ACADIAN TIMBER

Annual Report



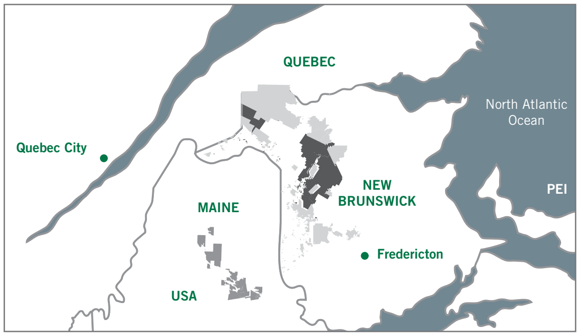
2011

Acadian Timber Corp. (TSX: ADN), 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 is managed by a wholly-owned subsidiary of Brookfield Asset Management Inc. (NYSE: BAM, TSX: BAM.A and Euronext: BAMA).

Acadian owns and manages approximately 1.1 million acres of freehold timberlands in New Brunswick and Maine, and provides management services relating to 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 approximately 90 regional customers.

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

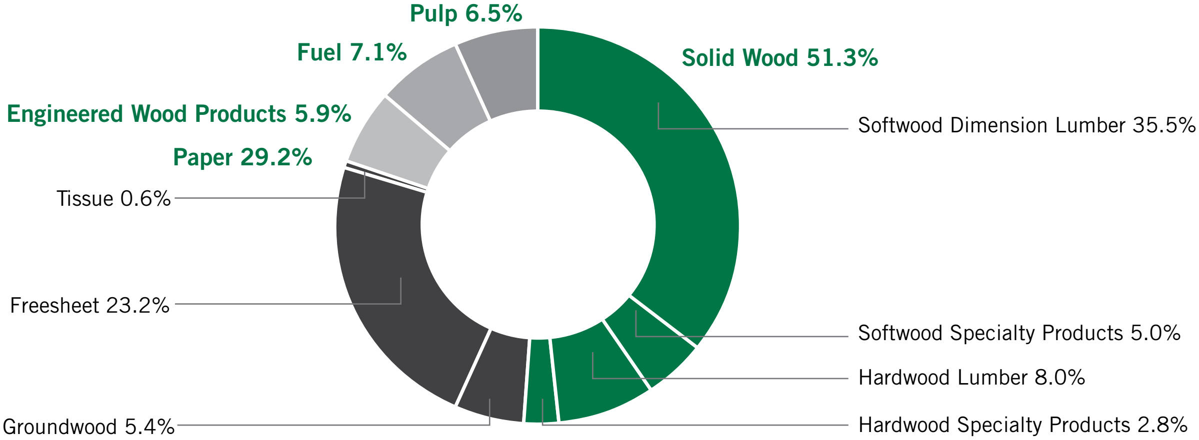
ACADIAN'S LOCATIONS



Forest Areas	Acres	Hectares
Maine Timberlands	310,000	125,000
New Brunswick Timberlands	764,000	310,000
Crown Lands Under Management	1,313,000	531,000
Area Under Management	2,387,000	966,000

ACADIAN'S PRODUCT MIX BY END USE*

Acadian sells a wide variety of products to a broad group of customers. Acadian's greatest exposure is to softwood sawlogs; however, markets for hardwood sawlogs, hardwood and softwood pulpwood, and biomass diversify our sales.



** Percentage of log sales by value for the year ended December 31, 2011.*

2011 HIGHLIGHTS

- Generated net sales of $66.2 million and EBITDA of $15.5 million on consolidated sales volume of 1,293 thousand m³ in a difficult operating environment

- Successfully refinanced Acadian's debt for a 5 year term with favourable interest rates and a flexible covenant package resulting in interest payments decreasing $0.7 million as compared to the previous year

- Obtained *Sustainable Forestry Initiative®* certification for the Maine Timberlands operation

FINANCIAL HIGHLIGHTS

Years Ended December 31 *(CAD thousands, except where indicated)*	**2011**	2010
Sales volume (000s m^3)	**1,293.4**	1,398.7
Net sales	**$ 66,153**	$ 70,996
EBITDA[1]	**$ 15,527**	$ 17,775
Free cash flow[1]	**$ 12,437**	$ 13,554

1 *EBITDA and free cash flow are key performance measures in evaluating Acadian's operations and are important in enhancing investors' understanding of Acadian's operating performance. Acadian's management defines EBITDA as earnings before interest, taxes, fair value adjustments, unrealized exchange gain/loss on debt, depreciation and amortization. For the year ended December 31, 2010 only, EBITDA was adjusted to remove the gain on corporate conversion. As these performance measures do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"), they may not be comparable to similar measures presented by other companies. Please refer to Management's Discussion and Analysis for further details.*



TABLE OF CONTENTS

2 President's Letter to Shareholders
4 Market Overview
5 Management's Discussion and Analysis
27 Consolidated Financial Statements
34 Notes to the Consolidated Financial Statements
58 Corporate Governance
IBC Board and Management
IBC Corporate and Shareholder Information

PRESIDENT'S LETTER TO SHAREHOLDERS

Generated Free Cash Flow of $0.74 Per Share in 2011

Acadian Timber Corp. ("Acadian") performed relatively well at both the corporate and operating levels in 2011 generating free cash flow of $12.4 million or $0.74 per share compared to $0.81 per share in 2010. We merchandised effectively to target those softwood sawlog customers offering the greatest margin opportunity in order to maximize value and mitigate the effect of continuing difficult markets. Acadian also benefited from a successful refinancing in February 2011 which resulted in interest payments decreasing $0.7 million as compared to the previous year.

Financial Performance Modest

Acadian generated net sales of $66.2 million on consolidated sales volume of 1,293 thousand m^3 in 2011. Consolidated sales volume during 2010 was 1,399 thousand m^3, resulting in net sales of $71.0 million. Acadian generated EBITDA[1] of $15.5 million in 2011 as compared to EBITDA of $17.8 million in 2010. EBITDA margins decreased from 25% in 2010 to 23% in 2011.

Acadian's operations were challenged in 2011 by an unusually wet summer and fall and reduced contractor availability in our Maine operations both of which led to lower harvest and sales volumes. As well, variable costs per unit increased by 1% due primarily to higher contractor rates and increases in fuel costs in the Maine operations.

The operating challenges during the year along with a continuation of the depressed log pricing environment decreased free cash flow causing Acadian's payout ratio to climb to 111% for the year ended December 31, 2011. While this exceeds our 95% target level, the current dividend rate continues to reflect our long-term view on sales volumes and the return to normalized prices.

Commitment to Safety Shows Positive Results

Acadian takes its commitment to safety very seriously as we believe that emphasizing and achieving a good safety record is a leading indicator of success in the broader business. Acadian maintained its solid record of positive safety performance among employees and contractors in our New Brunswick and Maine operations. Importantly, the few reportable accidents that occurred were relatively minor and resulted in little lost time. We are particularly proud to report that the employees of our Maine operations have now completed eleven accident free years.

Mostly Positive Market Conditions

Acadian continued to benefit from strong demand and pricing for its hardwood and softwood pulpwood, good markets for its hardwood specialty sawlogs and reasonable markets for most of its softwood sawlogs. However, selling prices for spruce fir sawlogs in Acadian's New Brunswick operations remained weak. Despite this challenging pricing arrangement, Acadian's weighted average selling price for softwood sawlogs was effectively flat (down just 1%) year-over-year. The weighted average selling price across all products in 2011 of $48.03 per m^3 was 2% higher than the 2010 price of $47.06 per m^3.

Maine Operation Obtains SFI Certification

We are pleased to announce that our Maine operations obtained certification from the Sustainable Forestry Initiative ("SFI") during the fourth quarter. The SFI Standard is based on 14 core principles that promote sustainable forest management, including measures to protect water quality, biodiversity, wildlife habitat, species at risk, and Forests with Exceptional Conservation Value. To achieve certification, adherence to these standards must be verified by a third-party audit. Our New Brunswick operations have been SFI certified since 2000.

Capital Expenditures Tightly Controlled

Acadian invested $0.5 million in silviculture in 2011 including planting and herbicide treatments. This compares to $0.2 million in 2010. Total silviculture and capital expenditure spending of $0.6 million was consistent with total silviculture and capital expenditures in 2010.

Outlook

The U.S. housing market demonstrated slightly more encouraging signals in the fourth quarter with new home sales rising 2%, sales of existing homes increasing 4% and housing starts increasing by 9%. The NAHB housing market index also rose with improved buyer traffic. At the same time the S&P/Case-Shiller 20-city house pricing index fell 6% over the last four months of 2011 with price declines in 16 of the 20 markets surveyed. Clearly, the timing of recovery for the U.S. housing market remains uncertain. We believe the housing recovery process will require a further two to three years before home inventories normalize and new home construction recovers to trend levels. As a result, we expect markets for softwood sawlogs to remain weak through 2012 before a formative recovery begins in earnest in 2013.

Global pulp and paper markets continue to be under pressure. However, pulp production appears to have come into alignment with demand resulting in more balanced inventories with stabilizing prices suggesting pulp prices may have bottomed. Acadian's pulp customers continue to have high operating rates and markets for Acadian's pulpwood continue to be strong providing a positive offset to weak softwood sawlog markets.

Markets for hardwood sawlogs and specialty products improved slightly or were stable through 2011 with a similar outlook for 2012. Markets for biomass are expected to be stable, although weak, owing to continued low power prices and very low prices for natural gas.

While the business environment continues to slowly improve, some of Acadian's significant softwood pulpwood customers have struggled with challenging market conditions for an extended period of time resulting in a weakening of their financial position. Management recognizes that the ongoing financial viability of these customers is dependent on their continued access to capital and an improved market environment. We continue to monitor these situations closely while exploring market alternatives for our logs in the event that sales to these customers decline or cease. Acadian's financial results and cash flows to fund future dividends are dependent on current harvesting levels and sales revenue.

We expect 2012 to present improving, although uncertain, conditions, but we are confident that our very talented, committed and hardworking operations teams, who have proven to be very adept at identifying and accessing market opportunities while keeping costs low, will achieve our targets for the coming year. Notwithstanding the turbulence in some markets today, the long-term supply/demand dynamics for our products remain highly favourable. We remain excited about the prospects and opportunities that lie ahead and thank you for your continued interest in Acadian. We are confident that the company is well positioned to generate sufficient free cash flow to meet its target dividend rate over the coming years.

Reid Carter
President and Chief Executive Officer
February 6, 2012

1 EBITDA and free cash flow are key performance measures in evaluating Acadian's operations and are important in enhancing investors' understanding of Acadian's operating performance. Acadian's management defines EBITDA as earnings before interest, taxes, fair value adjustments, unrealized exchange gain/loss on debt, depreciation and amortization. For the year ended December 31, 2010 only, EBITDA was adjusted to remove the gain on corporate conversion. As these performance measures do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"), they may not be comparable to similar measures presented by other companies. Please refer to Management's Discussion and Analysis for further details.

MARKET OVERVIEW

Softwood Sawlogs – 38% of Net Sales

Softwood sawlogs accounted for 38% of Acadian Timber Corp.'s ("Acadian") net sales and 36% of sales volume for the twelve months ended December 31, 2011. Sales volume decreased by 24 thousand m^3, or 5%, year-over-year, reflecting challenging contractor availability and very wet operating conditions in the Maine operations. Demand for softwood sawlogs was relatively strong throughout the year although the average realized price per m^3 was flat relative to 2010. Softwood sawlogs sales in Acadian's New Brunswick Timberlands ("NB Timberlands") increased by six thousand m^3, or 2%, year-over-year while softwood sawlog sales in Acadian's Maine Timberlands decreased by 31 thousand m^3, or 20%, over this same period.

Hardwood Sawlogs – 10% of Net Sales

Hardwood sawlogs accounted for 10% of Acadian's net sales and 5% of sales volume for the twelve months ended December 31, 2011. Sales volume declined by 13 thousand m^3, or 16%, year-over-year, reflecting lower overall production levels. NB Timberlands hardwood sawlog volume was down 17% while the average price per m^3 increased by 2% year-over-year. Maine Timberlands' hardwood sawlog volume was down 8% while the average price per m^3 increased by 2% year-over-year.

Softwood and Hardwood Pulpwood – 42% of Net Sales

Softwood and hardwood pulpwood shipments accounted for 8% and 32%, respectively, of Acadian's net sales and 10% and 31%, respectively, of sales volume in 2011. Markets for hardwood pulpwood were robust throughout the year, resulting in an increase in the year-over-year average selling price of 5% in addition to the 12% price improvement achieved in 2010. Despite softening markets for pulp during the second half of 2011, most regional pulp mills operated fully with the groundwood mill in East Millinocket returning to operations early in the fourth quarter. Strong prices for pulp logs reflect the fact that most regional mills continue to operate profitably despite the approximately 20% decline in market pulp prices in the second half of the year and the fact that there continues to be reduced availability of softwood chips as several regional softwood sawmills continued to operate at reduced levels.

Biomass – 4% of Net Sales

Biomass markets were relatively weak throughout 2011, accounting for 4% of net sales and 18% of sales volume for the year. This weakness reflected low power selling prices, low natural gas prices and the increased use of lower cost hog fuel by several regional customers. Biomass sales volumes declined by six percent year-over-year reflecting lower overall production levels, particularly in hardwood stands.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(All figures in Canadian dollars unless otherwise stated)

INTRODUCTION

Acadian Timber Corp. ("Acadian" or the "Company") is a leading supplier of primary forest products in Eastern Canada and the Northeastern United States. 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 764,000 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 ("NB Crown Lands"). 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 approximately 90 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 annual report presents management's discussion and analysis ("MD&A") of our financial results and is followed by our consolidated financial statements for the year ended December 31, 2011. The MD&A is intended to provide an assessment of our performance during the three month period and year ended December 31, 2011, as compared to the three month period and year ended December 31, 2010.

Our financial results are determined in accordance with International Financial Reporting Standards ("IFRS") and are expressed in Canadian dollars ("CAD") unless otherwise stated. As this is Acadian's first IFRS annual reporting period, the values on the balance sheets, statements of equity, statements of net income and statements of cash flows differ materially from those previously reported under Canadian generally accepted accounting principles. For detailed explanations and reconciliations of the effects of the transition to IFRS, see Note 17 to the consolidated financial statements. External economic and industry factors remain unchanged since the previous annual report, unless otherwise noted.

On January 1, 2010, Acadian Timber Income Fund (the "Fund") completed a plan of arrangement which allowed for its conversion from an income trust to a corporation (the "Arrangement"). This discussion and analysis reflects Acadian as a corporation on and subsequent to January 1, 2010 and as the Fund prior thereto. All references to "dividends" refer to dividends paid or payable to holders of Acadian common shares on and subsequent to January 1, 2010 and to distributions paid or payable to the Fund's unitholders prior to the Arrangement. All references to "common shares" refer collectively to Acadian's common shares on and subsequent to January 1, 2010 and to the Fund's units prior to the Arrangement. All references to "shareholders" refer collectively to holders of Acadian's common shares on and subsequent to January 1, 2010 and to the Fund's unitholders prior to the Arrangement. All references to "free cash flow" refer to free cash flow generated by Acadian subsequent to January 1, 2010 and to distributable cash from operations generated by the Fund prior to the Arrangement.

This MD&A has been prepared based on information available as at February 6, 2012. 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 EBITDA, which Acadian's management defines as earnings before interest, taxes, fair value adjustments, unrealized exchange gain/loss on debt, depreciation and amortization. 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.

Internal Controls over Financial Reporting

Management of Acadian is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer and the Chief Financial Officer and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2011, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2011, Acadian's internal control over financial reporting is effective. Also, management determined that there were no material weaknesses in Acadian's internal control over financial reporting as of December 31, 2011.

Disclosure Controls

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in the Canadian Securities Administrators National Instrument 52-109). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of December 31, 2011 in providing reasonable assurance around material information relating to the Company and its consolidated subsidiaries.

REVIEW OF OPERATIONS

Summary of Results for the Years Ended December 31

The table below summarizes operating and financial data for Acadian:

Years Ended December 31 *(CAD thousands, except per share data and where indicated)*	**2011**	2010	2009[2]
Total			
Sales volume (000s m^3)	**1,293.4**	1,398.7	1,258.3
Net sales	**$ 66,153**	$ 70,996	$ 63,351
EBITDA	**15,527**	17,775	12,096
EBITDA margin	**23%**	25%	19%
Free cash flow	**$ 12,437**	$ 13,554	$ 8,114
Net income[1]	**13,759**	31,306	9,346
Dividends declared			
Common shareholders	**13,804**	3,625	11,359
Class B Interest Liability of a subsidiary	**—**	—	310
	13,804	3,625	11,669
Payout ratio	**111%**	27%	144%
Total assets	**$ 288,994**	$ 282,358	$ 210,158
Total debt	**74,081**	73,792	80,739
Per share (fully diluted)			
Free cash flow	**$ 0.74**	$ 0.81	$ 0.49
Dividends declared per share			
Common shareholders	**0.83**	0.22	0.70
Class B Interest Liability of a subsidiary	**—**	—	0.07
Net income[1]	**0.82**	1.87	0.30
Book value	**11.14**	11.02	6.72
Shares outstanding			
Common shareholders	**16,731,216**	16,731,216	16,571,453

1 Net income for the year ended December 31, 2010 included the gain resulting from Acadian's corporate conversion on January 1, 2010, and for the year ended December 31, 2009, included the impact of the revaluation of the Class B Interest Liability of a subsidiary.

2 Results for the year ended December 31, 2009 are stated under previous Canadian generally accepted accounting principles.

Free Cash Flow and Dividends

Free cash flow for the year ended December 31, 2011 was $12.4 million, compared to $13.6 million in 2010. Based on our outlook and existing cash reserves and available credit facilities, Acadian is well positioned to meet dividend targets in 2012.

Free cash flow represents cash that is generated from the sale of our timber, from the services provided in the management of Crown licensed timberlands and from the sale of non-timber products. Hardwood and softwood harvest volumes represent the productive capacity of Acadian's operations. Harvest volumes, excluding biomass, for the year ended December 31, 2011 were 1,086 thousand m^3, compared to 1,120 thousand m^3 from the comparable period in 2010 and were within the harvest levels required to maintain the Long Run Sustained Yield ("LRSY") of our timberland estates. Acadian is focused on maximizing long-term value for shareholders, and in doing so will make every effort to maintain a stable financial performance while preserving the long-term value of the business. In order to continue to achieve this objective, Acadian expects to operate at harvest levels within LRSY over the long term and will invest in silviculture to improve the quality and value of future harvests. Although this may cause volatility in our free cash flow annually, we will continue to focus on preserving the long-term value of Acadian. The risks associated with our practices with regard to forest sustainability and forest management are described in more detail on page 19 of this report.

The following table provides a reconciliation of net income, in accordance with IFRS, to EBITDA and free cash flow during each respective period:

Years Ended December 31 *(CAD thousands)*		**2011**		2010
Net income[1]	**$**	**13,759**	$	31,306
Add (deduct):				
Interest expense, net		**3,157**		3,791
Deferred income tax expense		**6,564**		2,210
Depreciation and amortization		**548**		499
Fair value adjustments		**(13,501)**		(3,950)
Loss on revaluation of roads and land		**1,527**		5,005
Unrealized exchange loss on long term debt		**3,473**		—
Gain on corporate conversion		**—**		(21,086)
EBITDA	**$**	**15,527**	$	17,775
Add (deduct):				
Interest paid on debt, net		**(3,047)**		(3,791)
Capital expenditures		**(45)**		(430)
Proceeds from sale of timberlands		**109**		40
Gain on sale of timberlands		**(107)**		(40)
Free cash flow	**$**	**12,437**	$	13,554
Dividends declared	**$**	**13,804**	$	3,625
Payout ratio		**111%**		27%

1 Net income for the year ended December 31, 2010 included 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. The payout ratio of the Company, which represents the amount of dividends declared as a percentage of the free cash flow generated, for the year ended December 31, 2011 was 111%, as compared to 27% for the year ended December 31, 2010. While the payout ratio for 2011 exceeded Acadian's 95% target level, the current dividend rate continues to reflect Acadian's long-term view on sales volumes and the return to normalized prices.

As described in more detail on page 11 of this report, Acadian has borrowings totaling $74.1 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 were in default as at December 31, 2011 and 2010. 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 19 of this report. All interest payments on the existing debt obligations are considered by management to have been incurred in order to sustain the Company's productive capacity and are thus considered in determining the free cash flow of Acadian.

Dividend Policy of the Corporation

Acadian declares dividends from its available cash to the extent determined prudent by the Board of Directors. These dividends represent cash received from the Corporation's indirect interest in the Maine and NB Timberlands, less estimated cash amounts required for expenses and other obligations of Acadian, cash redemptions of shares and any tax liability. Dividends are paid on or about the 15th day following each dividend declaration date. Total dividends declared to shareholders during the year ended December 31, 2011 were $13.8 million, or $0.83 per share. This compares to total dividends declared to shareholders of $3.6 million or $0.22 per unit for the year ended December 31, 2010.

Results of Operations

For the year ended December 31, 2011, Acadian generated net sales of $66.2 million on consolidated volumes of 1,293 thousand m^3, compared with net sales of $71.0 million on consolidated volumes of 1,399 thousand m^3 during the year ended December 31, 2010.

EBITDA for the year ended December 31, 2011 was $15.5 million or 23% of sales, compared to EBITDA of $17.8 million or 25% of sales during 2010. Results in the year reflect lower sales volumes in both NB and Maine operations and higher costs in Maine due to renegotiated contractor rates.

Income Tax Expense

Included in net income for the year ended December 31, 2011 is a non-cash deferred tax expense of $6.6 million (2010 – $2.2 million). The deferred tax liability of the Corporation is based on differences between the financial reporting and tax bases of assets and liabilities of its subsidiaries which have been measured using the substantially enacted tax rates and laws that are expected to be in effect at the time the differences are anticipated to reverse.

Segmented Results of Operations

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

	Year Ended December 31, 2011				*Year Ended December 31, 2010*			
CAD thousands	**NB Timberlands**	**Maine Timberlands**	**Corporate**	**Consolidated**	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volume (000s m^3)	**1,067.6**	**225.8**	**—**	**1,293.4**	1,107.6	291.1	—	1,398.7
Net sales	**$ 54,099**	**$ 12,054**	**$ —**	**$ 66,153**	$ 55,872	$ 15,124	$ —	$ 70,996
EBITDA	**$ 14,205**	**$ 2,508**	**$ (1,186)**	**$ 15,527**	$ 15,203	$ 3,877	$ (1,305)	$ 17,775
EBITDA margin	**26%**	**21%**	**n/a**	**23%**	27%	26%	n/a	25%

NB Timberlands

NB Timberlands owns and manages 764,000 acres of freehold timberlands, provides management services relating to 1.3 million acres of Crown licensed timberlands and owns a forest nursery. Approximately 79% of harvest operations during 2011 were performed by third-party contractors and 21% by NB Timberlands employees.

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

	Year Ended December 31, 2011			*Year Ended December 31, 2010*		
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*
Softwood	**433.1**	**429.8**	**$ 22,083**	395.4	402.6	$ 21,025
Hardwood	**440.2**	**418.3**	**24,759**	447.7	473.6	27,166
Biomass	**219.5**	**219.5**	**3,575**	231.5	231.4	2,852
	1,092.8	**1,067.6**	**50,417**	1,074.6	1,107.6	51,043
Other sales			**3,682**			4,829
Net sales			**$ 54,099**			$ 55,872
EBITDA			**$ 14,205**			$ 15,203
EBITDA margin			**26%**			27%

Softwood, hardwood and biomass shipments were 430 thousand m^3, 418 thousand m^3 and 220 thousand m^3, respectively, for the year ended December 31, 2011. This represents a year-over-year decline in sales volume of 40 thousand m^3 or 4%. Approximately 37% of sales volume was sold as sawlogs, 42% as pulpwood and 21% as biomass in 2011. This compares to 36% of sales volume sold as sawlogs, 43% as pulpwood and 21% as biomass in 2010.

Net sales for the twelve months ended December 31, 2011 was $54.1 million with an average selling price across all products of $47.23 per m^3. This compares to net sales of $55.9 million and an average selling price of $46.09 per m^3 during the same period in 2010. The year-over-year average selling price increased as a result of improved hardwood pulpwood and biomass prices reflecting longer hauling distances. The overall decrease in net sales reflects the lower annual sales volume and reduced margins in the fourth quarter from operations conducted under Acadian's timberland management services agreement as a result of higher operating and transportation costs due to harvesting in areas that are more distant from customer locations and harvesting on terrain that requires the use of higher cost logging systems.

Costs were $39.9 million, compared to $40.7 million in the prior year. This is primarily attributable to lower volumes sold as variable cost per m^3 were relatively consistent with 2010 levels.

EBITDA for the twelve months ended December 31, 2011 was $14.2 million, compared to $15.2 million in the prior year, while the EBITDA margin decreased to 26% as compared to 27% in 2010.

NB Timberlands experienced four reportable incidents among employees and four reportable incidents among contractors during the year. We are pleased to report that there were no reportable environmental incidents during 2011.

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:

	Year Ended December 31, 2011			*Year Ended December 31, 2010*		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**161.2**	**161.4**	**$ 8,495**	208.0	207.6	$ 10,747
Hardwood	**51.8**	**51.9**	**3,092**	68.5	68.3	3,804
Biomass	**12.5**	**12.5**	**116**	15.1	15.2	216
	225.5	**225.8**	**11,703**	291.6	291.1	14,767
Other sales			**351**			357
Net sales			**$ 12,054**			$ 15,124
EBITDA			**$ 2,508**			$ 3,877
EBITDA margin			**21%**			26%

Softwood, hardwood and biomass shipments were 161 thousand m³, 52 thousand m³ and 13 thousand m³, respectively, for the year ended December 31, 2011. This represents a 22% decrease in overall sales volume compared to the prior year, as a result of difficult operating conditions including unusually wet weather and a regional shortage of logging contractors. Approximately 57% of sales volume was sold as sawlogs, 37% as pulpwood and 6% as biomass in 2011. This compares to 55% of sales volume sold as sawlogs, 40% as pulpwood and 5% as biomass in 2010.

Net sales for the twelve months ended December 31, 2011 totaled $12.1 million, a 20% decrease from the prior year. In U.S. dollar terms, net sales decreased 17% from the prior year primarily reflecting lower sales volume, however, the affect of this lower sales volume was partially offset by a 6% increase in average selling price in U.S. dollar terms. The depreciation of the U.S. dollar compared to the Canadian dollar during the year offset higher prices in U.S. dollar terms, resulting in a 2% increase in average selling price per m³ in Canadian dollar terms during this period.

Costs for the twelve months ended December 31, 2011 were $9.5 million, or $1.7 million lower than the prior year, primarily attributed to decreased sales volume. Variable costs per m³ in Canadian dollar terms were relatively flat as compared to 2010 as a result of the depreciation of the U.S. dollar. In U.S. dollar terms, variable costs per m³ were higher by 5% due to higher contractor rates and increases in fuel costs.

EBITDA for the twelve months ended December 31, 2011 was $2.5 million compared to $3.9 million in the prior year, while the EBITDA margin decreased to 21% from 26% in 2010.

For the twelve-month period ended December 31, 2011, there was one recordable safety incident among contractor employees and none among employees. There were no reportable environmental incidents.

Financial Position

As at December 31, 2011, Acadian's balance sheet consisted of total assets of $289.0 million (2010 – $282.3 million), represented primarily by timber, land, roads and other fixed assets of $264.8 million (2010 – $251.6 million) with the balance in cash and current assets of $15.0 million (2010 – $17.1 million), deferred income tax assets of $3.0 million (2010 – $7.5 million), and intangible assets of $6.1 million (2010 – $6.1 million). Timber, land and roads on freehold land have been recorded at fair value as determined through independent third party appraisal at December 31, 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. 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 in previous reports, 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 prior years.

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 by entering into 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 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 December 31, 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 and granting liens or selling assets without the consent of the lenders. The credit facilities are also subject to the maintenance of a maximum loan-to-appraised value ratio and Acadian is in compliance as of December 31, 2011.

Outstanding Shares

As at December 31, 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 December 31, 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.

OUTLOOK

The following contains forward-looking statements about Acadian Timber Corp.'s market outlook for fiscal 2012. Reference should be made to "Forward-Looking Statements" on page 26. 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 on page 19 of this Annual Report and in our Annual Information Form available on our website at www.acadiantimber.com or www.sedar.com.

The U.S. housing market demonstrated slightly more strength in the fourth quarter with new home sales rising 2%, sales of existing homes increasing 4% and housing starts increasing by 9%. The NAHB housing market index also rose with improved buyer traffic. At the same time the S&P/Case-Shiller 20-city house pricing index fell 6% over the last four months of 2011 with price declines in 16 of the 20 markets surveyed. We believe the housing recovery process will require a further two to three years before home inventories will normalize and new home construction will recover to trend levels. As a result, we expect markets for softwood sawlogs to remain weak through 2012 before a formative recovery begins in earnest in 2013. We would note that consensus forecasts for U.S. housing predict an increase in housing starts to 670,000 units in 2012, 900,000 starts in 2013 and 1.25 million in 2014.

Global pulp and paper markets continue to be under pressure. However, pulp production appears to have come into alignment with demand resulting in more balanced inventories and stabilizing prices suggesting pulp prices may have bottomed. Acadian's pulp customers continue to have high operating rates and markets for Acadian's pulpwood continue to be strong providing a positive offset to weak softwood sawlog markets.

Markets for hardwood sawlogs and specialty products were relatively stable through 2011 with a similar outlook for 2012. Markets for biomass are expected to be stable, although weak, owing to continued low power prices and very low prices for natural gas.

While the business environment continues to slowly improve, some of Acadian's significant softwood pulpwood customers have struggled with challenging market conditions for an extended period of time resulting in a weakening of their financial position. Management recognizes that the ongoing financial viability of these customers is dependent on their continued access to capital and an improved market environment. We continue to monitor these situations closely while exploring market alternatives for our logs in the event that sales to these customers decline or cease. Acadian's financial results and cash flows to fund future dividends are dependent on current harvesting levels and sales revenue.

We expect 2012 to present improving, although uncertain, conditions and we are confident that Acadian will continue to demonstrate its adeptness in identifying and accessing market opportunities while keeping costs low. To address limited contractor availability in Maine, we have initiated strategies which we expect to result in increased harvest levels in 2012.

ANALYSIS OF FOURTH QUARTER RESULTS

Summary of Fourth Quarter 2011 Results

The table below summarizes operating and financial data for Acadian:

Three Months Ended December 31 *(CAD thousands, except where indicated)*	**2011**	2010	2009[1]
Total			
Sales volume (000s m^3)	**283.6**	381.9	342.9
Net sales	**$ 15,139**	$ 20,581	$ 16,596
EBITDA	**3,843**	6,393	1,984
EBITDA margin	**25%**	31%	12%
Free cash flow	**$ 2,239**	$ 5,358	$ 1,241
Net income	**11,427**	2,622	90
Dividends declared	**3,451**	836	1,416
Payout ratio	**154%**	16%	114%

1 Results for the three months ended December 31, 2009 are stated under previous Canadian generally accepted accounting principles.

Free Cash Flow and Dividends

Free cash flow was $2.2 million during the three months ended December 31, 2011 (the "fourth quarter"), which represents a decrease of $3.1 million from the same period in 2010. Dividends declared during the fourth quarter to shareholders were $3.5 million, 313% higher than the total dividends declared in the fourth quarter of 2010. The following tables provide a reconciliation of net income, in accordance with IFRS, to EBITDA and free cash flow during each respective period:

Three Months Ended December 31 *(CAD thousands, except where indicated)*	**2011**	2010
Net income	**$ 11,427**	$ 2,622
Add (deduct):		
Interest expense, net	**735**	973
Deferred tax expense	**4,546**	96
Depreciation and amortization	**139**	136
Fair value adjustments	**(14,076)**	(2,439)
Revaluation of roads and land	**1,527**	5,005
Unrealized exchange gain on long term debt	**(455)**	—
EBITDA	**$ 3,843**	$ 6,393
Add (deduct):		
Interest paid on debt, net	**(1,584)**	(973)
Capital expenditures	**(20)**	(60)
Gain on sale of timberlands	**—**	(2)
Free cash flow	**$ 2,239**	$ 5,358
Dividends declared	**$ 3,451**	$ 837
Payout ratio	**154%**	16%

Results of Operations

For the three months ended December 31, 2011, Acadian generated net sales of $15.1 million on consolidated volumes of 284 thousand m^3, compared with net sales of $20.6 million on consolidated volumes of 382 thousand m^3 during the same period last year.

EBITDA for the fourth quarter was $3.8 million or 25% of sales, compared to EBITDA of $6.4 million or 31% of sales during the comparable period in 2010. Results in the quarter reflect lower contributions to fixed costs resulting from reduced sales volume.

Income Tax Expense

Included in net income for the three months ended December 31, 2011 is a deferred tax expense of $4.5 million (2010 – $0.1 million).

Segmented Results of Operations

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

	Three Months Ended December 31, 2011				*Three Months Ended December 31, 2010*			
CAD thousands	**NB Timberlands**	**Maine Timberlands**	**Corporate**	**Consolidated**	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volume (000s m^3)	**214.1**	**69.5**	**—**	**283.6**	300.9	81.0	—	381.9
Net sales	**$ 11,278**	**$ 3,861**	**$ —**	**$ 15,139**	$ 16,447	$ 4,134	$ —	$ 20,581
EBITDA	**$ 3,301**	**$ 878**	**$ (336)**	**$ 3,843**	$ 5,628	$ 1,208	$ (443)	$ 6,393
EBITDA margin	**29%**	**23%**	**n/a**	**25%**	34%	29%	n/a	31%

NB Timberlands

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

	Three Months Ended December 31, 2011			*Three Months Ended December 31, 2010*		
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*
Softwood	**80.3**	**78.2**	**$ 4,195**	95.5	109.5	$ 5,667
Hardwood	**93.9**	**80.6**	**4,952**	131.8	136.3	8,233
Biomass	**55.3**	**55.3**	**1,145**	55.2	55.1	572
	229.5	**214.1**	**10,292**	282.5	300.9	14,472
Other sales			**986**			1,975
Net sales			**$ 11,278**			$ 16,447
EBITDA			**$ 3,301**			$ 5,628
EBITDA margin			**29%**			34%

Softwood, hardwood and biomass shipments were 78 thousand m^3, 81 thousand m^3 and 55 thousand m^3, respectively, during the fourth quarter, representing a 29% decrease in net sales volume over the same period in 2010. Strong harvest volumes in the first three quarters of 2011 aimed at capturing market opportunities resulted in Acadian reducing harvest in the fourth quarter to be in line with LRSY projections. Approximately 39% of sales volume was sold as sawlogs, 35% as pulpwood and 26% as biomass in the fourth quarter. This compares to 36% of sales volume sold as sawlogs, 46% as pulpwood and 18% as biomass in the fourth quarter of 2010.

Net sales for the fourth quarter totaled $11.3 million compared to $16.4 million for the same period last year. This was primarily the result of the decrease in sales volume due to managing Acadian's harvesting within the LRSY. The decrease in other sales reflects reduced margins from operations conducted under Acadian's timberland management services agreement as a result of higher operating and transportation costs due to harvesting in areas that are more distant from customer locations and harvesting on terrain that requires the use of higher cost logging systems. The weighted average selling price was $48.09 in the fourth quarter of 2011, consistent with $48.10 in the same period of 2010.

Costs for the fourth quarter were $8.0 million, compared to $10.8 million in the same period in 2010 primarily as a result of lower sales volume.

EBITDA for the fourth quarter was $3.3 million, compared to $5.6 million in the same period in 2010, while EBITDA margin decreased from 34% to 29% largely due to the lower contribution to fixed costs resulting from reduced sales volume.

We are pleased to report that for the fourth quarter, there were no recordable environmental or safety incidents among employees and contractors.

Maine Timberlands

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

	Three Months Ended December 31, 2011			Three Months Ended December 31, 2010		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**47.4**	**47.3**	**$ 2,527**	55.7	55.6	$ 2,890
Hardwood	**21.4**	**20.3**	**1,266**	17.2	19.1	1,135
Biomass	**1.9**	**1.9**	**18**	6.1	6.3	59
	70.7	**69.5**	**3,811**	79.0	81.0	4,084
Other sales			**50**			50
Net sales			**$ 3,861**			$ 4,134
EBITDA			**$ 878**			$ 1,208
EBITDA margin			**23%**			29%

Softwood, hardwood and biomass shipments were 47 thousand m³, 20 thousand m³, and 2 thousand m³, respectively, with net sales volume decreasing by 14% over the fourth quarter of 2010. The decrease in sales volume reflects contractor availability constraints and unusually wet weather. Approximately 57% of sales volume was sold as sawlogs, 40% as pulpwood and 3% as biomass during the fourth quarter. This compares to 57% of sales volume sold as sawlogs, 35% as pulpwood and 8% as biomass in the fourth quarter of 2010.

Net sales for the fourth quarter totaled $3.9 million, compared to $4.1 million for the same period last year. The year-over-year decrease in net sales is a result of lower shipment volumes which were somewhat offset by a higher value product mix. The weighted average price across all products was $54.84 in the fourth quarter, compared to $50.44 in the same period of 2010, reflecting a 9% increase in Canadian dollar terms. Weighted average selling prices increased 8% in U.S. dollar terms during the fourth quarter.

Costs for the fourth quarter were $3.0 million, compared to $2.9 million for the same period in 2010. This increase reflects higher variable costs per m³ due to renegotiated contractor rates in 2011 and unfavourable foreign exchange movement, offset partially by lower sales volume.

EBITDA for the fourth quarter was $0.9 million, compared to $1.2 million for the same period in 2010, while EBITDA margin decreased from 29% to 23%.

During the fourth quarter, there was one minor recordable safety incident among contractor employees and none among employees. There were no reportable environmental incidents.

SUPPLEMENTAL INFORMATION

Selected Consolidated Quarterly Information

The tables below set forth selected consolidated quarterly information for the last eight quarters. See “Additional Quarterly Information” section for the segmented quarterly results.

	2011				2010			
(CAD thousands, except per share data and where indicated)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales volume (000s m³)	**284**	341	243	426	382	346	270	401
Net sales	**$15,139**	$ 17,535	$ 11,723	$ 21,756	$ 20,581	$ 17,820	$ 12,137	$ 20,458
EBITDA	**3,843**	3,811	608	7,265	6,393	4,672	971	5,739
Free cash flow	**2,239**	3,183	(37)	7,052	5,358	3,608	(391)	4,979
Net income (loss)[1]	**11,427**	(341)	(261)	2,934	2,622	3,039	565	25,080
Per share – basic and diluted	**$ 0.68**	$ (0.02)	$ (0.02)	$ 0.18	$ 0.16	$ 0.18	$ 0.03	$ 1.50

[1] *Net income for Q1 2010 only, includes 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.*

Additional Quarterly Information

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

NB Timberlands

	2011 Q4			2011 Q3			2011 Q2			2011 Q1		
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*
Softwood	**80.3**	**78.2**	**$ 4,195**	98.0	99.0	$ 5,174	88.9	96.3	$ 5,131	165.9	156.3	$ 7,583
Hardwood	**93.9**	**80.6**	**4,952**	121.1	119.5	6,886	87.6	91.6	5,315	137.6	126.6	7,606
Biomass	**55.3**	**55.3**	**1,145**	60.3	60.3	795	34.2	34.2	472	69.7	69.7	1,163
	229.5	**214.1**	**10,292**	279.4	278.8	12,855	210.7	222.1	10,918	373.2	352.6	16,352
Other sales			**986**			1,418			(301)			1,579
Net sales			**$ 11,278**			$ 14,273			$ 10,617			$ 17,931
EBITDA			**$ 3,301**			$ 3,410			$ 1,139			$ 6,355
EBITDA margin			**29%**			24%			11%			35%

Maine Timberlands

	2011 Q4			2011 Q3			2011 Q2			2011 Q1		
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*
Softwood	**47.4**	**47.3**	**$ 2,527**	43.8	44.1	$ 2,283	11.7	11.8	$ 627	58.3	58.2	$ 3,058
Hardwood	**21.4**	**20.3**	**1,266**	14.0	13.8	781	5.8	6.7	380	10.6	11.1	665
Biomass	**1.9**	**1.9**	**18**	4.0	4.0	41	2.1	2.1	13	4.5	4.5	44
	70.7	**69.5**	**3,811**	61.8	61.9	3,105	19.6	20.6	1,020	73.4	73.8	3,767
Other sales			**50**			157			86			58
Net sales			**$ 3,861**			$ 3,262			$ 1,106			$ 3,825
EBITDA			**$ 878**			$ 549			$ (148)			$ 1,229
EBITDA margin			**23%**			17%			(13)%			32%

Corporate

	2011 Q4			2011 Q3			2011 Q2			2011 Q1		
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*
Softwood	**—**	**—**	**$ —**	—	—	$ —	—	—	$ —	—	—	$ —
Hardwood	**—**	**—**	**—**	—	—	—	—	—	—	—	—	—
Biomass	**—**	**—**	**—**	—	—	—	—	—	—	—	—	—
	—	**—**	**—**	—	—	—	—	—	—	—	—	—
Other sales			**—**			—			—			—
Net sales			**$ —**			$ —			$ —			$ —
EBITDA			**$ (336)**			$ (148)			$ (383)			$ (319)
EBITDA margin			**n/a**			n/a			n/a			n/a

NB Timberlands

	2010 Q4			2010 Q3			2010 Q2			2010 Q1		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	95.5	109.5	$ 5,667	94.1	98.5	$ 5,150	71.6	72.4	$ 3,888	134.2	122.2	$ 6,320
Hardwood	131.8	136.3	8,233	102.0	96.5	5,587	73.0	99.1	5,633	140.9	141.7	7,713
Biomass	55.2	55.1	572	68.1	68.2	705	50.2	50.1	393	58.0	58.0	1,182
	282.5	300.9	14,472	264.2	263.2	11,442	194.8	221.6	9,914	333.1	321.9	15,215
Other sales			1,975			1,828			(190)			1,216
Net sales			$ 16,447			$ 13,270			$ 9,724			$ 16,431
EBITDA			$ 5,628			$ 3,594			$ 905			$ 5,076
EBITDA margin			34%			27%			9%			31%

Maine Timberlands

	2010 Q4			2010 Q3			2010 Q2			2010 Q1		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	55.7	55.6	$ 2,890	58.4	58.4	$ 3,102	32.9	33.0	$ 1,623	61.0	60.6	$ 3,132
Hardwood	17.2	19.1	1,135	23.1	21.3	1,275	10.9	11.7	638	17.3	16.2	756
Biomass	6.1	6.3	59	3.0	2.9	35	3.7	3.7	52	2.3	2.3	70
	79.0	81.0	4,084	84.5	82.6	4,412	47.5	48.4	2,313	80.6	79.1	3,958
Other sales			50			138			100			69
Net sales			$ 4,134			$ 4,550			$ 2,413			$ 4,027
EBITDA			$ 1,208			$ 1,246			$ 257			$ 1,166
EBITDA margin			29%			27%			11%			29%

Corporate

	2010 Q4			2010 Q3			2010 Q2			2010 Q1		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	—	—	$ —	—	—	$ —	—	—	$ —	—	—	$ —
Hardwood	—	—	—	—	—	—	—	—	—	—	—	—
Biomass	—	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—	—
Other sales			—			—			—			—
Net sales			$ —			$ —			$ —			$ —
EBITDA			$ (443)			$ (168)			$ (191)			$ (503)
EBITDA margin			n/a			n/a			n/a			n/a

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. The critical estimates and judgements applied in preparing Acadian's financial statements affect the assessment of net recoverable amounts, net realizable values and fair values, depreciation rates and useful lives, determination of functional currency and the selection of accounting policies.

The critical estimates and judgements made in the preparation of Acadian's financial statements include, among other things, future prices and margins, future sales volumes, future harvest rates and sustainable yields, and discount rates utilized in the valuation of Acadian's timber, roads and land. In making estimates and judgements, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgements have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making these estimates and judgements in these consolidated financial statements. Actual results could differ from those estimates. For further reference on critical accounting policies, see our significant accounting policies contained in Note 2 to the consolidated financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 December 31, 2011, Brookfield owned 7,513,262 Common shares representing approximately 45% of the outstanding shares of Acadian. Acadian is also a related party of Twin Rivers Paper Company ("Twin Rivers") as a result of their common significant shareholder, Brookfield.

On April 29, 2010, Papers Inc. ("Fraser") completed the sale of its specialty papers business including Crown timber harvest rights, two Canadian sawmills, the Edmundston softwood pulp mill and the Madawaska paper mill along with fibre supply agreements between Fraser and Acadian to Twin Rivers. References 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 is or was party to fibre supply agreements whereby Acadian has agreed to provide fibre to Twin Rivers and Brookfield for periods of up to 20 years. In addition, Acadian has agreed to administer certain licenses on behalf of Twin Rivers. Total sales to Twin Rivers and Brookfield during the year ended December 31, 2011 totaled $27.9 million (2010 – $25.6 million) and $0.7 million (2010 – $1.5 million), respectively, which represented 32% (2010 – 29%) of consolidated total sales. Included in accounts receivable as December 31, 2011 is $4.9 million (2010 – $2.5 million) related to these agreements. 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. On January 6, 2012, Acadian signed a Fibre Supply Agreement Modification Term Sheet with Twin Rivers which will be effective January 1, 2013. The amendment to the pricing mechanism for the fibre supply agreement will be subject to minimum volumes of outside purchases for both tree length and sawlogs.

b. Acadian is party to an agreement with Brookfield, whereby Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided during the year ended December 31, 2011 were $2.2 million (2010 – $2.1 million). All fees have been fully paid in accordance with the services agreement.

c. 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 $11 thousand in the year ended December 31, 2011 (2010 – $16 thousand). Effective September 29, 2011, Maine Timberlands rents space from a third party.

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 U.S. treasury yield plus margin. To mitigate market risk of U.S. 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.

Contractual Obligations

The Corporation has no material capital or operating lease obligations; however, it has two significant contractual obligations related to the supply of fibre to a related party 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.

The table below summarizes the Corporation's debt obligations as at December 31, 2011.

			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 loan[1]	**$ 74,081**	**$ 74,081**	$ —	$ —	$ 74,081	$ —
Revolving credit facility	**10,218**	**—**	—	—	—	—
	$ 84,299	**$ 74,081**	$ —	$ —	$ 74,081	$ —
Interest payment[2]		**$ 12,231**	$ 2,941	$ 5,882	$ 3,408	$ —

1 Represents principal of a U.S. dollar denominated term loan with a Canadian to U.S. dollar conversion of 1.0218, excluding the unamortized deferred financing costs;

2 Interest payments are determined assuming a fixed interest rate at 3.97% with a Canadian to U.S. dollar conversion of 1.0218.

RISK FACTORS

The following information is a summary of certain risk factors and the potential impact these factors could have on the business, assets, financial condition, results of operations, cash flows, liquidity and/or free cash flow of Acadian, as well as on the ability of Acadian to pay dividends on its common shares. Additional risks and uncertainties not presently known to Acadian, or that Acadian currently deems immaterial, may also impair the operations of Acadian.

Risks Related to the Business and Industry

Dependence on Twin Rivers

Twin Rivers owns a softwood pulp mill in Edmundston, NB, a paper mill in Madawaska, NB, and a softwood lumber mill in Plaster Rock, NB. Approximately 31% of Acadian's total sales for the year ended December 31, 2011 were derived from lumber mills and pulp and paper mills owned or managed by Twin Rivers (28% for the year ended December 31, 2010). Under the Fibre Supply Agreement, Twin Rivers is permitted to permanently reduce its purchases by any amount, subject to certain notice periods, and also has the right to temporarily reduce the volume of fibre that it purchases as a result of market factors or the sale or closure (whether temporary or permanent) of any of its owned or managed mills, while retaining the right to increase such volumes in the future up to the committed level. These rights may restrict Acadian's ability to find replacement customers given the uncertainty of ongoing supply to which such replacement customers would be subject. In addition, Crown licenses have been granted to Twin Rivers as the owner/operator of its mills. If Twin Rivers sells or closes these mills in the future, the Crown licenses would likely be required to be transferred to the purchaser or revert to the Crown, as the case may be, resulting in Twin Rivers potentially losing management over the NB Crown Lands subject to these licenses. Such events could potentially eliminate the fees earned by Acadian in providing services relating to the NB Crown Lands, and thus would result in a reduction in free cash flow.

Dependence on the Lumber and Pulp and Paper Industries

Acadian's financial performance depends on the state of the lumber and pulp and paper industries. Depressed commodity prices of lumber, pulp or paper may cause Twin Rivers and/or other mill operators to temporarily or permanently shut down their mills if their product prices fall to a level where mill operation would be uneconomic. Moreover, these operators may be required to temporarily suspend operations at one or more of their mills to bring production in line with market demand or in response to the market irregularities. Any of these circumstances could significantly reduce the amount of timber that such operators purchase from Acadian.

Dependence on the Housing, Construction, Repair and Remodeling Market

The demand for logs and wood products is primarily affected by the level of new residential construction activity and, to a lesser extent, repair and remodeling activity and other industrial uses, which are subject to fluctuations due to changes in general economic conditions. Decreases in the level of residential construction activity generally reduce demand for logs and wood products, resulting in lower revenues, profits and cash flows for lumber mills who are important customers to Acadian.

Timber and Wood Market, Price Volatility and Other General Risk Factors relating to Timberlands

The financial performance of Acadian is dependent on the selling prices of its products. The markets for timber are cyclical and are influenced by a variety of factors beyond Acadian's control. For example, the market prices for timber can be affected by changes in regional and global demand, supply and economic conditions.

In addition to impacting Acadian's sales, cash flows and earnings, weakness in the market prices of its timber products may also have an effect on Acadian's ability to attract additional capital, its cost of that capital, and the value of its timberland assets.

Cyclicality

Acadian depends on the state of the lumber and pulp and paper industries. Demand for products from the lumber and pulp and paper industries is correlated with global economic conditions. In periods of economic weakness, reduced spending by consumers and businesses results in decreased demand for such products, resulting in lower product prices and possible manufacturing downtime. This, in turn, may result in lower net sales, profits and cash flows for Acadian since lumber mills and pulp and paper mills are important customers to Acadian.

Lack of Control with Twin Rivers' Crown Lands Management

Acadian's revenue from operations in respect of the NB Crown Lands is generated from the service fees it charges to Twin Rivers. Acadian has little control over these revenues as the Government of New Brunswick dictates the management fees that Twin Rivers receives and therefore indirectly influences the service fees to be charged by Acadian on harvesting from the NB Crown Lands.

There is a risk that Acadian's overhead expenses incurred to provide services relating to the NB Crown Lands may not be fully recovered through the fees it is permitted to charge.

In addition, the Government of New Brunswick periodically establishes the royalties to be paid for the right to harvest timber on Crown Lands. Royalties are established for each product and species harvested. Charges levied on timber harvested from Crown Lands are based on the amount of timber cut and the royalty then in effect. A reduction in the royalty charged on Crown Lands could make Acadian's timber harvested from the NB Timberlands and Maine Timberlands less competitive.

Furthermore, increased Allowable Annual Cut ("AAC") on Crown Lands could have a negative impact on Acadian's ability to market its timber harvested from the NB Timberlands and the Maine Timberlands. The AAC on Crown Lands for New Brunswick is determined by the Minister of Natural Resources of New Brunswick and reflects timber conditions, regional and local economic and social interests, and environmental considerations. A significant increase in the AAC in any given year could have an adverse impact on Acadian's operating results.

Fuel and Energy Costs

Acadian relies almost exclusively on land transportation for delivering its timber and is therefore exposed to fluctuations in fuel cost. An increase in fuel cost may result in lower earnings and cash flows. In addition, many of Acadian's customers are high-energy consumers and, as a result, are themselves vulnerable to energy cost increases. If energy costs increase significantly, Acadian's customers may not be able to compete effectively and may have to reduce current operating volumes or close mills.

Limitations on Ability to Harvest

Weather conditions, timber growth cycles, access limitations and regulatory requirements associated with the protection of wildlife and water resources may restrict Acadian's harvesting, as may other factors, including damage by fire, insect infestation, disease, prolonged drought and other natural and man-made disasters. There can be no assurance that Acadian will achieve harvest levels in the future necessary to maintain or increase revenues, earnings and cash flows.

Restrictions Imposed by Forestry and Environmental Regulations

While a significant portion of Acadian's timberlands are comprised of freehold timberlands and as such are subject to less regulation than the NB Crown Lands, provincial, state and federal government regulations relating to forestry practices and sale of logs may result in increased costs for Acadian and accordingly, impact its financial results and operations. In addition, forestry and environmental regulations may restrict timber harvesting and may otherwise restrict the ability of Acadian to conduct its business. Although Acadian believes that it is in material compliance with these requirements, there can be no assurance that it will not incur significant costs, civil and criminal penalties and liabilities, including those relating to claims for damages to property or natural resources, resulting from its operations.

Laws, regulations and related judicial decisions and administrative interpretations affecting Acadian's business are subject to change and new laws and regulations that may affect its business are frequently enacted. Some of these laws and regulations could impose on Acadian significant costs, penalties and liabilities for violations or existing conditions whether or not Acadian caused or knew about them. Acadian is subject to laws and regulations which relate to, among other things: the protection of timberlands, health and safety, the protection of endangered species, air and water quality, and timber harvesting practices.

Regions with frequent policy changes add volatility to revenue streams and depress timberland values. Historically, New Brunswick has had relatively stable forestry regulations. Forest regulation in Maine has experienced volatility in the past but has shown a consistent trend towards stabilization.

In connection with a variety of operations of Acadian, the Corporation may be required to make regulatory filings. Any of the government agencies could delay review of or reject any of Acadian's filings which could result in a delay or restriction in harvesting, replanting, thinning, insect control or fire control.

Dependence on and Scarcity of Trained Labour

Acadian relies significantly on a limited number of entities to cut and haul harvested timber, as well as to conduct road building and silviculture activities. If any of these entities were to stop doing business with Acadian, Acadian's operations could be negatively impacted. In addition, there is a limited supply of trained foresters and trained operators/contractors in the New Brunswick and Maine regions which may result in increased costs to Acadian to retain its workforce. The ability of trained contractors to operate across the US-Canada border may also depend upon regional and/or political constraints, which would further limit Acadian's ability to obtain skilled labour if such constraints were to materialize.

Highly Competitive Industry

Timberland companies operate in a highly competitive business environment in which companies compete, to a large degree, on the basis of price and also on the basis of service and ability to provide a steady supply of products over the long term.

In Acadian's markets, there are many suppliers of softwood and hardwood logs. In addition, Acadian may also be subject to increased competition from worldwide suppliers importing forest products, and/or subject to increased competition from a variety of substitute products.

Acadian's competitive position is also influenced by a number of other factors including: the availability, quality, and cost of labour; the cost of energy; the ability to attract and maintain long-term customer relationships; the quality of products and customer service; and foreign currency fluctuations.

Currency Risk

All of the net sales from the Maine Timberlands and a portion of the sales from the NB Timberlands, a significant portion of gross revenues earned, are in U.S. dollars. All expenses incurred in respect of the Maine Timberlands and a nominal amount of the expenses of NB Timberlands are in U.S. dollars. As a result, Acadian's cost competitiveness could be impacted by unfavourable fluctuations in currency exchange rates. In addition, the apparent historical correlation between currency rates and timber prices in regions within close proximity to the Canadian/U.S. border may weaken over time thereby undermining any hedge relating to the Maine Timberlands. Acadian's customers are also susceptible to currency value fluctuations which may negatively impact the sawmills and pulp and paper mills to which Acadian sells its fibre, and accordingly the quantity of fibre sales to such customers could decline.

Forest Management

Although management believes it follows best practices with regard to forest sustainability and general forest management, there can be no assurance that the established LRSY of the NB Timberlands and Maine Timberlands and management's forest management planning, including silviculture, will have the intended result of ensuring that Acadian's asset base appreciates over time. If management's estimates of merchantable inventory are incorrect or the LRSY is too high, harvesting levels of Acadian's timberlands may result in depletion of Acadian's timber assets.

Geographic Concentration

Acadian's timberlands are concentrated in Maine and New Brunswick. Accordingly, if the level of production from these forests substantially declines or demand in the region were to decline for any reason, including closure of pulp, paper or lumber manufacturing operations in the region, such changes could have a material adverse effect on Acadian's overall harvest levels and its financial results.

Insurance

Acadian's business is subject to risks from fires, drought, tree diseases, severe weather, unforeseen equipment breakdowns, and other events, including events of force majeure, which could result in material damages to Acadian. Insurance for Acadian's standing timber is not available on commercially acceptable terms, but Acadian is insured against all other business risks.

Seasonality

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.

Non-Timber Income

The NB Timberlands and Maine Timberlands have several sources of non-timber income including various land leases for recreational and commercial use as well as a recreational access permit plan. Most of these revenues are not subject to long term agreements and as a result, any decrease in the recreational and commercial activities that lead to those revenues could impact Acadian.

Labour Relations

A portion of Acadian's workforce is unionized and, as a result, Acadian is required to negotiate the wages, benefits and other terms with many of its employees collectively. If Acadian is unable to negotiate acceptable contracts with any of its unions as existing agreements expire, Acadian could experience a significant disruption of its operations, higher ongoing labour costs and restriction of its ability to maximize the efficiency of its operations, which could have a material adverse effect on Acadian's operations and financial results.

Protection of Threatened or Endangered Species and Waterways

Federal, state and provincial laws and regulations protecting threatened or endangered species, waterways and wetlands or other environmental values may limit or prevent timber harvesting, road building and other activities of Acadian. The size of the area subject to restriction will vary depending on the protected species at issue, the time of year, and other factors, but can range from less than one to several thousand acres. As Acadian gains additional information regarding the presence of threatened or endangered species on its timberlands, or if regulations become more restrictive, the amount of its timberlands subject to harvest restrictions could increase.

Aboriginal Claims

Aboriginal claims could adversely affect Acadian's ability to harvest timber. Canadian courts have recognized that aboriginal people may possess rights at law in respect of land used or occupied by their ancestors where treaties have not been concluded to deal with these rights. In Canada, aboriginal groups have made claims in respect of land governed by Canadian authorities, which could affect a portion of the land covered by Twin Rivers' Crown licenses. Any settlements in respect of these claims could lower the volume of timber managed by Acadian on the NB Crown Lands and could increase the cost to harvest timber on such lands.

Undetected Environmental Liabilities

Acadian may currently own or may acquire properties subject to environmental and other liabilities, such as obligations to clean up or pay for the cleanup of contamination. While timberlands do not generally carry as high a risk of environmental contamination as industrial properties, the cost of cleanup of contaminated properties could increase Acadian's operating costs.

Risks Related to the Structure of the Corporation

Dependence on Brookfield and Brookfield Timberlands Management LP and Potential Conflicts of Interest

Acadian is dependent on Brookfield and Brookfield Timberland Management LP ("Brookfield LP") in respect of certain strategic management functions relating to the ongoing operations of the Acadian Timberlands. Brookfield and Brookfield LP, their respective affiliates and agents, employees of Brookfield and Brookfield Timberlands Management GP Inc. ("Brookfield GP"), the general partner of Brookfield LP (which has no employees), and other funds and vehicles managed by Brookfield or Brookfield LP or their respective affiliates are engaged or invested, directly or indirectly, in a variety of other companies or entities involved in owning, managing, advising on or being otherwise engaged in timberland operations and businesses. This may result in conflicts, which could restrict expansion and other opportunities available to Acadian.

Payment of Dividends

As a corporation, the Corporation's dividend policy will be at the discretion of the Corporation's board of Directors. Future dividends, if any, will depend on the operations and assets of the Corporation and its subsidiaries, and will be subject to various factors, including, without limitation, the Corporation's financial performance, fluctuations in its working capital, the sustainability of its margins, its capital expenditure requirements, obligations under its credit facilities, provisions of applicable law and other factors that the board of directors may deem relevant from time to time. Accordingly, the payment of dividends by the Corporation and the level thereof will be uncertain.

Dividends Depend on Performance of Subsidiaries

Although the Corporation intends to pay dividends on its Common Shares in accordance with the dividend policy adopted by its board of Directors, there can be no assurance regarding the amounts of income to be generated by the Corporation's subsidiaries or ultimately distributed to the Corporation from its operating subsidiaries. The ability of the Corporation to make dividend payments, and the actual amount paid, is currently entirely dependent on the operations and assets of it's wholly owned subsidiary, Acadian Timber Limited Partnership ("the Partnership"), and is subject to various factors including each of its financial performance, its obligations under applicable credit facilities, fluctuations in its working capital, the sustainability of its margin and its capital expenditure requirements. Moreover, the Partnership's ability to make cash distributions is, in turn, currently dependent on the NB Timberlands and the Maine Timberlands making cash distributions. The ability of these entities to make dividend payments, cash distributions or other payments or advances is subject to applicable laws and regulations.

Market Price of Common Shares

The market price of the Common Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of Acadian, divergence in financial results from expectations, changes in the business prospects for Acadian, general economic conditions, legislative changes, and other events and factors outside of the Corporation's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Common Shares. The Corporation is unable to predict whether substantial amounts of Common Shares will be sold in the open market. Any sales of substantial amounts of Common Shares in the public market, or the perception that such sales might occur, could materially and adversely affect the market price of the Common Shares.

Dilution of Existing Shareholders

The Corporation is permitted to issue an unlimited number of Common Shares pursuant to its Articles and may do so, subject to compliance with the rules and regulations of the TSX and such other applicable securities regulations, for that consideration and on those terms and conditions as shall be established by the Directors without the approval of any Shareholders. The Shareholders will have no pre-emptive rights in connection with such further issues.

Leverage and Restrictive Covenants in Agreements Relating to Indebtedness
The ability of the Corporation and its subsidiaries to pay dividends or make other payments or advances is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of those entities (including the credit facilities). The degree to which the Corporation is leveraged could have important consequences to the Shareholders including: the Corporation's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; a significant portion of the Corporation's cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations; certain borrowings will be at variable rates of interest, which exposes the Corporation to the risk of increased interest rates; and the Corporation may be more vulnerable to economic downturns and be limited in its ability to withstand competitor pressures.

The terms of the credit facilities include numerous restrictive covenants that limit the discretion of the Corporation's management with respect to certain business matters. These covenants place significant restrictions on, among other things, the ability of the Corporation and its subsidiaries to create liens or other encumbrances, or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the terms of the credit facilities include financial covenants that require the Corporation to meet certain financial ratio tests. A failure by the Partnership to comply with the obligations relating to the credit facilities could result in a default which, if not cured or waived, could result in a termination of dividends by the Corporation and require accelerated repayment of the relevant indebtedness. If the repayment of indebtedness under the credit facilities were to be accelerated, there can be no assurance that the assets of the Corporation would be sufficient to repay in full that indebtedness. There can be no assurance that the credit facilities will be able to be refinanced or refinanced on acceptable terms or that future borrowings or equity financings will be available to the Corporation, or available on acceptable terms, in an amount sufficient to fund the Corporation's needs. This could, in turn, have a material adverse effect on the business, financial condition and results of operations of the Corporation and could therefore affect the ability of the Corporation to pay dividends on its Common Shares.

Risks Related to the Arrangement

Taxation Risk
The Corporation will file all required income tax returns in a manner that it believes will be in full compliance with the provisions of the Income Tax Act (Canada) and all applicable provincial legislation. It is expected that the Corporation will benefit from certain federal tax account balances which existed in the Corporation at the time of the Arrangement. However, the Corporation's income tax returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Corporation, whether by re-characterization of certain expenditures, or the restriction of the deductibility of all or any portion of such federal tax account balances, such reassessment may have an impact on current and future taxes payable by the Corporation. Any such impact may have a material adverse affect on the Corporation.

Furthermore, Canadian federal or provincial income tax legislation may be amended, or its interpretation changed, possibly with retroactive effect, in a manner which alters fundamentally the availability of such federal tax account balances to the Corporation.

Third Party Credit/Contractual Risks
The Corporation is or may be exposed to third party credit/contractual risk relating to obligations of CellFor Inc., prior to the completion of the Arrangement, ("CellFor") and 7273126 Canada Inc., which was renamed CellFor Inc. upon completion of the Arrangement ("New CellFor") in connection with the Arrangement. Prior to the completion of the Arrangement, the predecessor to the Corporation, through the terms and conditions of the Arrangement Agreement, the terms and conditions of the divestiture agreement and instrument of conveyance dated January 1, 2010 between CellFor and New CellFor (the "Divestiture Agreement") and the terms and conditions of the indemnity agreement entered into by New CellFor in favour of CellFor as of January 1, 2010 (and subsequently assumed by the Corporation in place of CellFor) (the "Indemnity Agreement"), attempted to ensure that the applicable liabilities and obligations relating to the business of CellFor are transferred to and assumed by New CellFor, and that the Corporation would be released from any such obligations. However, where such transfers or releases are not effective, and such liabilities and/or obligations remain outstanding, the Corporation may be subject to third party credit/contractual risk relating to the obligations of CellFor and New CellFor. Such third party liabilities for which the Corporation may still become liable could have a material adverse effect on the business, financial condition and results of operations of the Corporation.

Due Diligence Risks

Although the predecessor to the Corporation conducted investigations of, and engaged legal counsel to assist in the review of the corporate, legal, financial, tax and business records of CellFor to identify third party credit/contractual risk and to structure its conversion transaction to protect against such risks, there may be liabilities or risks that may not have been uncovered during due diligence investigations, or that may have an unanticipated material adverse effect on the Corporation. These liabilities and risks could have, individually or in the aggregate, a material adverse effect on the business, financial condition and results of operations of the Corporation.

CellFor Operational Risks

The Corporation is or may be exposed to operational risk relating to obligations of CellFor and New CellFor, including with respect to intellectual property matters, product liability or environmental damage. The predecessor to the Corporation, through the respective terms and conditions of the Arrangement Agreement, the Divestiture Agreement and the Indemnity Agreement, attempted to ensure that the applicable liabilities and obligations relating to the business of CellFor were transferred to and assumed by New CellFor, and that the Corporation would be released from any such obligations. However, where such transfers or releases are not effective, and such liabilities and/or obligations remain outstanding, the Corporation may still be subject to operational risks of CellFor and New CellFor. Should the Corporation become liable for such matters, it could have a material adverse effect on the business, financial condition and results of operations of the Corporation.

Reliance on the Indemnity

The predecessor to the Corporation attempted to reduce the third party credit/contractual risk, due diligence risk and CellFor operational risk by obtaining, for the benefit of the Corporation, the covenants under the Indemnity Agreement. The Corporation believes that the protection afforded by the terms of the Indemnity Agreement reduced these risks to an acceptable level. However, this presumed that New CellFor would continue to have the financial resources to meet its obligations under the Indemnity Agreement. In the event that New CellFor defaults on its contractual obligations under the Indemnity Agreement or becomes insolvent or bankrupt, the Corporation could become liable for the liabilities of CellFor and New CellFor.

On December 15, 2011, New CellFor filed for protection under the Companies' Creditors Arrangement Act ("CCAA"). Depending on the outcome of these proceedings, New CellFor's ability to meet its obligations under the Indemnity Agreement may be materially impacted and the operation of the Indemnity Agreement itself may be affected, which in turn may have a material adverse effect on the Corporation's ability to protect itself from liabilities pursuant to the Indemnity Agreement. If any such liabilities were to materialize, the Corporation may not be able to rely on the Indemnity Agreement for protection, which could have a material adverse effect on its business, financial condition and results of operations.

Forward-Looking Statements

This Management's Discussion & Analysis 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 Annual Report, 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,", "likely," "approximately," "forecasts," "variations," or the negative of these terms or other similar terminology. Forward-looking information in this Annual Report 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, projected costs, 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 Annual Report. All forward-looking statements in this Annual Report 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; future production volumes; concentration of customers; changes in competition; commodity pricing; interest rate and foreign currency fluctuations; seasonality; weather and natural conditions; regulatory, trade or environmental policy changes; changes in labour costs and other costs of production; changes in Canadian income tax law; economic situation of key customers; failure to realize the anticipated benefits of the conversion from an income trust to a corporation; and other risks and factors discussed under the heading "Risk Factors" in the Annual Information Form of Acadian Timber Corp. dated March 28, 2012, available on SEDAR at www.sedar.com on or about March 28, 2012, and other filings of Acadian 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 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, which are subject to change based on commodity prices, market conditions for timber and wood products, general economic and market conditions; product demand; concentration of customers; commodity pricing; interest rate and foreign currency rate fluctuations; seasonality; weather and natural conditions; regulatory trade or environmental policy changes; changes in Canadian income tax law; the economic situation of key customers, and the utilization of the tax basis resulting from the conversion from an income trust to a corporation. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this Annual Report 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 Annual Report 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 Annual Report. Such information has been included in the Annual report to provide readers with a sense of the future financial outlook of Acadian. The forward-looking statements contained in this Annual Report are made as of the date of this Annual Report, and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this Annual Report. Acadian Timber Corp. assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as required by applicable law.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Acadian Timber Corp.:

The accompanying consolidated financial statements of Acadian Timber Corp. (the "Corporation") and all information in this annual report are the responsibility of management and have been reviewed and approved by the Corporation's Board of Directors. These consolidated financial statements and related notes have been prepared by management in conformity with International Financial Reporting Standards and necessarily include amounts based on management's informed judgements and estimates. Financial information included elsewhere in this annual report is consistent with that contained in the consolidated financial statements.

To assist management in fulfilling its responsibilities, a system of internal accounting controls has been established to provide reasonable assurance that the consolidated financial statements are accurate and reliable and that assets are safeguarded. Management believes that this system of internal controls is designed and operating effectively for the year ended December 31, 2011.

Ernst & Young LLP, appointed by the shareholders, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express an opinion on the consolidated financial statements. Their report is set out on the following page.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls, and is ultimately responsible for reviewing and approving the consolidated financial statements and the management's discussion and analysis. The Audit Committee is composed of three independent directors who are not employees of the Corporation. The Audit Committee meets regularly with management and Ernst & Young LLP to review their activities and to discuss internal control, accounting, auditing and financial matters. Ernst & Young LLP have full and direct access to the Audit Committee and meet periodically both with and without the presence of management to discuss their audit and related findings.

The Audit Committee recommends the appointment of the external auditors. The Audit Committee also meets quarterly to review interim and annual consolidated financial statements and related materials and reports its findings to the Board of Directors for its consideration in approving the consolidated interim and annual financial statements for public dissemination.

Reid Carter
President and Chief Executive Officer

Brian Banfill
Chief Financial Officer

February 6, 2012

AUDITORS' REPORT

To the Shareholders of Acadian Timber Corp.:

We have audited the accompanying consolidated financial statements of Acadian Timber Corp., which comprise the consolidated balance sheets as at December 31, 2011 and 2010 and January 1, 2010, and the consolidated statements of net income, comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Acadian Timber Corp. as at December 31, 2011 and 2010, and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
February 6, 2012

CONSOLIDATED STATEMENTS OF NET INCOME

For the Years Ended December 31 *(CAD thousands, except per share data)*	Note	**2011**	2010[1]
Net sales		**$ 66,153**	$ 70,996
Operating costs and expenses			
Cost of sales		**43,847**	46,018
Selling, administration and other		**6,346**	7,026
Reforestation		**540**	217
Depreciation and amortization	6	**548**	499
		51,281	53,760
Operating earnings		**14,872**	17,236
Interest expense, net		**(3,157)**	(3,791)
Other items			
Unrealized exchange loss on long term debt		**(3,473)**	—
Gain on sale of timberlands		**107**	40
Fair value adjustments		**13,501**	3,950
Loss on revaluation of roads and land	6	**(1,527)**	(5,005)
Gain on corporate conversion	4	**—**	21,086
Earnings before income taxes		**20,323**	33,516
Deferred income tax expense	13	**(6,564)**	(2,210)
Net income for the year		**13,759**	31,306
Net income per share – basic and diluted		**$ 0.82**	$ 1.87

1 Refer to Note 17 for the effects of the transition to IFRS

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31 *(CAD thousands)*	Note	**2011**	2010[1]
Net income		**$ 13,759**	$ 31,306
Other comprehensive income (loss)			
Unrealized foreign currency translation income (loss)		**2,559**	(2,917)
Amortization of derivatives designated as cash flow hedges	12	**(321)**	1,134
Gain (loss) on revaluation of roads and land	6	**(169)**	2,354
Comprehensive income		**$ 15,828**	$ 31,877

1 Refer to Note 17 for the effects of the transition to IFRS

CONSOLIDATED BALANCE SHEETS

As at *(CAD thousands)*	Note	**December 31, 2011**	December 31, 2010[1]	January 1, 2010[1]
Assets				
Current assets				
Cash and cash equivalents		**$ 4,019**	$ 7,333	$ 2,053
Accounts receivable and other assets	9	**8,726**	7,252	6,265
Inventory		**2,263**	990	2,289
Derivative asset	12	**—**	1,557	—
Note receivable	4	**—**	—	4,001
		15,008	17,132	14,608
Timber	5	**231,370**	216,181	216,751
Land, roads and other fixed assets	6	**33,438**	35,383	37,150
Intangible assets		**6,140**	6,140	6,140
Deferred income tax asset	13	**3,038**	7,522	—
		$ 288,994	$ 282,358	$ 274,649
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable and accrued liabilities	9	**$ 4,534**	$ 4,483	$ 4,275
Dividends payable to shareholders		**3,451**	837	—
Debt	7	**—**	73,752	—
		7,985	79,072	4,275
Long term debt	7	**73,079**	—	80,739
Deferred income tax liability	13	**21,572**	18,952	34,553
Shareholders' equity	8	**186,358**	184,334	155,082
		$ 288,994	$ 282,358	$ 274,649

1 Refer to Note 17 for the effects of the transition to IFRS

On Behalf of the Board

Reid Carter
President and Chief Executive Officer

David M. Mann
Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Year Ended December 31, 2011 (CAD thousands)	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Cash Flow Hedges	Shareholders' Equity
Balances 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	—	7,370	—	—	—	7,370
Depreciation and amortization	—	(548)	—	—	—	(548)
Fair value adjustments	—	13,501	—	—	—	13,501
Deferred income taxes	—	(6,564)	—	—	—	(6,564)
	—	13,759	—	—	—	13,759
Other comprehensive income	—	—	(169)	2,559	(321)	2,069
Shareholders' dividends declared	—	(13,804)	—	—	—	(13,804)
Balances as at December 31, 2011	$ 140,067	$ 43,651	$ 2,185	$ (358)	$ 813	$ 186,358

For the Year Ended December 31, 2010[1] (CAD thousands)	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Cash Flow Hedges	Shareholders' Equity
Balances 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	—	29,067	—	—	—	29,067
Depreciation and amortization	—	499	—	—	—	499
Fair value adjustments	—	3,950	—	—	—	3,950
Deferred income taxes	—	(2,210)	—	—	—	(2,210)
	—	31,306	—	—	—	31,306
Other comprehensive income	—	—	2,354	(2,917)	1,134	571
Shareholders' dividends declared	—	(3,625)	—	—	—	(3,625)
Balances as at December 31, 2010	$ 140,067	$ 43,696	$ 2,354	$ (2,917)	$ 1,134	$ 184,334

1 Refer to Note 17 for the effects of the transition to IFRS

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31 (CAD thousands)	Note	**2011**	2010[1]
Cash provided by (used for):			
Operating activities			
Net income		**$ 13,759**	$ 31,306
Adjustments to net income			
Deferred income tax expense	13	**6,564**	2,210
Depreciation and amortization	6	**548**	499
Fair value adjustments		**(13,501)**	(3,950)
Loss on revaluation of roads and land	6	**1,527**	5,005
Unrealized exchange loss on long term debt		**3,473**	—
Interest expense, net		**3,157**	3,791
Interest paid, net		**(3,047)**	(3,791)
Gain on sale of timberlands		**(107)**	(40)
Gain on corporate conversion	4	**—**	(21,086)
		12,373	13,944
Net change in non-cash working capital balances and other		**(325)**	87
		12,048	14,031
Financing activities			
Borrowing of term facility		**70,608**	—
Repayment of bank term credit facility and term loan	7	**(73,639)**	—
Repayment of revolving facility	7	**—**	(5,500)
Deferred financing costs	7	**(1,205)**	(73)
Dividends paid to shareholders	15	**(11,190)**	(2,788)
		(15,426)	(8,361)
Investing activities			
Additions to timber, land, roads and other fixed assets		**(45)**	(430)
Proceeds from sale of timberlands		**109**	40
		64	(390)
Increase in cash and cash equivalents during the year		**(3,314)**	5,280
Cash and cash equivalents, beginning of year		**7,333**	2,053
Cash and cash equivalents, end of year		**$ 4,019**	$ 7,333

1 Refer to Note 17 for the effects of the transition to IFRS

1. GENERAL

Acadian Timber Corp. (the "Corporation") is governed by the Canada Business Corporations 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 764,000 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 approximately 90 regional customers.

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. The conversion is described further in Note 4.

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 December 31, 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements present the results of operations and cash flows of Acadian for the year ended December 31, 2011, along with the comparative results for the year ended December 31, 2010. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These are Acadian's first annual consolidated financial statements prepared in accordance with IFRS and IFRS 1, *First-time Adoption of International Financial Reporting Standards,* has been applied. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows is provided in Note 17.

These consolidated financial statements were authorized for issuance by the Board of Directors on February 6, 2012.

Basis of Presentation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of land, roads on freehold land and timber, which have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets. The functional and reporting currency of the Corporation is the Canadian dollar. All currency amounts in these financial statements are presented in Canadian dollars ("CAD") and rounded to the nearest thousand, unless otherwise stated.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the bank and short-term deposits with a remaining term to maturity at the time of purchase of less than ninety days.

Inventory and Manufacturing Costs

Inventory consists primarily of logs, seedlings and supplies which are measured at the lower of average cost and net realizable value.

Log inventory has been segregated into specie groupings and by category of sawlogs and pulp logs. Cost for each grouping of harvested logs consists of a twelve month rolling average, calculated one month in arrears, of costs to harvest and deliver logs to the yard, convert them into separate products as applicable and transport the end products to the point of sale, plus a charge for the fair value of timber harvested.

Manufacturing costs include predominantly cutting, harvesting and transportation costs, but also include costs for reforestation, access roads and passages and land management.

Timber

Timber is measured at fair value less estimated costs of harvesting and selling. The fair value of standing timber is determined by deducting the fair value of higher and better use (“HBU”) land, land under standing timber, roads and bridges from the total value of the timberlands business. The fair value of the timberlands business and the fair value of HBU land, land under standing timber, roads and bridges are determined on an annual basis by licensed independent third party appraisers using a combination of the discounted cash flow and comparative sales value methods. Gains or losses arising from changes in fair value are recognized in net income.

Timber that has been processed into logs and on which the volume has been accurately determined is included in log inventory and is measured at the lower of cost and net realizable value.

Land, Roads and Other Fixed Assets

Land under standing timber and roads on freehold land are measured using the revaluation method. They are carried at the revalued amounts and are not depreciated. Valuations are completed annually by an independent appraiser to ensure that the carrying amount does not differ significantly from fair value. Where the carrying amount of an asset is increased as a result of a revaluation, the increase is recognized in income to the extent the increase reverses a previously recognized impairment recorded through income, with the remainder of the increase recognized in other comprehensive income (“OCI”) and accumulated in revaluation surplus. Where the carrying amount of an asset is decreased, the decrease is recognized in other comprehensive income to the extent of any balance existing in revaluation surplus in respect of the asset, with the remainder of the decrease recognized in income as an impairment loss.

Buildings, roads on Crown land, pavement, equipment, and certain bridges are measured at cost less accumulated depreciation. Bridges that are nine metres or greater in length, constructed of steel and/or concrete and located on permanent roads are measured at cost less accumulated depreciation. All other bridges are expensed as constructed.

Fixed assets are depreciated on a straight-line basis over the estimated useful lives of each component of assets as follows:

Bridges	20 to 35 years
Buildings	20 years
Equipment	3 to 10 years
Pavement	8 years
Computers and software	3 years
Roads on Crown land	20 years

Depreciation on fixed assets is calculated on a straight-line basis so as to write-off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognized on a prospective basis.

Reforestation
Reforestation expenditures are treated as a period cost and are expensed as incurred.

Impairment of Long-Lived Assets
Long-lived assets, other than those measured at fair value with changes in fair value recorded in net income, are assessed at each balance sheet date for indications of impairment or reversal of a previously recognized impairment. If any such indication exists, the recoverable amount of the asset is estimated and compared to its carrying amount.

The recoverable amount is the higher of the estimated fair value less costs to sell or value-in-use of the asset. In assessing value-in-use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. The projections of future cash flows take into account the relevant operating plans and management's best estimate of the most probable set of conditions anticipated to prevail.

An impairment loss is recognized if the recoverable amount of the asset is estimated to be less than the carrying amount. The impairment loss is recognized in net income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a decrease to revaluation surplus.

Intangible Asset
Acadian recognizes an intangible asset for the Crown Lands Services Agreement between NB Timberlands and Twin Rivers. Under this agreement, NB Timberlands has agreed to provide various services relating to the Crown Lands in consideration for a fee from Twin Rivers. The fee is determined based on the number of cubic metres of fibre harvested from these lands. The Crown Lands Services Agreement has a term equal to the term of the Crown licenses, including any renewal terms, which is considered indeterminable as at December 31, 2011. The Crown Lands Services Agreement is classified as an indefinite life intangible asset and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that this asset may be impaired.

Revenue Recognition
Net sales are net of discounts and rebates to customers. Revenue is recognized when the risks and rewards of ownership pass to the purchaser, which is generally when timber is delivered to the purchaser and actual quantities delivered are determined. Sales are governed primarily by contract and in some cases by standard industry terms.

Pursuant to the Crown Lands Services Agreement, Acadian provides harvesting, transportation and other services to Crown licensees and sub-licensees. Acadian receives management fees for these services and all costs incurred in providing these services are recoverable from Crown licensees or sub-licensees. Management fees, net of the costs to perform these services, are recognized upon delivery of the timber.

Translation of Foreign Currencies
The Canadian dollar is the functional and presentation currency of the Corporation. The functional currency of Acadian'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 of these items 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. The gain or loss on translation of the related revenues and accounts receivable are recorded in earnings in the period incurred.

The carrying value of Acadian'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.

Financial Instruments
Financial assets and liabilities classified as held-for-trading are measured at fair value at the balance sheet date with all realized and unrealized gains and losses resulting from the change in fair value included in net income in the period in which

they arise; these include cash and cash equivalents. Accounts receivable and other assets and note receivable have been classified as loans and receivables, which are accounted for on an amortized cost basis using the effective interest rate method. Accounts payable and accrued liabilities, dividends payable to shareholders, debt and long-term debt have been classified as other financial liabilities which are accounted for on an amortized cost basis using the effective interest rate method.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined based on prevailing market rates for instruments with similar characteristics and risk profiles.

Income Taxes

Acadian follows the liability method of tax allocation, whereby deferred income tax assets and liabilities are determined based on differences between the carrying amounts and the tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The carrying amount of the deferred income tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the income tax asset will be recovered.

Deferred Financing Costs

Financing fees are deferred and amortized over the life of the debt using the effective interest rate method. Long-term debt is recorded at the principal amount, net of the associated financing fees.

Cash Flow Hedges

The effective portion of the change in fair value of a derivative designated as a cash flow hedge is reported in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in income or loss. Amounts in accumulated other comprehensive income are reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

Critical Judgements and Estimates

The preparation of financial statements requires management to make critical judgements, estimates and assumptions that affect the carried amounts of certain assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses recorded during the period. The critical estimates and judgements applied in preparing Acadian's financial statements affect the assessment of net recoverable amounts, net realizable values and fair values, depreciation rates and useful lives, determination of functional currency and the selection of accounting policies.

The critical estimates and judgements made in the preparation of Acadian's consolidated financial statements include, among other things, future prices and margins, future sales volumes, future harvest rates and sustainable yields, and discount rates utilized in the valuation of Acadian's timber, roads and land. In making estimates and judgements, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgements have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making these estimates and judgements in these consolidated financial statements. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. 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 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, 2015. 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.

IAS 19 Employee Benefits

In June 2011, the IASB made amendments to IAS 19 that requires entities to provide their obligation resulting from the provision for defined benefit plans and how those obligations affect its financial position, financial performance and cash flow. The amendment provides several improvements, including eliminating the option to defer the recognition of gains and losses, streamlining the presentation of changes to assets and liabilities with all changes from remeasurement to be recognized in OCI and enhancing the disclosure of the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. The amended version of IAS 19 is effective for financial years beginning on or after January 1, 2013, with earlier application permitted. Acadian does not have defined benefit plans, therefore IAS 19 is not expected to have any impact on its consolidated financial statements.

4. 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 business of the Fund, and the 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").

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.

Total consideration paid to CellFor was $5.0 million comprised of 159,763 shares of Acadian, valued at $1.0 million, and the assumption of a loan payable to Acadian for $4.0 million. Coincident with the completion of the plan of Arrangement, the CellFor Loan and the loan payable to Acadian for $4.0 million were settled in full. Subsequent to completion of the Arrangement on January 1, 2010, the Corporation had 16,731,216 shares issued and outstanding.

The transaction resulted in a one-time gain from corporate conversion of $21.1 million recorded in the year ended December 31, 2010.

5. TIMBER

Acadian's freehold timberlands are classified as a growing forest, with the standing timber recognized as a biological asset for accounting purposes and thus recorded at fair value less costs to sell at each reporting date. The underlying land is considered a component of land, roads and other fixed assets accounted for under the revaluation method.

The following table presents the change in the carrying value of timber:

(CAD thousands)	
Balance at January 1, 2010	$ 216,751
Gains arising from growth	19,597
Decrease arising from harvest	(18,347)
Gain from fair value price changes	3,022
Foreign exchange	(4,842)
Balance at December 31, 2010	$ 216,181
Gains arising from growth	19,614
Decrease arising from harvest	(19,469)
Gain from fair value price changes	12,897
Foreign exchange	2,147
Balance at December 31, 2011	**$ 231,370**

As at December 31, 2011, of the total acreage, 764 thousand acres are located in New Brunswick, Canada and 310 thousand are located in Maine, USA with 194 thousand acres of the Maine timberlands being subject to a conservation easement. Acadian's standing timber in Maine is composed of approximately 68% softwood and 32% hardwood. Acadian's standing timber in New Brunswick is composed of approximately 61% softwood and 39% hardwood.

During the year ended December 31, 2011, Acadian harvested 1,318 thousand m^3 from its freehold timberlands, which had an average fair value less costs to sell of $15 per m^3 at the date of harvest (2010 – 1,366 thousand m^3 with an average fair value less costs to sell of $13 per m^3).

Appraisals by licensed independent third party appraisers are completed annually for the NB Timberlands and Maine Timberlands to establish the fair value less costs to sell of the timber. The most recent appraisal was performed on December 31, 2011. The appraiser uses a combination of the income and sales comparison approaches to arrive at the estimated value. As at December 31, 2011 and 2010, the weighting between the two methods used by the appraiser was 40% income approach and 60% sales comparison approach for the NB Timberlands and for the portion of the Maine Timberlands subject to a conservation easement. For the portion of the Maine Timberlands not subject to a conservation easement, 100% of the value was determined using the sales comparison approach.

The income approach relies on the determination of the net present value of expected cash flows from the harvest and sale of timber. The expected cash flows are calculated based on the following assumptions:

a. Annual growth is determined by multiplying the operable forested acres by the annual growth rate as determined by a combination of the appraiser's analysis of regional publications and data provided by Acadian's management;

b. Annual harvest volumes are based on annual growth, but for years one through ten reflect the appraiser's observed typical investor behavior in underwriting timberland acquisitions;

c. Log prices are based on regional stumpage price surveys and the appraisers' analysis of historical stumpage prices and investor behavior. As current prices are considered to be somewhat depressed, the appraiser applies price appreciators by log specie and product over the first 5 years of the discounted cash flow model to return prices to the appraisers' view of long-term trend. No further price appreciation is assumed after the first five years;

d. As the appraiser's discounted cash flow model assumes the sale of standing timber ("stumpage"), specific assumptions of harvesting and delivery costs are not required. The appraiser does reduce the stumpage revenue by management costs reflecting the appraisers' understanding of the costs for an investor managing a property of this size, property taxes based on actual costs incurred by Acadian and silviculture costs based on the appraisers' knowledge of average costs;

e. Cash flow estimates were made for 22 years for the NB Timberlands and 20 years for the Maine Timberlands. A terminal value equal to the final year's cash flow divided by the discount rate is added to the final year of the model;

f. The valuation model assumes the continuation of existing practices with regards to silviculture and harvesting; and

g. A discount rate of 7.0% (2010 – 6.7%) was applied to the estimated future cash flows for the NB Timberlands in arriving at net present values at December 31, 2011 and 2010. An adjusted rate of 6.6% (2010 - 6.4%) was applied to timber revenue in years 1-20, to reflect expected improvements in the product mix over the period. A discount rate of 7.0% (2010 – 7.0%) was applied to the estimated future cash flows for Maine Timberlands subject to a conservation easement in arriving at net present values at December 31, 2011 and 2010. The appraiser considers a number of approaches to derive the discount rate including: deriving the implied discount rate from transaction evidence; calculating a weighted average cost of capital; applying the capital asset pricing model; and applying corporate bond analogies, but relies primarily on a broad survey of market participants that reflects current market sentiment of the discount rate required to successfully acquire timberlands.

6. LAND, ROADS AND OTHER FIXED ASSETS

(CAD thousands)	Land	Roads	Bridges and Pavement	Other	Total
Cost					
Balance as at January 1, 2010	$ 24,890	$ 6,407	$ 4,462	$ 1,391	$ 37,150
Additions	—	—	78	403	481
Disposals	(6)	—	—	—	(6)
Foreign exchange	(338)	(145)	(172)	(8)	(663)
Revaluations	(993)	(87)	—	—	(1,080)
Balance as at December 31, 2010	23,553	6,175	4,368	1,786	35,882
Additions	8	—	—	37	45
Disposals	(2)	—	—	—	(2)
Foreign exchange	238	65	75	6	384
Revaluation	(1,659)	(148)	—	—	(1,807)
Balance as at December 31, 2011	**$ 22,138**	**$ 6,092**	**$ 4,443**	**$ 1,829**	**$ 34,502**
Accumulated Depreciation					
Balance as at January 1, 2010	$ —	$ —	$ —	$ —	$ —
Depreciation for the year	—	(7)	(342)	(150)	(499)
Balance as at December 31, 2010	—	(7)	(342)	(150)	(499)
Depreciation for the year	—	(7)	(330)	(211)	(548)
Foreign exchange	—	—	(13)	(4)	(17)
Balance as at December 31, 2011	**$ —**	**$ (14)**	**$ (685)**	**$ (365)**	**$ (1,064)**
Carrying Amounts					
As at January 1, 2010	$ 24,890	$ 6,407	$ 4,462	$ 1,391	$ 37,150
As at December 31, 2010	$ 23,553	$ 6,168	$ 4,026	$ 1,636	$ 35,383
As at December 31, 2011	**$ 22,138**	**$ 6,078**	**$ 3,758**	**$ 1,464**	**$ 33,438**

Acadian's land and roads on freehold land are accounted for under the revaluation method. The most recent date of revaluation of these assets was December 31, 2011. The total tax impact of the revaluation that was recorded in other comprehensive income amounted to $0.1 million (2010 – $1.6 million).

7. DEBT

As at December 31, debt consisted of the following:

As at December 31, (CAD thousands)	**2011**	2010
Term facility, due March 2016	**$ 74,081**	$ —
Bank term credit facility, repaid in February 2011	**—**	42,000
Tem loan facility, repaid in February 2011	**—**	31,792
Less: Deferred debt issuance costs	**(1,002)**	(40)
Total	**$ 73,079**	$ 73,752

In February 2011, Acadian refinanced its Canadian and U.S. dollar denominated loan facilities by entering into 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 30 or 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 December 31, 2011, Acadian borrowed US$72.5 million under the Term Facility and $nil under the Revolving Facility. As security for these facilities, Acadian 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 and granting liens or selling assets without the consent of the lenders. The credit facilities are also subject to the maintenance of a maximum loan-to-value ratio. Acadian is in compliance as of December 31, 2011.

As 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 principal 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 principal 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.

8. SHAREHOLDERS' EQUITY

Acadian is authorized to issue an unlimited number of common shares. The common shares have no stated par value. Common shares issued and outstanding changed as follows:

As at December 31,	**2011**	2010
Outstanding at beginning of year	**16,731,216**	16,571,453
Shares issued	**—**	159,763
Outstanding at end of year	**16,731,216**	16,731,216

Acadian issued 159,763 shares on January 1, 2010, as part of the corporate conversion discussed in Note 4. As a result, the number of shares issued and outstanding as at December 31, 2010, increased to 16,731,216.

9. 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 December 31, 2011, Brookfield owned 7,513,262 common shares representing approximately 45% of the outstanding shares of Acadian. Acadian is also a related party of Twin Rivers as a result of their common significant shareholder, Brookfield.

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

a. Acadian is, or was, party to fibre supply agreements whereby Acadian has agreed to provide fibre to Twin Rivers and Brookfield for periods of up to 20 years. In addition, Acadian has agreed to administer certain licenses on behalf of Twin Rivers. Total sales to Twin Rivers and Brookfield during the year ended December 31, 2011 totaled $27.9 million (2010 – $25.6 million) and $0.7 million (2010 – $1.5 million), respectively, which represented 32% (2010 – 29%) of consolidated total sales. Included in accounts receivable as December 31, 2011 is $4.9 million (2010 – $2.5 million) related to these agreements. 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. Acadian is party to an agreement with Brookfield, whereby Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided during the year ended December 31, 2011, were $2.2 million (2010 – $2.1 million). All fees have been fully paid in accordance with the services agreement.

c. Maine Timberlands rented space in a shared office building from a wholly-owned subsidiary of Brookfield, which also provided certain administrative services to Maine Timberlands. Total costs paid for these services were $11 thousand in the year ended December 31, 2011 (2010 – $16 thousand). Effective September 29, 2011, Maine Timberlands rents space from a third party.

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 U.S. treasury yield plus margin. To mitigate market risk of U.S. 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.

10. 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, NB Timberlands and Maine Timberlands. Net sales, net income, assets and liabilities by reportable segments are as follows:

For the Year Ended December 31, 2011 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 30,578	$ 22,083	$ 8,495	$ —
Hardwood	27,851	24,759	3,092	—
Biomass	3,691	3,575	116	—
Other	4,033	3,682	351	—
Total net sales	66,153	54,099	12,054	—
Operating costs	(50,193)	(39,484)	(9,523)	(1,186)
Reforestation	(540)	(473)	(67)	—
Depreciation and amortization	(548)	(236)	(312)	—
Operating earnings (loss)	14,872	13,906	2,152	(1,186)
Gain on sale of timberlands	107	63	44	—
Fair value adjustments	13,501	6,884	6,617	—
Loss on revaluation of roads and land	(1,527)	(1,527)	—	—
Earnings (loss) before the under noted	26,953	19,326	8,813	(1,186)
Unrealized exchange loss on long term debt	(3,473)			
Interest expense, net	(3,157)			
Deferred income tax expense	(6,564)			
Net income	$ 13,759			

As at December 31, 2011 (CAD thousands)				
Timber, land, roads and other fixed assets and intangible assets	$ 270,948	$ 157,578	$ 113,370	$ —
Total assets	288,994	169,669	115,337	3,988
Total liabilities	$ 102,636	$ 3,764	$ 22,026	$ 76,846

For the Year Ended December 31, 2010 *(CAD thousands)*	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 31,772	$ 21,025	$ 10,747	$ —
Hardwood	30,970	27,166	3,804	—
Biomass	3,068	2,852	216	—
Other	5,186	4,829	357	—
Total net sales	70,996	55,872	15,124	—
Operating costs	(53,069)	(40,513)	(11,251)	(1,305)
Reforestation	(192)	(192)	—	—
Depreciation and amortization	(499)	(157)	(342)	—
Operating earnings (loss)	17,236	15,010	3,531	(1,305)
Gain on sale of timberlands	40	36	4	—
Fair value adjustments	3,950	6,207	(2,257)	—
Loss on revaluation of roads and land	(5,005)	(5,005)	—	—
Earnings (loss) before under noted	16,221	16,248	1,278	(1,305)
Gain on corporate conversion	21,086			
Interest expense, net	(3,791)			
Deferred income tax expense	(2,210)			
Net income	$ 31,306			

As at December 31, 2010 *(CAD thousands)*				
Timber, land, roads and other fixed assets and intangible assets	$ 257,704	$ 152,858	$ 104,846	$ —
Total assets	282,358	160,669	107,748	13,941
Total liabilities	$ 98,024	$ 19,918	$ 51,422	$ 26,684

As at January 1, 2010 *(CAD thousands)*				
Timber, land, roads and other fixed assets and intangible assets	$ 260,041	$ 151,022	$ 109,019	$ —
Total assets	274,649	159,409	110,803	4,437
Total liabilities	$ 119,567	$ 17,581	$ 53,929	$ 48,057

During the year ended December 31, 2011, approximately 21% of consolidated total sales were originated with customers domiciled in the U.S. with the remaining balance in Canada (2010 – 27% of consolidated total sales). During the same period, approximately 18% of consolidated total sales were denominated in U.S. dollars (2010 – 23% of consolidated total sales).

Acadian outsources much of its harvesting, transportation and other services which comprise the majority of its cost of sales. For the year ended December 31, 2011, Acadian's top three suppliers accounted for approximately 16%, 13% and 12%, respectively, of its cost of sales (2010 – 20%, 13% and 12%, respectively).

Acadian sells its products to many forest product companies in North America. During the year ended December 31, 2011, sales to related parties (Note 9) made from NB Timberlands and Maine Timberlands accounted for 32% of total sales (2010 – 29%). Sales to the next largest customer were made from NB Timberlands and accounted for 8% of total sales (2010 – 10%).

11. CAPITAL MANAGEMENT

Acadian's capital structure is comprised of shareholders' equity inclusive of comprehensive income (loss) and the credit facilities. As at December 31, 2011, the recorded values of these items in Acadian's consolidated financial statements totalled $259.4 million (2010 – $258.1 million).

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

Acadian monitors its capital structure to ensure compliance with its financial covenants with debtholders. Acadian refinanced its loan facilities in February 2011 (Note 7). The Term Facility and Revolving Facility are subject to customary terms and conditions for borrowers of this nature as well as the maintenance of a maximum loan-to-value ratio. The loan facilities repaid in February 2011 were subject to a funded debt-to-capitalization ratio and an interest coverage ratio in respect to the bank term credit facility and a debt service coverage ratio in respect to the term loan credit facility. Acadian was in compliance during the years ended December 31, 2011 and 2010.

12. FINANCIAL INSTRUMENTS

Financial assets and liabilities classified as held-for-trading are measured at fair value at the balance sheet date with all realized and unrealized gains and losses resulting from the change in fair value included in net income in the period in which they arise; these include cash and cash equivalents. Accounts receivable and other assets and note receivable have been classified as loans and receivables, which are accounted for on an amortized cost basis using the effective interest rate method. Accounts payable and accrued liabilities, dividends payable to shareholders, debt and long-term debt have been classified as other financial liabilities which are accounted for on an amortized cost basis using the effective interest rate method.

Financial Risk Management

Acadian is exposed to various risks as a result of holding financial instruments. These risks have been categorized as foreign currency risk, interest rate risk, other price risk, credit risk and liquidity risk.

Foreign Currency Risk

Changes in foreign exchange rates will impact the carrying value of financial instruments denominated in currencies other than the Canadian dollar. Acadian's most significant foreign currency risk exposure arises from its U.S. dollar denominated debt and due to its investment in the Maine Timberlands which operates in the U.S. dollar. Accordingly, the impact of a strengthening (deteriorating) Canadian dollar will reduce (increase) the net income (loss) of Acadian, and will also result in an other comprehensive (gain) loss on the translation of the Maine Timberlands' assets in a given period. During the year ended December 31, 2011, a $0.01 appreciation (depreciation) in U.S. to Canadian dollar foreign exchange rate, all else being equal, would have affected net income by $0.7 million (2010 – nil) and OCI by approximately $0.2 million (2010 – $0.4 million).

The objective of Acadian's foreign exchange risk management activities is to minimize foreign currency exposures that would have an impact on its operating performance. All of the NB Timberlands expenses and a significant proportion of its revenues are incurred in Canadian dollars. As such, the foreign currency risk associated with the translation of NB Timberlands revenues and accounts receivables denominated in U.S. dollars is considered immaterial. Acadian continues to monitor the impact of all foreign exchange exposure, and will consider alternatives, as required, to ensure that this risk is maintained at prudent levels.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Acadian's interest rate risk exposure arises due to its debt facilities (Note 7).

As at December 31, 2011, Acadian is exposed to interest rate risk from its floating interest rate Revolving Facility, to the extent funds are drawn. As at December 31, 2011, the Revolving Facility remains undrawn. A change in interest rates would have no impact on the fixed interest rate Term Facility.

As at December 31, 2010, Acadian was exposed to interest rate risk from its floating interest rate bank term credit facility and the rate lock agreement. A 25 bps increase (decrease) in Banker's Acceptance rates, all else being equal, would have resulted in an increase (decrease) in the interest expense recorded in the year of $0.1 million per annum. A 25 bps increase (decrease) in U.S. Treasury rates would have resulted in a $0.8 million increase (decrease) in OCI.

Other Price Risk

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

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

Credit Risk

Credit risk is the risk of loss due to the failure of a borrower or counterparty to fulfill its contractual obligations. Credit risk arises from cash and cash equivalents held with banks and financial institutions, as well as credit exposures to clients, including outstanding accounts receivable. The maximum exposure is equal to the carrying value of the financial assets as at the balance sheet date.

The objective of managing counterparty credit risk is to prevent losses in financial assets. Cash and cash equivalents are invested with counterparties meeting minimum credit quality requirements. With respect to outstanding accounts receivable, NB Timberlands and Maine Timberlands each assess the credit quality of the counterparties, including customers, taking into account their financial position, past experience and other factors. In cases where the credit quality of a client does not meet Acadian's credit requirements, a cash deposit is received before any timber is harvested and sold. Upon evaluating all accounts receivable balances as at December 31, 2011, Acadian does not anticipate any defaults by its counterparties, and accordingly has not recorded an allowance against outstanding receivables. Pursuant to their respective terms, all outstanding accounts receivable are current with the exception of approximately $3.9 million (2010 – $0.1 million), of which $3.1 million was collected subsequent to year end.

Liquidity Risk

Liquidity risk is the risk that Acadian cannot meet a demand for cash or fund an obligation as it comes due. Acadian's objective in managing liquidity risk is to maintain sufficient reserves in order to meet operational and investing requirements at any point in time, and to maintain debt financing at levels which will allow Acadian to attract additional capital at reasonable cost. Acadian's principal sources of liquidity include cash earned from operations and a US$10 million revolving credit facility which was undrawn at December 31, 2011. These sources, combined with existing cash and cash equivalents, are expected to allow Acadian to meet its operating, debt service, capital expenditure and dividend requirements.

Additionally, Acadian assesses the nature and timing of discretionary payments in an effort to mitigate any impact on the financial condition or results of operations of Acadian. As at December 31, 2011 and 2010, the accounts payable and accrued liabilities and dividends payable of Acadian are due in less than 30 days.

The following tables detail the contractual maturities for Acadian's financial liabilities. The tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which Acadian can be required to pay.

December 31, 2011 (CAD thousands)	Total	Less Than One Year	1 to 3 Years	4 to 5 Years	After 5 Years
Accounts payable and other liabilities	$ 7,985	$ 7,985	$ —	$ —	$ —
Long-term debt[1]	74,081	—	—	74,081	—
	$ 82,066	$ 7,985	$ —	$ 74,081	$ —
Interest payment[2]	$ 12,231	$ 2,941	$ 5,882	$ 3,408	$ —

1 *Represents principal of a U.S. dollar denominated term loan with a Canadian to U.S. dollar conversion of 1.0218, excluding the unamortized deferred financing costs;*
2 *Interest payment was determined using a fixed interest rate at 3.97% with a Canadian to U.S. dollar conversion of 1.0218.*

December 31, 2010 (CAD thousands)	Total	Less Than One Year	1 to 3 Years	4 to 5 Years	After 5 Years
Accounts payable and other liabilities	$ 5,320	$ 5,320	$ —	$ —	$ —
Bank term credit facility[1]	42,000	42,000	—	—	—
Term loan facility[2]	31,792	31,792	—	—	—
	$ 79,112	$ 79,112	$ —	$ —	$ —
Interest payment[3]	$ 497	$ 497	$ —	$ —	$ —

1 *Represents principal of bank term facility, excluding the unamortized deferred financing costs;*
2 *Represents principal of a U.S. dollar denominated term loan with a Canadian to U.S. dollar conversion of 0.998;*
3 *Interest payment reflects actual amount paid.*

Fair Value of Financial Instruments

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

During the year ended December 31, 2010, Acadian entered into a rate lock agreement to hedge the interest rate risk of U.S. treasury yields changing prior to the closing of the Term Facility. As a qualifying cash flow hedge, the derivative was recorded at fair value. As at December 31, 2010, the derivative asset was classified as Level 2 at a value of $1.6 million.

During the year ended December 31, 2011, the derivative asset was settled and a realized gain of $1.3 million was recorded in OCI for the effective portion of the cash flow hedge. The gain is reclassified into earnings in the same periods during which the hedged transaction affects earnings, which in this case is over the term of the Term Facility.

13. INCOME TAXES

The major components of income tax expense are as follows:

For the Years Ended December 31 (CAD thousands)	2011	2010
Deferred income tax expense		
Origination and reversal of temporary differences	**$ 5,708**	$ 3,152
Benefit arising from previously unrecognized tax assets	**206**	(848)
Change of tax rates and imposition of new legislation	**650**	(94)
Total deferred income tax expense	**$ 6,564**	$ 2,210

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

For the Years Ended December 31, (CAD thousands)	**2011**	2010
Income at statutory rate	**$ 5,487**	$ 9,887
Foreign tax rate differential	**1,078**	63
Permanent differences	**(739)**	(113)
Rate adjustments	**650**	(94)
Tax assets not benefited	**206**	(848)
Impact of gain on corporate conversion	**—**	(6,685)
Other	**(118)**	—
Total deferred income tax expense	**$ 6,564**	$ 2,210

The change in the statutory income tax rate to 27.0% in 2011 from 29.5% in 2010 is due to previously enacted decreases in the federal and provincial tax rates that came into effect during the year.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The deferred tax expenses relate to the following:

For the Years Ended December 31, (CAD thousands)	**2011**	2010
Land	**$ (234)**	$ (1,114)
Timber	**6,649**	2,591
Roads and other fixed assets	**15**	86
Intangible asset	**123**	—
Scientific Research and Experimental Development and Input Tax Credits	**1,028**	1,794
Disallowed interest	**342**	(633)
Net operating losses	**(1,150)**	(51)
Other	**(209)**	(463)
Total deferred income tax expense	**$ 6,564**	$ 2,210

Significant components of Acadian's deferred tax assets and liabilities are as follows:

As at *(CAD thousands)*	**December 31, 2011**	December 31, 2010	January 1, 2010
Deferred income tax asset	**$ 3,038**	$ 7,522	—
Deferred income tax liability	**(21,572)**	(18,952)	(34,553)
Total net deferred income tax liability	**$ (18,534)**	$ (11,430)	$ (34,553)

As at *(CAD thousands)*	**December 31, 2011**	December 31, 2010	January 1, 2010
Land	**$ (4,892)**	$ (5,147)	$ (4,848)
Timber	**(33,719)**	(27,149)	(25,867)
Roads and other fixed assets	**(2,992)**	(2,479)	(2,472)
Intangible asset	**(1,535)**	(1,412)	(1,412)
Scientific Research and Experimental Development and Input Tax Credits	**22,212**	23,571	—
Disallowed interest	**775**	1,098	—
Net operating losses	**1,266**	89	—
Other	**351**	(1)	46
Total net deferred income tax liability	**$ (18,534)**	$ (11,430)	$ (34,553)

14. EMPLOYEE BENEFIT PLANS

NB Timberlands and Maine Timberlands each have defined contribution plans covering substantially all employees. During the year, contributions recorded as expenses amounted to $0.3 million (2010 – $0.3 million).

15. DIVIDENDS TO SHAREHOLDERS

Acadian pays quarterly dividends to the extent determined prudent by the Board of Directors. Total dividends declared for the year ended December 31, 2011 were $13.8 million (2010 – $3.6 million).

16. COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

For the Years Ended December 31, *(CAD thousands)*	**2011**	2010
Salaries	**$ 618**	$ 596
Incentives	**293**	260
Short-term benefits	**60**	66
	$ 971	$ 922

17. 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 consolidated 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 land, roads and other fixed assets 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 generally accepted accounting principles ("GAAP") are consistent with their application under IFRS as at January 1 and December 31, 2010.

c) Mandatory exceptions to retrospective application In order to allow the users of these consolidated financial statements to better understand the changes under IFRS, Acadian's Canadian GAAP statement of net income, statement of changes in equity, statement of comprehensive income, and statement of cash flows for the year ended December 31, 2010, and balance sheet as at January 1, 2010 and December 31, 2010 have been reconciled to IFRS. Key sources of differences are identified below:

i) Inventory
Logs are measured at the lower of average cost, including fair value of harvest, and net realizable value. Under Canadian GAAP guidelines, logs were measured at the lower of average cost and net realizable value, but did not include a charge for the fair value of timber harvested.

ii) Buildings, roads on crown lands, 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, roads on crown lands, pavement and equipment with the December 31, 2009 net book value becoming the original cost.

iii) Land
Land is recorded at fair value upon adoption of IFRS with revaluation being the ongoing method of measurement. Historical cost was the method of measurement under Canadian GAAP guidelines.

iv) Roads on freehold land
Roads on freehold land are recorded at fair value upon adoption of IFRS with revaluation being the ongoing method of measurement. Historical cost less amortization was the basis of measurement under Canadian GAAP guidelines.

v) Bridges
Bridges that are nine metres or greater in length and located on permanent roads are recorded at fair value upon adoption of IFRS. The net book value of bridges on land that did not meet this description was written off. All bridges on Crown lands are recorded at historical net book value upon transition to IFRS. Cost is the ongoing method of measurement. Under Canadian GAAP, bridges were either expensed or capitalized as part of the road cost and amortized with the road.

vi) 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 measured at fair value less estimated cost to sell. Under Canadian GAAP, timber was measured at historical cost less accumulated depletion.

vii) 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 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 4).

viii) Revaluation surplus

Any revaluation increase arising from the revaluation of permanent roads and land is recognized in OCI 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 surplus relating to a previous revaluation of that asset.

Under Canadian GAAP guidelines, these assets were measured at historical cost and no revaluation reserve was required.

ix) 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 on freehold land are revalued to reflect their current value on an annual basis and no charge for amortization is recorded.

x) Fair value adjustments

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

As at *(CAD thousands)*	December 31, 2010
Inventory	$ (322)
Timber harvested	(18,347)
Timber growth	19,597
Valuation change	3,022
	$ 3,950

xi) Reforestation

Upon adoption of IFRS, Acadian elected to expense reforestation. Under Canadian GAAP guidelines, reforestation costs were capitalized.

xii) The presentation of the consolidated statement of cashflows accordance with IFRS differs from the presentation of the consolidated statement of cashflows in accordance with Canadian GAAP.

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

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
Inventory	1,737	i	552	2,289
Note receivable	4,001		—	4,001
	14,056		552	14,608
Timber	165,854	vi	50,897	216,751
Land, roads and other fixed assets	24,108	ii,iii,iv,v	13,042	37,150
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
Long-term debt	80,739		—	80,739
Deferred income tax liability	13,815	vii	20,738	34,553
Shareholders' equity	111,329		43,753	155,082
	$ 210,158		$ 64,491	$ 274,649

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

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	i	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	vi	59,093	216,181
Land, roads and other fixed assets	23,451	ii,iii,iv,v	11,932	35,383
Intangible assets	6,140		—	6,140
Deferred income tax asset	12,382	vii	(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	vii	(1,576)	—
	80,648		(1,576)	79,072
Deferred credit	17,206	vii	(17,206)	—
Deferred income tax liability	3,162	vii	15,790	18,952
Shareholders' equity	116,904		67,430	184,334
	$ 217,920		$ 64,438	$ 282,358

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

For the Year Ended December 31 (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		(12)	46,018
Selling, administration and other	7,026		—	7,026
Reforestation	—	xi	217	217
Depreciation, amortization and depletion	6,618	ix	(6,119)	499
	59,674		(5,914)	53,760
Operating earnings	11,342		5,894	17,236
Interest expense, net	(3,791)		—	(3,791)
Other items				
Gain on sale of timberlands	40		—	40
Fair value adjustments	—	x	3,950	3,950
Loss on revaluation of roads and lands	—		(5,005)	(5,005)
Gain on corporate conversion	—	vii	21,086	21,086
Earnings before income taxes	7,591		25,925	33,516
Deferred income tax recovery (expense)	1,183	vii	(3,393)	(2,210)
Net income for the year	$ 8,774		$ 22,532	$ 31,306
Net income per share – basic	$ 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 consolidated statements of comprehensive income and changes in shareholders' equity for the year ended December 31, 2010:

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	—	viii	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 year	(4,804)		4,804	—
Other comprehensive income (loss)	(574)		1,145	571
Accumulated other comprehensive loss, end of year	$ (5,378)		$ 5,949	$ 571

For the Year Ended December 31, 2010 (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 (income) loss	(574)		1,145	571
Shareholders' equity, end of year	$ 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 consolidated statement of cash flows for the year ended December 31, 2010:

For the Year Ended December 31, 2010 (CAD thousands)	Canadian GAAP	Note	Effect of Transition	IFRS
Operating activities				
Net income for the year	$ 8,774		$ 22,532	$ 31,306
Adjustments to net income				
Deferred income tax expense (recovery)	(1,183)	vii	3,393	2,210
Depreciation, amortization and depletion	6,618	ix	(6,119)	499
Fair value adjustments	—	x	(3,950)	(3,950)
Loss on revaluation of roads and land	—	viii	5,005	5,005
Gain on sale of timberlands	(40)		—	(40)
Gain on corporate conversion	—	vii	(21,086)	(21,086)
	14,169		(225)	13,944
Net change in non-cash working capital balances and other	60		27	87
	14,229		(198)	14,031
Financing activities				
Repayment of revolving credit facility	(5,500)		—	(5,500)
Deferred financing costs	(73)		—	(73)
Dividends paid to shareholders	(2,788)		—	(2,788)
	(8,361)		—	(8,361)
Investing activities				
Additions to timber, land, roads and other fixed assets	(430)		—	(430)
Proceeds from sale of timberlands	40		—	40
Reforestation expenditures	(198)	xi	198	—
	(588)		198	(390)
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.

18. SUBSEQUENT EVENT

On January 6, 2012, Acadian signed a Fibre Supply Agreement Modification Term Sheet with Twin Rivers which will be effective January 1, 2013. The amendment to the pricing mechanism for the fibre supply agreement will be subject to minimum volumes of outside purchases for both tree length and sawlogs.

19. COMPARATIVES

Certain comparative amounts have been reclassified to conform with the current year's presentation.

CORPORATE GOVERNANCE

The Corporation and our Board of Directors are committed to working together to achieve strong and effective corporate governance, with the objective of promoting the long-term interests of the Corporation and the enhancement of value for all shareholders. We continue to review and improve our corporate governance policies and practices in relation to evolving legislation, guidelines and best practices. Our Board of Directors is of the view that our corporate governance policies and practices and our disclosure in this regard are comprehensive and consistent with the guidelines established by Canadian securities regulators.

Our Statement of Corporate Governance Practices is set out in full in the Management Information Circular mailed each year to all our shareholders along with the Notice of our Annual Meeting. This Statement is also available on our website, *www.acadiantimber.com.*

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
Executive Chairman
Sigma Real Estate Advisors

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

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,
c/o: Canadian Stock Transfer Company Inc.
P.O. Box 700 Postal Station B
Montreal, QC H3B 3K3
t. 1-800-387-0825 (toll free in North America)
www.canstockta.com

SHARE INFORMATION

Toronto Stock Exchange: ADN
Fully Diluted Shares Outstanding (December 31, 2011): 16,731,216
Targeted 2012 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

ANNUAL MEETING

The Corporation's 2011 Annual Meeting of shareholders will be held at the Hockey Hall of Fame, The Esso Theatre, Brookfield Place, 30 Yonge Street, Toronto, Ontario, at 10:00 a.m. on May 2, 2012.

www.acadiantimber.com

This Annual Report 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 Annual Report, 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,", "likely," "approximately," "forecasts," "variations," or the negative of these terms or other similar terminology. Forward-looking information in this Annual Report 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, projected costs, 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 Annual Report. All forward-looking statements in this Annual Report 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; future production volumes; concentration of customers; changes in competition; commodity pricing; interest rate and foreign currency fluctuations; seasonality; weather and natural conditions; regulatory, trade or environmental policy changes; changes in labour costs and other costs of production; changes in Canadian income tax law; economic situation of key customers; failure to realize the anticipated benefits of the conversion from an income trust to a corporation; and other risks and factors discussed under the heading "Risk Factors" in the Annual Information Form of Acadian Timber Corp. dated March 28, 2012, available on SEDAR at www.sedar.com on or about March 28, 2012, and other filings of Acadian 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 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, which are subject to change based on commodity prices, market conditions for timber and wood products, general economic and market conditions; product demand; concentration of customers; commodity pricing; interest rate and foreign currency rate fluctuations; seasonality; weather and natural conditions; regulatory trade or environmental policy changes; changes in Canadian income tax law; the economic situation of key customers, and the utilization of the tax basis resulting from the conversion from an income trust to a corporation. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this Annual Report 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 Annual Report 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 Annual Report. Such information has been included in the Annual report to provide readers with a sense of the future financial outlook of Acadian. The forward-looking statements contained in this Annual Report are made as of the date of this Annual Report, and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this Annual Report. Acadian Timber Corp. assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as required by applicable law.



Acadian Timber Corp.
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