Q3 2011 Interim Report

President's Letter

To our Shareholders,

We are pleased to report the operating and financial results for Acadian Timber Corp.'s ("Acadian") three month period ended September 24, 2011 (herein referred to as the "third quarter"). Acadian performed well in the third quarter, despite unusually wet weather conditions and challenges with labour supply in Maine, generating net sales of $17.5 million on consolidated sales volume of 341 thousand m^3. This compares to net sales of $17.8 million on consolidated sales volume of 346 thousand m^3 in the third quarter of 2010. Acadian generated EBITDA of $3.8 million, which was $0.9 million lower than the third quarter of 2010. The decrease in margin is attributed to a lower contribution from the land management services agreement and a higher percentage of hardwood harvested during the quarter which typically generates lower contributions to Acadian than softwoods.

Operations

Acadian's NB Timberlands experienced four minor reportable incidents among employees and one minor reportable incident among contractors during the quarter. Acadian's Maine Timberlands had no accidents among its employees or its contractors.

Acadian's weighted average selling price across all products increased by 2% year-over-year largely attributable to higher biomass pricing as prices across softwood and hardwood products were relatively flat year-over-year. Hardwood pulpwood which accounted for 34% of consolidated sales volume, decreased 1% year-over-year while pricing for softwood pulpwood improved by 4% over the same period. Prices for softwood and hardwood sawlogs decreased by 3% and increased by 1%, respectively, in the third quarter of 2011 as compared to the third quarter of 2010.

Outlook

Signals for recovery of the U.S. housing market continue to be very weak with most industry watchers suggesting 2012 will look much like 2011 before a gradual recovery to historic trends during the 2013 – 2015 period. This outlook suggests that any robust recovery of Acadian's softwood sawlog market remains somewhat distant. However, Acadian continues to benefit from most of its softwood sawmilling customers maintaining active operations and, as a result, demand for spruce-fir sawlogs continues to be reasonably strong causing our outlook to be cautiously optimistic for the remainder of 2011 and into 2012. Markets for hardwood sawlogs remain stable and appear to have a similar outlook for the foreseeable future.

Markets for both softwood and hardwood pulp logs remain strong despite softening global pulp markets. Acadian's major pulpwood customers are currently operating and actively competing for deliveries suggesting prices will remain stable through year end. The expected start-up of a groundwood paper mill in Maine is expected to add to strong market demand for softwood pulpwood.

Biomass markets continue to face significant market challenges. Cogeneration plants associated with manufacturing facilities are generally in good shape, while stand-alone wood-to-energy plants continue to suffer from depressed prices for electricity and Renewable Energy Credits. Despite this challenging market environment, Acadian continues to be able to sell all of its biomass with a stable price outlook.

Acadian continues to have a solid balance sheet, healthy and diverse markets and a strong operating team that remains committed to continuously improving our financial performance. We thank you for your continued support of Acadian Timber Corp.

Reid Carter
President and Chief Executive Officer
October 27, 2011

Management's Discussion and Analysis

INTRODUCTION

Acadian Timber Corp. ("Acadian" or the "Company") 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 310,000 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 byproducts, sold to over 100 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 September 24, 2011, (herein referred to as the "third quarter") and the nine-month period ended September 24, 2011 compared to the three- and nine-month periods ended September 25, 2010.

Our third quarter financial results are determined in accordance with IAS 34 "*Interim Financial Reporting*" using accounting policies consistent with International Financial Reporting Standards ("IFRS") and are expressed in Canadian dollars unless otherwise noted. External economic and industry factors remain unchanged, unless otherwise noted.

As this is Acadian's first fiscal year of reporting in accordance with IFRS, the values on the balance sheets, statements of net income and statements of cash flows differ materially from those previously reported. Note 12, Transition to IFRS, of the Interim Condensed Consolidated Financial Statements, provides detailed explanations and reconciliations of the effect of IFRS on the balances previously reported. This MD&A has been prepared based on information available as at October 27, 2011. Additional information is available on Acadian's website at *www.acadiantimber.com* and on SEDAR's website at *www.sedar.com*.

Non-IFRS Measures

Throughout the MD&A, reference is made to earnings before interest, taxes, depreciation and amortization ("EBITDA") and free cash flow. Management believes that EBITDA and free cash flow are key performance measures in evaluating Acadian's operations and are important in enhancing investors' understanding of the Company's operating performance. As EBITDA and free cash flow do not have a standardized meaning prescribed by IFRS, they may not be comparable to similar measures presented by other companies. As a result, we have provided reconciliations of net income as determined in accordance with IFRS, to EBITDA and free cash flow in the "Free Cash Flow" 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 Company's disclosure controls and procedures as at December 31, 2010. There have been no changes in our disclosure controls and procedures during the period ended September 24, 2011 that have materially affected, or are reasonably likely to materially affect, our disclosure controls and procedures.

Management has also evaluated the design and effectiveness of our internal controls over financial reporting in accordance with Multilateral Instrument 52-109 using the COSO framework as at December 31, 2010. There have been no changes in our internal controls over financial reporting during the period ended September 24, 2011 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

REVIEW OF OPERATIONS

Summary of Third Quarter Results

The table below summarizes operating and financial data for Acadian:

	Three Months Ended		Nine Months Ended	
(CAD thousands, except where indicated)	**September 24, 2011**	September 25, 2010	**September 24, 2011**	September 25, 2010
Total				
Sales volume (000s m³)	**340.7**	345.8	**1,009.8**	1,016.8
Net sales	**$ 17,535**	$ 17,820	**$ 51,014**	$ 50,415
EBITDA	**3,811**	4,672	**11,684**	11,382
EBITDA margin	**22%**	26%	**23%**	23%
Free cash flow	**$ 3,183**	$ 3,608	**$ 10,198**	$ 8,196
Net income (loss)[1]	**(341)**	3,039	**2,332**	28,684
Dividends declared	**3,451**	837	**10,353**	2,789
Payout ratio	**108%**	23%	**102%**	34%
Total assets	**$ 284,908**	$ 281,947	**$ 284,908**	$ 281,947
Total debt financing	**74,537**	75,513	**74,537**	75,513
Per share (fully diluted)				
Free cash flow	**$ 0.19**	$ 0.22	**$ 0.61**	$ 0.49
Dividends declared	**0.21**	0.05	**0.62**	0.17
Net income (loss)[1]	**(0.02)**	0.18	**0.14**	1.71
Book value	**10.71**	10.79	**10.71**	10.79
Common shares outstanding	**16,731,216**	16,731,216	**16,731,216**	16,731,216

[1] Net income (loss) includes the impact of deferred income tax expense, depreciation and amortization expense and fair value adjustments which are non-cash items recorded in each respective period and, for 2010 only, the gain resulting from Acadian's corporate conversion on January 1, 2010.

Free Cash Flow

Free cash flow for the three and nine months ended September 24, 2011 was $3.2 and $10.2 million, respectively, as compared to $3.6 million and $8.2 million during Acadian's third quarter and first nine months of operations in 2010. Based on free cash flow generated to date, Acadian's undrawn revolving credit facility and existing cash reserves, Acadian is well positioned to meet dividend targets throughout 2011.

Free cash flow from operations represents cash that is generated from the sale of our timber, from land management service contract activities and from the sale of non-timber products. Harvest volumes, excluding biomass, for the third quarter and first nine months of 2011 were 277 thousand m³ and 843 thousand m³, respectively, which was well within sustainable harvest limits.

The following table provides a reconciliation of net income, as determined in accordance with IFRS, to free cash flow from operations during each respective period:

	Three Months Ended		Nine Months Ended	
(CAD thousands)	**September 24, 2011**	September 25, 2010	**September 24, 2011**	September 25, 2010
Net income (loss)[1]	**$ (341)**	$ 3,039	**$ 2,332**	$ 28,684
Add (deduct):				
Interest expense, net	**745**	962	**2,422**	2,818
Deferred tax expense	**152**	633	**2,018**	2,114
Depreciation and amortization	**137**	122	**409**	363
Fair value adjustments	**177**	(84)	**575**	(1,511)
Unrealized exchange loss on long-term debt	**2,941**	—	**3,928**	—
Gain on corporate conversion	**—**	—	**—**	(21,086)
EBITDA	**3,811**	4,672	**11,684**	11,382
Add (deduct):				
Interest paid on debt, net	**(619)**	(962)	**(1,463)**	(2,818)
Capital expenditures	**(9)**	(106)	**(25)**	(370)
Gain on sale of timberlands	**(9)**	(6)	**(107)**	(38)
Proceeds on sale of timberlands	**9**	10	**109**	40
Free cash flow	**$ 3,183**	$ 3,608	**$ 10,198**	$ 8,196
Dividends declared	**$ 3,451**	$ 837	**$ 10,353**	$ 2,789
Payout ratio	**108%**	23%	**102%**	34%

[1] Net income (loss) includes the impact of deferred income tax expense, depreciation and amortization expense and fair value adjustments which are non-cash items recorded in each respective period and, for 2010 only, the gain resulting from Acadian's corporate conversion on January 1, 2010.

In determining the appropriate level of dividends, our Board of Directors considers the historic and forecasted quarterly free cash flow of Acadian. Given the seasonality of Acadian's operations, the Company's performance may vary significantly on a quarter by quarter basis.

As described in more detail on page 8 of this report, Acadian has borrowings totaling US$72.5 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, none of which are in default as at September 24, 2011. These covenants are not expected to restrict the ability of the Company to pay dividends to its shareholders. The obligations of these borrowings over the next five years are disclosed on page 13 of this report. All interest payments on the existing debt obligations are incurred in order to sustain the Company's productive capacity and are thus considered in determining the free cash flow of Acadian.

Market Conditions

The market for hardwood and softwood sawlogs and pulpwood during the third quarter was relatively unchanged year-over-year. Acadian's major softwood sawmill, structural panel and pulp and paper customers operated continuously throughout the quarter. Regional pulp and paper mills continue to run well, with most running at full capacity and consuming large volumes of both hardwood and softwood pulpwood. Demand and pricing for hardwood and softwood pulpwood continued to be positive despite softening global prices for market pulp. Demand and pricing for hardwood sawlogs also remained positive despite the closure of a regional hardwood sawmill in New Brunswick. Most regional mills ended the quarter with low inventories owing to weather-related disruptions in harvesting operations with this situation being most evident in Maine.

Acadian's weighted average selling price across all products increased 2% year-over-year although this change was largely due to a change in our biomass selling strategy from pricing on a roadside basis versus a delivered basis. Prices for softwood sawlogs, which represent 33% of sales, decreased 3% year-over-year with this decline in price entirely related to our Maine operations. Prices for hardwood sawlogs, which represent 5% of sales, increased by 1%. Selling prices for hardwood and softwood pulpwood decreased by 1% and increased by 4%, respectively year-over-year. Biomass markets remained stable with price comparisons having little utility owing to the changes in selling strategy.

Results from Operations

Acadian generated net sales of $17.5 million on consolidated sales volumes of 341 thousand m^3 in the third quarter of 2011. This compares to net sales of $17.8 million on consolidated sales volumes of 346 thousand m^3 in the third quarter of 2010. EBITDA for the third quarter of 2011 was $3.8 million as compared to $4.7 million in the same period of 2010. The decrease in margin is attributed to a lower contribution from the land management services agreement and a higher percentage of hardwood harvested during the quarter which typically generates lower contributions to Acadian than softwoods. For the nine months ended September 24, 2011, Acadian generated net sales of $51.0 million on sales volumes of 1,010 thousand m^3 as compared to net sales of $50.4 million on sales volumes of 1,017 thousand m^3 in the comparable period of 2010. EBITDA of $11.7 million during the nine months ended September 24, 2011 is $0.3 million higher than the comparable period of 2010.

Income Tax Expense

Included in net income for the three months and nine months ended September 24, 2011 is deferred income tax expense of $0.2 million and $2.0 million, respectively (2010 – $0.6 million and $2.1 million, respectively).

Segmented Results of Operations

The table below summarizes operating and financial results for the New Brunswick and Maine timberlands:

Three Months Ended September 24, 2011 (CAD thousands)	**NB Timberlands**	**Maine Timberlands**	**Corporate**	**Consolidated**
Sales volumes (000s m^3)	**278.8**	**61.9**	**—**	**340.7**
Net sales	**$ 14,273**	**$ 3,262**	**$ —**	**$ 17,535**
EBITDA	**$ 3,410**	**$ 549**	**$ (148)**	**$ 3,811**
EBITDA margin	**24%**	**17%**	**n/a**	**22%**

Three Months Ended September 25, 2010 (CAD thousands)	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m^3)	263.2	82.6	—	345.8
Net sales	$ 13,270	$ 4,550	$ —	$ 17,820
EBITDA	$ 3,594	$ 1,246	$ (168)	$ 4,672
EBITDA margin	27%	27%	n/a	26%

Nine Months Ended September 24, 2011 (CAD thousands)	**NB Timberlands**	**Maine Timberlands**	**Corporate**	**Consolidated**
Sales volumes (000s m^3)	**853.5**	**156.3**	**—**	**1,009.8**
Net sales	**$ 42,821**	**$ 8,193**	**$ —**	**$ 51,014**
EBITDA	**$ 10,904**	**$ 1,630**	**$ (850)**	**$ 11,684**
EBITDA margin	**25%**	**20%**	**n/a**	**23%**

Nine Months Ended September 25, 2010 (CAD thousands)	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m^3)	806.7	210.1	—	1,016.8
Net sales	$ 39,425	$ 10,990	$ —	$ 50,415
EBITDA	$ 9,575	$ 2,669	$ (862)	$ 11,382
EBITDA margin	24%	24%	n/a	23%

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 operations are 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 September 24, 2011			Three Months Ended September 25, 2010		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**98.0**	**99.0**	**$ 5,174**	94.1	98.5	$ 5,150
Hardwood	**121.1**	**119.5**	**6,886**	102.0	96.5	5,587
Biomass	**60.3**	**60.3**	**795**	68.1	68.2	705
	279.4	**278.8**	**12,855**	264.2	263.2	11,442
Other sales			**1,418**			1,828
Net sales			**$ 14,273**			$ 13,270
EBITDA			**$ 3,410**			$ 3,594
EBITDA margin			**24%**			27%

	Nine Months Ended September 24, 2011			Nine Months Ended September 25, 2010		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**352.8**	**351.6**	**$ 17,888**	299.9	293.1	$ 15,358
Hardwood	**346.3**	**337.7**	**19,807**	315.9	337.3	18,933
Biomass	**164.2**	**164.2**	**2,430**	176.3	176.3	2,280
	863.3	**853.5**	**40,125**	792.1	806.7	36,571
Other sales			**2,696**			2,854
Net sales			**$ 42,821**			$ 39,425
EBITDA			**$ 10,904**			$ 9,575
EBITDA margin			**25%**			24%

Softwood, hardwood and biomass shipments were 99 thousand m³, 120 thousand m³ and 60 thousand m³, respectively, for the third quarter of 2011. Approximately 34% was sold as sawlogs, 44% as pulpwood and 22% as biomass. This compares to 35% sold as sawlogs, 39% as pulpwood and 26% as biomass in the third quarter of 2010.

Net sales for the third quarter of 2011 were $14.3 million (2010 – $13.3 million) with an average selling price across all products of $46.10 per m³ which compares to an average selling price of $43.47 per m³ during the third quarter of 2010. The year-over-year increase in the average selling price resulted from lower biomass sales during the third quarter of 2011. Pricing across the primary products was relatively flat compared to the third quarter of 2010. Net sales for the first nine months ended September 24, 2011 were $42.8 million, an increase of $3.4 million over the comparable period of 2010.

Costs for the third quarter were $10.9 million (2010 – $9.7 million). Variable costs per m³ were 6% higher than the third quarter of 2010 as a result of a 17% increase in hardwood sales over the prior year. The delivered cost of hardwood logs is typically higher than softwood because of longer transportation distances.

EBITDA for the third quarter was $3.4 million, compared to $3.6 million in the comparable period of 2010. For the nine months ended September 24, 2011, EBITDA was $10.9 million as compared to $9.6 million for the comparable period of 2010. EBITDA margin decreased to 24%, as compared to 27% for the third quarter of 2010, primarily reflecting the impact of an increased proportion of hardwood logs in the sales mix.

During the third quarter of 2011, NB Timberlands experienced four recordable safety incidents among employees and one recordable incident among contractors. We are disappointed with the increase in accident frequency in our NB operations, but would note that these were minor incidents and we are confident they are not related to any systemic operating issues. We will continue to focus on improving our safety performance and look forward to reporting improved results.

Maine Timberlands

Maine Timberlands owns and operates 310,000 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 September 24, 2011			Three Months Ended September 25, 2010		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**43.8**	**44.1**	**$ 2,283**	58.4	58.4	$ 3,102
Hardwood	**14.0**	**13.8**	**781**	23.1	21.3	1,275
Biomass	**4.0**	**4.0**	**41**	3.0	2.9	35
	61.8	**61.9**	**3,105**	84.5	82.6	4,412
Other sales			**157**			138
Net sales			**$ 3,262**			$ 4,550
EBITDA			**$ 549**			$ 1,246
EBITDA margin			**17%**			27%

	Nine Months Ended September 24, 2011			Nine Months Ended September 25, 2010		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**113.8**	**114.1**	**$ 5,968**	152.3	152.0	$ 7,857
Hardwood	**30.4**	**31.6**	**1,826**	51.3	49.2	2,669
Biomass	**10.6**	**10.6**	**98**	9.0	8.9	157
	154.8	**156.3**	**7,892**	212.6	210.1	10,683
Other sales			**301**			307
Net sales			**$ 8,193**			$ 10,990
EBITDA			**$ 1,630**			$ 2,669
EBITDA margin			**20%**			24%

Softwood, hardwood and biomass shipments were 44 thousand m³, 14 thousand m³ and 4 thousand m³, respectively, for the third quarter of 2011. Approximately 60% was sold as sawlogs, 34% as pulpwood and 6% as biomass. This compares to 54% sold as sawlogs, 42% as pulpwood and 4% as biomass in the third quarter of 2010.

Net sales for the third quarter of 2011 were $3.3 million (2010 – $4.6 million) with an average selling price across all products of $50.12 per m³ which compares to an average selling price of $53.38 per m³ during the third quarter of 2010. This variance in sales price was primarily attributable to foreign exchange as average pricing across all products was relatively stable in U.S. dollar terms. Sales volume was limited due to very difficult operating conditions owing to unusually wet weather and a continued lack of contractor availability due to the Maine government's efforts to limit Canadian labourer's access to work in the state. Net sales for the first nine months ended September 24, 2011 were $8.2 million, a decrease of $2.8 million over the comparable period of 2010 reflecting a 27% reduction in year-over-year harvest volume.

Costs for the third quarter were $2.7 million (2010 – $3.3 million). Variable costs per m³ decreased 4% in Canadian dollar terms as changes to contract rates made late in the second quarter and increases in fuel costs were offset by foreign exchange. Rates increased 2% in U.S. dollar terms.

EBITDA for the third quarter was $0.5 million, compared to $1.2 million in the comparable period of 2010. For the nine months ended September 24, 2011, EBITDA was $1.6 million as compared to $2.7 million for the first nine months of 2010. EBITDA margin averaged 17% in the third quarter of 2011 as compared to 27% during the third quarter of 2010. The reduction in margin reflects higher costs and lower sales volume resulting in reduced contribution towards fixed costs.

We are pleased to report that during the third quarter of 2011, Maine Timberlands experienced no recordable safety incidents among employees or contractors.

Financial Position

As at September 24, 2011, Acadian's balance sheet consisted of total assets of $284.9 million (December 31, 2010 - $282.4 million), represented primarily by timberlands, logging roads and fixed assets of $252.8 million (December 31, 2010 – $250.7 million) and the balance in cash and working capital of $19.7 million (December 31, 2010 – $17.1 million), deferred income tax assets of $5.4 million (December 31, 2010 – $7.5 million), investment property of $0.9 million (December 31, 2010 – $0.9 million) and intangible assets of $6.1 million (December 31, 2010 – $6.1 million). Timber has been recorded at fair value as determined through independent third party appraisal at December 31, 2010 and adjusted for growth estimates and harvest during the nine months ended September 24, 2011. Reforestation costs have been expensed as incurred.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Acadian's principal sources of liquidity include cash earned from operations and a US$10.0 million revolving credit facility which was undrawn at September 24, 2011. These sources, combined with existing cash and cash equivalents, are expected to allow the Company to meet its operating, debt service, capital expenditure and dividend 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 Company expects to pay quarterly dividends to the extent determined prudent by the Company's Board of Directors.

Management will continue to assess financing alternatives which may include the issuance of additional shares and debt when funding requirements such as potential acquisitions and debt maturities, present themselves.

Capital Resources

Borrowings

In February 2011, Acadian refinanced its Canadian and U.S. dollar denominated loan facilities through the entering into of a first mortgage loan agreement with The Metropolitan Life Insurance Company which will mature on March 1, 2016. This agreement established a revolving credit facility of up to US$10.0 million (the "Revolving Facility") for general corporate purposes and a term credit facility in an amount up to US$72.5 million (the "Term Facility"). The Term Facility bears interest at a fixed rate of 3.97%. The Revolving Facility bears interest at floating rates based on 90 day LIBOR plus applicable margin.

As at September 24, 2011, Acadian has borrowed US$72.5 million under the Term Facility and $nil under the Revolving Facility.

As security for these facilities, Acadian has granted the lenders a security interest over all of its assets. The facilities are subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness, granting liens or selling assets without the consent of the lenders. The credit facilities are also subject to the maintenance of a maximum ratio of loan to appraised value and Acadian is in compliance as of September 24, 2011.

Outstanding Shares

As at September 24, 2011, 16,731,216 common shares were issued and outstanding. The Company is authorized to issue an unlimited number of shares of the same class with equal rights and privileges. Shareholders are entitled to receive dividends as and when declared by the Directors of the Company and are entitled to one vote per share on all matters to be voted on by shareholders at each meeting of shareholders.

As at September 24, 2011, affiliates of Brookfield Asset Management Inc. (collectively "Brookfield") owned 7,513,262 common shares. Brookfield's ownership interest is 45% of the outstanding common shares of Acadian.

MARKET OUTLOOK

The following contains forward-looking statements about Acadian Timber Corp.'s market outlook for the remainder of fiscal 2011 and 2012. Reference should be made to "Forward-looking Statements" on page 16. 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 Acadian's most recent Annual Report and Annual Information Form available on our website at www.acadiantimber.com or www.sedar.com.

Signals for recovery of the U.S. housing market continue to be very weak with most industry watchers suggesting 2012 will look much like 2011 before a gradual recovery to historic trends during the 2013 – 2015 period. This outlook suggests that any robust recovery of Acadian's softwood sawlog market remains somewhat distant. However, Acadian continues to benefit from most of its softwood sawmilling customers maintaining active operations and, as a result, demand for spruce-fir sawlogs continues to be reasonably strong causing our outlook to be cautiously optimistic for the remainder of 2011 and into 2012. Markets for hardwood sawlogs remain stable and appear to have a similar outlook for the foreseeable future.

Markets for both softwood and hardwood pulp logs remain strong despite softening global pulp markets. Acadian's major pulpwood customers are currently operating and actively competing for deliveries suggesting prices will remain stable through year end. The expected start-up of a groundwood paper mill in Maine is expected to add to strong market demand for softwood pulpwood.

Biomass markets continue to face significant market challenges. Cogeneration plants associated with manufacturing facilities are generally in good shape, while stand-alone wood-to-energy plants continue to suffer from depressed prices for electricity and Renewable Energy Credits. Despite this challenging market environment, Acadian continues to be able to sell all of its biomass with a stable price outlook.

Acadian continues to actively address upward cost pressures from contractor availability and fuel. We continue to work with our contractors, industry associations and the state and provincial governments to secure an adequate skilled workforce. Cost variations have been most acute in Acadian's Maine operations owing to less frequent fuel adjustments with contractors. Prices for diesel fuel and other petroleum-based lubricants, a major operating cost, have moderated slightly since the second quarter but remain 20 percent higher than in the third quarter of 2010. Acadian ensures these costs remain variable by addressing them through the use of surcharges rather than rate increases. We remain confident that our focus on Acadian costs and careful merchandizing of products for their highest margin opportunity will continue to ensure strong operating margins going forward.

SUPPLEMENTAL INFORMATION

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

Selected Consolidated Quarterly Information

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

	2011			2010			
(CAD thousands, except per share data and where indicated)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1
Sales volume (000s m^3)	**341**	243	426	382	346	270	401
Net sales	**$ 17,535**	$ 11,723	$ 21,756	$ 20,581	$ 17,820	$ 12,137	$ 20,458
EBITDA	**3,811**	608	7,265	6,393	4,672	971	5,739
Free cash flow	**3,183**	(37)	7,052	5,360	3,608	(391)	4,979
Net income (loss)[1]	**(341)**	(261)	2,934	2,622	3,039	565	25,080
Net income (loss) per share - basic	**(0.02)**	(0.02)	0.18	0.16	0.18	0.03	1.50
Net income (loss) per share - diluted	**$ (0.02)**	$ (0.02)	$ 0.18	$ 0.16	$ 0.18	$ 0.03	$ 1.50

[1] Net income (loss) includes the impact of deferred income tax expense, depreciation and amortization expense and fair value adjustments which are non-cash items recorded in each respective period and, for 2010 only, the gain resulting from Acadian's corporate conversion on January 1, 2010.

[2] The historical quarterly summary above has been revised as compared to previous periods to appropriately reflect IFRS adjustments.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with IFRS 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 Company's consolidated financial statements and the uncertainties that could affect the Company's results of operations, financial position and cash flows.

Timber

Timber is stated at fair value less estimated costs of harvesting and sales. The fair value of standing timber is determined by deducting the fair value of higher and better use ("HBU") land, timberland, roads and bridges from the total value of the timberlands business. The value of the timberlands business and the fair value of HBU land, timberland, roads and bridges are updated annually by licensed independent third party appraisers using a combination of the discounted cash flow and comparable sales value methods.

Quarterly valuations are determined by reducing the value of the timber by the fair value of the timber harvested in the period and adding back the fair value of the estimated timber growth in the period. As well, management reviews the underlying appraisal assumptions to determine if there has been a material change that would require a fair value adjustment based on changes in assumptions.

The fair value of timber harvested is charged to inventory when logs are measured. A distinct value is calculated for each harvest product group based on average market price less average cost of harvest and delivery.

The fair value of timber growth is credited to income based on a periodic growth rate. The value of growth is determined for each product grouping based on average market prices less average cost of harvest and delivery.

Translation of Foreign Currencies

The Canadian dollar is the functional and presentation currency of the Company. The functional currency of the Company's Canadian operations and U.S. operations is the Canadian dollar and U.S. dollar, respectively. Assets and liabilities of the U.S. operations are translated at the rate of exchange prevailing at the reporting date and revenue and expenses at the average rates during the period. Gains or losses on translation are included as a component of equity.

Foreign currency denominated monetary assets and liabilities of the Canadian operations are translated using the rate of exchange prevailing at the reporting date. Revenues and expenses are measured at average rates during the period. Gains or losses on translation of these items are included in net income.

NB Timberlands enters into sales transactions denominated in U.S. dollars and the related revenues and accounts receivables are subject to exchange rate fluctuations. As a result, Acadian's earnings may be affected by exchange rate fluctuations.

The carrying value of the Company's U.S. dollar denominated debt is subject to exchange rate fluctuations. The resulting unrealized gains and losses are recorded in Acadian's earnings in the period incurred.

Cash Flow Hedges

During the last quarter of 2010, Brookfield entered into a rate lock agreement on Acadian's behalf whereby Acadian assumed the settlement proceeds upon maturity. As a qualifying cash flow hedge, the derivative asset was recorded as an asset at its fair value. The effective portion of the gain on the derivative that was designated as a cash flow hedge is reported in other comprehensive income. Amounts in accumulated other comprehensive income are reclassified into earnings in the same period or periods during which the hedged transaction affects earnings, which is in this case over the term of the existing long term debt.

Future Accounting Policies

IAS 1 Presentation of Financial Statements

In June 2011, the IASB amended IAS 1 by revising how certain items are presented in other comprehensive income ("OCI"). Items within OCI that may be reclassified to profit and loss will be presented separately from items that will not be reclassified. The standard is effective for financial years beginning on or after July 1, 2012, with early adoption permitted. The Company is in the process of assessing the impact of the new standard on its consolidated financial statements.

IAS 12 Income Taxes

In December 2010, the IASB amended IAS 12 for the measurement of deferred tax liabilities and deferred tax assets where investment property is measured using the fair value model in IAS 40, *Investment Property*. The amendments introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The effective date of amendment is January 1, 2012. The Company is in the process of assessing the impact of the new standard on its consolidated financial statements.

IFRS 9 Financial Instruments: Classification and Measurement

In November 2009, the IASB issued IFRS 9, as the first part of its project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 currently prescribes that financial assets are measured at amortized cost or fair value on the basis of how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The classification and measurement for financial liabilities remains generally unchanged, however, revisions have been made in the accounting for changes in fair value of a financial liability attributable to changes in the credit risk of that liability. The other phases of this project which are currently under development include impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is in the process of assessing the impact of the new standard on its consolidated financial statements in conjunction with the completion of the other phases of this project.

IFRS 10 Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10, which replaces portions of IAS 27, *Consolidated and Separate Financial Statements*, and interpretation SIC-12, *Consolidation – Special Purpose Entities*. The key features of IFRS 10 include consolidation using a single control model, definition of control, considerations on power, and continuous reassessment. IFRS 10 is effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. The Company is in the process of assessing the impact of the new standard on its consolidated financial statements.

IFRS 11 Joint Arrangements

In May 2011, the IASB issued IFRS 11, which replaces IAS 31, *Interest in Joint Ventures*, and SIC-31, *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 requires joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement is no longer the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. In addition, the option to account for joint ventures (previously called jointly controlled entities) using proportionate consolidation is removed. Venturers transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item. These amendments are effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. The Company does not believe IFRS 11 will have a material impact on its consolidated financial statements.

IFRS 12 Disclosure of Involvement with Other Entities

In May 2011, the IASB issued IFRS 12, which requires a parent company to disclose information about significant judgments and assumptions it has made in determining whether it has control, joint control, or significant influence over another entity and the type of joint arrangement when the arrangement has been structured through a separate vehicle. An entity should also provide these disclosures when changes in facts and circumstances affect the entity's conclusion during the reporting period. This standard is effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. The Company does not believe IFRS 12 will have a material impact on its consolidated financial statements.

IAS 27 Separate Financial Statements

In May 2011, the IASB reissued IAS 27 as the consolidation guidance is now included in IFRS 10. The amended IAS 27 prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate (non-consolidated) financial statements. These amendments are effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. The Company does not believe IAS 27 will have a material impact on its consolidated financial statements.

IAS 28 Investments in Associates and Joint Ventures

In May 2011, the IASB amended IAS 28 as a result of issuing IFRS 10, IFRS 11 and IFRS 12. The amended IAS 28 prescribes the accounting guidance for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee. These amendments are effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. The Company does not believe IAS 28 will have a material impact on its consolidated financial statements.

IFRS 13 Fair Value Measurement

In May 2011, the IASB issued IFRS 13, which establishes a single source of guidance for fair value measurements when fair value is required or permitted by IFRS. IFRS 13 defines fair value, provides a single framework for measuring fair value and requires enhanced disclosures about fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. The Company is in the process of assessing the impact of the new standard on its consolidated financial statements.

Related Party Transactions

In the normal course of operations, the Company 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 Company has one significant related party, Brookfield Asset Management Inc., and its affiliates (collectively “Brookfield”). As at September 24, 2011, Brookfield owned 7,513,262 common shares, representing approximately 45% of the outstanding shares of the Company. Acadian is also a related party of Twin Rivers Paper Company (“Twin Rivers”) as a result of their common significant shareholder.

On April 29, 2010, Fraser Papers Inc. (“Fraser”) completed the sale of its specialty papers business including Crown timber harvest rights, two Canadian sawmills, the Edmundston pulpmill and the Madawaska paper mill along with fibre supply agreements between Fraser and Acadian to Twin Rivers. References in this report to Twin Rivers include references to transactions and relationships with Fraser prior to the sale of these assets.

A summary of the significant related party transactions is provided below.

a) Acadian has entered into a number of fibre supply agreements whereby Acadian agreed to provide fibre to Twin Rivers and Brookfield for periods of up to 20 years. In addition, Acadian agreed to administer certain licenses on behalf of Twin Rivers. Total sales to Twin Rivers and Brookfield during the three months ended September 24, 2011 totaled $7.2 million and $nil, respectively, which represented 29% of Acadian’s consolidated total sales (2010 – $6.2 million and $0.4 million, respectively, or 26% of total sales). Included in accounts receivable at September 24, 2011 is $3.3 million related to these agreements (September 25, 2010 – $1.9 million). Total sales to Twin Rivers and Brookfield for the nine-month period ended September 24, 2011 amounted to $19.8 million (2010 – $17.9 million) and $0.7 million (2010 – $1.2 million), respectively. On September 28, 2011, Acadian and Brookfield terminated their fibre supply agreement coinciding with Brookfield’s sale of their Maine paper mill to a third party.

b) Maine Timberlands rented space in a shared office building from a wholly-owned subsidiary of Brookfield, which also provides certain administrative services to Maine Timberlands. Total costs paid for these services were $4 thousand and $12 thousand during the three and nine-month periods ended September 24, 2011 (2010 – $4 thousand and $12 thousand), respectively. Effective September 29, 2011, Maine Timberlands rents space from a third party.

c) Acadian has entered into an agreement with Brookfield whereby Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided in the three and nine months ended September 24, 2011 totaled $0.5 million (2010 – $0.5 million) and $1.6 million (2010–$1.6 million), respectively. All fees have been fully paid in accordance with the services agreement.

d) On October 14, 2010, Acadian entered into an agreement with the Metropolitan Life Insurance Company to refinance existing debt obligations maturing February 28, 2011 at fixed rates determined as US treasury yield plus margin. To mitigate market risk of US treasury yields changing prior to closing of the loan, Brookfield entered into a rate lock agreement on Acadian's whereby Acadian assumed the settlement proceeds upon maturity. As at December 31, 2010, the derivative asset related to this agreement was valued at $1.6 million and was settled on February 1, 2011 for proceeds of $1.3 million.

Contractual Obligations

The Company has no material capital or operating lease obligations; however, it has two 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 Company's debt obligations is as follows:

		Payments Due by Period				
(CAD thousands)	Total Available	Total	Less Than One Year	1 to 3 Years	4 to 5 Years	After 5 Years
Debt						
Term facility[1]	$ 74,537	$ 74,537	$ —	$ —	$ 74,537	$ —
Revolving facility	10,281	—	—	—	—	—
	$ 84,818	$ 74,537	$ —	$ —	$ 74,537	$ —
Interest paid[2]		$ 13,847	$ 3,008	$ 5,229	$ 5,610	$ —

1. Represents principal of a U.S. dollar denominated term loan with a Canadian to U.S. dollar conversion of 1.0281, excluding the unamortized deferred financing costs;
2. Interest paid was determined assuming a fixed interest rate at 3.97% with a Canadian to U.S. dollar conversion of 1.0281.

Additional Quarterly Information

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

NB Timberlands

	2011 Q3			2011 Q2			2011 Q1			2010 Q4		
	Harvest	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**
	(000s m^3)	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*
Softwood	**98.0**	**99.0**	**$ 5,174**	88.9	96.3	$ 5,131	165.9	156.3	$ 7,583	95.5	109.5	$ 5,667
Hardwood	**121.1**	**119.5**	**6,886**	87.6	91.6	5,315	137.6	126.6	7,606	131.8	136.3	8,233
Biomass	**60.3**	**60.3**	**795**	34.2	34.2	472	69.7	69.7	1,163	55.2	55.1	572
	279.4	**278.8**	**12,855**	210.7	222.1	10,918	373.2	352.6	16,352	282.5	300.9	14,472
Other sales			**1,418**			(301)			1,579			1,975
Net sales			**$ 14,273**			$ 10,617			$ 17,931			$ 16,447
EBITDA			**$ 3,410**			$ 1,139			$ 6,355			$ 5,626
EBITDA margin			**24%**			11%			35%			34%

Maine Timberlands

	2011 Q3			2011 Q2			2011 Q1			2010 Q4		
	Harvest	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**
	(000s m^3)	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*
Softwood	**43.8**	**44.1**	**$ 2,283**	11.7	11.8	$ 627	58.3	58.2	$ 3,058	55.7	55.6	$ 2,890
Hardwood	**14.0**	**13.8**	**781**	5.8	6.7	380	10.6	11.1	665	17.2	19.1	1,135
Biomass	**4.0**	**4.0**	**41**	2.1	2.1	13	4.5	4.5	44	6.1	6.3	59
	61.8	**61.9**	**3,105**	19.6	20.6	1,020	73.4	73.8	3,767	79.0	81.0	4,084
Other sales			**157**			86			58			50
Net sales			**$ 3,262**			$ 1,106			$ 3,825			$ 4,134
EBITDA			**$ 549**			$ (148)			$ 1,229			$ 1,178
EBITDA margin			**17%**			(13)%			32%			28%

Corporate

	2011 Q3			2011 Q2			2011 Q1			2010 Q4		
	Harvest	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**
	(000s m^3)	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*
Softwood	**—**	**—**	**$ —**	—	—	$ —	—	—	$ —	—	—	$ —
Hardwood	**—**	**—**	**—**	—	—	—	—	—	—	—	—	—
Biomass	**—**	**—**	**—**	—	—	—	—	—	—	—	—	—
	—	**—**	**—**	—	—	—	—	—	—	—	—	—
Other sales			**—**			—			—			—
Net sales			**$ —**			$ —			$ —			$ —
EBITDA			**$ (148)**			$ (383)			$ (319)			$ (411)
EBITDA margin			**n/a**			n/a			n/a			n/a

NB Timberlands

	2010 Q3			2010 Q2			2010 Q1			2009 Q4		
	Harvest	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**
	(000s m³)	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*
Softwood	94.1	98.5	$ 5,150	71.6	72.4	$ 3,888	134.2	122.2	$ 6,320	57.4	68.0	$ 3,771
Hardwood	102.0	96.5	5,587	73.0	99.1	5,633	140.9	141.7	7,713	148.7	143.9	7,568
Biomass	68.1	68.2	705	50.2	50.1	393	58.0	58.0	1,182	58.8	58.8	1,127
	264.2	263.2	11,442	194.8	221.6	9,914	333.1	321.9	15,215	264.9	270.7	12,466
Other sales			1,828			(190)			1,216			767
Net sales			$ 13,270			$ 9,724			$ 16,431			$ 13,233
EBITDA			$ 3,594			$ 905			$ 5,076			$ 2,538
EBITDA margin			27%			9%			31%			19%

Maine Timberlands

	2010 Q3			2010 Q2			2010 Q1			2009 Q4		
	Harvest	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**
	(000s m³)	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*
Softwood	58.4	58.4	$ 3,102	32.9	33.0	$ 1,623	61.0	60.6	$ 3,132	43.7	43.6	$ 2,109
Hardwood	23.1	21.3	1,275	10.9	11.7	638	17.3	16.2	756	21.2	21.2	1,072
Biomass	3.0	2.9	35	3.7	3.7	52	2.3	2.3	70	7.5	7.5	90
	84.5	82.6	4,412	47.5	48.4	2,313	80.6	79.1	3,958	72.4	72.3	3,271
Other sales			138			100			69			45
Net sales			$ 4,550			$ 2,413			$ 4,027			$ 3,366
EBITDA			$ 1,246			$ 257			$ 1,166			$ 709
EBITDA margin			27%			11%			29%			21%

Corporate

	2010 Q3			2010 Q2			2010 Q1			2009 Q4		
	Harvest	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**
	(000s m³)	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*
Softwood	—	—	$ —	—	—	$ —	—	—	$ —	—	—	$ —
Hardwood	—	—	—	—	—	—	—	—	—	—	—	—
Biomass	—	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—	—
Other sales			—			—			—			—
Net sales			$ —			$ —			$ —			$ —
EBITDA			$ (168)			$ (191)			$ (503)			$ (1,263)
EBITDA margin			n/a			n/a			n/a			n/a

Forward-Looking Statements

This interim management's discussion and analysis ("MD&A") contains forward-looking information and other forward looking statements within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), 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 MD&A such statements may contain such words as "may," "will," "intend," "should," "expect," "believe," "outlook," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the negative of these terms or other similar terminology. Forward-looking information in this MD&A includes, without limitation, statements made in sections entitled "Market Overview," "Free Cash Flow," "Capital Resources" and "Outlook," and other statements regarding management's beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, access to capital, liquidity and trading volumes, dividends, taxes, capital expenditures, and similar statements concerning anticipated future events, results, achievements, circumstances, performance or expectations that are not historical facts. These statements reflect management's current expectations regarding future events and operating performance, are based on information currently available to management and speak only as of the date of this MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon, 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; changes in Canadian income tax law; economic situation of key customers; and other factors discussed under the heading "Risk Factors" in each of the Annual Information Form of Acadian dated March 28, 2011 and the Management Information Circular of Acadian dated March 28, 2011, and other filings of Acadian made with securities regulatory authorities available on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information contained herein may include, but are not limited to: anticipated financial performance; business prospects; strategies; regulatory developments; exchange rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services and the ability to obtain financing on acceptable terms, which are subject to change based on commodity prices, market conditions for timber and wood products, and the economic situation of key customers. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward looking statements. Certain statements in this MD&A may also be considered "financial outlook" for the purposes of applicable Canadian securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. The forward-looking statements contained in this MD&A are made as of the date of this MD&A, and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this MD&A. Acadian Timber Corp. assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as may be required by applicable law.

Interim Consolidated Statements of Net Income

(unaudited)

		Three Months Ended		Nine Months Ended	
(CAD thousands)	Note	**September 24, 2011**	September 25, 2010	**September 24, 2011**	September 25, 2010
Net sales		**$ 17,535**	$ 17,820	**$ 51,014**	$ 50,415
Operating costs and expenses					
Cost of sales		**12,061**	11,295	**34,285**	33,741
Selling, administration and other		**1,498**	1,688	**4,685**	5,113
Depreciation and amortization		**137**	122	**409**	363
		13,696	13,105	**39,379**	39,217
Operating earnings		**3,839**	4,715	**11,635**	11,198
Interest expense, net		**(745)**	(962)	**(2,422)**	(2,818)
Other items					
Unrealized exchange loss on long-term debt		**(2,941)**	—	**(3,928)**	—
Reforestation		**(174)**	(171)	**(467)**	(217)
Gain on sale of timberlands		**9**	6	**107**	38
Fair value adjustments		**(177)**	84	**(575)**	1,511
Gain on corporate conversion	3	**—**	—	**—**	21,086
Earnings before income taxes		**(189)**	3,672	**4,350**	30,798
Deferred tax expense	8	**(152)**	(633)	**(2,018)**	(2,114)
Net income (loss) for the period		**$ (341)**	$ 3,039	**$ 2,332**	$ 28,684
Net income (loss) per share - basic		**$ (0.02)**	$ 0.18	**$ 0.14**	$ 1.71
Net income (loss) per share - diluted		**$ (0.02)**	$ 0.18	**$ 0.14**	$ 1.71

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Comprehensive Income

(unaudited)

	Three Months Ended		Nine Months Ended	
(CAD thousands)	**September 24, 2011**	September 25, 2010	**September 24, 2011**	September 25, 2010
Net income (loss)	**$ (341)**	$ 3,039	**$ 2,332**	$ 28,684
Other comprehensive income (loss):				
Unrealized foreign currency translation income (loss)	**3,366**	(608)	**3,134**	(1,508)
Amortization of derivatives designated as cash flow hedges	**(48)**	—	**(270)**	—
Comprehensive income	**$ 2,977**	$ 2,431	**$ 5,196**	$ 27,176

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Balance Sheets

(unaudited)

As at *(CAD thousands)*	Note	**September 24, 2011**	December 31, 2010	January 1, 2010
Assets				
Current assets				
Cash and cash equivalents		**$ 7,735**	$ 7,333	$ 2,053
Accounts receivable and other assets	6	**10,514**	7,252	6,265
Inventory		**1,422**	990	2,289
Derivative asset		**—**	1,557	—
Note receivable	3	**—**	—	4,001
		19,671	17,132	14,608
Timber	11	**218,200**	216,181	216,751
Property, plant and equipment		**34,591**	34,508	36,275
Investment Property		**875**	875	875
Intangible assets		**6,140**	6,140	6,140
Deferred income tax asset	8	**5,431**	7,522	—
		$ 284,908	$ 282,358	$ 274,649
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable and accrued liabilities		**$ 9,136**	$ 4,483	$ 4,275
Dividends payable to shareholders		**3,451**	837	—
Debt	4	**—**	73,752	—
		12,587	79,072	4,275
Long-term debt	4	**73,472**	—	80,739
Deferred income tax liability	8	**19,672**	18,952	34,553
Shareholders' equity	5	**179,177**	184,334	155,082
		$ 284,908	$ 282,358	$ 274,649

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Changes in Equity

(unaudited)

Nine Months Ended September 24, 2011 (CAD thousands)	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Cash Flow Hedges	Shareholders' Equity
Balance as at December 31, 2010	$ 140,067	$ 43,696	$ 2,354	$ (2,917)	$ 1,134	$ 184,334
Changes in period						
Net income						
Income prior to items noted below	—	5,334	—	—	—	5,334
Depreciation and amortization	—	(409)	—	—	—	(409)
Fair value adjustments	—	(575)	—	—	—	(575)
Deferred income taxes	—	(2,018)	—	—	—	(2,018)
	—	2,332	—	—	—	2,332
Other comprehensive income	—	—	—	3,134	(270)	2,864
Shareholders' dividends declared	—	(10,353)	—	—	—	(10,353)
Balances as at September 24, 2011	$ 140,067	$ 35,675	$ 2,354	$ 217	$ 864	$ 179,177

See accompanying notes to interim consolidated financial statements.

Nine months ended September 25, 2010 (CAD thousands)	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Cash Flow Hedges	Shareholders' Equity
Balance as at January 1, 2010	$ 139,067	$ 16,015	$ —	$ —	$ —	$ 155,082
Changes in period						
Common share issuances	1,000	—	—	—	—	1,000
Net income						
Income prior to items noted below	—	29,650	—	—	—	29,650
Depreciation and amortization	—	(363)	—	—	—	(363)
Fair value adjustments	—	1,511	—	—	—	1,511
Deferred income taxes	—	(2,114)	—	—	—	(2,114)
	—	28,684	—	—	—	28,684
Other comprehensive loss	—	—	—	(1,508)	—	(1,508)
Shareholders' dividends declared	—	(2,789)	—	—	—	(2,789)
Balances as at September 25, 2010	$ 140,067	$ 41,910	$ —	$ (1,508)	$ —	$ 180,469

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

(unaudited)

(CAD thousands)	Note	Three Months Ended **September 24, 2011**	Three Months Ended September 25, 2010	Nine Months Ended **September 24, 2011**	Nine Months Ended September 25, 2010
Cash provided by (used for):					
Operating activities					
Net income (loss)		**$ (341)**	$ 3,039	**$ 2,332**	$ 28,684
Adjustments to net income (loss):					
Deferred tax expense	8	**152**	633	**2,018**	2,114
Depreciation and amortization		**137**	122	**409**	363
Fair value adjustments		**177**	(84)	**575**	(1,511)
Unrealized exchange loss on long term debt		**2,941**	—	**3,928**	—
Interest expense, net		**745**	962	**2,422**	2,818
Interest paid, net		**(619)**	(962)	**(1,463)**	(2,818)
Gain on sale of timberlands		**(9)**	(6)	**(107)**	(38)
Gain on corporate conversion	3	**—**	—	**—**	(21,086)
		3,183	3,704	**10,114**	8,526
Net change in non-cash working capital balances and other		**1,457**	(56)	**2,179**	(778)
		4,640	3,648	**12,293**	7,748
Financing activities					
Borrowing on term facility	4	**—**	—	**70,608**	—
Repayment of bank term credit facility and term loan	4	**—**	—	**(73,639)**	—
Repayment of revolving facility	4	**—**	(1,000)	**—**	(4,500)
Deferred financing costs	4	**—**	—	**(1,205)**	—
Dividends paid to shareholders		**(3,451)**	(837)	**(7,739)**	(1,952)
		(3,451)	(1,837)	**(11,975)**	(6,452)
Investing activities					
Additions to timber, property, plant and equipment		**(9)**	(106)	**(25)**	(370)
Proceeds from sale of timberlands		**9**	10	**109**	40
		—	(96)	**84**	(330)
Increase in cash and cash equivalents during the period		**1,189**	1,715	**402**	966
Cash and cash equivalents, beginning of period		**6,546**	1,304	**7,333**	2,053
Cash and cash equivalents, end of period		**$ 7,735**	$ 3,019	**$ 7,735**	$ 3,019

See accompanying notes to interim consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

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

NOTE 1. GENERAL

Acadian Timber Corp. (the "Corporation") is governed by the Canada Business Corporation Act pursuant to articles of arrangement dated January 1, 2010. The Corporation is a reporting issuer and its common shares are publicly traded on the Toronto Stock Exchange under the stock symbol "ADN". The principal and head office of the Corporation is located at Suite 458, 550 Burrard Street, Bentall V, Vancouver, British Columbia, V6C 2B5.

The Corporation and all of its consolidated operations, collectively "Acadian", owns and manages approximately 765,000 acres of freehold timberlands in New Brunswick ("NB Timberlands"), approximately 310,000 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 100 regional customers.

Acadian's operations are subject to seasonal variations, and as a result Acadian's operating results vary from quarter to quarter. Harvesting activity can be compromised by inaccessibility to some sites during wet seasons resulting in decreased harvest levels. Results of one quarter will not be indicative of results that may be achieved in other quarters or for the full year.

On January 1, 2010, Acadian Timber Income Fund (the "Fund") converted to Acadian Timber Corp. pursuant to a plan of arrangement under the Canada Business Corporations Act (the "Arrangement") with CellFor Inc. ("CellFor") which allowed for the conversion of the Fund from an income trust to a corporation. Prior to the conversion, the consolidated financial statements included the accounts of the Fund and its subsidiaries. The conversion is described further in Note 3.

On April 29, 2010, Fraser Papers Inc. ("Fraser") completed the sale of its specialty papers business including Crown timber harvest rights, two Canadian sawmills, the Edmundston pulpmill and the Madawaska paper mill along with fibre supply agreements between Fraser and Acadian to Twin Rivers Paper Company ("Twin Rivers"). References in this report to Twin Rivers include references to transactions and relationships with Fraser prior to the sale of these assets.

As at September 24, 2011, affiliates of Brookfield Asset Management Inc. (collectively "Brookfield") own 7,513,262 common shares representing approximately 45% of the outstanding common shares of the Corporation. Acadian and Twin Rivers are related parties as a result of a common significant shareholder.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board ("IASB") and using the accounting policies Acadian expects to adopt in its consolidated financial statements as at and for the year ending December 31, 2011. The accounting policies Acadian expects to adopt in its financial statements as at and for the year ending December 31, 2011 are disclosed in Note 2 of Acadian's interim consolidated financial statements as at and for the three months ended March 26, 2011.

As these interim condensed consolidated financial statements are prepared using International Financial Reporting Standards ("IFRS"), certain disclosures that are required to be included in annual consolidated financial statements prepared in accordance with IFRS that were not included in Acadian's most recent annual consolidated financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") were included in Acadian's interim consolidated financial statements as at and for the three months ended March 26, 2011.

These interim condensed consolidated financial statements should be read in conjunction with Acadian's 2010 annual consolidated financial statements and in consideration of the IFRS transition disclosures included in Note 2 to these financial statements and the additional annual disclosures required under IFRS included in Acadian's interim consolidated financial statements as at and for the three months ended March 26, 2011.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of Acadian on October 27, 2011.

Future Accounting Policies

IAS 1 Presentation of Financial Statements

In June 2011, the IASB amended IAS 1 by revising how certain items are presented in other comprehensive income ("OCI"). Items within OCI that may be reclassified to profit and loss will be presented separately from items that will not be reclassified. The standard is effective for financial years beginning on or after July 1, 2012, with early adoption permitted. Acadian is in the process of assessing the impact of the new standard on its consolidated financial statements.

IAS 12 Income Taxes

In December 2010, the IASB amended IAS 12 for the measurement of deferred tax liabilities and deferred tax assets where investment property is measured using the fair value model in IAS 40, *Investment Property*. The amendments introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The effective date of amendment is January 1, 2012. Acadian is in the process of assessing the impact of the new standard on its consolidated financial statements.

IFRS 9 Financial Instruments: Classification and Measurement

In November 2009, the IASB issued IFRS 9, as the first part of its project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 currently prescribes that financial assets are measured at amortized cost or fair value on the basis of how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The classification and measurement for financial liabilities remains generally unchanged, however, revisions have been made in the accounting for changes in fair value of a financial liability attributable to changes in the credit risk of that liability. The other phases of this project which are currently under development include impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. Acadian is in the process of assessing the impact of the new standard on its consolidated financial statements in conjunction with the completion of the other phases of this project.

IFRS 10 Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10, which replaces portions of IAS 27, *Consolidated and Separate Financial Statements*, and interpretation SIC-12, *Consolidation – Special Purpose Entities*. The key features of IFRS 10 include consolidation using a single control model, definition of control, considerations on power, and continuous reassessment. IFRS 10 is effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. Acadian is in the process of assessing the impact of the new standard on its consolidated financial statements.

IFRS 11 Joint Arrangements

In May 2011, the IASB issued IFRS 11, which replaces IAS 31, *Interest in Joint Ventures*, and SIC-31, *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 requires joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement is no longer the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. In addition, the option to account for joint ventures (previously called jointly controlled entities) using proportionate consolidation is removed. Venturers transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item. These amendments are effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. Acadian does not believe IFRS 11 will have a material impact on its consolidated financial statements.

IFRS 12 Disclosure of Involvement with Other Entities

In May 2011, the IASB issued IFRS 12, which requires a parent company to disclose information about significant judgments and assumptions it has made in determining whether it has control, joint control, or significant influence over another entity and the type of joint arrangement when the arrangement has been structured through a separate vehicle. An entity should also provide these disclosures when changes in facts and circumstances affect the entity's conclusion during the reporting period. This standard is effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. Acadian does not believe IFRS 12 will have a material impact on its consolidated financial statements.

IAS 27 Separate Financial Statements

In May 2011, the IASB reissued IAS 27 as the consolidation guidance is now included in IFRS 10. The amended IAS 27 prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate (non-consolidated) financial statements. These amendments are effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. Acadian does not believe IAS 27 will have a material impact on its consolidated financial statements.

IAS 28 Investments in Associates and Joint Ventures

In May 2011, the IASB amended IAS 28 as a result of issuing IFRS 10, IFRS 11 and IFRS 12. The amended IAS 28 prescribes the accounting guidance for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee. These amendments are effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. Acadian does not believe IAS 28 will have a material impact on its consolidated financial statements.

IFRS 13 Fair Value Measurement

In May 2011, the IASB issued IFRS 13, which establishes a single source of guidance for fair value measurements when fair value is required or permitted by IFRS. IFRS 13 defines fair value, provides a single framework for measuring fair value and requires enhanced disclosures about fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. Acadian is in the process of assessing the impact of the new standard on its consolidated financial statements.

NOTE 3. CORPORATE CONVERSION

On January 1, 2010, the Corporation completed the Arrangement with CellFor which allowed for the conversion of the Fund from an income trust to a corporation. Pursuant to the Arrangement, the Fund's unitholders received one common share of CellFor for each trust unit held on January 1, 2010 and CellFor changed its name to Acadian Timber Corp. Upon completion of the Arrangement, Acadian indirectly owns and operates the existing business of the Fund, and the existing trustees of the Fund and management of the Fund became the directors and management of Acadian. Acadian retained and licensed certain business assets of CellFor related to the development of superior spruce stock (the "Retained Assets"). Concurrent with and subsequent to the signing of the definitive documents in the forth quarter of 2009, Acadian loaned $4.0 million to CellFor (the "CellFor Loan").

Pursuant to the plan of Arrangement, CellFor transferred all of its assets (other than the Retained Assets) to a new subsidiary ("New Cellfor") and all of Cellfor's liabilities (other than the liability relating to the CellFor loan) were repaid, settled or assumed by New Cellfor.

All of the securities of New Cellfor were distributed to the CellFor security holders. New CellFor has agreed to indemnify Acadian for losses or damages that may have resulted from the activities of CellFor prior to the conversion.

The transaction resulted in an one time gain from corporate conversion of $21.1 million recorded in the nine month period ended September 25, 2010.

NOTE 4. DEBT

Debt consisted of the following:

As at (CAD thousands)	**September 24, 2011**	December 31, 2010
Term facility, due March 2016	**$ 74,537**	$ —
Bank term credit facility (repaid in February 2011)	**—**	41,960
Term loan facility (repaid in February 2011)	**—**	31,792
Less: Deferred debt issuance costs	**(1,065)**	—
Total	**$ 73,472**	$ 73,752

In February 2011, Acadian refinanced its Canadian and U.S. dollar denominated loan facilities through the entering into of a first mortgage loan agreement with The Metropolitan Life Insurance Company which will mature on March 1, 2016. This agreement established a revolving credit facility of up to US$10.0 million (the "Revolving Facility") for general corporate purposes and a term credit facility of US$72.5 million (the "Term Facility"). The Term Facility bears interest at a fixed rate of 3.97%. The Revolving Facility bears interest at floating rates based on 90 day LIBOR plus applicable margin. Floating interest rates give rise to interest rate risk as earnings and cash flows may be negatively impacted by fluctuations in interest rates.

As at September 24, 2011, Acadian has borrowed US$72.5 million under the Term Facility and $nil under the Revolving Facility.

As security for these facilities, Acadian has granted the lenders a security interest over all of its assets. The facilities are subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness, granting liens or selling assets without the consent of the lenders. The credit facilities are also subject to the maintenance of a maximum ratio of loan to appraised value. Acadian is in compliance as of September 24, 2011.

At December 31, 2010, Acadian had a term credit facility of up to $42.0 million and a revolving credit facility of up to $10.0 million. As at December 31, 2010, Acadian had borrowed $42.0 million under the term facility and $nil under the revolving facility. The full principle of this loan was repaid as scheduled on February 28, 2011 and the revolving credit facility was wound up.

The Maine Timberlands had a term loan facility of up to US$31.5 million which was fully drawn as at December 31, 2010. The full principle of this loan and the US$0.4 million of deferred financing costs payable upon maturity of the facility were repaid as scheduled on February 28, 2011.

NOTE 5. SHAREHOLDERS' EQUITY

Shares outstanding as at September 24, 2011, were 16,731,216.

For the nine months ended September 24, 2011, and the comparable period of 2010, there were no dilutive instruments outstanding.

NOTE 6. RELATED PARTY TRANSACTIONS

In the normal course of operations, Acadian enters into various transactions on market terms with related parties which have been measured at exchange value and recognized in the consolidated financial statements. Acadian has one significant related party, Brookfield. As at September 24, 2011, Brookfield owned 7,513,262 common shares, representing approximately 45% of the outstanding shares of the Corporation. Acadian is also a related party of Twin Rivers as a result of their common significant shareholder.

A summary of the significant related party transactions is provided below.

a) Acadian has entered into a number of fibre supply agreements whereby Acadian agreed to provide fibre to Twin Rivers and Brookfield for periods of up to 20 years. In addition, Acadian agreed to administer certain licenses on behalf of Twin Rivers. Total sales to Twin Rivers and Brookfield during the three months ended September 24, 2011 totaled $7.2 million and $nil, respectively, which represented 29% of Acadian's consolidated total sales (2010 – $6.2 million and $0.4 million, respectively, or 26% of total sales). Included in accounts receivable at September 24, 2011 is $3.3 million related to these agreements (September 25, 2010 – $1.9 million). Total sales to Twin Rivers and Brookfield for the nine-month period ended September 24, 2011 amounted to $19.8 million (2010 – $17.9 million) and $0.7 million (2010 – $1.2 million), respectively.

b) Maine Timberlands rented space in a shared office building from a wholly-owned subsidiary of Brookfield, which also provides certain administrative services to Maine Timberlands. Total costs paid for these services were $4 thousand and $12 thousand during the three and nine-month periods ended September 24, 2011 (2010 – $4 thousand and $12 thousand), respectively.

c) Acadian has entered into an agreement with Brookfield whereby Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided in the three and nine months ended September 24, 2011 totaled $0.5 million (2010 – $0.5 million) and $1.6 million (2010 – $1.6 million), respectively. All fees have been fully paid in accordance with the services agreement.

d) On October 14, 2010, Acadian entered into an agreement with the Metropolitan Life Insurance Company to refinance existing debt obligations maturing February 28, 2011 at fixed rates determined as US treasury yield plus margin. To mitigate market risk of US treasury yields changing prior to closing of the loan, Brookfield entered into a rate lock agreement on Acadian's behalf whereby Acadian assumed the settlement proceeds upon maturity. As at December 31, 2010, the derivative asset related to this agreement was valued at $1.6 million and was settled on February 1, 2011 for proceeds of $1.3 million.

NOTE 7. SEGMENTED INFORMATION

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

Three Months Ended September 24, 2011 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 7,457	$ 5,174	$ 2,283	$ —
Hardwood	7,667	6,886	781	—
Biomass and other	2,411	2,213	198	—
Total net sales	17,535	14,273	3,262	—
Operating costs	(13,559)	(10,736)	(2,675)	(148)
Operating earnings (loss)	3,976	3,537	587	(148)
Gain on sale of timberlands	9	11	(2)	—
Reforestation	(174)	(138)	(36)	—
Depreciation and amortization	(137)	(59)	(78)	—
Fair value adjustments	(177)	(458)	281	—
Earnings (loss) before the under noted	3,497	2,893	752	(148)
Unrealized exchange loss on long-term debt	(2,941)			
Interest expense, net	(745)			
Deferred income tax expense	(152)			
Net loss	$ (341)			

As at September 24, 2011 (CAD thousands)				
Timber, property, plant and equipment, investment property and intangible assets	$ 259,806	$ 150,520	$ 109,286	$ —
Total assets	284,908	164,789	111,978	8,141
Total liabilities	$ 105,731	$ 7,975	20,850	$ 76,906

Three Months Ended September 25, 2010 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 8,252	$ 5,150	$ 3,102	$ —
Hardwood	6,862	5,587	1,275	—
Biomass and other	2,706	2,533	173	—
Total net sales	17,820	13,270	4,550	—
Operating costs	(12,983)	(9,539)	(3,276)	(168)
Operating earnings (loss)	4,837	3,731	1,274	(168)
Gain on sale of timberlands	6	7	(1)	—
Reforestation	(171)	(144)	(27)	—
Depreciation and amortization	(122)	(35)	(87)	—
Fair value adjustments	84	257	(173)	—
Earnings (loss) before under noted	4,634	3,816	986	(168)
Interest expense, net	(962)			
Income tax recovery	(633)			
Net income	$ 3,039			

As at September 25, 2010 (CAD thousands)				
Timber, property, plant and equipment, investment property and intangible assets	$ 252,656	$ 146,665	$ 105,991	$ —
Total assets	281,947	164,127	108,820	9,000
Total liabilities	$ 101,478	$ 20,627	$ 52,750	$ 28,101

Nine Months Ended September 24, 2011 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 23,856	$ 17,888	$ 5,968	$ —
Hardwood	21,633	19,807	1,826	—
Biomass and other	5,525	5,126	399	—
Total net sales	51,014	42,821	8,193	—
Operating costs	(38,970)	(31,569)	(6,551)	(850)
Operating earnings (loss)	12,044	11,252	1,642	(850)
Gain on sale of timberlands	107	63	44	—
Reforestation	(467)	(411)	(56)	—
Depreciation and amortization	(409)	(176)	(233)	—
Fair value adjustments	(575)	(2,041)	1,466	—
Earnings (loss) before the under noted	10,700	8,687	2,863	(850)
Exchange loss on long-term debt	(3,928)			
Interest expense, net	(2,422)			
Deferred income tax expense	(2,018)			
Net income	$ 2,332			

Nine Months Ended September 25, 2010 *(CAD thousands)*	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 23,215	$ 15,358	$ 7,857	$ —
Hardwood	21,602	18,933	2,669	—
Biomass and other	5,598	5,134	464	—
Total net sales	50,415	39,425	10,990	—
Operating costs	(38,854)	(29,694)	(8,298)	(862)
Operating earnings (loss)	11,561	9,731	2,692	(862)
Gain on sale of timberlands	38	34	4	—
Reforestation	(217)	(190)	(27)	—
Depreciation and amortization	(363)	(106)	(257)	—
Fair value adjustments	1,511	1,350	161	—
Earnings (loss) before under noted	12,530	10,819	2,573	(862)
Gain on corporate conversion	21,086			
Interest expense, net	(2,818)			
Deferred income tax expense	(2,114)			
Net income	$ 28,684			

During the three months ended September 24, 2011 approximately 20% of total sales were originated with customers domiciled in the U.S. and the balance in Canada. During the same period in 2011 approximately 17% of total sales were denominated in U.S. dollars.

Acadian outsources much of its harvesting, transportation and other services which comprise the majority of Acadian's cost of sales. For the three-month period ended September 24, 2011, Acadian's top three suppliers accounted for approximately 14%, 14% and 10%, respectively, of Acadian's total harvesting and delivery costs.

Acadian sells its products to many forest product companies in North America. For the three-month period ended September 24, 2011, related parties (see Note 6) and the next largest customer accounted for 29% and 11% of total sales, respectively.

NOTE 8. INCOME TAXES

Acadian's effective tax rate is different from Acadian's domestic statutory income tax rate due to the differences set out below:

Nine Months Ended *(CAD thousands)*	September 24, 2011	Effective Rate
Deferred income tax expense		
Income tax at statutory rate	$ 1,175	27%
Foreign tax rate differential	304	7%
Permanent differences	(339)	(8)%
Rate adjustments	793	18%
Tax assets not benefited	211	5%
Other	(126)	(3)%
Total deferred income tax expense	$ 2,018	46%

As at *(CAD thousands)*	September 24, 2011	December 31, 2010	January 1, 2010
Deferred income tax asset	$ 5,431	$ 7,522	—
Deferred income tax liability	(19,672)	(18,952)	(34,553)
Total net deferred income tax liability	$ (14,241)	$ (11,430)	$ (34,553)

NOTE 9. EMPLOYEE BENEFIT PLANS

NB Timberlands and Maine Timberlands each have defined contribution plans covering substantially all employees. During the three and nine months ended September 24, 2011, contributions recorded as expenses amounted to $88 thousand (2010 – $75 thousand) and $205 thousand (2010 – $207 thousand), respectively.

NOTE 10. DIVIDENDS TO SHAREHOLDERS

Acadian pays quarterly dividends to the extent determined prudent by the Board of Directors.

Total dividends declared for the three months ended September 24, 2011 were $3.5 million (2010 – $0.8 million), respectively, or $0.20625 per share (2010 – $0.05 per share).

NOTE 11. TIMBER

(CAD thousands)	
Fair Value at January 1, 2010	**$ 216,751**
Gains arising from growth	19,597
Decrease arising from harvest	(18,347)
Appraisal adjustment	3,022
Foreign exchange	(4,842)
Balance at December 31, 2010	**$ 216,181**
Gains arising from growth	14,169
Decrease arising from harvest	(14,872)
Foreign Exchange	2,722
Balance at September 24, 2011	**$ 218,200**

NOTE 12. TRANSITION TO IFRS

IFRS 1, *First Time Adoption of International Financial Reporting Standards,* sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the transitional balance sheet date with all adjustments to assets and liabilities taken to shareholders' equity unless certain exemptions are applied.

Acadian has applied the following exemptions to its opening balance sheet dated January 1, 2010:

a) Elected exemptions from full retrospective application

In preparing these financial statements in accordance with IFRS 1, Acadian has applied certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions applied are described below.

i) Fair value or revaluation as deemed cost
Acadian has elected to measure certain items of property, plant and equipment at fair value as at January 1, 2010 or at revaluation amounts, such that those amounts are the deemed costs as at January 1, 2010.

ii) Cumulative translation differences
Acadian has elected to reset the cumulative translation account, which was included in accumulated other comprehensive income, to zero at January 1, 2010, and the amount was absorbed into retained earnings. This exemption has been applied to all subsidiaries.

b) Mandatory exceptions to retrospective application

In preparing these financial statements in accordance with IFRS 1, Acadian has applied certain mandatory exceptions from full retrospective application of IFRS. The mandatory exceptions applied from full retrospective application of IFRS are described below.

i) Estimates
Hindsight was not used to create or revise estimates and accordingly, the estimates previously made by Acadian under Canadian GAAP are consistent with their application under IFRS as at January 1 and December 31, 2010.

In order to allow the users of these financial statements to better understand the changes under IFRS, Acadian's Canadian GAAP statement of net income, statement of equity, comprehensive income, balance sheet, and statement of cash flows for the year ended December 31, 2010 have been reconciled to IFRS. Key sources of differences are identified below:

ii) Inventories
Logs are valued at the lower of average cost, including fair value of harvest, and net realizable value. Upon adoption of IFRS, inventory value increased by $0.6 million at January 1, 2010 and $0.2 million at December 31, 2010 resulting in a fair value change of $0.4 million. Under Canadian GAAP guidelines, logs were valued at the lower of average cost and net realizable value, but did not include a charge for the fair value of timber harvested.

iii) Buildings, pavement and equipment
Under IAS 16, *Property, Plant and Equipment,* items of property, plant and equipment are initially measured at cost, but the provisions of IFRS 1 allow for the measurement at a deemed cost upon initial adoption. The choices are the cost model and the revaluation model. Acadian elected the cost model for buildings, pavement and equipment with the December 31, 2009 net book value becoming the original cost.

iv) Land
Land was valued at deemed cost (fair value) upon adoption with revaluation being the ongoing method of valuation. Historical cost was the method of valuation under Canadian GAAP guidelines.

v) Roads
Roads were valued at deemed cost (fair value) upon adoption with revaluation being the ongoing method of valuation. Historical cost less amortization was the basis of valuation under Canadian GAAP guidelines.

vi) Bridges
Bridges on freehold lands that are 9 metres or greater in length and located on permanent roads were valued at deemed cost (fair value) upon adoption of IFRS. The net book value of bridges on freehold lands that did not meet this description was written off. All bridges on crown lands were valued at deemed cost (historical net book value) upon transition to IFRS. Cost is the ongoing method of valuation. Under Canadian GAAP, bridges were carried as part of the road cost and were amortized with the road or charged directly to expense.

vii) Timber
Under IFRS, the value of standing timber and cost of trees harvested is determined based on guidance in IAS 41 *Agriculture*. Upon adoption and on an ongoing basis, timber is valued at fair value less estimated cost to sell. Under Canadian GAAP, timber was valued at historical cost less accumulated depletion.

viii) Investment property
IAS 40, *Investment Property,* prescribes the method of valuation for investment property. Upon adoption and on an ongoing basis, investment property is valued at fair value. Under Canadian GAAP, investment property was valued at historical cost.

ix) Deferred income tax asset, liability and deferred credit
The deferred income tax assets and liabilities were adjusted for the tax impact of the change in temporary differences resulting from the effect of the IFRS adjustments on asset values. IAS 12 does not support the Canadian GAAP approach of recognizing a deferred credit for the excess of the value of deferred tax assets over their cost. As a result, upon adoption of IFRS, the excess value was recorded as income in the period the Arrangement was completed (see Note 3).

x) Revaluation surplus
Any revaluation increase arising from the revaluation of permanent roads and any land being utilized for growing timber is recognized in other comprehensive income and accumulated in equity except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case, the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on revaluation of such assets is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Under Canadian GAAP guidelines, historical cost was the applicable measure and no revaluation reserve was required.

xi) Depreciation, amortization and depletion
Under Canadian GAAP guidelines, a depletion charge was recorded based on the volume of timber harvested in a period multiplied by a fixed rate that was derived from the initial purchase price divided by the volume of standing timber inventory acquired. Under IFRS guidelines, this charge is replaced by a charge for the fair value of timber harvested.

Under Canadian GAAP guidelines, permanent roads were amortized over their expected useful life. Under IFRS guidelines, permanent roads are revalued to reflect their current value on an annual basis and no charge for amortization is recorded.

xii) Fair value adjustments
Details of fair value adjustments recorded to the statement of net income are:

As at *(CAD thousands)*	December 31, 2010	September 25, 2010
Inventory	(322)	$ (100)
Timber harvested	(18,347)	(12,871)
Timber growth	19,597	14,482
Valuation change	3,022	—
	$ 3,950	$ 1,511

xiii) Reforestation
Upon adoption of IFRS, Acadian elected to expense reforestation.

xiv) Gain on sale of assets
Under IFRS guidelines, investment property is carried at fair value. Dispositions are at cost under the Canadian GAAP historical cost approach. The disposition gain was adjusted to reflect fair value accounting.

xv) The presentation of the cash flow statement in accordance with IFRS differs from the presentation of the cash flow statement in accordance with Canadian GAAP.

Reconciliation of the balance sheet as at January 1, 2010:

(CAD thousands)	Canadian GAAP	Note	Effect of Transition	IFRS
Assets				
Current assets				
Cash and cash equivalents	$ 2,053		$ —	$ 2,053
Accounts receivable and other assets	6,265		—	6,265
Note receivable	4,001		—	4,001
Inventory	1,737	ii	552	2,289
	14,056		552	14,608
Timber	165,854	vii	50,897	216,751
Property, plant and equipment	23,233	iii,iv,v,vi	13,042	36,275
Investment property	875	viii	—	875
Intangible assets	6,140		—	6,140
	$ 210,158		$ 64,491	$ 274,649
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable and accrued liabilities	$ 4,275		$ —	$ 4,275
	4,275		—	4,275
Deferred income tax liability	13,815	ix	20,738	34,553
Long-term debt	80,739		—	80,739
Shareholders' equity	111,329		43,753	155,082
	$ 210,158		$ 64,491	$ 274,649

Reconciliation of the statement of net income for the three months ended September 25, 2010:

(CAD thousands)	Canadian GAAP	Note	Effect of Transition	IFRS
Net sales	$ 17,861		$ (41)	$ 17,820
Operating costs and expenses				
Cost of sales	11,365	xii	(70)	11,295
Selling, administration and other	1,688		—	1,688
Depreciation, amortization and depletion	1,707	xi	(1,585)	122
	14,760		(1,655)	13,105
Operating earnings	3,101		1,614	4,715
Interest expense, net	(962)		—	(962)
Other items				
Reforestation	(21)	xiii	(150)	(171)
Gain on sale of timberlands	6		—	6
Fair value adjustments	—	xii	84	84
Earnings before income tax	2,124		1,548	3,672
Deferred income tax expense	(575)	ix	(58)	(633)
Net income for the period	$ 1,549		$ 1,490	$ 3,039
Net income per share – basic	$ 0.09		$ 0.09	$ 0.18
Net income per share – diluted	$ 0.09		$ 0.09	$ 0.18

Reconciliation of the statement of net income for the nine months ended September 25, 2010:

(CAD thousands)	Canadian GAAP	Note	Effect of Transition	IFRS
Net sales	$ 50,466		$ (51)	$ 50,415
Operating costs and expenses				
Cost of sales	33,735	xii	6	33,741
Selling, administration and other	5,113		—	5,113
Depreciation, amortization and depletion	4,883	xi	(4,520)	363
	43,731		(4,514)	39,217
Operating earnings	6,735		4,463	11,198
Interest expense, net	(2,818)		—	(2,818)
Other items				
Reforestation	(21)	xiii	(196)	(217)
Gain on sale of timberlands	38		—	38
Fair value adjustments	—	xii	1,511	1,511
Gain on corporate conversion	—	ix	21,086	21,086
Earnings before income tax	3,934		26,864	30,798
Deferred income tax expense	(495)	ix	(1,619)	(2,114)
Net income for the period	$ 3,439		$ 25,245	$ 28,684
Net income per share – basic	$ 0.21		$ 1.50	$ 1.71
Net income per share – diluted	$ 0.21		$ 1.50	$ 1.71

Reconciliation of the statements of comprehensive income and shareholders' equity for the three months ended September 25, 2010:

(CAD thousands)	Canadian GAAP	Effect of Transition	IFRS
Net income	$ 1,549	$ 1,490	$ 3,039
Other comprehensive income			
Unrealized foreign currency translation gain	(318)	(290)	(608)
Comprehensive income	$ 1,231	$ 1,200	$ 2,431
Accumulated other comprehensive loss, beginning of period	(5,359)	4,459	(900)
Other comprehensive loss	(318)	(290)	(608)
Accumulated other comprehensive loss, end of period	$ (5,677)	$ 4,169	$ (1,508)

(CAD thousands)	Canadian GAAP	Effect of Transition	IFRS
Shareholders' equity, beginning of period	$111,712	$ 67,163	$178,875
Net income	1,549	1,490	3,039
Dividends declared	(837)	—	(837)
	112,424	68,653	181,077
Other comprehensive loss	(318)	(290)	(608)
Shareholders' equity, end of period	$112,106	$ 68,363	$180,469

Reconciliation of the statements of comprehensive income and shareholders' equity for the nine months ended September 25, 2010:

(CAD thousands)	Canadian GAAP	Effect of Transition	IFRS
Net income	$ 3,439	$ 25,245	$ 28,684
Other comprehensive loss			
Unrealized foreign currency translation loss	(873)	(635)	(1,508)
Comprehensive income	$ 2,566	$ 24,610	$ 27,176
Accumulated other comprehensive loss, beginning of period	(4,804)	4,804	—
Other comprehensive loss	(873)	(635)	(1,508)
Accumulated other comprehensive loss, end of period	$ (5,677)	$ 4,169	$ (1,508)

(CAD thousands)	Canadian GAAP	Effect of Transition	IFRS
Shareholders' equity, beginning of period	$111,329	$ 43,753	$155,082
Issuance of shares	1,000	—	1,000
Net income	3,439	25,245	28,684
Dividends declared	(2,789)	—	(2,789)
	112,979	68,998	181,977
Other comprehensive loss	(873)	(635)	(1,508)
Shareholders' equity, end of period	$112,106	$ 68,363	$180,469

Reconciliation of statement of cash flows for the three months ended September 25, 2010:

(CAD thousands)	Canadian GAAP	Note	Effect of Transition	IFRS
Operating activities				
Net income for the period	$ 1,549		$ 1,490	$ 3,039
Adjustments to net income				
Depreciation, amortization and depletion	1,707	xi	(1,585)	122
Fair value adjustments	—	xii	(84)	(84)
Gain on sale of timberlands	(6)		—	(6)
Deferred income tax expense	575	ix	58	633
	3,825		(121)	3,704
Net change in non-cash working capital balances and other	(27)	ii	(29)	(56)
	3,798		(150)	3,648
Investing activities				
Additions to timber, property, plant and equipment	(106)		—	(106)
Proceeds from sale of timberlands	10		—	10
Reforestation expenditures	(150)	xiii	150	—
	(246)		150	(96)
Financing activities				
Dividends paid to shareholders	(837)		—	(837)
Repayment of revolving credit facility	(1,000)		—	(1,000)
	(1,837)		—	(1,837)
Increase in cash and cash equivalents during the year	1,715		—	1,715
Cash and cash equivalents, beginning of year	1,304		—	1,304
Cash and cash equivalents, end of year	$ 3,019		$ —	$ 3,019

Reconciliation of statement of cash flows for the nine months ended September 25, 2010:

(CAD thousands)	Canadian GAAP	Note	Effect of Transition	IFRS
Operating activities				
Net income for the period	$ 3,439		$ 25,245	$ 28,684
Adjustments to net income				
Depreciation, amortization and depletion	4,883	xi	(4,520)	363
Fair value adjustments	—	xii	(1,511)	(1,511)
Gain on corporate conversion	—	ix	(21,086)	(21,086)
Gain on sale of timberlands	(38)		—	(38)
Deferred income tax expense	495	ix	1,619	2,114
	8,779		(253)	8,526
Net change in non-cash working capital balances and other	(835)	ii	57	(778)
	7,944		(196)	7,748
Investing activities				
Additions to timber, property, plant and equipment	(370)		—	(370)
Proceeds from sale of timberlands	40		—	40
Reforestation expenditures	(196)	xiii	196	—
	(526)		196	(330)
Financing activities				
Dividends paid to shareholders	(1,952)		—	(1,952)
Repayment of revolving credit facility	(4,500)		—	(4,500)
	(6,452)		—	(6,452)
Increase in cash and cash equivalents during the year	966		—	966
Cash and cash equivalents, beginning of year	2,053		—	2,053
Cash and cash equivalents, end of year	$ 3,019		$ —	$ 3,019

Reconciliation of the balance sheet as at December 31, 2010:

(CAD thousands	Canadian GAAP	Note	Effect of Transition	IFRS
Assets				
Current assets				
Cash and cash equivalents	$ 7,333		$ —	$ 7,333
Accounts receivable and other assets	7,252		—	7,252
Inventory	759	ii	231	990
Derivative asset	1,557		—	1,557
Deferred income tax asset	1,958		(1,958)	—
	18,859		(1,727)	17,132
Timber	157,088	vii	59,093	216,181
Property, plant and equipment	22,576	iii,iv,v,vi	11,932	34,508
Investment property	875	viii	—	875
Intangible assets	6,140		—	6,140
Deferred income tax asset	12,382	ix	(4,860)	7,522
	$ 217,920		$ 64,438	$ 282,358
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable and accrued liabilities	$ 4,483		$ —	$ 4,483
Dividends payable to shareholders	837		—	837
Debt	73,752		—	73,752
Deferred credit	1,576	ix	(1,576)	—
	80,648		(1,576)	79,072
Deferred credit	17,206	ix	(17,206)	—
Deferred income tax liability	3,162	ix	15,790	18,952
Shareholders' equity	116,904		67,430	184,334
	$ 217,920		$ 64,438	$ 282,358

Reconciliation of the income statement for the year ended December 31, 2010:

(CAD thousands)	Canadian GAAP	Note	Effect of Transition	IFRS
Net sales	$ 71,016		$ (20)	$ 70,996
Operating costs and expenses				
Cost of sales	46,030		13	46,043
Selling, administration and other	7,026		—	7,026
Depreciation, amortization and depletion	6,618	xi	(6,119)	499
	59,674		(6,106)	53,568
Operating earnings	11,342		6,086	17,428
Interest expense, net	(3,791)		—	(3,791)
Other items				
Gain on sale of timberlands	40		—	40
Fair value adjustments	—	xii	3,950	3,950
Loss on revaluation	—		(5,005)	(5,005)
Reforestation	—	xiii	(192)	(192)
Gain on corporate conversion	—	ix	21,086	21,086
Earnings before income tax recovery	7,591		25,925	33,516
Deferred income tax recovery (expense)	1,183	ix	(3,393)	(2,210)
Net income for the period	$ 8,774		$ 22,532	$ 31,306
Net income per share – basic	$ 0.53		$ 1.35	$ 1.87
Net income per share – diluted	$ 0.53		$ 1.35	$ 1.87

The reconciliation presented above has been revised as compared to previous periods to appropriately reflect the IFRS adjustment related to the non-cash revaluation adjustment and certain minor presentation differences.

Reconciliation of the statements of comprehensive income and shareholders' equity for the year ended December 31, 2010:

(CAD thousands)	Canadian GAAP	Note	Effect of Transition	IFRS
Net income	$ 8,774		$ 22,532	$ 31,306
Other comprehensive income (loss)				
Unrealized foreign currency translation losses	(1,708)		(1,209)	(2,917)
Fair value gains on derivatives designated as cash flow hedges	1,134		—	1,134
Gain on revaluation of roads and land	—	x	2,354	2,354
Other comprehensive income (loss)	(574)		1,145	571
Comprehensive income	$ 8,200		$ 23,677	$ 31,877
Accumulated other comprehensive loss, beginning of period	(4,804)		4,804	—
Other comprehensive income (loss)	(574)		1,145	571
Accumulated other comprehensive loss, end of period	$ (5,378)		$ 5,949	$ 571

(CAD thousands)	Canadian GAAP	Note	Effect of Transition	IFRS
Shareholders' equity, beginning of period	$111,329		$ 43,753	$155,082
Issuance of shares	1,000		—	1,000
Net income	8,774		22,532	31,306
Dividends	(3,625)		—	(3,625)
	117,478		66,285	183,763
Other comprehensive loss	(574)		1,145	571
Shareholders' equity, end of period	$116,904		$ 67,430	$184,334

The reconciliation presented above has been revised as compared to previous periods to appropriately reflect the IFRS adjustment related to the non-cash revaluation adjustment and certain minor presentation differences.

Reconciliation of statement of cash flows for the year ended December 31, 2010:

(CAD thousands)	Canadian GAAP	Note	Effect of Transition	IFRS
Operating activities				
Net income for the period	$ 8,774		$ 22,532	$ 31,306
Adjustments to net income				
Depreciation	6,618	xi	(6,119)	499
Fair value adjustments	—	xii	(3,950)	(3,950)
Loss on revaluation of roads and land	—	x	5,005	5,005
Gain on corporate conversion	—	ix	(21,086)	(21,086)
Gain on sale of timberlands	(40)		—	(40)
Deferred income tax expense (recovery)	(1,183)	ix	3,393	2,210
	14,169		(225)	13,944
Net change in non-cash working capital balances and other	60	ii	27	87
	14,229		(198)	14,031
Investing activities				
Proceeds from sale of timberlands	40		—	40
Additions to timber, property, plant and equipment	(430)		—	(430)
Reforestation expenditures	(198)	xiii	198	—
	(588)		198	(390)
Financing activities				
Dividends paid to shareholders	(2,789)		—	(2,789)
Deferred financing costs	(72)		—	(72)
Repayment of revolving credit facility	(5,500)		—	(5,500)
	(8,361)		—	(8,361)
Increase in cash and cash equivalents during the year	5,280		—	5,280
Cash and cash equivalents, beginning of year	2,053		—	2,053
Cash and cash equivalents, end of year	$ 7,333		$ —	$ 7,333

The reconciliation presented above has been revised as compared to previous periods to appropriately reflect the IFRS adjustment related to the non-cash revaluation adjustment and certain minor presentation differences.

NOTE 13. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors and other key personnel of Acadian is follows:

	Three Months Ended		Nine Months Ended	
(CAD thousands)	September 24, 2011	September 25, 2010	September 24, 2011	September 25, 2010
Salaries, incentives and short-term benefits	$ 164	$ 160	$ 773	$ 736

NOTE 14. SUBSEQUENT EVENTS

On September 28, 2011 Acadian and Brookfield terminated their fibre supply agreement coinciding with Brookfield’s sale of their Maine paper mill to a third party.

Board and Management

BOARD OF DIRECTORS

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
Former Executive
Chairman
ING Real Estate Canada

David Mann
Legal Counsel
Cox & Palmer

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

MANAGEMENT

Acadian Timber's
Manager:
Brookfield Timberlands
Management LP

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

Brian Banfill
Chief Financial Officer
of Acadian

Marcia McKeague
Vice President,
Maine Woodland
Operations

Luc Ouellet
Vice President,
NB Woodland Operations

Corporate and Shareholder Information

HEAD OFFICE OF THE MANAGER

Brookfield Timberlands Management LP
(wholly-owned subsidiary of Brookfield Asset Management Inc.)
Suite 458, Bentall 5, 550 Burrard Street, Box 51
Vancouver, B.C. V6C 2B5
Please direct your inquiries to:
Robert Lee
Investor Relations and Communications
t. 604.661.9607 f. 604.687.3419
e. rlee@acadiantimber.com

TRUSTEE, TRANSFER AGENT AND REGISTRAR

Shareholder inquiries relating to dividends, address changes and shareholder account information should be directed to the Corporation's transfer agent:
CIBC Mellon Trust Company, P.O. Box 7010,
Adelaide Street Postal Station, Toronto, Ontario M5C 2W9
t. 416-643-5500 or 800-387-0825 (toll free in North America)
f. 416-643-5501 www.cibcmellon.com

SHARE INFORMATION

Toronto Stock Exchange: ADN
Fully Diluted Shares Outstanding (September 24, 2011): 16,731,216
Targeted 2011 Quarterly Dividend: $0.20625 per share
Record Date: Last business day of each quarter
Payment Date: On or about the 15th day of each subsequent month

www.acadiantimber.com

This interim management's discussion and analysis ("MD&A") contains forward-looking information and other forward looking statements within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), 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 MD&A such statements may contain such words as "may," "will," "intend," "should," "expect," "believe," "outlook," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the negative of these terms or other similar terminology. Forward-looking information in this MD&A includes, without limitation, statements made in sections entitled "Market Overview," "Free Cash Flow," "Capital Resources" and "Outlook," and other statements regarding management's beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, access to capital, liquidity and trading volumes, dividends, taxes, capital expenditures, and similar statements concerning anticipated future events, results, achievements, circumstances, performance or expectations that are not historical facts. These statements reflect management's current expectations regarding future events and operating performance, are based on information currently available to management and speak only as of the date of this MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon, 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; changes in Canadian income tax law; economic situation of key customers; and other factors discussed under the heading "Risk Factors" in each of the Annual Information Form of Acadian dated March 28, 2011 and the Management Information Circular of Acadian dated March 28, 2011, and other filings of Acadian made with securities regulatory authorities available on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information contained herein may include, but are not limited to: anticipated financial performance; business prospects; strategies; regulatory developments; exchange rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services and the ability to obtain financing on acceptable terms, which are subject to change based on commodity prices, market conditions for timber and wood products, and the economic situation of key customers. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward looking statements. Certain statements in this MD&A may also be considered "financial outlook" for the purposes of applicable Canadian securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. The forward-looking statements contained in this MD&A are made as of the date of this MD&A, and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this MD&A. Acadian Timber Corp. assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as may be required by applicable law.

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