Conservation withdrawals such as Ontario's recent announcement that it would protect at least 225,000 square kilometres of the Far North Boreal region under its Far North Planning initiative; and
- Russian log export restrictions tightening timber supplies and increasing the cost of wood fibre globally.

In addition to these supply shocks, demand for wood fibre is expected to continue to experience very favourable conditions owing to:

- The very favourable environmental attributes of wood. As the world increasingly targets strategies to shift to a low carbon economy, the low carbon impact of sustainably-produced wood construction materials should become increasingly relevant. We note that wood products store carbon through their useful life and often require little fossil fuel for their production. Using wood as a substitute for these other materials saves, on average, two tons of carbon dioxide per cubic meter of material.
- Growing demand in developing nations. China (a relatively non-wood consuming country when it comes to construction and home building) has increased its log imports by 16.5 times over the past 12 years and is now the world's largest log importer.
- Increasing use of wood fibre in biofuels and other organic applications (biomass, wood pellets, cellulosic ethanol, plastics, chemicals, etc.) is expected to support continued strong demand. This includes some level of expectation that timberlands owners may be well positioned to benefit from carbon sequestration and alternative environmental services provided by timberlands.

Acadian has the benefit of a strong balance sheet and an ability to manage harvest and product mix to capitalize on market opportunities. During these weak market conditions, our primary focus will continue to be on merchandizing all of our products for their highest value while seeking every opportunity to reduce costs. We remain committed to an operating style aimed at maximizing long-term value for unitholders and maintaining a relatively stable financial performance.

We thank you for your continued support of Acadian Timber Income Fund.

Reid Carter
President and Chief Executive Officer
July 30, 2008

Management's Discussion and Analysis

INTRODUCTION

Acadian Timber Income Fund ("Acadian" or the "Fund") is a leading supplier of primary forest products in Eastern Canada and the Northeastern U.S. With a total of 2.4 million acres of land under management, Acadian is the second largest timberland operator in New Brunswick and Maine.

Acadian owns and manages approximately 765,000 acres of freehold timberlands in New Brunswick ("NB Timberlands"), approximately 311,000 acres of freehold timberlands in Maine ("Maine Timberlands") and provides management services relating to approximately 1.3 million acres of Crown licensed timberlands. Acadian also owns and operates a forest nursery in Second Falls, New Brunswick. Acadian's products include softwood and hardwood sawlogs, pulpwood and biomass by-products, sold to over 110 regional customers.

Acadian's business strategy is to maximize cash flows from its timberland assets, while enhancing the value of these assets over time.

Basis of Presentation

This section of our interim report presents management's discussion and analysis ("MD&A") of our financial results and is followed by our consolidated financial statements for the most recent period. The MD&A is intended to provide you with an assessment of our performance during the three-month period ended June 28, 2008, (herein referred to as the "second quarter"), and the six-month period ended June 28, 2008, as compared to the three and six month periods ended June 30, 2007.

Our financial results are determined in accordance with Canadian generally accepted accounting principles ("GAAP") and are expressed in Canadian dollars unless otherwise noted. External economic and industry factors remain unchanged, unless otherwise noted.

This MD&A has been prepared based on information available as at July 30, 2008. Additional information is available on Acadian's website at *www.acadiantimber.com* and on SEDAR's website at *www.sedar.com*.

Non-GAAP Measures

Throughout the MD&A, reference is made to earnings before interest, taxes, depletion, depreciation and amortization ("EBITDA") and distributable cash from operations. Management believes that EBITDA and distributable cash from operations are key performance measures in evaluating the Fund's operations and are important in enhancing investors' understanding of the Fund's operating performance. As EBITDA and distributable cash from operations do not have a standardized meaning prescribed by GAAP, they may not be comparable to similar measures presented by other companies. As a result, we have provided reconciliations of net income (loss) and cash flow from (used for) operating activities, as determined in accordance with GAAP, to EBITDA and distributable cash from operations in the "Distributable Cash from Operations" section of this MD&A.

Assessment and Changes in Disclosure Controls and Internal Controls

Management has evaluated the effectiveness of the design and operation of the Fund's disclosure controls and procedures as at December 31, 2007. There have been no changes in our disclosure controls and procedures during the period ended June 28, 2008 that have materially affected, or are reasonably likely to materially affect, our disclosure controls and procedures.

Management has also evaluated the design of our internal controls over financial reporting in accordance with Multilateral Instrument 52-109 using the COSO framework as at December 31, 2007. There have been no changes in our internal controls over financial reporting during the period ended June 28, 2008 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

REVIEW OF OPERATIONS

Summary of Second Quarter Results

The table below summarizes operating and financial data for Acadian:

	Three Months Ended		Six Months Ended	
millions, except per unit data and where indicated	**June 28, 2008**	June 30, 2007	**June 28, 2008**	June 30, 2007
Total				
Sales volume (000s m^3)	**212.9**	267.6	**624.9**	750.2
Net sales	**$ 8.3**	$ 13.3	**$ 31.0**	$ 40.2
EBITDA[1]	**(1.0)**	1.9	**6.2**	11.5
EBITDA margin	**(12)%**	14%	**20%**	29%
Distributable cash from operations	**$ (2.0)**	$ 0.9	**$ 4.3**	$ 9.6
Net income (loss)[1,2]	**(8.4)**	(17.1)	**(3.7)**	(19.6)
Distributions declared				
Class A unitholders	**2.5**	1.8	**5.0**	3.5
Class B LP unitholders	**—**	0.7	**—**	1.5
Class B Interest of a subsidiary	**0.9**	0.9	**1.8**	1.8
	3.4	3.4	**6.8**	6.8
Payout ratio	**(170)%**	378%	**158%**	71%
Total assets	**$ 216.7**	$ 227.6	**$ 216.7**	$ 227.6
Total debt financing	**74.2**	76.0	**74.2**	76.0
Per Unit (fully diluted)				
Distributable cash from operations	**$ (0.12)**	$ 0.05	**$ 0.26**	$ 0.58
Distributions declared per unit				
Class A unitholders	**0.21**	0.21	**0.41**	0.41
Class B LP unitholders	**—**	0.21	**—**	0.41
Class B Interest of a subsidiary	**0.21**	0.21	**0.41**	0.41
Net income (loss)[1,2]	**(0.70)**	(1.42)	**(0.31)**	(1.62)
Book value - fully diluted	**7.54**	8.23	**7.54**	8.23
Units outstanding				
Class A unitholders	**12,064,423**	8,450,643	**12,064,423**	8,450,643
Class B LP unitholders	**—**	3,613,780	**—**	3,613,780
Class B Interest of a subsidiary	**4,507,030**	4,507,030	**4,507,030**	4,507,030

[1] Included in EBITDA and Net Income for the three months ended June 28, 2008 is a negative $0.4 million (2007 - $0.5 million) adjustment related to the Crown reconciliation. Total Crown reconciliation adjustments for the six months ended June 28, 2008 were negative $1.0 million (2007 - $0.5 million).

[2] Net income (loss) includes the impact of the revaluation of the Class B Interest Liability of a subsidiary, the future income tax expense, and the depreciation and depletion expense, which are non-cash items recorded in each respective period.

Distributable Cash from Operations

Distributable cash from operations for the three and six months ended June 28, 2008 was negative $2.0 million and $4.3 million, respectively as compared to $0.9 million and $9.6 million during Acadian's second quarter and first six months of operations in 2007. With the distributable cash generated to date and existing cash reserves, Acadian is well positioned to meet distributions for the balance of the year.

Distributable cash from operations represents cash that is generated from the sale of our timber, from the services provided in the management of Crown licensed timberlands and from the sale of non-timber products. Hardwood and softwood harvest volumes represent the productive capacity of Acadian's operations. Harvest volumes, excluding biomass, for the second quarter and first six months of 2008 were 118.8 thousand m^3 and 481.9 thousand m^3, respectively, which was within the harvest levels required to maintain the Long Run Sustained Yield ("LRSY") of our timberland estates. Acadian is focused on maximizing long-term value for unitholders, and in doing so will make every effort to maintain a stable financial performance while preserving the long-term value of the business. In order to continue to achieve this objective, Acadian will operate at harvest levels within LRSY and will invest in silviculture to improve the quality and value of future harvests. Although this may cause volatility in our distributable cash from operations annually, we will continue to focus on preserving the long-term value of Acadian.

The following table provides a reconciliation of net income (loss), as determined in accordance with GAAP, to distributable cash from operations during each respective period:

	Three Months Ended		Six Months Ended	
millions	**June 28, 2008**	June 30, 2007	**June 28, 2008**	June 30, 2007[1]
Net income (loss)[1,2]	**$ (8.4)**	$ (17.1)	**$ (3.7)**	$ (19.6)
Add (deduct):				
Interest income	**(0.1)**	(0.1)	**(0.1)**	(0.2)
Interest expense on long-term debt	**0.8**	1.0	**1.7**	2.0
Distribution on Class B Interest Liability of a subsidiary	**0.9**	0.9	**1.8**	1.8
Future income tax expense	**0.1**	9.8	**0.1**	9.8
Depreciation and depletion	**0.8**	1.0	**3.5**	4.3
Non-cash loss (gain) on Class B Interest Liability of a subsidiary	**4.9**	6.4	**2.9**	13.4
EDITDA[2]	**(1.0)**	1.9	**6.2**	11.5
Add (deduct):				
Interest income	**0.1**	0.1	**0.1**	0.2
Interest expense on long-term debt	**(0.8)**	(1.0)	**(1.7)**	(2.0)
Silviculture and capital expenditures	**(0.3)**	(0.1)	**(0.3)**	(0.1)
Gain on sale of timberlands	**(0.1)**	—	**(0.1)**	—
Proceeds from sale of timberlands, logging roads and fixed assets	**0.1**	—	**0.1**	—
Distributable cash from operations	**$ (2.0)**	$ 0.9	**$ 4.3**	$ 9.6
Distributions declared	**$ 3.4**	$ 3.4	**$ 6.8**	$ 6.8

[1] Net income (loss) includes the impact of the revaluation of the Class B Interest Liability of a subsidiary, the future income tax expense, and the depreciation and depletion expense, which are non-cash items recorded in each respective period.
[2] Included in EBITDA and Net Income for the three months ended June 28, 2008 is a negative $0.4 million (2007 - $0.5 million) adjustment related to the Crown reconciliation. Total Crown reconciliation adjustments for the six months ended June 28, 2008 were negative $1.0 million (2007 - $0.5 million).

In calculating our distributable cash from operations, adjustments are made to cash flow from (used for) operating activities, as determined in accordance with GAAP, to reflect changes in non-cash working capital items, actual cash spent on silviculture required to maintain the productive capacity of our forests, and actual cash spent to maintain our assets. In addition, an adjustment is made for the distributions on the Class B Interest Liability of a subsidiary, which is included as interest expense in accordance with GAAP; however, these payments are made on the same basis as distributions to our other unitholders, and consequently are included in our disclosure of distributions declared. The following table provides a reconciliation of cash flow from (used for) operating activities, as determined in accordance with GAAP, to distributable cash from operations during each respective period:

millions	Three Months Ended June 28, 2008	Three Months Ended June 30, 2007	Six Months Ended June 28, 2008	Six Months Ended June 30, 2007
Cash flow from (used for) operating activities	$ **(1.0)**	$ (4.2)	$ **7.4**	$ 3.9
Add (deduct):				
Capital adjustments				
Proceeds from sale of timberlands, logging roads and fixed assets	**0.1**	—	**0.1**	—
Other adjustments				
Change in non-cash working capital balances and other	**(1.7)**	4.3	**(4.7)**	4.0
Distribution on Class B Interest Liability of a subsidiary	**0.9**	0.9	**1.8**	1.8
Silviculture and capital expenditures	**(0.3)**	(0.1)	**(0.3)**	(0.1)
Distributable cash from operations	$ **(2.0)**	$ 0.9	$ **4.3**	$ 9.6

The following table provides a comparison of distributions declared on Class A units during the three and six months ended June 28, 2008, and distributions declared on Class A and Class B LP units during the comparable periods in 2007, to the net income (loss) and cash flow from (used for) operating activities recorded during each of these respective periods. Distributions on the Class B Interest Liability of a subsidiary are included in net income (loss) and cash flow from (used for) operating activities, as they are recorded as interest expense in accordance with GAAP, and have thus been excluded from this analysis.

millions	Three Months Ended June 28, 2008	Three Months Ended June 30, 2007	Six Months Ended June 28, 2008	Six Months Ended June 30, 2007
Cash flow from (used for) operating activities	**$ (1.0)**	$ (4.2)	**$ 7.4**	$ 3.9
Net income (loss)[1,2]	**(8.4)**	(17.1)	**(3.7)**	(19.6)
Actual cash distributions declared on Class A and Class B LP Units	**2.5**	2.5	**5.0**	5.0
Excess (short fall) of cash flows from operating activities over distributions declared	**(3.5)**	(6.7)	**2.4**	(1.1)
Excess (shortfall) of net income over cash distributions declared	**(10.9)**	(19.6)	**(8.7)**	(24.6)

[1] Net income (loss) includes the impact of the revaluation of the Class B Interest Liability of a subsidiary, the future income tax expense and the depreciation and depletion expense, which are non-cash items recorded in each respective period.

[2] Included in EBITDA and Net Income for the three months ended June 28, 2008 is a negative $0.4 million (2007 - $0.5 million) adjustment related to the Crown reconciliation. Total Crown reconciliation adjustments for the six months ended June 28, 2008 were negative $1.0 million (2007 - $0.5 million).

Cash distributions declared to Class A unitholders were greater than the net loss and cash flow used for operating activities during the three months ended June 28, 2008, consistent with the comparable period in 2007. This shortfall however, was not considered to represent an economic return of capital as the distributable cash from operations generated since Acadian's inception has been sufficient to meet the distributions of the Fund. In determining the appropriate level of distributions, our Board of Trustees consider the historic and forecasted annual distributable cash from operations of Acadian. Given the seasonality of Acadian's operations, the Fund's performance may vary significantly on a quarter by quarter basis. The payout ratio of the Fund, which represents the amount of distributions declared as a percentage of the distributable cash from operations generated, is negative for the second quarter of 2008. Since Acadian's inception on January 31, 2006, the cumulative payout ratio of the Fund is 99%.

As described in more detail on page 12 of this report, Acadian has borrowings totaling $74.2 million that have a security interest over the assets and contain certain restrictive covenants relating to debt incurrence, sale of assets, and the maintenance of certain financial ratios, all of which are in compliance as at June 28, 2008. These covenants are not expected to restrict the ability of the Fund to distribute cash flows to its unitholders. The obligations of these borrowings over the next five years are disclosed on page 16 of this report. Upon maturity, management intends to refinance these debt obligations at fixed or floating interest rates, depending on the best interests of Acadian. In seeking to refinance these debt obligations, there is no assurance that Acadian will be able to refinance these obligations at maturity; or if refinanced, that the terms of the refinancing will be as favourable as the original terms. If unable to refinance these facilities on acceptable terms, or at all, Acadian may need to dispose of a portion of its assets, or otherwise raise funds, to settle their obligations. All interest payments on the existing debt obligations are incurred in order to sustain the Fund's productive capacity and are thus considered in determining the distributable cash from operations of Acadian.

Distribution Policy of the Fund

The Fund makes monthly distributions of its available cash, including the funds available under the terms of the revolving credit facility, to the extent determined prudent by the Trustees. These distributions represent all cash received from the Fund's indirect interest in the Partnership, less estimated cash amounts required for expenses and other obligations of the Fund, cash redemptions of units and any tax liability. Distributions are paid on or about the 15th day following the end of each month. Total distributions declared to unitholders for the three and six months ended June 28, 2008 were $3.4 million or $0.21 per unit, and $6.8 million or $0.41 per unit, respectively, which were consistent with the distributions declared to unitholders during the three and six months ended June 30, 2007 and which were in line with distributions anticipated at the initial public offering ("IPO").

Market Conditions

Heavy winter snowfall and rain resulted in serious flooding early in the second quarter which caused significant damage to roads and bridges in the region. Fortunately, Acadian's roads and bridges suffered only modest damage; however, repair activities created increased demand for a limited number of road builders resulting in reduced harvest levels across the region.

Many mills experienced very low inventory levels throughout the second quarter owing to their unwillingness to carry high inventories into the spring mud season, the very wet weather and limited availability of contractors. This was particularly true for hardwood pulpwood, which continues to be in very high demand with prices up 9% year-over-year and 4% quarter-over-quarter. Average softwood pulpwood prices increased 4% compared to the second quarter of 2007. The traditionally low level of production and sales in the second quarter typically leads to considerable volatility in quarter-over-quarter and year-over-year price comparisons. Acadian's average selling price for softwood and hardwood sawlogs decreased 6% and 12%, respectively, in the second quarter of 2008 as compared to the second quarter of 2007. This compares to a 12% decline in the Random Lengths Lumber index. For softwood sawlogs, the difference reflects a combination of softer market conditions and a decision to sell to more local customers, which results in lower freight costs. Acadian's lower sales realizations for hardwood sawlogs are primarily a function of changes in species mix whereby sales reflected a lower proportion of high value "bird's eye" maple. Acadian continues to benefit from strong demand from softwood-using pulp mills for sawlogs to supplement their supply of pulpwood, due to low chip availability. This has provided a partial offset to the continued low demand for sawlogs from sawmills.

Fuel costs continued to increase, pushing variable costs up and becoming an important consideration in determining the best customer for each product. These costs were partially offset by the strength in pulp prices and some firmness in sawtimber prices as mills experienced low raw material inventories.

Acadian's weighted average selling price across all products decreased 4% year-over-year. This decline largely reflects a change in sales mix, where lower valued hardwood pulpwood increased from 34% of total sales in the second quarter of 2007 to 53% of total sales in the second quarter of 2008. We believe this relatively modest decline in selling price, and demonstration of Acadian's ability to modify its harvest profile according to market opportunities, continues to highlight the sustainability of Acadian's cash flows given current market conditions and the strong Canadian dollar.

Results from Operations

As we have highlighted in the past, the second quarter of the year is traditionally our weakest owing to limited access to roads and timberlands as the ground thaws, and this quarter was no exception. Acadian generated negative EBITDA of $1.0 million, or $2.9 million lower than Acadian's second quarter of 2007. These results reflect the seasonal nature of the second quarter, the strong Canadian dollar, weak market conditions for softwood sawlogs, and a reconciliation of volumes, royalties and overhead costs related to the management of the Crown licensed timberlands.

The reconciliation referred to above resulted in NB Timberlands having to remit $0.4 million during the second quarter and $1.0 million year-to-date to sublicencees as less volume had been harvested by sublicencees than expected. This reconciliation is based on a monthly invoicing schedule set between the New Brunswick Department of Natural Resources and Acadian, as licensee on behalf of Fraser Papers, and ultimately between Acadian and its sublicencees, at the beginning of each Crown operating season that runs April 1 to March 31. At the end of the Crown operating season, Acadian reconciles the volume harvested across all of its sublicences and Acadian Crown harvest to the monthly invoicing schedule. This reconciliation results in a payment from, or remittance to, the sublicencees if harvested volume exceeds, or falls short, as compared to the monthly schedule. In the second quarter of 2007, NB Timberlands received a $0.5 million payment as sublicencees harvested more volume than expected. Excluding this reconciliation, EBITDA in the second quarter of 2008 was negative $0.6 million.

Acadian generated net sales of $8.3 million on consolidated log sales volumes of 212.9 thousand m^3 in the second quarter of 2008. This compares to net sales of $13.3 million on consolidated log sales volumes of 267.6 thousand m^3 in the second quarter of 2007.

For the six months ended June 28, 2008, Acadian generated net sales of $31.0 million on log sales volumes of 624.9 thousand m^3 as compared with net sales of $40.2 million on log sales of 750.2 thousand m^3 in the comparable period of 2007. EBITDA of $6.2 million during the six months ended June 28, 2008 is $5.3 million lower, or, excluding the impact of the Crown license related reconciliation in both years, $3.8 million lower than Acadian's very strong first half of 2007.

Included in the net loss for the second quarter of 2008, is a non-cash loss related to the Class B Interest Liability of a subsidiary. The settlement obligation of this interest is based on the trading value of Acadian's units at the time of settlement, which requires the liability to be recorded at its fair value at each balance sheet date with the corresponding gain or loss included in the statement of operations. In addition, as this Canadian dollar liability has been issued by a self-sustaining U.S. dollar subsidiary of the Fund, the obligation is required to be converted to U.S. dollars at each reporting period, with the corresponding gain or loss included in the statement of operations. These items resulted in a $4.9 million loss for the second quarter (2007 - $6.4 million loss) and a $2.9 million loss for the six months ended June 28, 2008 (2007 - $13.4 million loss), comprising a $3.5 million mark-to-market loss (2007 - $8.8 million loss) partially offset by a $0.6 million foreign exchange gain (2007 - $4.6 million loss).

Segmented Results of Operations

The table below summarizes operating and financial results for NB Timberlands and Maine Timberlands:

	Three Months Ended June 28, 2008			
millions	**NB Timberlands**	**Maine Timberlands**	**Corporate**	**Consolidated**
Sales volumes (000s m^3)	**174.7**	**38.2**	**—**	**212.9**
Net sales	**$ 6.5**	**$ 1.8**	**$ —**	**$ 8.3**
EBITDA[1]	**$ (0.8)**	**$ —**	**$ (0.2)**	**$ (1.0)**
EBITDA margin	**(12)%**	**—%**	**n/a**	**(12)%**

	Three Months Ended June 30, 2007			
millions	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m^3)	220.2	47.4	—	267.6
Net sales	$ 11.0	$ 2.3	$ —	$ 13.3
EBITDA[1]	$ 2.0	$ 0.3	$ (0.4)	$ 1.9
EBITDA margin	18%	13%	n/a	14%

	Six Months Ended June 28, 2008			
millions	**NB Timberlands**	**Maine Timberlands**	**Corporate**	**Consolidated**
Sales volumes (000s m^3)	**483.6**	**141.3**	**—**	**624.9**
Net sales	**$ 23.7**	**$ 7.3**	**$ —**	**$ 31.0**
EBITDA[1]	**$ 4.4**	**$ 2.2**	**$ (0.4)**	**$ 6.2**
EBITDA margin	**19%**	**30%**	**n/a**	**20%**

	Six Months Ended June 30, 2007			
millions	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m³)	577.6	172.6	—	750.2
Net sales	$ 30.5	$ 9.7	$ —	$ 40.2
EBITDA[1]	$ 8.7	$ 3.2	$ (0.4)	$ 11.5
EBITDA margin	29%	33%	n/a	29%

[1] Included in EBITDA and Net Income for the three months ended June 28, 2008 is a negative $0.4 million (2007 - $0.5 million) adjustment related to the Crown reconciliation. Total Crown reconciliation adjustments for the six months ended June 28, 2008 were negative $1.0 million (2007 - $0.5 million)

NB Timberlands

NB Timberlands owns and manages 765,000 acres of freehold timberlands, provides management services relating to approximately 1.3 million acres of Crown licensed timberlands, and owns a forest nursery. Approximately two-thirds of harvesting is performed by third-party contractors and one-third by NB Timberlands employees.

The table below summarizes operating and financial results for NB Timberlands:

	Three Months Ended June 28, 2008			Three Months Ended June 30, 2007		
	Harvest	**Sales**	**Results**	Harvest	Sales	Results
	(000s m³)	*(000s m³)*	*(millions)*	*(000s m³)*	*(000s m³)*	*(millions)*
Softwood	**9.0**	**20.3**	**$ 1.2**	32.0	49.4	$ 3.0
Hardwood	**76.7**	**92.5**	**5.6**	63.7	96.4	5.5
Biomass	**61.9**	**61.9**	**0.9**	74.4	74.4	1.6
	147.6	**174.7**	**7.7**	170.1	220.2	10.1
Other sales			**(1.2)**			0.9
Net sales			**$ 6.5**			$ 11.0
EBITDA[1]			**$ (0.8)**			$ 2.0
EBITDA margin			**(12)%**			18%

	Six Months Ended June 28, 2008			Six Months Ended June 30, 2007		
	Harvest	**Sales**	**Results**	Harvest	Sales	Results
	(000s m³)	*(000s m³)*	*(millions)*	*(000s m³)*	*(000s m³)*	*(millions)*
Softwood	**132.4**	**143.0**	**$ 8.8**	180.1	182.7	$ 11.5
Hardwood	**215.4**	**224.2**	**12.9**	225.9	249.7	13.6
Biomass	**116.4**	**116.4**	**1.9**	145.2	145.2	3.0
	464.2	**483.6**	**23.6**	551.2	577.6	28.1
Other sales			**0.1**			2.4
Net sales			**$ 23.7**			$ 30.5
EBITDA[1]			**$ 4.4**			$ 8.7
EBITDA margin			**19%**			29%

[1] Included in EBITDA and Net Income for the three months ended June 28, 2008 is a negative $0.4 million (2007 - $0.5 million) adjustment related to the Crown reconciliation. Total Crown reconciliation adjustments for the six months ended June 28, 2008 were negative $1.0 million (2007 - $0.5 million).

Softwood, hardwood and biomass shipments were 20 thousand m^3, 93 thousand m^3 and 62 thousand m^3 for the second quarter, respectively. Approximately 17% of sales volumes were sold as sawlogs, 48% as pulpwood and 35% as biomass in the second quarter of 2008. This compares to 21% of sales volumes sold as sawlogs, 45% as pulpwood and 34% as biomass in the second quarter of 2007, demonstrating the operation's continued response to the weak spruce-fir sawlog market and increased demand for pulpwood.

Net sales for the second quarter of 2008 were $6.5 million with an average selling price across all products of $44.03 per m^3 as compared to net sales of $11.0 million and an average selling price of $45.98 per m^3 during the second quarter of 2007. Average selling price decreased 4% over this period, as a result of the greater proportion of pulpwood and biomass in the sales mix, and a lower proportion of high value products such as "bird's eye" maple. Total sales volumes decreased 21%, while softwood sawlog volumes were 61% lower for the second quarter of 2008 compared to the second quarter of 2007 due to the weak demand for sawlogs from sawmills.

Another contributor to the decrease in net sales was the annual reconciliation of volumes, royalties and overhead costs related to the management of the Crown licensed timberlands that takes place in the second quarter of each year. This reconciliation caused NB Timberlands to remit $0.4 million or a total of $1.0 million to sublicencees during the three and six months ended June 28, 2008, respectively. In comparison, NB Timberlands received $0.5 million from sublicencees in the second quarter of 2007 as actual harvested volumes had exceeded expectations.

These factors contributed to the $6.8 million decrease in net sales and 16% lower sales volume for the six months ended June 28, 2008 as compared to the first half of 2007.

Costs for the second quarter, net of the gain from the sale of timberlands, were $7.3 million as compared to $9.0 million in the comparable period of the prior year. Total costs decreased as a result of the lower harvest volume, and variable costs per cubic meter were flat year-over-year even as fuel costs continued to increase dramatically in the second quarter. The flat year-over-year variable cost per cubic meter comparison reflects reduced hauling distances for pulpwood, representing 66% of total sales, in order to minimize fuel surcharge exposure compared to the second quarter of 2007.

EBITDA for the second quarter was negative $0.8 million, or negative $0.4 million excluding the Crown licence related reconciliation, as compared to $2.0 million, or $1.5 million excluding the impact of the Crown reconciliation, during the second quarter of 2007. For the six months ended June 28, 2008, EBITDA was $4.4 million as compared to $8.7 million for the first half of 2007.

EBITDA margin of negative 12%, compared to 18% for the second quarter of 2007, reflects the impact of lower value sales mix, lower volumes, and the reconciliation adjustment.

NB Timberlands experienced one minor reportable incident among employees and no reportable incidents among contractors during the quarter.

Maine Timberlands

Maine Timberlands owns and operates 311,000 acres of freehold timberlands and is operated exclusively by third-party contractors.

The table below summarizes operating and financial results for Maine Timberlands:

	Three Months Ended June 28, 2008			Three Months Ended June 30, 2007		
	Harvest	**Sales**	**Results**	Harvest	Sales	Results
	(000s m³)	*(000s m³)*	*(millions)*	*(000s m³)*	*(000s m³)*	*(millions)*
Softwood	**23.1**	**23.0**	**$ 1.1**	28.6	28.5	$ 1.4
Hardwood	**10.0**	**11.6**	**0.5**	12.5	13.7	0.6
Biomass	**3.6**	**3.6**	**0.1**	5.2	5.2	0.2
	36.7	**38.2**	**1.7**	46.3	47.4	2.2
Other sales			**0.1**			0.1
Net sales			**$ 1.8**			$ 2.3
EBITDA			**$ —**			$ 0.3
EBITDA margin			**—%**			13%

	Six Months Ended June 28, 2008				Six Months Ended June 30, 2007			
	Harvest	**Sales**		**Results**	Harvest	Sales		Results
	(000s m³)	*(000s m³)*		*(millions)*	*(000s m³)*	*(000s m³)*		*(millions)*
Softwood	**109.7**	**109.6**	**$**	**5.9**	129.6	129.3	$	7.6
Hardwood	**24.4**	**24.4**		**1.1**	34.2	33.5		1.5
Biomass	**7.3**	**7.3**		**0.1**	9.8	9.8		0.4
	141.4	**141.3**		**7.1**	173.6	172.6		9.5
Other sales				**0.2**				0.2
Net sales			$	**7.3**			$	9.7
EBITDA			$	**2.2**			$	3.2
EBITDA margin				**30%**				33%

Softwood and hardwood shipments were 23 thousand m³ and 12 thousand m³ for the second quarter, respectively. Approximately 41% of shipment volume was sold as sawlogs, 50% as pulpwood and 9% as biomass in the second quarter of 2008. This compares to 42% of shipment volume sold as sawlogs, 47% as pulpwood and 11% as biomass in the comparable period of 2007.

Net sales for the second quarter were $1.8 million with an average selling price across all products of $45.94 per m³ as compared to net sales of $2.3 million and an average selling price of $46.76 per m³ during the second quarter of 2007. Prices held up well, however, lower sales volumes and the impact of the Canadian dollar translation caused net sales on a Canadian dollar basis to decrease 22% year-over-year. Net sales for the six months ended June 28, 2008 were $7.3 million, $2.4 million less than the first half of 2007.

Costs for the second quarter were $1.8 million as compared to $2.0 million during the second quarter in 2007 due to lower volumes. While fuel costs increased, variable costs per unit decreased 5% in Canadian dollar terms and 4% in U.S. dollar terms, compared to the second quarter of 2007. This decrease reflects changes in species mix, which was more heavily weighted towards hemlock, and increased sales to close proximity markets.

EBITDA for the second quarter was $nil as compared to $0.3 million in the comparable period of 2007. For the six months ended June 28, 2008, EBITDA was $2.2 million as compared to $3.2 million for the first half of 2007. EBITDA margin of nil% for the second quarter of 2008, as compared to 13% for the second quarter of 2007, reflects limited operations in the second quarter.

Maine Timberlands had no accidents among its employees or its contractors in the second quarter of 2008.

Financial Position

As at June 28, 2008, Acadian's balance sheet consisted of total assets of $216.7 million, (December 31, 2007 - $220.2 million) represented primarily by timberlands and logging roads of $196.7 million (December 31, 2007 - $199.1 million) and the balance in cash and working capital of $13.9 million (December 31, 2007 - $15.0 million) and intangible assets of $6.1 million (December 31, 2007 - $6.1 million). Timberlands have been recorded at cost as determined through the purchase of these assets on formation of the Fund and are depleted and charged to operations in a systematic manner based on the utilization of the timber resources. Silviculture costs have been capitalized as incurred.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Acadian's principal sources of liquidity include cash earned from operations and a $5.0 million revolving credit facility which remains undrawn since the inception of the Fund. These sources, combined with existing cash and cash equivalents and net working capital generated by the Fund since inception, are expected to allow the Fund to meet its operating, debt service, capital expenditure and distribution requirements. As indicated previously, due to the seasonal nature of our business, it is typical that cash reserves are generated in the first quarter of the year and are then drawn down during periods such as the second quarter when harvesting conditions are not ideal. This remains unchanged from the prior year.

The Fund expects to make monthly distributions of its available cash to the extent determined prudent by the Fund's Trustees.

Silviculture and capital expenditures for the second quarter were $0.3 million (2007 - $0.1 million) and are in line with management's estimate of annual silviculture and capital expenditures of $0.7 million (2007 - $1.4 million), which are expected to be incurred mainly during the second and third quarters of this year.

Management will continue to assess financing alternatives which may include the issuance of additional Fund units and debt when funding requirements such as potential acquisitions and debt re-payments, present themselves.

Capital Resources

Borrowings

The Fund has a $47.0 million bank credit facility consisting of a $42.0 million bank term credit facility and a $5.0 million revolving credit facility. As at June 28, 2008, no funds (December 31, 2007 - nil) had been drawn on the revolving credit facility. The term facility, which matures on January 30, 2009, is fully drawn, and bears interest based on the 30-day Banker Acceptances rate. Management intends to refinance these facilities and is currently assessing the term and amount of these facilities as well as other financing alternatives, including the fixing of interest rates where appropriate. In seeking to refinance this debt obligation, there is no assurance that Acadian will be able to refinance this obligation at maturity; or if refinanced, that the terms of the refinancing will be as favourable as the original terms of the bank credit facility. If unable to refinance this facility on acceptable terms, or at all, Acadian may need to dispose of a portion of its assets, or otherwise raise funds, to settle the bank term credit facility.

The Fund has also secured a term loan facility of U.S.$31.5 million. This facility bears interest at 4.67%, payable quarterly and expires on February 27, 2011. The Fund has granted the lenders a security interest over its U.S. assets. Both facilities contain certain restrictive covenants relating to debt incurrence, sale of assets, and maintenance of certain financial ratios, all of which are in compliance as at June 28, 2008.

Outstanding Units

As at June 28, 2008, 12,064,423 Class A units were issued and outstanding, which is unchanged from December 31, 2007. The Fund is authorized to issue an unlimited number of units of the same class with equal rights and privileges. Unitholders are entitled to receive distributions as and when declared by the Trustees of the Fund and are entitled to one vote per unit on all matters to be voted on by unitholders at each meeting of unitholders.

As at June 28, 2008, Brookfield Asset Management Inc. ("Brookfield") owned 3,006,232 Class A units and 4,507,030 units representing the Class B Interest Liability of a subsidiary. The Class B Interest Liability of a subsidiary is convertible into units of the Fund at the option of Brookfield on a one-for-one basis and represent approximately 27% of the issued and outstanding units of the Fund on a fully-diluted basis. Brookfield's ownership interest is 45% of the outstanding units of Acadian on a fully diluted basis.

The Class B Interest Liability of a subsidiary entitles the holder to require the settlement of the liability in units, or at the sole election of Acadian, cash equal to the fair value of those units on the date of conversion. As the settlement of these interests is either cash or something other than the equity of the subsidiary, they are considered liabilities for accounting purposes. Holders of these interests are entitled to receive, as and when declared by Acadian, a fixed cumulative preferential cash distribution at a rate equal to the U.S. dollar equivalent on the date of such distribution of the lesser of (i) $0.075625, representing 110% of the initial monthly distribution per unit of the Fund, and (ii) the then most recently announced distribution per unit.

A summary of the Fund units on a fully diluted basis is as follows:

	As at June 28, 2008	
	Units	**Percentage**
Class A units outstanding	12,064,423	73%
Class B Interest Liability of a subsidiary outstanding	4,507,030	27%
	16,571,453	100%

MARKET OUTLOOK

The following contains forward-looking statements about Acadian Timber Income Fund's market outlook for fiscal 2008. Reference should be made to "Forward-looking Statements" on page 18. For a description of material factors that could cause actual results to differ materially from the forward-looking statements in the following, please see the Risk Factors section of our most recent Annual Report and Annual Information Form available on our website at www.acadiantimber.com or www.sedar.com.

The market for softwood sawlogs is expected to continue to experience weak demand and soft pricing through 2008 with U.S. housing starts now off 63% since their peak in February 2006, and the supply of new single-family homes at 10.9 months and existing single-family homes at 10.8 months. While we anticipate only limited further deterioration in pricing, we expect ongoing challenges in maintaining sales volumes while managing freight costs associated with accessing more distant customers and increasing fuel surcharges. Softwood sawlog pricing is expected to continue to be supported by further harvest reductions on Quebec and Ontario crown land and harvest reductions by private woodlot owners, who have exited the marketplace while waiting for higher prices. The current strong demand and pricing for pulp and paper products and low levels of sawmill production continue to result in significant regional chip shortages supporting strong prices for hardwood and softwood pulpwood and chip-n-saw logs. This is also causing integrated companies to run some portion of their sawmills at moderate levels in order to maintain chip supplies. Acadian's NB Timberlands continues to plan for a 25% reduction in its 2008 harvest of spruce-fir sawlogs relative to 2007 levels to ensure the Fund is well positioned to maximize cash flows when the softwood market recovers.

Markets for hardwood sawlogs and specialty products are expected to remain stable in 2008, while markets for softwood pulpwood and biomass are expected to experience continued strength reflecting strong demand, regional chip shortages and lower levels of regional harvest activity. Markets for hardwood pulp are expected to continue to remain very favourable throughout 2008 as regional pulp and paper mills press for increasing supplies.

Biomass demand and pricing is expected to continue to be very favourable in 2008 owing to reduced availability associated with lower levels of timber and sawmill production and strong demand associated with favourable prices for power.

Canadian Government's Tax Fairness Plan

On October 31, 2006, the Canadian government announced proposed changes to Canada's taxation system designed to level the playing field between trusts and corporations. These proposed changes were enacted into law on June 22, 2007. Based on the information that the government has provided, it appears that Acadian would be considered a specified investment flow-through vehicle, which would result in Acadian being impacted by this incremental tax beginning in 2011.

The Fund continues to feel that it is too early to fully determine the extent to which the legislation will ultimately impact Acadian. The Fund's management and Board of Trustees will continue to monitor and analyze the situation and its implications to Acadian as they develop.

SUPPLEMENTAL INFORMATION

This supplemental information contains information required by applicable continuous disclosure guidelines and to facilitate additional analysis.

Selected Consolidated Quarterly Information

The table below sets forth selected consolidated quarterly information for the last eight quarters. See "Additional Quarterly Information" section for the segmented quarterly results.

	2008		2007				2006	
millions, except per unit data and where indicated	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales volume (000s m³)	**213**	412	314	323	267	483	371	371
Net sales	**$ 8.3**	$ 22.7	$ 17.7	$ 16.9	$ 13.3	$ 26.9	$ 19.5	$ 19.7
EBITDA[1]	**$ (1.0)**	$ 7.2	$ 4.9	$ 3.9	$ 1.9	$ 9.6	$ 5.1	$ 6.1
Distributable cash from operations	**$ (2.0)**	$ 6.3	$ 3.9	$ 2.0	$ 0.9	$ 8.7	$ 4.4	$ 3.7
Net income (loss)[1,2]	**$ (8.4)**	$ 4.7	$ 7.4	$ (4.3)	$ (17.1)	$ (2.5)	$ 2.8	$ 0.9
Net income (loss) per unit - basic	**$ (0.70)**	$ 0.39	$ 0.61	$ (0.36)	$ (1.42)	$ (0.21)	$ 0.23	$ 0.07
Net income (loss) per unit - diluted	**$ (0.70)**	$ 0.22	$ 0.16	$ (0.36)	$ (1.42)	$ (0.21)	$ 0.15	$ 0.07

[1] Included in EBITDA and Net Income for the three months ended June 28, 2008 is a negative $0.4 million (2007 - $0.5 million) adjustment related to the Crown reconciliation. Total Crown reconciliation adjustments for the six months ended June 28, 2008 were negative $1.0 million (2007 - $0.5 million).

[2] Net income (loss) includes the impact of the revaluation of the Class B Interest Liability of a subsidiary, the future income tax expense (recovery), and the depreciation and depletion expense, which are non-cash items recorded in each respective period.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reported period. Actual results could differ from these estimates.

Acadian considers the following policies to be most critical in understanding the judgements that are involved in preparing the Fund's consolidated financial statements and the uncertainties that could affect the Fund's results of operations, financial position and cash flows.

Accounting for Timberlands and Logging Roads

Acadian's timberlands and logging roads are recorded at cost less accumulated depletion. Depletion is recorded in a systematic manner based on the utilization of the timber resources. Depletion amounts are charged to operations based on a pro rata calculation of units of timber harvested and relative values of timber present, and is applied against the historical cost of timberlands. Main logging roads and their associated bridges are depreciated on a straight-line basis over their estimated useful lives of twenty years.

Class B Interest Liability of a Subsidiary

The Class B Interest Liability represents preferred interests in the Maine Timberlands. The preferred interests are convertible into units at the option of the holder and are treated as a liability of the Maine Timberlands for accounting purposes.

The value of the liability is measured at each reporting date to reflect the market price of the units and the current exchange rates. Changes in value are recorded in the consolidated statement of operations.

Class B LP Units

The Class B LP units represent units in a subsidiary of the Fund and are exchangeable into units at any time. The Class B LP units have been treated as a component of unitholders' equity for accounting purposes and as part of the number of units outstanding for the calculation of basic earnings per unit. As of October 1, 2007, all Class B LP have been exchanged into Class A units of the Fund.

Translation of Foreign Currencies

The currency of measurement of the Fund's Canadian operations and U.S. operations are the Canadian dollar and U.S. dollar respectively. Monetary assets and liabilities denominated in a currency other than the operation's currency of measurement are translated at exchange rates prevailing at the end of the period with the associated gain or loss recorded in the consolidated statement of operations.

The accounts of self-sustaining operations in the United States are translated using the current rate method under which assets and liabilities are translated at exchange rates prevailing at the end of the period and revenues and expenses at average exchange rates during the period. Gains or losses on translation are not included in the consolidated statement of operations, but are presented as an other comprehensive gain or loss in the consolidated statement of comprehensive income (loss) and as a separate item in unitholders' equity.

Change in Accounting Policies

In 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures (Section 1535), Handbook Section 3862, Financial Instruments - Disclosures (Section 3862), and Handbook Section 3863, Financial Instruments - Presentation (Section 3863). Additionally, in 2007 the CICA approved Handbook Section 3031, Inventories (Section 3031). These new standards became effective for Acadian on January 1, 2008.

Capital Disclosures

On December 1, 2006, the CICA issued Section 1535, Capital Disclosures. Section 1535 requires the disclosure of (i) an entity's objectives, policies and process for managing capital; (ii) quantitative data about an entity's managed capital; (iii) whether an entity has complied with capital requirements; and (iv) if an entity has not complied with such capital requirements, the consequences of such non-compliance. The required disclosure upon the adoption of this new accounting standard has been included in Note 10 of the Fund's interim consolidated financial statements.

Financial Instruments - Disclosures and Presentation

On December 1, 2006, the CICA issued two new accounting standards, Section 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments - Presentation. These standards replace Section 3861, Financial Instruments - Disclosure and Presentation and enhance the disclosure of the nature and extent of risks arising from financial instruments and how the entity manages those risks. These new standards became effective on January 1, 2008. The adoption of these new accounting standards did not impact the carrying amounts reported in Acadian's consolidated financial statements; however, additional quantitative and qualitative information regarding Acadian's financial instruments and their associated risks is provided in Note 11 of the Fund's interim consolidated financial statements.

Inventories

In March 2007, the CICA approved Handbook Section 3031 Inventories, which replaces the existing Section 3030 Inventories. The standard provides more guidance on the measurement and disclosure requirements for inventories, however the adoption of Section 3031 did not have an impact on the consolidated financial statements of the Fund.

Future Accounting Policies

Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets (Section 3064), replacing CICA 3062, Goodwill and Other Intangible Assets (Section 3062) and CICA 3450, Research and Development Costs (Section 3450). Section 3064 addresses when an internally developed intangible asset meets the criteria for recognition as an asset. The CICA also issued amendments to Section 1000, Financial Statement Concepts, and Accounting Guideline AcG-11, Enterprises in the Development Stage. EIC-27, Revenues and Expenditures during the Pre-operating Period, will not apply to entities that have adopted Section 3064. These changes are effective for fiscal years beginning on or after October 1, 2008, with earlier adoption permitted, and will be adopted by the Fund effective January 1, 2009. Collectively, these changes bring Canadian practice closer to International Financial Reporting Standards ("IFRS") and generally accepted accounting principles in the United States ("U.S. GAAP") by eliminating the practice of recognizing as assets a variety of startup, pre-production and similar costs that do not meet the definition and recognition criteria of an asset.

International Financial Reporting Standards

In 2005, the Accounting Standards Board of Canada (AcSB) announced that accounting standards in Canada are to converge with IFRS. In May 2007, the CICA published an updated version of its implementation plan which outlines the key decisions that the CICA will need to make as it implements the Strategic Plan for publicly accountable enterprises that will converge Canadian GAAP with IFRS by January 1, 2011. The CICA plans to converge Canadian GAAP with IFRS. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies. The Fund currently expects to report under IFRS with the first quarter report in 2011 and is currently assessing the future impact of the new standards on its consolidated financial statements.

Taxation of Fund Distributions

Management estimates approximately 80% of the Fund's targeted distributions for 2008 will represent a return of capital.

Related Party Transactions

In the normal course of operations, the Fund enters into various transactions on market terms with related parties which have been measured at exchange value and recognized in the consolidated financial statements. The Fund has one significant related party, Brookfield Asset Management Inc., and affiliates (collectively "Brookfield"). As at June 28, 2008, Brookfield owned 3,006,232 Class A units and 4,507,030 units representing the Class B interest liability of a subsidiary, representing approximately 45% of the outstanding units of the Fund on a fully diluted basis. Acadian is also a related party to Fraser Papers Inc. ("Fraser Papers") as a result of their common significant shareholder. A summary of the significant related party transactions have been provided below. More detailed information regarding these relationships can be found in the Fund's prospectus dated January 23, 2006.

a) Acadian is party to fibre supply agreements whereby Acadian has agreed to provide fibre to Fraser Papers and Brookfield for periods of up to 20 years. In addition, Acadian has agreed to administer certain licenses on behalf of Fraser Papers. Total sales to Fraser Papers and Brookfield during the three months ended June 28, 2008 amounted to $1.4 million (2007 – $4.7 million) and $0.3 million (2007 – $0.4 million), respectively, which represented 17% (2007 – 33%) of consolidated total sales. Included in accounts receivable at June 28, 2008 is $1.1 million (December 31, 2007 – $1.0 million) related to these agreements. Total sales to Fraser Papers and Brookfield for the six-month period ended June 28, 2008 amounted to $7.9 million (2007 – $17.8 million) and $0.8 million (2007 – $1.6 million), respectively.

b) Acadian is party to an agreement with Brookfield, whereby Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided in the second quarter amounted to $0.5 million (2007 – $0.5 million) and $1.0 million (2007 – $1.0 million) for the six months ended June 28, 2008. All fees have been fully paid in accordance with the services agreement.

c) Distributions paid or declared to Fraser Papers during the three and six months ended June 28, 2008 totalled $nil (2007 – $0.7 million) and $nil (2007 – $1.5 million), respectively.

d) Payments on the Class B Interest Liability to Brookfield during the three and six months ended June 28, 2008 totalled $0.9 million (2007 – $0.9 million) and $1.8 million (2007 – $1.8 million), respectively. An additional $0.3 million accrued payment on the Class B Interest Liability has been included in accounts payable and accrued liabilities as at June 28, 2008 (December 31, 2007 – $0.3 million).

e) Maine Timberlands rents space in a shared office building from Katahdin Paper Company LLC (a wholly-owned subsidiary of Brookfield), which also provides certain administrative services to Maine Timberlands. Total costs paid for these services were $4 thousand (2007 – $4 thousand) in the second quarter and $8 thousand during the six-month period ended June 28, 2008 (2007 – $8 thousand).

Contractual Obligations

The Fund has no material capital or operating lease obligations; however, it has three significant contractual obligations related to the supply of fibre to related parties and the provision of management services under a Crown License Agreement at the direction of a related party. See Related Party Transactions for further discussion of these contracts. A summary of the Fund's debt obligations is as follows:

			Payments Due by Period			
millions	Total Available	Total Drawn	Less Than One Year	1 to 3 Years	4 to 5 Years	After 5 Years
Long-term debt						
Bank term credit facility	$ 42.0	$ 42.0	$ 42.0	$ —	$ —	$ —
Revolving credit facility	5.0	—	—	—	—	—
Class B Interest Liability	50.2	50.2	—	—	—	50.2
Term loan facility	32.2	32.2	—	32.2	—	—
	$ 129.4	$ 124.4	$ 42.0	$ 32.2	$ —	$ 50.2
Interest expense (i)(ii)		$ 68.6	$ 6.2	$ 9.9	$ 7.4	$ 45.1

The following assumptions have been made with respect to interest rates for the periods noted in the table above.

(i) Bank term debt credit facility variable interest at 4.1% per annum;

(ii) Term loan facility fixed interest at 4.67% with a Canadian to U.S. dollar conversion of 0.99.

Additional Quarterly Information

The tables below set forth additional quarterly information for the last eight quarters by reportable segment:

NB Timberlands

	2008 Q2			2008 Q1			2007 Q4			2007 Q3		
	Harvest	**Sales**	**Results**	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m³)	**(000s m³)**	**(millions)**	(000s m³)	(000s m³)	(millions)	(000s m³)	(000s m³)	(millions)	(000s m³)	(000s m³)	(millions)
Softwood	**9.0**	**20.3**	**$ 1.2**	123.4	122.7	$ 7.6	93.4	113.2	$ 7.0	99.0	86.8	$ 5.5
Hardwood	**76.7**	**92.5**	**5.6**	138.7	131.7	7.3	119.6	102.1	5.3	97.9	90.8	4.8
Biomass	**61.9**	**61.9**	**0.9**	54.5	54.5	1.0	37.3	37.3	0.9	65.1	65.1	1.4
	147.6	**174.7**	**7.7**	316.6	308.9	15.9	250.3	252.6	13.2	262.0	242.7	11.7
Other Sales			**(1.2)**			1.3			1.6			0.8
Net sales			**$ 6.5**			$ 17.2			$ 14.8			$ 12.5
EBITDA[1]			**$ (0.8)**			$ 5.2			$ 4.3			$ 2.8
EBITDA Margin			**(12)%**			30%			29%			22%

[1] Included in EBITDA for the three months ended June 28, 2008 is a negative $0.4 million (2007 - $0.5 million) adjustment related to the Crown reconciliation. Total reconciliation adjustments for the six months ended June 28, 2008 were negative $1.0 million (2007 - $0.5 million).

Maine Timberlands

	2008 Q2			2008 Q1			2007 Q4			2007 Q3		
	Harvest	**Sales**	**Results**	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m³)	**(000s m³)**	**(millions)**	(000s m³)	(000s m³)	(millions)	(000s m³)	(000s m³)	(millions)	(000s m³)	(000s m³)	(millions)
Softwood	**23.1**	**23.0**	**$ 1.1**	86.6	86.6	$ 4.8	50.9	50.8	$ 2.4	63.4	63.4	$ 3.6
Hardwood	**10.0**	**11.6**	**0.5**	14.4	12.8	0.6	8.6	8.5	0.4	14.1	14.2	0.6
Biomass	**3.6**	**3.6**	**0.1**	3.7	3.7	—	1.8	1.8	—	3.2	3.2	0.1
	36.7	**38.2**	**1.7**	104.7	103.1	5.4	61.3	61.1	2.8	80.7	80.8	4.3
Other Sales			**0.1**			0.1			0.1			0.1
Net sales			**$ 1.8**			$ 5.5			$ 2.9			$ 4.4
EBITDA			**$ —**			$ 2.2			$ 0.8			$ 1.4
EBITDA Margin			**0%**			40%			28%			32%

Corporate

	2008 Q2			2008 Q1			2007 Q4			2007 Q3		
	Harvest	**Sales**	**Results**	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m³)	**(000s m³)**	**(millions)**	(000s m³)	(000s m³)	(millions)	(000s m³)	(000s m³)	(millions)	(000s m³)	(000s m³)	(millions)
Softwood	**—**	**—**	**$ —**	—	—	$ —	—	—	$ —	—	—	$ —
Hardwood	**—**	**—**	**—**	—	—	—	—	—	—	—	—	—
Biomass	**—**	**—**	**—**	—	—	—	—	—	—	—	—	—
	—	**—**	**—**	—	—	—	—	—	—	—	—	—
Other Sales			**—**			—						—
Net sales			**$ —**			$ —			$ —			$ —
EBITDA			**$ (0.2)**			$ (0.2)			$ (0.2)			$ (0.3)
EBITDA Margin			**n/a**			n/a			n/a			n/a

NB Timberlands

	2007 Q2			2007 Q1			2006 Q4			2006 Q3		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m³)	(000s m³)	(millions)	(000s m³)	(000s m³)	(millions)	(000s m³)	(000s m³)	(millions)	(000s m³)	(000s m³)	(millions)
Softwood	32.0	49.4	$ 3.0	148.1	133.3	$ 8.5	117.4	86.4	$ 5.5	101.4	97.6	$ 6.2
Hardwood	63.7	96.4	5.5	162.2	153.3	8.1	121.2	125.0	6.6	122.7	127.8	6.6
Biomass	74.4	74.4	1.6	70.8	70.8	1.4	76.7	76.7	1.4	67.5	67.5	1.4
	170.1	220.2	10.1	381.1	357.4	18.0	315.3	288.1	13.5	291.6	292.9	14.2
Other Sales			0.9			1.5			0.9			0.9
Net sales			$ 11.0			$ 19.5			$ 14.4			$ 15.1
EBITDA[1]			$ 2.0			$ 6.7			$ 4.0			$ 4.6
EBITDA Margin			18%			34%			28%			30%

[1] Included in EBITDA for the three months ended June 28, 2008 is a negative $0.4 million (2007 - $0.5 million) adjustment related to the Crown reconciliation. Total reconciliation adjustments for the six months ended June 28, 2008 were negative $1.0 million (2007 - $0.5 million).

Maine Timberlands

	2007 Q2			2007 Q1			2006 Q4			2006 Q3		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m³)	(000s m³)	(millions)	(000s m³)	(000s m³)	(millions)	(000s m³)	(000s m³)	(millions)	(000s m³)	(000s m³)	(millions)
Softwood	28.6	28.5	$ 1.4	101.0	100.8	$ 6.2	58.9	58.4	$ 3.8	57.3	57.3	$ 3.5
Hardwood	12.5	13.7	0.6	21.7	19.8	0.9	22.1	22.2	1.1	19.8	18.4	0.8
Biomass	5.2	5.2	0.2	4.6	4.6	0.2	2.0	2.1	0.1	2.3	2.3	0.1
	46.3	47.4	2.2	127.3	125.2	7.3	83.0	82.7	5.0	79.4	78.0	4.4
Other Sales			0.1			0.1			0.1			0.2
Net sales			$ 2.3			$ 7.4			$ 5.1			$ 4.6
EBITDA			$ 0.3			$ 2.9			$ 1.9			$ 1.4
EBITDA Margin			13%			39%			37%			30%

Corporate

	2007 Q2			2007 Q1			2006 Q4			2006 Q3		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m³)	(000s m³)	(millions)	(000s m³)	(000s m³)	(millions)	(000s m³)	(000s m³)	(millions)	(000s m³)	(000s m³)	(millions)
Softwood	—	—	$ —	—	—	$ —	—	—	$ —	—	—	$ —
Hardwood	—	—	—	—	—	—	—	—	—	—	—	—
Biomass	—	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—	—
Other Sales			—			—			—			—
Net sales			—			—			—			$ —
EBITDA			$ (0.4)			$ —			$ (0.8)			$ 0.1
EBITDA Margin			n/a			n/a			n/a			n/a

Forward-Looking Statements

This Interim Report contains forward-looking information and other "forward-looking" statements that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Fund, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this Interim Report, such statements use such words as "may," "will," "intend," "should," "expect," "believe," "outlook," "predict," "remain," "anticipate," "estimate," "potential," "continue" or the negative of these terms or other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this Interim Report. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. Factors that could cause actual results to differ materially from the results discussed in the forward-looking statements include, but are not limited to: general economic and market conditions; product demand; concentration of customers; commodity pricing; interest rate and foreign currency fluctuations; seasonality; weather and natural conditions; regulatory, trade or environmental policy changes; and other risks and factors discussed under Risk Factors in Acadian's Final Prospectus and other filings with securities regulatory authorities. Although the forward-looking statements contained in this Interim Report are based upon what management believes are reasonable assumptions, the Fund cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this Interim Report, and should not be relied upon as representing the Fund's views as of any date subsequent to the date of this Interim Report.

Interim Consolidated Balance Sheet

(unaudited)

As at *CAD millions*	Note	**June 28, 2008**	December 31, 2007
Assets			
Current assets			
Cash and cash equivalents		**$ 7.1**	$ 4.9
Accounts receivable and other assets	8,11	**5.2**	8.1
Inventory		**1.6**	2.0
		13.9	15.0
Intangible assets		**6.1**	6.1
Timberlands, logging roads and fixed assets	4	**196.7**	199.1
		$ 216.7	$ 220.2
Liabilities and unitholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	8,11	**$ 7.3**	$ 6.0
Distributions payable to unitholders		**0.8**	0.8
Bank term credit facility	5,10,11	**42.0**	—
		50.1	6.8
Future income tax liability		**9.5**	9.4
Long-term debt	5,10,11	**32.2**	73.8
Class B Interest Liability of a subsidiary	6,10,11	**50.2**	46.6
Unitholders' equity	7,10	**74.7**	83.6
		$ 216.7	$ 220.2

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statement of Comprehensive Income (Loss)

(unaudited)

CAD millions	Three Months Ended **June 28, 2008**	Three Months Ended June 30, 2007	Six Months Ended **June 28, 2008**	Six Months Ended June 30, 2007
Net income (loss)	$ **(8.4)**	$ (17.1)	**$** **(3.7)**	$ (19.6)
Other comprehensive loss				
Unrealized foreign currency translation losses	**(0.1)**	—	**(0.2)**	(0.1)
Comprehensive income (loss)	$ **(8.5)**	$ (17.1)	**$** **(3.9)**	$ (19.7)

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statement of Operations and Deficit

(unaudited)

		Three Months Ended		Six Months Ended	
CAD millions	Note	**June 28, 2008**	June 30, 2007	**June 28, 2008**	June 30, 2007
Net sales		**$ 8.3**	$ 13.3	**$ 31.0**	$ 40.2
Operating costs and expenses					
Cost of sales		**7.8**	9.8	**21.8**	25.4
Selling, administration and other		**1.6**	1.6	**3.1**	3.3
Depreciation and depletion	4	**0.8**	1.0	**3.5**	4.3
		10.2	12.4	**28.4**	33.0
Operating earnings (loss)		**(1.9)**	0.9	**2.6**	7.2
Gain on sale of timberlands		**(0.1)**	—	**(0.1)**	—
Loss on Class B Interest Liability of a subsidiary	6,11	**4.9**	6.4	**2.9**	13.4
Interest:					
Interest income		**(0.1)**	(0.1)	**(0.1)**	(0.2)
Interest expense on long-term debt		**0.8**	1.0	**1.7**	2.0
Class B Interest Liability of a subsidiary		**0.9**	0.9	**1.8**	1.8
Earnings (loss) before income taxes		**(8.3)**	(7.3)	**(3.6)**	(9.8)
Future income tax expense	12	**(0.1)**	(9.8)	**(0.1)**	(9.8)
Net income (loss) for the period		**(8.4)**	(17.1)	**(3.7)**	(19.6)
Deficit, beginning of period		**(25.5)**	(6.2)	**(27.7)**	(1.2)
Unitholders' distributions		**(2.5)**	(2.5)	**(5.0)**	(5.0)
Deficit, end of period		**$ (36.4)**	$ (25.8)	**$ (36.4)**	$ (25.8)
Net income (loss) per unit - basic	7	**$ (0.70)**	$ (1.42)	**$ (0.31)**	$ (1.62)
Net income (loss) per unit - diluted	7	**$ (0.70)**	$ (1.42)	**$ (0.31)**	$ (1.62)

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statement of Cash Flows

(unaudited)

CAD millions	Note	Three Months Ended June 28, 2008	Three Months Ended June 30, 2007	Six Months Ended June 28, 2008	Six Months Ended June 30, 2007
Cash provided by (used for):					
Operating activities					
Net income (loss)		**$ (8.4)**	$ (17.1)	**$ (3.7)**	$ (19.6)
Items not affecting cash:					
Future income tax expense	12	**0.1**	9.8	**0.1**	9.8
Depreciation and depletion		**0.8**	1.0	**3.5**	4.3
Gain on sale of timberlands		**(0.1)**	—	**(0.1)**	—
Loss on Class B Interest Liability of a subsidiary	6,11	**4.9**	6.4	**2.9**	13.4
		(2.7)	0.1	**2.7**	7.9
Net change in non-cash working capital balances and other		**1.7**	(4.3)	**4.7**	(4.0)
		(1.0)	(4.2)	**7.4**	3.9
Investing activities					
Sale of timberlands, logging roads and fixed assets		**0.1**	—	**0.1**	—
Additions to timberlands, logging roads and fixed assets		**(0.2)**	—	**(0.2)**	—
Silviculture expenditures		**(0.1)**	(0.1)	**(0.1)**	(0.1)
		(0.2)	(0.1)	**(0.2)**	(0.1)
Financing activities					
Distributions paid to unitholders		**(2.5)**	(2.5)	**(5.0)**	(5.0)
		(2.5)	(2.5)	**(5.0)**	(5.0)
Increase (decrease) in cash and cash equivalents during the period		**(3.7)**	(6.8)	**2.2**	(1.2)
Cash and cash equivalents, beginning of period		**10.8**	13.3	**4.9**	7.7
Cash and cash equivalents, end of period		**$ 7.1**	**$** 6.5	**$ 7.1**	**$** 6.5

See accompanying notes to interim consolidated financial statements.

Notes to the Interim Consolidated Financial Statements

(unaudited) (All figures in Canadian dollars unless otherwise stated)

NOTE 1. GENERAL

In these notes "Acadian" means Acadian Timber Income Fund and all of its consolidated operations, while the "Fund" means Acadian Timber Income Fund as a separate entity.

The Fund is an unincorporated open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated December 15, 2005, as amended. The Fund qualifies as a "mutual fund trust" for the purposes of the Income Tax Act (Canada). The authorized equity of the Fund consists of an unlimited number of Fund units ("units"). Unitholders are entitled to receive distributions as and when declared by the trustees of the Fund (the "Trustees") and are entitled to one vote per unit on all matters to be voted on by unitholders at each meeting of unitholders.

Acadian owns and manages approximately 765,000 acres of freehold timberlands in New Brunswick ("NB Timberlands"), approximately 311,000 acres of freehold timberlands in Maine ("Maine Timberlands") and provides management services relating to approximately 1.3 million acres of Crown licensed timberlands. Acadian also owns and operates a forest nursery in Second Falls, New Brunswick. Acadian's products include softwood and hardwood sawlogs, pulpwood and biomass by-products, sold to over 110 regional customers.

As part of the initial public offering of the Fund, Brookfield Asset Management Inc. (together with its subsidiaries, "Brookfield") and Fraser Papers Inc. (together with its subsidiaries, "Fraser Papers") each had a significant ownership interest in and exercise significant influence over Acadian. On September 26, 2007, Fraser Papers announced that they had converted and sold their entire holdings of the Class B LP units of Acadian. Effective October 1, 2007, Fraser Papers no longer had an ownership interest in Acadian but Acadian and Fraser Papers remain related parties as a result of a common significant shareholder.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements present the results of operations and cash flows of Acadian for the three and six month periods ended June 28, 2008 along with the comparative results for the three and six month periods ended June 30, 2007. These consolidated financial statements include the accounts of Acadian and the entities over which it has control and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") as prescribed by the Canadian Institute of Chartered Accountants ("CICA").

The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses during a period. Significant estimates include the determination of the carrying value of assets, and estimating the useful lives of timberlands, logging roads and fixed assets. Actual results could differ from those estimates.

These interim consolidated financial statements have been prepared using accounting policies that are consistent with the policies used in preparing the Fund's most recent annual report, except as discussed in Note 3. These consolidated financial statements do not include all of the disclosure required under GAAP for annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Fund and notes for the year ended December 31, 2007.

Due to the seasonal nature of Acadian's timberland operations, the first, third and fourth quarters of the fiscal year typically account for, and are expected in the future to account for, a greater portion of revenue and net income individually than does the second quarter of each fiscal year. This seasonal pattern may cause Acadian's revenue and net income to vary significantly from quarter to quarter.

NOTE 3. CHANGES IN ACCOUNTING POLICIES

In 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures (Section 1535), Handbook Section 3862, Financial Instruments - Disclosures (Section 3862), and Handbook Section 3863, Financial Instruments - Presentation (Section 3863). Additionally, in 2007 the CICA approved Handbook Section 3031, Inventories (Section 3031). These new standards became effective for Acadian on January 1, 2008.

Capital Disclosures

On December 1, 2006, the CICA issued Section 1535, Capital Disclosures. Section 1535 requires the disclosure of (i) an entity's objectives, policies and process for managing capital; (ii) quantitative data about an entity's managed capital; (iii) whether an entity has complied with capital requirements; and (iv) if an entity has not complied with such capital requirements, the consequences of such non-compliance. The adoption of this new accounting standard did not impact the Fund's consolidated financial statements; however the required disclosure is provided in Note 10.

Financial Instruments - Disclosures and Presentation

On December 1, 2006, the CICA issued two new accounting standards, Section 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments - Presentation. These standards replace Section 3861, Financial Instruments - Disclosure and Presentation and enhance the disclosure of the nature and extent of risks arising from financial instruments and how the entity manages those risks. These new standards became effective on January 1, 2008. The adoption of these new accounting standards did not impact the amounts reported in Acadian's consolidated financial statements; however, additional quantitative and qualitative information regarding Acadian's financial instruments and their associated risks is provided in Note 11.

Inventories

In March 2007, the CICA approved Handbook Section 3031 Inventories, which replaces the existing Section 3030 Inventories. The standard provides more guidance on the measurement and disclosure requirements for inventories, however the adoption of Section 3031 did not have an impact on the consolidated financial statements of the Fund.

Future Accounting Policies

Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, replacing CICA 3062, Goodwill and Other Intangible Assets and CICA 3450, Research and Development Costs. New section 3064 addresses when an internally developed intangible asset meets the criteria for recognition as an asset. The CICA also issued amendments to Section 1000, Financial Statement Concepts, and Accounting Guideline AcG-11, Enterprises in the Development Stage. EIC-27, Revenues and Expenditures during the Pre-operating Period, will not apply to entities that have adopted Section 3064. These changes are effective for fiscal years beginning on or after October 1, 2008, with earlier adoption permitted, and will be adopted by the Fund effective January 1, 2009. Collectively, these changes bring Canadian practice closer to International Financial Reporting Standards ("IFRS") and generally accepted accounting principles in the United States ("U.S. GAAP") by eliminating the practice of recognizing as assets a variety of startup, pre-production and similar costs that do not meet the definition and recognition criteria of an asset. The Fund is currently assessing the impact of this new accounting standard on its financial statements.

International Financial Reporting Standards

In 2005, the Accounting Standards Board of Canada (AcSB) announced that accounting standards in Canada are to converge with IFRS. In May 2007, the CICA published an updated version of its implementation plan which outlines the key decisions that the CICA will need to make as it implements the Strategic Plan for publicly accountable enterprises that will converge Canadian GAAP with IFRS by January 1, 2011. The CICA plans to converge Canadian GAAP with IFRS. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies. The Fund currently expects to report under IFRS with the first quarter report in 2011 and is currently assessing the future impact of the new standards on its consolidated financial statements.

(unaudited) (All figures in Canadian dollars unless otherwise stated)

NOTE 4. TIMBERLANDS, LOGGING ROADS AND FIXED ASSETS

As at June 28, 2008 *millions*	Book Value	Accumulated Depletion and Depreciation	Net Book Value
Timberlands	**$ 189.1**	**$ (17.0)**	**$ 172.1**
Land	**10.5**	**—**	**10.5**
Logging roads and bridges	**14.2**	**(1.7)**	**12.5**
Building and equipment	**1.8**	**(0.2)**	**1.6**
	$ 215.6	**$ (18.9)**	**$ 196.7**

As at December 31, 2007 *millions*	Book Value	Accumulated Depletion and Depreciation	Net Book Value
Timberlands	$ 188.1	$ (13.9)	$ 174.2
Land	10.5	—	10.5
Logging roads and bridges	14.0	(1.2)	12.8
Building and equipment	1.8	(0.2)	1.6
	$ 214.4	$ (15.3)	$ 199.1

Our Maine Timberlands operation has 167 acres of non-core land, with an approximate carrying value of $0.2 million, which is being actively marketed for disposal. This land was identified as non-core land at the time of acquisition, and therefore has been segregated and is not being depleted. Management expects that a divestiture will occur within the next twelve months of operations.

NOTE 5. DEBT FINANCING

Debt financing consisted of the following:

millions	June 28, 2008	December 31, 2007
Bank term credit facility, repayable in January 2009	**$ 42.0**	$ 42.0
Term loan facility, repayable in February 2011	**32.2**	31.8
	$ 74.2	$ 73.8

Acadian has a term credit facility for up to $42.0 million and a revolving credit facility of up to $5.0 million. The term credit facility expires on January 30, 2009 and bears interest at floating rates which for the period ended June 28, 2008 was based on 30-day Banker Acceptance rates. The revolving credit facility bears interest at 30-day Banker Acceptance rates, has a period of 364 days and has customary extension features. Management intends to refinance these facilities and is currently assessing the term and amount of these facilities as well as other financing alternatives, including the fixing of interest rates where appropriate. As at June 28, 2008, Acadian has borrowed $42.0 million under the term facility and nil under the revolving facility, which remains unchanged from December 31, 2007. As security for these facilities, Acadian has granted the lenders a security interest over the assets of the NB Timberlands. These facilities have certain restrictive covenants relating to debt incurrence and the sale of assets and require Acadian to maintain certain financial ratios (see Note 10). As at June 28, 2008, Acadian was in compliance with all covenants.

The Maine Timberlands secured a term loan facility for up to U.S.$31.5 million which was fully drawn at June 28, 2008. The carrying amount of the facility includes U.S.$0.4 million of deferred financing costs payable upon maturity of the facility. The facility bears interest at 4.67% and expires on February 27, 2011. The fair value of the secured term loan facility is estimated to be U.S.$31.9 million as compared to the carrying value of U.S.$31.5 million, excluding the deferred financing costs payable. As security for this facility, Maine Timberlands has granted the lenders a security interest over its assets. The facility has certain restrictive covenants relating to debt incurrence and the sale of assets and requires Maine Timberlands to maintain certain financial ratios (see Note 10). As at June 28, 2008, Maine Timberlands was in compliance with all covenants. The amount payable under this facility totalled $32.2 million at June 28, 2008 (December 31, 2007 - $31.8 million).

(unaudited) (All figures in Canadian dollars unless otherwise stated)

NOTE 6. CLASS B INTEREST LIABILITY OF A SUBSIDIARY

The Class B Interest Liability represents 4,507,030 preferred interests in the Maine Timberlands which are convertible into Units of the Fund. The distributions are entitled to a fixed monthly cumulative preferential dividend equal to the lesser of $0.075625 and the most recently announced distribution per Unit of the Fund. These interests are convertible at the option of the holder on a one for one basis into units of the Fund or, at the sole discretion of Acadian, into cash equal to the fair market value of these Units on the date of conversion. During the three and six month periods ended June 28, 2008, distributions on the Class B Interests were $0.21 per preferred interest (2007 - $0.21 per preferred unit) and $0.41 per preferred unit (2007 - $0.41 per preferred unit), the same as distributions on Units of the Fund.

The Class B Interest Liability is a Canadian dollar liability of the Maine Timberlands. As the currency of measurement of Maine Timberlands is the U.S. dollar, the liability is marked to market at each balance sheet date based on the change on the value of the units of the Fund and the U.S. to Canadian dollar exchange rate with the change recorded in income for the period. For the three and six months ended June 28, 2008, the revaluation of this interest resulted in a loss of $4.9 million (2007 - $6.4 million loss) and $2.9 million (2007 - $13.4 million loss), respectively. The year-to-date loss is comprised of a $3.5 million mark-to-market loss (2007 - $8.8 million loss) partially offset by a $0.6 million foreign exchange gain (2007 - $4.6 million loss) due to the weakening of the Canadian currency in the period.

NOTE 7. UNITHOLDERS' EQUITY

The components of Unitholders' equity as at June 28, 2008 are as follows:

millions	
Units issued and outstanding - 12,064,423 Units	$ **111.6**
Accumulated other comprehensive loss	**(0.5)**
Deficit	**(36.4)**
Total	$ **74.7**

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) reflects unrealized gains (losses) on the translation of the financial statements of the Maine Timberlands. Accumulated other comprehensive income (loss) as at June 28, 2008 and June 30, 2007 is:

	Three Months Ended		Six Months Ended	
millions	**June 28, 2008**	June 30, 2007	**June 28, 2008**	June 30, 2007
Balance, beginning of period	**$ (0.4)**	$ 0.1	**$ (0.3)**	$ 0.2
Other comprehensive income (loss)	**(0.1)**	—	**(0.2)**	(0.1)
Balance, end of period	**$ (0.5)**	$ 0.1	**$ (0.5)**	$ 0.1

As at June 28, 2008 the Fund had 12,064,423 Class A units issued and outstanding. Assuming the full conversion of the Class B Interest Liability described in Note 6, at June 28, 2008 the Fund would have 16,571,453 units outstanding.

The weighted average number of Units outstanding for basic net income per Unit is determined by dividing net income by the total number of Units and Fraser Units outstanding. Diluted net income per Unit for the three and six months ended June 28, 2008, and the comparable periods of 2007, respectively, was calculated as follows:

(unaudited) (All figures in Canadian dollars unless otherwise stated)

Reconciliation to net income:

	Three Months Ended		Six Months Ended	
millions	**June 28, 2008**	June 30, 2007	**June 28, 2008**	June 30, 2007
Net income (loss)	**$ (8.4)**	$ (17.1)	**$ (3.7)**	$ (19.6)
Add (deduct)				
Interest expense of Class B Interest Liability of a subsidiary	**—**	—	**—**	—
Gain on Class B Interest Liability of a subsidiary	**—**	—	**—**	—
Diluted net income (loss) available for unitholders	**$ (8.4)**	$ (17.1)	**$ (3.7)**	$ (19.6)

Reconciliation of number of Units:

	Three Months Ended		Six Months Ended	
thousands	**June 28, 2008**	June 30, 2007	**June 28, 2008**	June 30, 2007
Weighted average number of Units				
Units	**12,064**	8,450	**12,064**	8,450
Fraser units	**—**	3,614	**—**	3,614
Basic weighted average number of Units	**12,064**	12,064	**12,064**	12,064
Conversion of Class B Interest Liability of a subsidiary	**—**	—	**—**	—
Diluted weighted average number of Units	**12,064**	12,064	**12,064**	12,064

The Class B Interest Liability of a subsidiary was anti-dilutive for the three and six month periods ended June 28, 2008 and June 30, 2007, respectively, due to the net loss for each respective period.

NOTE 8. RELATED PARTY TRANSACTIONS

All related party transactions are recorded at the exchange amount.

a) Acadian is party to fibre supply agreements whereby Acadian has agreed to provide fibre to Fraser Papers and Brookfield for periods of up to 20 years. In addition, Acadian has agreed to administer certain licenses on behalf of Fraser Papers. Total sales to Fraser Papers and Brookfield during the three months ended June 28, 2008 amounted to $1.4 million (2007 – $4.7 million) and $0.3 million (2007 – $0.4 million), respectively which represented 17% (2007 – 33%) of consolidated total sales. Included in accounts receivable at June 28, 2008 is $1.1 million (December 31, 2007 – $1.0 million) related to these agreements. Total sales to Fraser Papers and Brookfield for the six-month period ended June 28, 2008 amounted to $7.9 million (2007 – $17.8 million) and $0.8 million (2007 – $1.6 million), respectively.

b) Acadian is party to an agreement with Brookfield, whereby Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided in the second quarter amounted to $0.5 million (2007 – $0.5 million) and $1.0 million (2007 – $1.0 million) for the six months ended June 28, 2008. All fees have been fully paid in accordance with the services agreement.

c) Distributions paid or declared to Fraser Papers during the three and six months ended June 28, 2008 totalled $nil (2007 – $0.7 million) and $nil (2007 – $1.5 million), respectively.

d) Payments on the Class B Interest Liability to Brookfield during the three and six months ended June 28, 2008 totalled $0.9 million (2007 – $0.9 million) and $1.8 million (2007 – $1.8 million), respectively. An additional $0.3 million accrued payment on the Class B Interest Liability has been included in accounts payable and accrued liabilities as at June 28, 2008 (December 31, 2007 – $0.3 million).

(unaudited) (All figures in Canadian dollars unless otherwise stated)

e) Maine Timberlands rents space in a shared office building from Katahdin Paper Company LLC (a wholly-owned subsidiary of Brookfield), which also provides certain administrative services to Maine Timberlands. Total costs paid for these services were $4 thousand (2007 – $4 thousand) in the second quarter and $8 thousand during the six-month period ended June 28, 2008 (2007 – $8 thousand).

NOTE 9. SEGMENTED INFORMATION

The Fund's presentation of reportable segments is based on how management has organized the business in making operating and capital allocation decisions and assessing performance. The Fund has two reporting segments, the NB Timberlands and Maine Timberlands. Net sales, net income and assets by reportable segments are as follows:

For the Three Months Ended June 28, 2008 *millions*	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 2.3	$ 1.2	$ 1.1	$ —
Hardwood	6.1	5.6	0.5	—
Biomass and other	(0.1)	(0.3)	0.2	—
Total net sales	8.3	6.5	1.8	—
Operating costs	(9.4)	(7.4)	(1.8)	(0.2)
Earnings (loss) before under noted	(1.1)	(0.9)	—	(0.2)
Depletion and depreciation	(0.8)	(0.5)	(0.3)	—
Operating earnings (loss)	(1.9)	(1.4)	(0.3)	(0.2)
Gain on sale of timberlands	0.1	0.1	—	—
Earnings (loss) before under noted items	$ (1.8)	$ (1.3)	$ (0.3)	$ (0.2)
Loss on Class B Interest Liability of a subsidiary	(4.9)			
Interest expense, net	(1.6)			
Future income tax expense	(0.1)			
Net loss	$ (8.4)			

As at June 28, 2008 *millions*				
Timberlands, logging roads, fixed assets and intangible assets	$ 202.8	$ 131.4	$ 71.4	$ —
Total assets	216.7	137.2	72.8	6.7

(unaudited) (All figures in Canadian dollars unless otherwise stated)

For the Three Months Ended June 30, 2007 *millions*	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 4.4	$ 3.0	$ 1.4	$ —
Hardwood	6.1	5.5	0.6	—
Biomass and other	2.8	2.5	0.3	—
Total net sales	13.3	11.0	2.3	—
Operating costs	(11.4)	(9.0)	(2.0)	(0.4)
Earnings (loss) before under noted	1.9	2.0	0.3	(0.4)
Depletion and depreciation	(1.0)	(0.7)	(0.3)	—
Operating earnings (loss)	$ 0.9	$ 1.3	$ —	$ (0.4)
Loss on Class B Interest Liability of a subsidiary	(6.4)			
Interest expense, net	(1.8)			
Future income tax expense	(9.8)			
Net loss	$ (17.1)			

As at June 30, 2007 *millions*				
Timberlands, logging roads, fixed assets and intangible assets	$ 212.9	$ 134.6	$ 78.3	$ —
Total assets	227.6	141.5	81.0	5.1

For the Six Months Ended June 28, 2008 *millions*	**Total**	**NB Timberlands**	**Maine Timberlands**	**Corporate and Other**
Net sales				
Softwood	**$ 14.7**	**$ 8.8**	**$ 5.9**	**$ —**
Hardwood	**14.0**	**12.9**	**1.1**	**—**
Biomass and other	**2.3**	**2.0**	**0.3**	**—**
Total net sales	**31.0**	**23.7**	**7.3**	**—**
Operating costs	**(24.9)**	**(19.4)**	**(5.1)**	**(0.4)**
Earnings (loss) before under noted	**6.1**	**4.3**	**2.2**	**(0.4)**
Depletion and depreciation	**(3.5)**	**(2.2)**	**(1.3)**	**—**
Operating earnings (loss)	**2.6**	**2.1**	**0.9**	**(0.4)**
Gain on sale of timberlands	**0.1**	**0.1**	**—**	**—**
Earnings (loss) before under noted items	**$ 2.7**	**$ 2.2**	**$ 0.9**	**$ (0.4)**
Loss on Class B Interest Liability of a subsidiary	**(2.9)**			
Interest expense, net	**(3.4)**			
Future income tax expense	**(0.1)**			
Net loss	**$ (3.7)**			

For the Six Months Ended June 30, 2007 *millions*	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 19.1	$ 11.5	$ 7.6	$ —
Hardwood	15.1	13.6	1.5	—
Biomass and other	6.0	5.4	0.6	—
Total net sales	40.2	30.5	9.7	—
Operating costs	(28.7)	(21.8)	(6.5)	(0.4)
Earnings (loss) before under noted	11.5	8.7	3.2	(0.4)
Depletion and depreciation	(4.3)	(2.5)	(1.8)	—
Operating earnings (loss)	$ 7.2	$ 6.2	$ 1.4	$ (0.4)
Loss on Class B Interest Liability of a subsidiary	(13.4)			
Interest expense, net	(3.6)			
Future income tax expense	(9.8)			
Net loss	$ (19.6)			

During the three months ended June 28, 2008 approximately 47% of total sales were originated with customers domiciled in the U.S. and the balance in Canada. During the same period approximately 26% of total sales were denominated in U.S. dollars.

Acadian outsources much of its harvesting, transportation and other services which comprise the majority of the Fund's cost of sales. For the three-month period ended June 28, 2008, Acadian's top three suppliers accounted for approximately 21%, 12% and 10%, respectively, of the Fund's cost of sales.

Acadian sells its products to many forest product companies in North America. For the three-month period ended June 28, 2008, the largest customer and related parties (see Note 8) accounted for 21% and 17% of total sales, respectively.

NOTE 10. CAPITAL DISCLOSURES

Acadian's capital structure is comprised of unitholder's equity inclusive of comprehensive income (loss), the Class B Interest Liability of a subsidiary, and long term loan facilities, which include current portions.

Acadian's corporate finance objective is to utilize prudent levels of leverage to lower the trust's cost of capital while minimizing financial risk for unitholders. In managing its capital structure, Acadian may adjust the amount of distributions paid to unitholders, discretionary silviculture and capital expenditures during a given period, or re-evaluate Acadian's leverage ratios.

Acadian monitors its capital structure to ensure compliance with its financial covenants with debtholders. These financial covenants include funded debt to the last twelve months earnings before interest, taxes, depletion, depreciation and amortization ("LTM EBITDA") and interest coverage in respect to the bank term credit facility and debt service coverage in respect to the term loan facility. The financial covenants contained in the bank term credit facility are as follows:

millions	**June 28, 2008**	June 30, 2007
Funded debt	**$ 42.0**	$ 42.0
LTM EBITDA	**11.5**	17.2
Funded debt / LTM EBITDA (maximum 4.25)	**3.7**	2.4
LTM EBITDA	**$ 11.5**	$ 17.2
LTM Interest for period	**2.2**	2.3
Interest coverage (minimum 3.0)	**5.2**	7.5

The Maine Timberlands' term loan facility requires that a minimum debt service coverage ratio is maintained. This ratio is disclosed below:

U.S. millions	June 28, 2008	June 30, 2007
LTM EBITDA	**$ 4.4**	$ 6.5
Capital expenditure	**—**	—
Cash flow	**4.4**	6.5
LTM Interest	**1.5**	1.5
Debt service coverage ratio (minimum 1.25)	**2.9**	4.3

Acadian's long-term debt obligations, inclusive of current portions, have restrictive covenants which required the NB Timberlands and Maine Timberlands, respectively, to maintain certain financial ratios. As at June 28, 2008, Acadian is in compliance with all financial covenants.

NOTE 11. FINANCIAL INSTRUMENTS

Financial assets and liabilities classified as held-for-trading are measured at fair value as at the balance sheet date with all realized gains or losses and unrealized holdings gains and losses resulting from the change in fair value included in net income in the period in which they arise; these include cash and cash equivalents and the Class B Interest Liability of a subsidiary (see Note 6). Accounts receivable and other assets have been classified as loans and receivables, which are accounted for at amortized cost, which approximates their carrying value given the short-term nature of these receivables. Accounts payable and accrued liabilities, distributions payable to unitholders and long-term loan facilities, including current portions, have been classified as other financial liabilities which are accounted for at amortized cost.

Financial Risk Management

Acadian is exposed to various risks that have been identified by management. These risks have been categorized as foreign exchange risk, interest rate risk, other price risk, credit risk and liquidity risk.

Foreign Exchange Risk

Acadian owns and manages timberlands in both Canada and the United States; as a result, revenues and expenses are incurred in both Canadian and U.S. dollars. The functional currency of Maine Timberlands is the U.S. dollar and the functional currency of the NB Timberlands is the Canadian dollar. Acadian's reporting currency is the Canadian dollar.

Acadian's most significant foreign currency risk exposure arises due to its investment in the Maine Timberlands. Accordingly, the impact of a strengthening Canadian dollar will reduce the net income of Acadian, and will also result in an other comprehensive loss on the revaluation of the Maine Timberlands' assets, including non-financial assets and liabilities in a given period. During the three and six-month period ended June 28, 2008, a $0.01 appreciation (depreciation) in the average and period end U.S. to Canadian dollar foreign exchange rates, all else being equal, would have increased (decreased) net income in the quarter by approximately $0.5 million, primarily as a result of the revaluation of the Class B Interest Liability of a subsidiary, and would not have significantly impacted cash flow from operations given the limited operations during the period. Furthermore, a $0.01 appreciation (depreciation) in the U.S. to Canadian dollar foreign exchange rate as at June 28, 2008 would have decreased (increased) the unrealized foreign exchange losses recorded in other comprehensive income (loss) resulting from the revaluation of the Maine Timberlands' financial instruments by approximately $0.3 million. The foreign exchange risk arising on the translation of the Maine Timberlands' financial statements is considered to be a financial reporting risk that does not represent a significant operating risk.

The objective of Acadian's foreign exchange risk management activities is to minimize foreign exchange exposures that would have an impact on its operating performance. All of the NB Timberlands expenses and a significant proportion of its revenues are incurred in Canadian dollars. As such, the financial reporting and operational risk associated with the revaluation of NB Timberlands revenues and accounts receivables denominated in U.S. dollars is considered immaterial. Additionally, the only Canadian denominated expense of the Maine Timberlands are payments associated with the Class B Interest Liability of a subsidiary, which are not considered to represent a significant operational risk. Management continues to monitor the operational impact of all foreign exchange exposure, and will consider alternatives, as required, to ensure that this risk is maintained at prudent levels.

Interest Rate Risk

Acadian's interest rate risk arises from the floating interest rate bank term credit facility (see Note 5). A change in bankers' acceptance rates will result in variability in the interest expense of Acadian, impacting its consolidated net income. As at June 28, 2008, a 25 bps increase (decrease) in bankers' acceptance rates, all else being equal, would have resulted in an increase (decrease) of the interest expense recorded in the second quarter of $26 thousand, or $105 thousand per annum.

Additionally, a change in interest rates will also expose Acadian to variability in the fair value of the Maine Timberlands' term loan facility, but would have no impact on the reporting value of the debt facility (see Note 5). As at June 28, 2008, a 25 bps increase (decrease) in U.S. treasury rates, all else being equal, would have resulted in a decrease (increase) in the fair value of the term loan facility by approximately $0.2 million.

Other Price Risk

Acadian is exposed to commodity price risk as its financial performance is dependent on the selling prices of its products and the costs incurred in harvesting its timber. The markets for timber are cyclical and are influenced by a variety of factors beyond Acadian's control. For example, the market prices for timber can be affected by changes in regional and global demand, global supply and economic conditions, including increased competition from a variety of substitute products. Additionally, Acadian's operating expenses can be impacted by fuel cost increases. Acadian relies almost exclusively on land transportation, and therefore may be more susceptible to fuel cost increases than other timberland companies which rely more heavily on other transportation methods that are less exposed to fuel prices. Accordingly, commodity price variations may impact Acadian's sales, costs of sales, cash flows and earnings. Furthermore, weakness in the market prices of its timber products will also have an effect on Acadian's ability to attract additional capital, the cost of that capital and the value of its timberland assets.

To manage these risks, management monitors market developments in all commodity prices to which it is materially exposed. Given the nature of Acadian's operations, during periods of decreased selling prices and increased costs, Acadian will adjust harvest levels and manage variable expenditures in an effort to preserve the long-term value of Acadian's timberlands.

Acadian is also exposed to other price risk, due to the variable nature of the valuation of the Class B Interest Liability of a subsidiary (see Note 6). Each $0.05 increase (decrease) in the trading value of Acadian's Class A Units results in a $225 thousand revaluation loss (gain), which is recorded in Acadian's Consolidated Statement of Operations and Deficit. The revaluation of the Class B Interest Liability does not have an impact on the cash flow from operating activities of Acadian.

Credit Risk

Credit risk arises from cash and cash equivalents held with banks and financial institutions, as well as credit exposures to clients, including outstanding accounts receivables. The maximum exposure is equal to the carrying value of the financial assets as at the balance sheet date.

The objective of managing counterparty credit risk is to prevent losses in financial assets. Investments of excess cash and cash equivalents are invested with counterparties meeting minimum credit quality requirements in accordance with the terms of Acadian's declaration of trust. With respect to outstanding accounts receivables, NB Timberlands and Maine Timberlands each assess the credit quality of the counterparties, including customers, taking into account their financial position, past experience and other factors. In cases where the credit quality of a client does not meet Acadian's credit requirements, a cash deposit is received before any timber is harvested and sold. Management, upon evaluating all open balances as at June 28, 2008, does not anticipate any defaults by its counterparties, and accordingly has not recorded an allowance against outstanding receivables. Pursuant to their respective terms, all outstanding accounts receivables are current with the exception of approximately $0.3 million.

Liquidity Risk

Acadian's objective in managing liquidity risk is to maintain sufficient reserves in order to meet operational and investing requirements at any point in time, and to maintain debt financing at levels which will allow Acadian to attract additional capital at reasonable cost. The bank term credit facility, which has security over the assets of the NB Timberlands, matures on January 30, 2009. In seeking to refinance this debt obligation, there is no assurance that

(unaudited) (All figures in Canadian dollars unless otherwise stated)

Acadian will be able to refinance this obligation at maturity; or if refinanced, that the terms of the refinancing will be as favourable as the original terms of the bank term credit facility. If unable to refinance this facility on acceptable terms, or at all, Acadian may need to dispose of a portion of its assets, or otherwise raise funds, to settle the bank term credit facility. In addition, prevailing interest rates or other factors at the time of refinancing could increase Acadian's interest expense in subsequent years.

Additionally, management assesses the nature and timing of discretionary payments in an effort to mitigate any impact on the financial condition or results of operations of Acadian. As at June 28, 2008, the accounts payable and accrued liabilities and distributions payable of Acadian are due in less than 30 days.

Acadian is also exposed to liquidity risk associated with the future tax liability recorded in fiscal 2007. The future tax liability represents estimated differences between the financial reporting and tax bases of the assets and liabilities of the Fund's subsidiaries as at the beginning of the 2011 taxation year, which will be payable in future years. Management is currently assessing the extent and timing of expected future payments.

NOTE 12. INCOME TAXES

The Fund qualifies as a "mutual fund trust" within the meaning of the Income Tax Act (Canada). All of the taxable income of the Fund is expected to be paid or payable to unitholders in each calendar year. As a result, no income tax is estimated to be payable by the Fund during the current fiscal period under the current provisions of the Income Tax Act.

Under the terms of the Income Tax Act (Canada), Acadian, excluding its corporate subsidiaries, is not currently subject to income taxes to the extent that its taxable income in a year is paid or payable to a unitholder. As a result of enactment of the Canadian government's tax fairness plan on June 22, 2007, which will effectively impose an income tax for specified investment flow through vehicles for taxation years beginning in 2011, the Fund and its subsidiaries, in accordance with the recommendations of Section 3465, Income Taxes, of the CICA Handbook, the Fund, on a consolidated basis, has recorded a future tax liability based on differences between the financial reporting and tax bases of assets and liabilities of its subsidiaries which have been measured using the substantially enacted tax rates and laws that are expected to be in effect in the 2011 taxation year.

The interim future income tax expense is calculated based on expected annual effective tax rates.

	Three Months Ended		Six Months Ended	
millions	**June 28, 2008**	June 30, 2007	**June 28, 2008**	June 30, 2007
Income (loss) before income taxes	**$ (8.3)**	$ (7.3)	**$ (3.6)**	$ (9.8)
Expected tax recovery (expense) at combined statutory rates	**2.4**	2.3	**1.1**	3.1
Effect of:				
Non-taxable income	**(2.4)**	(2.3)	**(1.1)**	(3.1)
Timing differences to reverse after January 1, 2011	**(0.1)**	(9.8)	**(0.1)**	(9.8)
Income tax expense	**$ (0.1)**	$ (9.8)	**$ (0.1)**	$ (9.8)

The future tax liability represents the cumulative amount of tax payable on the differences between the financial reporting and tax bases of the Fund's assets and liabilities at the rates expected to be effective at the time the differences are anticipated to reverse. The future tax liability relates to differences between financial reporting and tax values of intangible assets and timberlands, logging roads and fixed assets.

NOTE 13. EMPLOYEE BENEFIT PLANS

NB Timberlands and Maine Timberlands each have defined contribution plans covering substantially all employees. During the second quarter, contributions recorded as expenses amounted to $84 thousand (2007 - $80 thousand).

NOTE 14. DISTRIBUTIONS TO UNITHOLDERS

Acadian makes monthly distributions of its available cash, including the funds available under the terms of the revolving credit facility, to the extent determined prudent by the Trustees in accordance with the requirements of the Fund's Declaration of Trust. These distributions represent all cash received from the Fund's indirect investments in its subsidiaries, less estimated cash amounts required for expenses and other obligations of the Fund, cash redemptions of units and any tax liability.

Total distributions declared on Class A units for the three and six months ended June 28, 2008 were $2.5 million and $5.0 million, respectively, which is consistent with the distributions declared during the three and six months ended June 30, 2007.

Board and Management

TRUSTEE BOARD

J.W. Bud Bird, O.C.
Chairman and Chief Executive Officer,
Bird Holdings Ltd. and Bird Lands Limited

Reid Carter
President and Chief Executive Officer of Acadian and
Managing Partner of the Manager

Louis J. Maroun
Executive Chairman
ING Real Estate Canada

David Mann
Legal Counsel
Cox & Palmer

Samuel J.B. Pollock
Managing Partner
Brookfield Asset Management Inc.

MANAGEMENT
Acadian Timber Income Fund's Manager:
Brookfield Timberlands Management LP

Reid Carter
President and Chief Executive Officer of Acadian and
Managing Partner of the Manager

Joseph Cornacchia
Chief Financial Officer of Acadian

Marcia McKeague
Vice President, Maine Woodland Operations

Luc Ouellet
Vice President, NB Woodland Operations

Corporate and Unitholder Information

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HEAD OFFICE OF THE MANAGER

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TRUSTEE, TRANSFER AGENT AND REGISTRAR

Unitholder inquiries relating to distributions, address changes and unitholder account information should be directed to the Fund's transfer agent:

CIBC Mellon Trust Company
P.O. Box 7010, Adelaide Street Postal Station
Toronto, Ontario M5C 2W9
t. 416-643-5500 or
1-800-387-0825 (toll free throughout North America)
f. 416-643-5501
www.cibcmellon.com

UNIT INFORMATION

Toronto Stock Exchange:	ADN.UN
Fully Diluted Units Outstanding (June 28, 2008):	16,571,453
Targeted 2008 Monthly Distribution:	$0.06875 per unit
Record Date:	Last business day of each month
Payment Date:	On or about the 15th day of each subsequent month

ACADIAN TIMBER

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