ACADIANTIMBER

Q2 2007 Interim Report

President's Letter to Unitholders,

We are pleased to share with you our operating and financial results for Acadian Timber Income Fund's ("Acadian") three-month period ended June 30, 2007 (herein referred to as the "second quarter"). Acadian generated distributable cash from operations of $1.2 million or $0.07 per unit despite the fact that the second quarter of the year is traditionally our weakest, related to seasonal operating conditions. These results for the second quarter were slightly above our expectations and are particularly encouraging given the challenging market environment currently facing the North American wood products industry. Acadian remains very well positioned to meet distributable cash flow needs going forward.

Financial Performance

Acadian generated net sales of $13.3 million, $2.4 million or 22% higher than the second quarter of 2006. These sales were generated on a consolidated log sales volume of 267.6 thousand m^3 during the second quarter, representing a 9% increase in log sales volumes as compared to the second quarter of 2006. EBITDA of $1.9 million was $1.7 million higher than the comparable period in 2006, resulting in an EBITDA margin of 14%.

As we have highlighted in the past, the second quarter of the year is traditionally our weakest owing to limited access to roads and timberlands as the ground thaws, and the second quarter of 2007 was no exception. Despite these operating restrictions, our results were stronger than expected, and combined with the strong performance in the first quarter, we have now generated approximately 72% of our annual target distributions for the year.

For the second quarter of 2007, Acadian paid a total of $3.4 million, or $0.21 per unit, in distributions to unitholders meeting our target distributions for the period. Year-to-date, we have distributed a total of $6.8 million to unitholders and generated distributable cash flow of $9.9 million, resulting in a payout ratio of 69%.

Operations

Acadian's New Brunswick and Maine Timberlands operations performed as expected in the second quarter, despite significant market-related downtime taken by regional sawmills. Acadian has been able to sell all of its production with the weighted average selling price across all of Acadian's production increasing by approximately 1% year-over-year. Prices in Acadian's most important market, softwood sawlogs, experienced the most pressure, declining 7.2% year-over-year. Acadian's hardwood sawlog sales benefited from a high value grade mix in the second quarter resulting in an average selling price increase of 22% year over year, while softwood pulpwood experienced an average selling price increase of 8%. Prices for hardwood pulpwood remained flat.

Acadian experienced two reportable incidents among employees and three reportable incidents among contractors and subcontractors during the quarter. While these incidents were all minor we continue to be very focused in our efforts to ensure the safety of employees, contractors, and the public in the communities in which we operate.

Outlook

The decline in U.S. housing starts continues to impact Acadian's broader operating region, putting downward pressure on demand for softwood and hardwood sawlogs. In addition, the closures of UPM Kymmene's Miramichi paper mill, Weyerhaeuser's Miramichi OSB mill and Moosehead Manufacturing Co. have negatively impacted demand for spruce-fir pulpwood, aspen and hardwood sawlogs, in Acadian's operating region, albeit in limited portions. Conversely, the Old Town, Maine hardwood pulp mill has resumed pulping operations.

While chip inventories currently appear to be relatively high at several regional pulp mills, several sawmills and veneer mills appear to have relatively low inventories and biomass inventories appear to be very low as well. Despite significant market-related downtime taken by regional sawmills, Acadian has been able to sell all of its production. Although Fraser Papers is expected to take further market-related downtime at its sawmills throughout the remainder of 2007, management remains confident that it will be able to sell its production going forward.

Acadian has now negotiated selling prices for softwood sawlogs and a significant portion of its pulpwood for the remainder of 2007. These negotiated prices suggest average selling prices will be relatively flat throughout the remainder of 2007.

We thank you for your continued interest in Acadian Timber Income Fund and remain confident that Acadian is well positioned to meet its distributable cash target for the year.

Reid Carter
President and Chief Executive Officer

July 31, 2007

Management's Discussion and Analysis

INTRODUCTION

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

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

Basis of Presentation

This section of our interim report presents management's discussion and analysis of our financial results ("MD&A") and is followed by our consolidated financial statements for the most recent period. The MD&A is intended to provide an assessment of Acadian's performance during the three-month period ended June 30, 2007, (herein referred to as the "second quarter") and the six-month period ended June 30, 2007, as compared to the Fund's performance during the three-month period ended June 30, 2006 and the five-month period from the Fund's inception on January 31, 2006 to June 30, 2006.

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

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

This MD&A has been prepared based on information available as at July 31, 2007. Additional information, including the Fund's Prospectus is available on Acadian's website at *www.acadiantimber.com* and on SEDAR's website at *www.sedar.com*.

Assessment and Changes in Disclosure Controls and Internal Controls

Management has evaluated the effectiveness of the design and operation of the Fund's disclosure controls and procedures as at December 31, 2006. There have been no changes in our disclosure controls and procedures during the period ended June 30, 2007 that have materially affected, or are reasonably likely to materially affect our disclosure controls and procedures.

Management has also evaluated the design of our internal controls over financial reporting in accordance with Multilateral Instrument 52-109 using the COSO framework as at December 31, 2006. There have been no changes in our internal controls over financial reporting during the period ended June 30, 2007 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

REVIEW OF OPERATIONS

Summary of Second Quarter Results

The table below summarizes operating and financial data for Acadian:

	Three Months Ended June 30		Period Ended June 30	
millions, except per unit data and where indicated	**2007**	2006	**2007**[1]	2006[2]
Total				
Sales volume (000s m³)	**267.6**	244.8	**750.2**	585.8
Net sales	**$ 13.3**	$ 10.9	**$ 40.2**	$ 30.3
Net income (loss)	**(17.1)**	(0.3)	**(19.6)**	4.2
EBITDA	**1.9**	0.2	**11.5**	7.1
EBITDA margin	**14%**	2%	**29%**	23%
Distributable cash from operations	**$ 1.2**	$ (1.0)	**$ 9.9**	$ 5.3
Distributions declared				
Class A unitholders	**1.8**	1.8	**3.5**	2.9
Class B LP unitholders	**0.7**	0.6	**1.5**	1.2
Class B Interest of a subsidiary	**0.9**	1.0	**1.8**	1.6
	3.4	3.4	**6.8**	5.7
Payout ratio	**283%**	(340%)	**69%**	108%
Total long-term debt	**$ 76.0**	$ 77.7	**$ 76.0**	$ 77.7
Total assets	**227.6**	235.6	**227.6**	235.6
Per Unit (fully diluted)				
Net income (loss)	**$ (1.42)**	$ (0.02)	**$ (1.62)**	$ 0.13
Distributable cash from operations per unit	**0.07**	(0.06)	**0.60**	0.32
Distributions declared per unit				
Class A unitholders	**0.21**	0.21	**0.41**	0.35
Class B LP unitholders	**0.21**	0.21	**0.41**	0.35
Class B Interest of a subsidiary	**0.21**	0.21	**0.41**	0.35
Book value	**8.23**	9.20	**8.23**	9.20
Units outstanding				
Class A unitholders	**8,450,643**	8,450,643	**8,450,643**	8,450,643
Class B LP unitholders	**3,613,780**	3,613,780	**3,613,780**	3,613,780
Class B Interest of a subsidiary	**4,507,030**	4,507,030	**4,507,030**	4,507,030

1 *Period from January 1, 2007 to June 30, 2007.*

2 *Period from commencement of operations (January 31, 2006) to June 30, 2006.*

Distributable Cash from Operations

Distributable cash from operations for the second quarter and for the six months ended June 30, 2007 were $1.2 million and $9.9 million, respectively, as compared with a distributable cash from operations deficit of $1.0 million and distributable cash from operations of $5.3 million, in Acadian's second quarter and first five months of operations in 2006, respectively. With the distributable cash generated to date and existing cash reserves, Acadian is well positioned to meet distributable cash flow targets for the balance of the year. Distributions declared during the quarter to Class A and B LP unitholders were $2.5 million and to Class B Interest holders were $0.9 million. These distributions of $0.06875 per month were in line with monthly distributions anticipated at the initial public offering ("IPO").

The following table provides a reconciliation of net income (loss) and cash flow from operations before changes in working capital, as determined in accordance with GAAP, to EBITDA and cash available for distribution:

	Three Months Ended June 30		Period Ended June 30	
millions	**2007**	2006	**2007**[1]	2006[2]
Net income (loss)	**$ (17.1)**	$ (0.3)	**$ (19.6)**	$ 4.2
Add (deduct):				
Non-cash loss (gain) on Class B Interest Liability of a subsidiary	**6.4**	(2.7)	**13.4**	(3.6)
Depreciation and depletion	**1.0**	1.2	**4.3**	3.3
Interest income	**(0.1)**	—	**(0.2)**	—
Interest expense on long-term debt	**1.0**	1.0	**2.0**	1.6
Distribution on Class B Interest Liability of a subsidiary	**0.9**	1.0	**1.8**	1.6
Future income tax expense	**9.8**	—	**9.8**	—
EBITDA	**1.9**	0.2	**11.5**	7.1
Add (deduct):				
Interest income	**0.1**	—	**0.2**	—
Interest expense on long-term debt	**(1.0)**	(1.0)	**(2.0)**	(1.6)
Silviculture and capital expenditures	**(0.1)**	(0.2)	**(0.1)**	(0.2)
Proceeds from sale of timberlands, logging roads and fixed assets	**0.3**	—	**0.3**	—
Distributable cash from operations	**$ 1.2**	$ (1.0)	**$ 9.9**	$ 5.3
Cash flow from operating activities	**$ (4.5)**	$ (9.0)	**$ 3.6**	$ 2.6
Add (deduct):				
Change in non-cash working capital balances and other	**4.6**	7.2	**4.3**	1.3
Distribution on Class B Interest Liability of a subsidiary	**0.9**	1.0	**1.8**	1.6
Silviculture and capital expenditures	**(0.1)**	(0.2)	**(0.1)**	(0.2)
Proceeds from sale of timberlands, logging roads and fixed assets	**0.3**	—	**0.3**	—
Distributable cash from operations	**$ 1.2**	$ (1.0)	**$ 9.9**	$ 5.3
Distributions declared	**$ 3.4**	$ 3.4	**$ 6.8**	$ 5.7

1 *Period from January 1, 2007 to June 30, 2007.*

2 *Period from commencement of operations (January 31, 2006) to June 30, 2006.*

Distributable cash from operations represents cash that is generated from the sale of Acadian's timber, from the services provided in the management of Crown licensed timberlands and from the sale of non-timber products. In calculating distributable cash from operations, adjustments are made to cash flow from operating activities as determined in accordance with GAAP to reflect changes in non-cash working capital items, actual cash spent on silviculture required to maintain the productive capacity of our forests, actual cash spent to maintain our assets, and proceeds from the sale of our timberlands, logging roads and fixed assets. In addition, an adjustment is made for the distributions on Class B Interest Liability of a subsidiary, which are included as interest expense in accordance with GAAP; however, these payments are made on the same basis as distributions to our other unitholders, and are consequently included in our disclosure of distributions declared.

Hardwood and softwood harvest volumes represent the productive capacity of Acadian's operations. Harvest volumes, excluding biomass, for the three and six months ended June 30, 2007 were 136.8 thousand m^3 and 569.8 thousand m^3, respectively, which was within the harvest level tolerance required to maintain the Long Run Sustained Yield ("LRSY") of Acadian's timberland estates. Acadian is focused on maximizing long-term value for unitholders, and in doing so will make every effort to maintain a stable financial performance while preserving the long-term value of the business. In order to continue to achieve this objective, Acadian will operate at harvest levels within LRSY and will invest in silviculture to improve the quality and value of future harvests. Although this may cause volatility in distributable cash from operations 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 in our prospectus.

As described in more detail on page 10 of this report, Acadian has borrowings totaling $76.0 million, comprising a $42 million bank term credit facility and a US$31.5 million term loan facility, that have a security interest over the assets and contain certain restrictive covenants relating to debt incurrence, sale of assets, and the maintenance of certain financial ratios, all of which are in compliance as at June 30, 2007. These covenants are not expected to restrict the ability of the Fund to distribute cash flows to its unitholders. The obligations of these borrowings over the next five years are disclosed on page 15 of this report. Upon maturity, management intends to refinance these debt obligations at fixed or floating interest rates, depending on the best interests of Acadian. Accordingly, all interest payments on the existing debt obligations are incurred in order to sustain the Fund's productive capacity and are thus considered in determining the distributable cash from operations of Acadian.

Distribution Policy of the Fund

The Fund makes monthly distributions of its available cash to the extent determined prudent by the Trustees. These distributions represent all cash received from the Fund's indirect interest in the Partnership, less estimated cash amounts required for expenses and other obligations of the Fund, cash redemptions of units and any tax liability. Distributions are paid on or about the 15th day following the end of each month. Total distributions declared to unitholders for the three and six months ended June 30, 2007 were $3.4 million or $0.21 per unit, and $6.8 million or $0.41 per unit, respectively, as compared to $3.4 million or $0.21 per unit during the second quarter of 2006 and $5.7 million or $0.35 per unit during Acadian's first five months of operations in 2006, respectively, which was in line with distributions anticipated at the IPO.

Results of Operations

The second quarter of the year is traditionally the weakest due to limited access to roads and timberlands as the ground thaws. Despite limited operations in the quarter, we reported net sales of $13.3 million on 267.6 thousand m^3 of log sales volumes, a 22% increase in sales revenue and a 9% increase in sales volumes compared to the second quarter of 2006. This improvement is primarily a result of attractive species mix sold at the NB operations and the annual reconciliation of royalty payments related to our management of the Crown licensed timberlands. EBITDA for the second quarter was $1.9 million, compared to $0.2 million for the same period of 2006.

For the six months ended June 30, 2007, Acadian generated net sales of $40.2 million on log sales volumes of 750.2 m^3 as compared with net sales of $30.3 million on log sales of 585.8 m^3 in the shortened five-month comparable period in 2006. EBITDA of $11.5 million during the six months ended June 30, 2007 represents a 62% increase over the $7.1 million during the five-month period ended June 30, 2006.

Included in the net loss for the second quarter of 2007, is a non-cash loss related to the Class B Interest Liability of a subsidiary. The settlement obligation of this interest is based on the trading value of Acadian's units at the time of settlement, which requires the liability to be recorded at its fair value at each balance sheet date with the corresponding gain or loss included in the statement of operations. In addition, as this Canadian dollar liability has been issued by a self-sustaining U.S. dollar subsidiary of the Fund, the obligation is required to be converted to U.S. dollars at each reporting period, with the corresponding gain or loss included in the statement of operations. These items resulted in a $6.4 million loss for the second quarter (2006 – $2.7 million gain) and a $13.4 million loss for the six months ended June 30, 2007 (five months ended June 30, 2006 – $3.6 million gain), comprising a $4.6 million foreign exchange loss (five months ended June 30, 2006 – $0.9 million loss) and an $8.8 million mark-to-market loss (five months ended June 30, 2006 – $4.5 million gain).

Also included in the net loss for the second quarter of 2007 is a non-cash future tax expense of $9.8 million (2006 – $nil) resulting from differences between the financial reporting and tax bases of the assets and liabilities of the Fund's subsidiaries. This expense and related liability have been determined using the substantially enacted tax rates and laws that are expected to be in effect during the 2011 taxation year, in which the Fund will be impacted by the regulations of Canada's tax fairness plan which was enacted into law on June 22, 2007.

Market Conditions

Acadian's regional marketplace experienced capacity changes during the second quarter of 2007. The decline in U.S. housing starts put downward pressure on demand for softwood and hardwood sawlogs with closures at UPM Kymmene's Miramichi paper mill and Weyerhaeuser's Miramichi OSB mill in New Brunswick and at furniture manufacturer Moosehead Manufacturing in Northern Maine. The market saw a capacity increase, however, with the restart of the Old Town pulp mill in Maine in early June. Furthermore, there is potential for additional capacity increases should the recent announcements for the construction of several pellet plants materialize into full operations.

Although Acadian's operations were restricted during the quarter due to seasonal factors, operations ran well with variable costs down $1.08 per m^3 year-over-year. External market conditions posed the most significant challenge as regional sawmills took market-related curtailments. Fraser Papers took a total of 23 weeks of downtime at its New Brunswick and Maine sawmills during the second quarter, although continued to take log deliveries. Markets for hardwood sawlogs continue to be reasonable although downtime in the region has resulted in reduced demand. Markets for hardwood and softwood pulpwood remain relatively strong.

Despite significant market-related downtime taken by regional sawmills, Acadian has been able to sell all of its production. The weighted average selling price in the Maine operations declined by an average of 8% in the second quarter of 2007 versus 2006, in Canadian dollar terms, due to a combination of changes in market pricing, species mix and the appreciation of the Canadian dollar against the U.S. dollar. The weighted average selling price in the New Brunswick operations increased by 5% in the second quarter of 2007, versus 2006, primarily due to changes in species mix, with this increase driven by sales of high value hardwood sawlogs and strong softwood and hardwood pulpwood pricing.

Segmented Results of Operations

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

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

	Three Months Ended June 30, 2006			
millions	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m^3)	192.9	51.9	—	244.8
Net sales	$ 8.1	$ 2.8	$ —	$ 10.9
EBITDA	$ (0.1)	$ 0.5	$ (0.2)	$ 0.2
EBITDA margin	(1%)	18%	n/a	2%

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

	Five Months Ended June 30, 2006[1]			
millions	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m³)	463.0	122.8	—	585.8
Net sales	$ 22.9	$ 7.4	$ —	$ 30.3
EBITDA	$ 4.9	$ 2.6	$ (0.4)	$ 7.1
EBITDA margin	21%	35%	n/a	23%

1 Period from commencement of operations (January 31, 2006) to June 30, 2006.

NB Timberlands

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

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

	Three Months Ended June 30, 2007			Three Months Ended June 30, 2006		
	Harvest	**Sales**	**Results**	Harvest	Sales	Results
	(000s m³)	*(000s m³)*	*(millions)*	*(000s m³)*	*(000s m³)*	*(millions)*
Softwood	**32.0**	**49.4**	**$ 3.0**	24.8	33.1	$ 2.2
Hardwood	**63.7**	**96.4**	**5.5**	86.6	106.8	5.7
Biomass	**74.4**	**74.4**	**1.6**	53.0	53.0	0.9
	170.1	**220.2**	**10.1**	164.4	192.9	8.8
Other sales			**0.9**			(0.7)
Net sales			**$ 11.0**			$ 8.1
EBITDA			**$ 2.0**			$ (0.1)
EBITDA margin			**18%**			(1)%

	Six Months Ended June 30, 2007			Five Months Ended June 30, 2006[1]		
	Harvest	**Sales**	**Results**	Harvest	Sales	Results
	(000s m³)	*(000s m³)*	*(millions)*	*(000s m³)*	*(000s m³)*	*(millions)*
Softwood	**180.1**	**182.7**	**$ 11.5**	102.4	144.5	$ 9.5
Hardwood	**225.9**	**249.7**	**13.6**	195.7	215.1	11.5
Biomass	**145.2**	**145.2**	**3.0**	103.4	103.4	1.7
	551.2	**577.6**	**28.1**	401.5	463.0	22.7
Other sales			**2.4**			0.2
Net sales			**$ 30.5**			$ 22.9
EBITDA			**$ 8.7**			$ 4.9
EBITDA margin			**29%**			21%

1 Period from commencement of operations (January 31, 2006) to June 30, 2006.

NB Timberlands produced solid operating results for this seasonally slow quarter. Softwood, hardwood and biomass shipments were 49.4 thousand m^3, 96.4 thousand m^3 and 74.4 thousand m^3, respectively. This represents an increase of 49% and 40% for softwood and biomass and a reduction of 10% for hardwood versus the second quarter of 2006. Approximately 21% of sales volume was sold as sawlogs, 45% as pulpwood and 34% as biomass.

Net sales for the second quarter were $11.0 million, a 36% increase compared to the second quarter of 2006, due to strong sales of high value "bird's eye" maple, an increase in biomass sales volumes and selling prices, as well as payments received associated with the reconciliation of volumes, royalties and overhead costs related to the management of the Crown licensed timberlands. For the six months ended June 30, 2007, net sales increased by $7.6 million compared to the five month period ended June 30, 2006.

Costs for the second quarter were $9.0 million, a $0.8 million increase compared to the second quarter of 2006. This increase was largely a result of increased harvest volumes. The New Brunswick operations continues to make progress in reducing its overall and fixed costs and improving operating flexibility through increased use of contractors. Contractors accounted for over two thirds of all harvesting activity during the July 1, 2006 to June 30, 2007, period versus only 50% in the prior year period.

EBITDA for the second quarter was $2.0 million, compared to a negative EBITDA of $0.1 million in the second quarter of 2006. For the six months ended June 30, 2007, EBITDA was $8.7 million, a 78% increase over the comparable five month period in 2006 while EBITDA margin averaged 29% in 2007 versus 21% in 2006.

NB Timberlands experienced two minor reportable incidents among employees and two minor reportable incidents among contractors during the quarter.

Maine Timberlands

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

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

	Three Months Ended June 30, 2007			Three Months Ended June 30, 2006		
	Harvest	**Sales**	**Results**	Harvest	Sales	Results
	(000s m^3)	*(000s m^3)*	*(millions)*	*(000s m^3)*	*(000s m^3)*	*(millions)*
Softwood	**28.6**	**28.5**	**$ 1.4**	32.1	32.1	$ 2.0
Hardwood	**12.5**	**13.7**	**0.6**	16.9	16.9	0.8
Biomass	**5.2**	**5.2**	**0.2**	2.9	2.9	—
	46.3	**47.4**	**2.2**	51.9	51.9	2.8
Other sales			**0.1**			—
Net sales			**$ 2.3**			$ 2.8
EBITDA			**$ 0.3**			$ 0.5
EBITDA margin			**13%**			18%

	Six Months Ended June 30, 2007			Five Months Ended June 30, 2006[1]		
	Harvest	**Sales**	**Results**	Harvest	Sales	Results
	(000s m^3)	*(000s m^3)*	*(millions)*	*(000s m^3)*	*(000s m^3)*	*(millions)*
Softwood	**129.6**	**129.3**	**$ 7.6**	88.4	88.4	$ 5.8
Hardwood	**34.2**	**33.5**	**1.5**	29.0	29.0	1.6
Biomass	**9.8**	**9.8**	**0.4**	5.4	5.4	—
	173.6	**172.6**	**9.5**	122.8	122.8	7.4
Other sales			**0.2**			—
Net sales			**$ 9.7**			$ 7.4
EBITDA			**$ 3.2**			$ 2.6
EBITDA margin			**33%**			35%

1 Period from commencement of operations (January 31, 2006) to June 30, 2006.

Maine Timberlands typically has only limited operations during the second quarter owing to seasonal operating conditions. Softwood and hardwood shipments of 28.5 thousand m^3 and 13.7 thousand m^3, respectively, a decrease of 11% and 19% from the comparable period in 2006. Biomass shipments of 5.2 thousand m^3 remained relatively modest, although increased by 79% from the comparable quarter in the previous year. Approximately 42% of shipment volume was sold as sawlogs, 47% as pulpwood and 11% as biomass.

Net sales for the second quarter were $2.3 million, a decrease of 18% from the comparable period in 2006, primarily the result of less volume harvested and species mix. For the six months ended June 30, 2007, net sales increased $2.3 million compared to the five month period ended June 30, 2006.

Costs for the second quarter were $2.0 million, a decrease of 13% compared to the same period last year. The decrease was attributable to less volume and reduced hauling distances for hardwood pulpwood.

EBITDA for the second quarter was $0.3 million, a decrease of $0.2 compared to the three months ended June 30, 2006. For the six months ended June 30, 2007, EBITDA increased $0.6 million compared to the five months ended June 30, 2006. EBITDA margin was 13% for the quarter, which represented a decline of 5% from the comparable period in 2006.

Acadian's Maine operations experienced one minor incident which did not result in lost time.

Financial Position

As of June 30, 2007, Acadian's balance sheet consists of total assets of $227.6 million (December 31, 2006 – $240.0 million), represented primarily by timberlands, logging roads and fixed assets of $206.8 million (December 31, 2006 – $219.1 million) and the balance in cash and working capital of $14.7 million (December 31, 2006 – $14.8 million) and intangible assets of $6.1 million (December 31, 2006 – $6.1 million). Timberlands have been recorded at cost as determined through the purchase of these assets on formation of the Fund and are depleted and charged to operations in a systematic manner based on the utilization of the timber resources. Silviculture costs have been capitalized as they were incurred.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Acadian's principal sources of liquidity include cash earned in operations and a $5 million operating credit facility which remains undrawn since the inception of the Fund. These sources, combined with existing cash and cash equivalents and net working capital generated by the Fund since inception, will allow the Fund to meet its operating, debt service, capital expenditure and distribution requirements. As indicated previously, due to the seasonal nature of our business, it is typical that cash reserves are generated in the first quarter of the year and are then drawn down during periods such as the second quarter when harvesting conditions are not ideal. This remains unchanged from the prior year.

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

Silviculture and capital expenditures for the quarter ended June 30, 2007 were $0.1 million (2006 – $0.2 million) and are in line with management's estimate of annual silviculture and capital expenditures of $1.4 million (2006 – $1.3 million), which is expected to be incurred mainly during the third quarter of this year.

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

Capital Resources

Borrowings

The Fund has a $47 million bank credit facility consisting of a $42 million bank term credit facility and a $5 million revolving credit facility. As at June 30, 2007, no funds had been drawn on the revolving credit facility. The term facility, which matures on January 30, 2009, is fully drawn, and bears interest based on the 30-day Banker Acceptances rate. Management will continue to assess the term and amount of these facilities as well as alternative financing options, including the fixing of the interest rates where appropriate. The Fund also has secured a term loan facility of US$31.5 million. This facility bears interest at 4.67%, payable quarterly and expires on February 27, 2011. The Fund has granted the lenders a security interest over its assets. Both facilities contain certain restrictive covenants relating to debt incurrence, sale of assets, and maintenance of certain financial ratios all of which are in compliance as at June 30, 2007. This remains unchanged from December 31, 2006.

Outstanding Units

As at June 30, 2007, 8,450,643 Class A units were issued and outstanding. The Fund's capital structure remains unchanged from its launch on January 31, 2006. The Fund is authorized to issue an unlimited number of units of the same class with equal rights and privileges. Unitholders are entitled to receive distributions as and when declared by the Trustees of the Fund and are entitled to one vote per unit on all matters to be voted on by unitholders at each meeting of unitholders.

On closing of the IPO, the Fund issued 3,613,780 exchangeable Class B LP units to Fraser Papers as part of the consideration for the acquisition of the NB Timberland assets and 4,507,030 convertible Class B Interest Liability of a subsidiary to Brookfield Asset Management Inc. ("Brookfield") as part of the consideration for the acquisition of the Maine Timberlands. These interests are convertible into units of the Fund at the option of the holders on a one-for-one basis and represent approximately 22% and 27%, respectively of the issued and outstanding units on a fully-diluted basis. Since the Fund's launch, Brookfield has purchased an additional 406,232 Class A units and now holds 30% of the outstanding units on a fully-diluted basis, which remains unchanged from December 31, 2006.

On June 1, 2007, Fraser Papers announced that they have filed with Canadian securities regulatory authorities a notice of intention to convert and distribute up to all of their units in Acadian under National Instrument 45-102 *Resale of Securities*, subject to required approvals of the Toronto Stock Exchange.

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

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

	As at June 30, 2007	
	Number	Percentage
Class A units outstanding	8,450,643	51%
Class B LP units outstanding	3,613,780	22%
Class B Interest Liability of a subsidiary outstanding	4,507,030	27%
	16,571,453	100%

OUTLOOK

The decline in U.S. housing starts continues to impact Acadian's broader operating region, putting downward pressure on demand for softwood and hardwood sawlogs. In addition, the closures of UPM Kymmene's Miramichi paper mill, Weyerhaeuser's Miramichi OSB mill and Moosehead Manufacturing Co. have negatively impacted demand for spruce-fir pulpwood, aspen and hardwood sawlogs, in Acadian's operating region, albeit in limited portions. Conversely, the Old Town, Maine hardwood pulp mill has resumed pulping operations.

While chip inventories currently appear to be relatively high at several regional pulp mills, several sawmills and veneer mills appear to have relatively low inventories and biomass inventories appear to be very low as well. Despite significant market-related downtime taken by regional sawmills, Acadian has been able to sell all of its production. Although Fraser Papers is expected to take further market-related downtime at its sawmills throughout the remainder of 2007, management remains confident that it will be able to sell its production going forward.

Acadian has now negotiated selling prices for softwood sawlogs and a significant portion of its pulpwood the remainder of 2007. These negotiated prices suggest average selling prices will be relatively flat throughout the remainder of 2007.

Canadian Government Tax Fairness Plan

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

As a result of enactment of the Canadian government's tax fairness plan, the Fund and its subsidiaries, in accordance with the recommendations of Section 3465, *Income Taxes*, of the Canadian Institute of Chartered Accountants Handbook ("CICA"), the Fund, on a consolidated basis, has recorded a future tax liability associated with the estimated differences between the financial reporting and tax bases of assets and liabilities of its subsidiaries as at the beginning of the 2011 taxation year, which have been measured using the substantially enacted tax rates and laws that are expected to be in effect at that time.

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

SUPPLEMENTAL INFORMATION

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

Selected Consolidated Quarterly Information

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

	2007		2006				Proforma 2005[1]	
millions	**Q2**	Q1	Q4	Q3	Q2	Q1[2]	Q4	Q3
Sales volume (000s m^3)	**267.6**	482.6	370.8	370.9	244.8	341.0	399.4	354.1
Net sales	**$ 13.3**	$ 26.9	$ 19.5	$ 19.7	$ 10.9	$ 19.4	$ 22.5	$ 19.1
EBITDA[3]	**$ 1.9**	$ 9.6	$ 5.2	$ 6.0	$ 0.2	$ 6.9	$ 6.6	$ 4.8
Distributable cash	**$ 1.2**	$ 8.7	$ 4.3	$ 3.8	$ (1.0)	$ 6.3	n/a	n/a
Net income (loss)	**$ (17.1)**	$ (2.5)	$ 2.4	$ 1.3	$ (0.3)	$ 4.5	n/a	n/a
Net income (loss) per unit - basic	**$ (1.42)**	$ (0.21)	$ 0.20	$ 0.11	$ (0.02)	$ 0.38	n/a	n/a
Net income (loss) per unit - diluted	**$ (1.42)**	$ (0.21)	$ 0.12	$ 0.11	$ (0.02)	$ 0.25	n/a	n/a

1 *Prepared on a proforma basis, see Basis of Presentation, with the exception of sales dollars and volumes attributed to non-continuing business arrangements which have been eliminated.*

2 *Q1 2006 results are for the two-month period ended March 31, 2006.*

3 *EBITDA for the quarters prior to Q1 2006 comprise Proforma Adjusted EBITDA as detailed in the Fund's Prospectus. EBITDA and Proforma Adjusted EBITDA are not recognized measures under GAAP and do not have the standardized meanings prescribed by GAAP. EBITDA and Proforma Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See the Fund Prospectus "Reconciliation of Earnings to Adjusted EBITDA and Proforma Adjusted EBITDA" and this MD&A "Distributable cash from operations" for a reconciliation of EBITDA to net income.*

Critical Accounting Policies and Estimates

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

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

Accounting for Timberlands and Logging Roads

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

Class B Interest Liability of a Subsidiary

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

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

Class B LP Units

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

Translation of Foreign Currencies

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

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

Income Taxes

The Fund follows the liability method of tax allocation, whereby future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Change in accounting policies

In 2005, the CICA issued three new accounting standards: Handbook Section 1530, Comprehensive Income (Section 1530), Handbook Section 3855, Financial Instruments – Recognition and Measurement (Section 3855), and Handbook Section 3861, Financial Instruments – Disclosure and Presentation (Section 3861), which provides disclosure and presentation requirements related to the aforementioned standards. These new standards became effective for Acadian on January 1, 2007.

Comprehensive Income

Section 1530 introduces Comprehensive Income and represents changes in Unitholders' Equity during a period arising from transactions and other events with non-owner sources. Other comprehensive income ("OCI") includes the unrealized foreign currency translation amounts arising from self-sustaining foreign operations. The Interim Consolidated Financial Statements include a Statement of Comprehensive Income while the cumulative amount, Accumulated Other Comprehensive Income ("AOCI"), is presented as a new category of Unitholders' Equity in the Consolidated Balance Sheet.

Financial Instruments – Recognition and Measurement

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities including derivatives be recognized on the balance sheet when we become a party to the contractual provisions of the financial instrument or a non-financial derivative contract. All financial instruments should be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities. Transaction costs related to trading financial assets or liabilities are expensed as incurred. For other financial instruments, transaction costs are capitalized on initial recognition and amortized using the effective interest method of amortization.

Derivative instruments must be recorded on the balance sheet at fair value including those derivatives that are embedded in financial instrument or other contracts that are not closely related to the host financial instrument or contract. Changes in the fair values of derivative instruments will be recognized in Net Income.

Impact of adopting Sections 1530, 3855 and 3861

Acadian recorded a transition adjustment, specifically the reclassification of $0.2 million of net foreign currency gains for cumulative translation adjustments to AOCI. This adjustment was made on a retrospecitve basis for comparative purposes but had no effect on total unitholders' equity. There were no additional transition adjustments recorded as a result of the adoption of these accounting standards.

Accounting Changes

Effective January 1, 2007, Acadian also adopted the revised Section 1506 *Accounting Changes*, relating to changes in accounting policies, changes in accounting estimates, and errors. Adoption of these recommendations had no effect on the consolidated financial statements for the three month and six month periods ending June 30, 2007, except for the required disclosure of accounting changes that have been issued by the CICA but have not yet been adopted by the Fund as they are not effective until a future date.

Future Accounting Policies

Capital Disclosures

On December 1, 2006, the CICA issued Section 1535, Capital Disclosures. Section 1535 requires the disclosure of (i) an entity's objectives, policies and process for managing capital; (ii) quantitative data about an entity's managed capital; (iii) whether an entity has complied with capital requirements; and (iv) if an entity has not complied with such capital requirements, the consequences of such non-compliance.

Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued two new accounting standards, Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation. These standards replace Section 3861, Financial Instruments – Disclosure and Presentation and enhance the disclosure of the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Inventories

In March 2007, the CICA approved Handbook Section 3031 Inventories, which replaces the existing Section 3030 Inventories. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, with earlier application encouraged. The standard provides more guidance on the measurement and disclosure requirements for inventories.

The Fund is currently assessing the impact of these new accounting standards on its financial statments.

Taxation of Fund Distributions

Management estimates approximately 45% of the Fund's targeted distributions for 2007 will represent a return of capital.

Related Party Transactions

In the normal course of operations, the Fund enters into various transactions on market terms with related parties which have been measured at exchange value and recognized in the consolidated financial statements. The Fund has two significant related parties, Brookfield Asset Management Inc., and affiliates (collectively "Brookfield") and Fraser Papers Inc. Brookfield owns approximately 30% of the outstanding units of the Fund on a fully diluted basis through its ownership of the Class B Interest Liability of a subsidiary. Fraser Papers owns approximately 22% of the outstanding units of the Fund on a fully diluted basis through its ownership of the Class B LP units. A summary of the significant related party transactions have been provided below. More detailed information regarding these relationships can be found in the Fund's prospectus dated January 23, 2006.

a) Concurrent with the Offering, Acadian entered into a number of fibre supply agreements whereby Acadian has agreed to provide fibre to Fraser Papers and Brookfield for periods of up to 20 years. In addition, Acadian has agreed to administer certain licenses on behalf of Fraser Papers. Total sales to Fraser Papers and Brookfield during the three months ended June 30, 2007 amounted to $4.7 million (2006 – $3.2 million) and $0.4 million (2006 – $0.4 million), respectively which represented 33% (2006 – 33%) of consolidated total sales. Included in accounts receivable at June 30, 2007 is $2.6 million (2006 – $1.0 million) related to these agreements. Total sales to Fraser Papers and Brookfield for the six-month period ended June 30, 2007 amounted to $17.8 million (five months ended June 30, 2006 – $10.2 million) and $1.6 million (five months ended June 30, 2006 – $1.2 million).

b) Concurrent with the Offering, Acadian entered into an agreement with Brookfield whereby, Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided in the second quarter amounted to $0.5 million (2006 – $0.5 million) and $1.0 million (five months ended June 30, 2006 – $0.8 million) for the six months ended June 30, 2007. All fees have been fully paid in accordance with the services agreement.

c) Distributions paid or declared to Fraser Papers during the three and six months ended June 30, 2007 totalled $0.7 million (2006 – $0.6 million) and $1.5 million (five months ended June 30, 2006 – $1.2 million), respectively.

d) Payments on the Class B Interest Liability to Brookfield during the three and six months ended June 30, 2007 totalled $0.9 million (2006 – $1.0 million) and $1.8 million (five months ended June 30, 2006 – $1.6 million), respectively.

e) Included in accounts payable and accrued liabilities as at June 30, 2007 is $nil (December 31, 2006 - $nil) related to a working capital adjustment due to Fraser Papers as part of the acquisition of the NB Timberlands.

f) Maine Timberlands rents space in a shared office building from Katahdin Paper Company LLC (a wholly-owned subsidiary of Brookfield), which also provides certain administrative services to Maine Timberlands. Total costs paid for these services were $4 thousand (2006 – $4 thousand) in the second quarter and $8 thousand during the six-month period ended June 30, 2007 (five months ended June 30, 2006 – $7 thousand).

Contractual Obligations

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

			Payments Due by Period			
millions	Total Available	Total	Less Than One Year	1 to 3 Years	4 to 5 Years	After 5 Years
Long-term debt						
Bank term credit facility	$ 42.0	$ 42.0	$ —	$ 42.0	$ —	$ —
Revolving credit facility	5.0	—	—	—	—	—
Class B Interests	50.5	50.5	—	—	—	50.5
Term loan facility	34.0	34.0	—	—	34.0	—
	$ 131.5	$ 126.5	$ —	$ 42.0	$ 34.0	$ 50.5
Interest expense (i)(ii)		$ 74.1	$ 8.3	$ 12.3	$ 8.4	$ 45.1

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

(i) Bank term debt credit facility variable interest at 7.13% per annum;

(ii) Term loan facility fixed interest at 4.67% with a Canadian to U.S. dollar conversion of 0.94.

Additional Quarterly Information

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

NB Timberlands

	2007 Q2			2007 Q1			2006 Q4			2006 Q3		
	Harvest	**Sales**	**Results**	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m^3)	(000s m^3)	(millions)	(000s m^3)	(000s m^3)	(millions)	(000s m^3)	(000s m^3)	(millions)	(000s m^3)	(000s m^3)	(millions)
Softwood	**32.0**	**49.4**	**$ 3.0**	148.1	133.3	$ 8.5	117.4	86.4	$ 5.5	101.4	97.6	$ 6.2
Hardwood	**63.7**	**96.4**	**5.5**	162.2	153.3	8.1	121.2	125.0	6.6	122.7	127.8	6.6
Biomass	**74.4**	**74.4**	**1.6**	70.8	70.8	1.4	76.7	76.7	1.4	67.5	67.5	1.4
	170.1	**220.2**	**10.1**	371.1	357.4	18.0	315.3	288.1	13.5	291.6	292.9	14.2
Other Sales			**0.9**			1.5			0.9			0.9
Net sales			**$ 11.0**			$ 19.5			$ 14.4			$ 15.1
EBITDA[3]			**$ 2.0**			$ 6.7			$ 4.1			$ 4.5
EBITDA Margin			**18%**			34%			28%			30%

Maine Timberlands

	2007 Q2			2007 Q1			2006 Q4			2006 Q3		
	Harvest	**Sales**	**Results**	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m^3)	(000s m^3)	(millions)	(000s m^3)	(000s m^3)	(millions)	(000s m^3)	(000s m^3)	(millions)	(000s m^3)	(000s m^3)	(millions)
Softwood	**28.6**	**28.5**	**$ 1.4**	101.0	100.8	$ 6.2	58.9	58.5	$ 3.8	57.3	57.3	$ 3.5
Hardwood	**12.5**	**13.7**	**0.6**	21.7	19.8	0.9	22.1	22.2	1.1	19.8	18.4	0.8
Biomass	**5.2**	**5.2**	**0.2**	4.6	4.6	0.2	2.0	2.0	0.1	2.3	2.3	0.1
	46.3	**47.4**	**2.2**	127.3	125.2	7.3	83.0	82.7	5.0	79.4	78.0	4.4
Other Sales			**0.1**			0.1			0.1			0.2
Net sales			**$ 2.3**			$ 7.4			$ 5.1			$ 4.6
EBITDA[3]			**$ 0.3**			$ 2.9			$ 1.9			$ 1.4
EBITDA Margin			**13%**			39%			37%			30%

Corporate

	2007 Q2			2007 Q1			2006 Q4			2006 Q3		
	Harvest	**Sales**	**Results**	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m^3)	(000s m^3)	(millions)	(000s m^3)	(000s m^3)	(millions)	(000s m^3)	(000s m^3)	(millions)	(000s m^3)	(000s m^3)	(millions)
Softwood	**—**	**—**	**$ —**	—	—	$ —	—	—	$ —	—	—	$ —
Hardwood	**—**	**—**	**—**	—	—	—	—	—	—	—	—	—
Biomass	**—**	**—**	**—**	—	—	—	—	—	—	—	—	—
	—	**—**	**—**	—	—	—	—	—	—	—	—	—
Other Sales			**—**			—			—			—
Net sales			**$ —**			$ —			$ —			$ —
EBITDA[3]			**$ (0.4)**			$ —			$ (0.8)			$ 0.1
EBITDA Margin			**n/a**			n/a			n/a			n/a

NB Timberlands

	2006 Q2			2006 Q1[2]			2005 Q4[1]			2005 Q3[1]		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m³)	(000s m³)	(millions)	(000s m³)	(000s m³)	(millions)	(000s m³)	(000s m³)	(millions)	(000s m³)	(000s m³)	(millions)
Softwood	24.8	33.1	$ 2.2	77.6	111.4	$ 7.3	87.9	92.6	$ 5.6	96.3	88.7	$ 5.3
Hardwood	86.6	106.8	5.7	109.1	108.3	5.8	207.4	153.5	9.3	144.7	110.9	7.1
Biomass	53.0	53.0	0.9	50.4	50.4	0.8	63.6	63.6	0.9	78.0	78.0	1.6
	164.4	192.9	8.8	237.1	270.1	13.9	358.9	309.7	15.8	319.0	277.6	14.0
Other Sales			(0.7)			0.9			0.9			0.3
Net sales			$ 8.1			$ 14.8			$ 16.7			$ 14.3
EBITDA[3]			$ (0.1)			$ 5.0			$ 3.6			$ 3.4
EBITDA Margin			(1%)			34%			22%			24%

Maine Timberlands

	2006 Q2			2006 Q1[2]			2005 Q4[1]			2005 Q3[1]		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m³)	(000s m³)	(millions)	(000s m³)	(000s m³)	(millions)	(000s m³)	(000s m³)	(millions)	(000s m³)	(000s m³)	(millions)
Softwood	32.1	32.1	$ 2.0	56.3	56.3	$ 3.8	71.9	71.9	$ 5.1	54.5	54.5	$ 3.9
Hardwood	16.9	16.9	0.8	12.1	12.1	0.8	15.6	15.6	0.7	18.5	18.5	0.9
Biomass	2.9	2.9	—	2.5	2.5	—-	2.2	2.2	—	3.5	3.5	—
	51.9	51.9	2.8	70.9	70.9	4.6	89.7	89.7	5.8	76.5	76.5	4.8
Other Sales			—			—			—			—
Net sales			$ 2.8			$ 4.6			$ 5.8			$ 4.8
EBITDA[3]			$ 0.5			$ 2.1			$ 3.0			$ 1.4
EBITDA Margin			18%			46%			52%			29%

Corporate

	2006 Q2			2006 Q1[2]			2005 Q4[1]			2005 Q3[1]		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m³)	(000s m³)	(millions)	(000s m³)	(000s m³)	(millions)	(000s m³)	(000s m³)	(millions)	(000s m³)	(000s m³)	(millions)
Softwood	—	—	$ —	—	—	$ —	—	—	$ —	—	—	$ —
Hardwood	—	—	—	—	—	—	—	—	—	—	—	—
Biomass	—	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—	—
Other Sales			—			—			—			—
Net sales			$ —			$ —			$ —			$ —
EBITDA[3]			$ (0.2)			$ (0.2)			n/a			n/a
EBITDA Margin			n/a			n/a			n/a			n/a

1 *Prepared on a proforma basis, see Basis of Presentation, with the exception of sales dollars and volumes attributed to non-continuing business arrangements which have been eliminated.*

2 *Q1 2006 results are for the two-month period ended March 31, 2006.*

3 *EBITDA for the quarters prior to Q1 2006 comprise Proforma Adjusted EBITDA as detailed in the Fund's Prospectus. EBITDA and Proforma Adjusted EBITDA are not recognized measures under GAAP and do not have the standardized meanings prescribed by GAAP. EBITDA and Proforma Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See the Fund Prospectus "Reconciliation of Earnings to Adjusted EBITDA and Proforma Adjusted EBITDA" and this MD&A "Distributable cash from operations" for a reconciliation of EBITDA to net income.*

Forward-Looking Statements

This Interim Report contains forward-looking information and other "forward-looking" statements that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Fund, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this Interim Report, such statements use such words as "may," "will," "intend," "should," "expect," "believe," "outlook," "building," "remain," "anticipate," "estimate," "potential," "continue" or the negative of these terms or other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this Interim Report. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. Factors that could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to: concentration of customers; commodity pricing; seasonality weather and natural conditions; regulatory changes; and other risks and factors discussed under Risk and Uncertainties in this Interim Report and Acadian's Final Prospectus. Although the forward-looking statements contained in this Interim Report are based upon what management believes are reasonable assumptions, the Fund cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this Interim Report, and the Fund assumes no obligation to update or revise them to reflect new events or circumstances.

Interim Consolidated Balance Sheet

(unaudited)

As at *CAD millions*	Note		**June 30, 2007**		December 31, 2006
Assets					
Current assets					
Cash and cash equivalents	2	**$**	**6.5**	$	7.7
Accounts receivable and other assets	10		**6.4**		4.1
Inventory			**1.8**		3.0
			14.7		14.8
Intangible assets			**6.1**		6.1
Timberlands, logging roads and fixed assets	6		**206.8**		219.1
		$	**227.6**	$	240.0
Liabilities and unitholders' equity					
Current liabilities					
Accounts payable and accrued liabilities	10	**$**	**4.6**	$	7.6
Distributions payable to unitholders			**0.8**		0.8
			5.4		8.4
Future income tax liability	12		**9.8**		—
Long-term debt	7		**76.0**		79.3
Class B Interest Liability of a subsidiary	8		**50.5**		41.7
Unitholders' equity	9		**85.9**		110.6
		$	**227.6**	$	240.0

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statement of Comprehensive Income (Loss)

(unaudited)

	For the Three Months Ended June 30		For the Period Ended June 30	
CAD millions	**2007**[1]	2006	**2007**[1]	2006[2]
Net income (loss)	**$ (17.1)**	$ (0.3)	**$ (19.6)**	$ 4.2
Other comprehensive income				
Unrealized foreign currency translation gains	**—**	—	**(0.1)**	—
Other comprehensive income	**—**	—	**(0.1)**	—
Comprehensive income (loss)	**$ (17.1)**	$ (0.3)	**$ (19.7)**	$ 4.2

See accompanying notes to interim consolidated financial statements.

1 *Refer to Note 3 for impact of new accounting policies related to financial instruments.*

2 *Period from commencement of operations (January 31, 2006) to June 30, 2006*

Interim Consolidated Statement of Operations and Retained Earnings (Deficit)

(unaudited)

CAD millions	Note	For the Three Months Ended June 30 **2007**	2006	For the Period Ended June 30 **2007**[1]	2006[2]
Net sales		**$ 13.3**	$ 10.9	**$ 40.2**	$ 30.3
Operating costs and expenses					
Cost of sales		**9.8**	9.2	**25.4**	20.7
Selling, administration and other		**1.6**	1.5	**3.3**	2.5
Depreciation and depletion		**1.0**	1.2	**4.3**	3.3
		12.4	11.9	**33.0**	26.5
Operating earnings		**0.9**	(1.0)	**7.2**	3.8
Loss (gain) on Class B Interest Liability of a subsidiary	8	**6.4**	(2.7)	**13.4**	(3.6)
Interest:					
Interest income		**(0.1)**	—	**(0.2)**	—
Interest expense on long-term debt		**1.0**	1.0	**2.0**	1.6
Class B Interest Liability of a subsidiary		**0.9**	1.0	**1.8**	1.6
Earnings (loss) before income taxes		**(7.3)**	(0.3)	**(9.8)**	4.2
Future income taxes	12	**(9.8)**	—	**(9.8)**	—
Net income (loss) for the period		**(17.1)**	(0.3)	**(19.6)**	4.2
Retained earnings (deficit), beginning of period		**(6.2)**	2.8	**(1.2)**	—
Unitholders' distributions		**(2.5)**	(2.4)	**(5.0)**	(4.1)
Retained earnings (deficit), end of period		**$ (25.8)**	$ 0.1	**$ (25.8)**	$ 0.1
Net income (loss) per unit – basic	9	**$ (1.42)**	$ (0.02)	**$ (1.62)**	$ 0.35
Net income (loss) per unit – diluted	9	**$ (1.42)**	$ (0.02)	**$ (1.62)**	$ 0.13

See accompanying notes to interim consolidated financial statements.

1 *Period from January 1, 2007 to June 30, 2007.*

2 *Period from commencement of operations (January 31, 2006) to June 30, 2006.*

Interim Consolidated Statement of Cash Flows
(unaudited)

CAD millions	Note	For the Three Months Ended June 30 2007	2006	For the Period Ended June 30 2007[1]	2006[2]
Cash provided by (used for):					
Operating activities					
Net income (loss)		**$ (17.1)**	$ (0.3)	**$ (19.6)**	$ 4.2
Items not affecting cash:					
Future income taxes	12	**9.8**	—	**9.8**	—
Depreciation and depletion		**1.0**	1.2	**4.3**	3.3
Loss (gain) on Class B Interest Liability of a subsidiary	8	**6.4**	(2.7)	**13.4**	(3.6)
		0.1	(1.8)	**7.9**	3.9
Net change in non-cash working capital balances and other		**(4.6)**	(7.2)	**(4.3)**	(1.3)
		(4.5)	(9.0)	**3.6**	2.6
Investing activities					
Purchase of New Brunswick Timberlands	4	**—**	—	**—**	(106.8)
Purchase of Maine Timberlands	5	**—**	—	**—**	(7.7)
Sale of timberlands, logging roads and fixed assets		**0.3**	—	**0.3**	—
Silviculture expenditures		**(0.1)**	(0.2)	**(0.1)**	(0.2)
		0.2	(0.2)	**0.2**	(114.5)
Financing activities					
Proceeds on issuance of units, gross		**—**	—	**—**	84.5
Proceeds from long-term debt		**—**	—	**—**	42.0
Offering costs paid		**—**	(0.3)	**—**	(7.8)
Distributions paid to unitholders		**(2.5)**	(2.4)	**(5.0)**	(3.3)
		(2.5)	(2.7)	**(5.0)**	115.4
Increase (decrease) in cash and cash equivalents during the period		**(6.8)**	(11.9)	**(1.2)**	3.3
Cash and cash equivalents, beginning of period		**13.3**	15.2	**7.7**	—
Cash and cash equivalents, end of period		**$ 6.5**	$ 3.3	**$ 6.5**	$ 3.3

See accompanying notes to interim consolidated financial statements.

1 *Period from January 1, 2007 to June 30, 2007.*

2 *Period from commencement of operations (January 31, 2006) to June 30, 2006.*

Notes to the Interim Consolidated Financial Statements

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

NOTE 1. GENERAL

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

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

The Fund was inactive until January 31, 2006, when it completed an initial public offering (the "Offering") through the sale of 8,450,643 Units to the public for gross proceeds of $84.5 million, which after offering costs of $9.1 million, resulted in net proceeds of $75.4 million.

Concurrent with the Offering, Acadian borrowed $42.0 million under a term credit facility and arranged a revolving credit facility of up to $5.0 million with a Canadian chartered bank. These borrowings, along with proceeds of the Offering and the issuance of additional securities to Fraser Papers Inc. were used to indirectly acquire certain timberlands located in New Brunswick (the "NB Timberlands"). The Fund also indirectly acquired all the common membership interests of Katahdin Forest Management LLC (the "Maine Timberlands"), which owns certain timberlands located in Maine, USA. These acquisitions are more fully described in Notes 4 and 5.

As part of the transactions described above, Brookfield Asset Management Inc. (together with its subsidiaries "Brookfield") and Fraser Papers Inc. (together with its subsidiaries "Fraser Papers") each have a significant ownership interest in Acadian and are considered related parties.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These interim consolidated financial statements present the results of operations and cash flows of Acadian for the three-month period ended June 30, 2007 (the "second quarter") and for the six-month period ended June 30, 2007, along with comparative results for the the three month period ended June 30, 2006 and for the period January 31 to June 30, 2006. These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") as prescribed by the Canadian Institute of Chartered Accountants. The results reported in these consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. Certain comparative figures have been reclassified to conform with current year presentation.

Seasonality

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

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents consists 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. Cash and cash equivalents are recorded at cost, which approximates their fair value. Cash equivalents were $6.4 million as at June 30, 2007 (December 31, 2006 – $6.5 million) which have a weighted average effective interest rate of 4.2% (December 31, 2006 – 4.2%).

Inventories and Cost of Sales

Inventories consist primarily of timber and seedlings and are recorded at the lower of average cost and net realizable value. Cost of sales includes predominantly cutting, harvesting and transportation costs as well as costs for access roads and passages.

Timberlands and Logging Roads

Timberlands and logging roads are recorded at cost less accumulated depletion and depreciation. Depletion of the timberlands is recorded in a systematic manner based on the utilization of the timber resources. Depletion amounts are charged to operations based on a pro rata calculation of units of timber harvested and relative values of timber present, and is applied against the historical cost of timberlands. Main logging roads and their associated bridges are depreciated on a straight-line basis over their estimated useful lives of 20 years.

Silviculture costs are capitalized to timberlands.

Fixed Assets

Fixed assets consist of buildings and operating equipment. These assets are recorded at cost and are depreciated on a straight-line basis over their useful lives, which currently is 20 years for buildings and 10 years for specialty equipment.

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 by standard industry terms and in some cases by contract.

Harvesting, transportation and other services are performed under contract for Crown licensees and sub-licensees on Crown Lands. Acadian does not take title to the timber it cuts on Crown Lands and all costs incurred with respect to Crown Lands are recovered from Crown licensees or sub-licensees. Revenue from services performed for these licencees and sub-licencees consist of management fees. Management fee revenues are recognized net of the costs to perform these services upon the delivery of the timber.

Intangible Assets

Intangible assets represent the Crown Lands Services Agreement between NB Timberlands and Fraser Papers whereby upon the closing of the Fund, NB Timberlands has agreed to provide various services relating to the Crown Lands in consideration for a fee from Fraser Papers per cubic metre of fibre harvested from these lands. The Crown Lands Services Agreement will have a term equal to the term of the Crown Licenses, including any renewal terms, which is considered indeterminable as at the end of June 30, 2007, and thus the fair value of this contract is not being amortized. Management will test the carrying value of this asset for impairment annually, or more frequently if events or changes in circumstances indicate that this asset may be impaired.

Class B Interest Liability of a Subsidiary

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

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

Class B LP Units

The Class B LP units represent units in a subsidiary of the Fund and are exchangeable into Units at any time. The Class B LP units have been treated as a component of Unitholders' Equity for accounting purposes and as part of the number of Units outstanding for the calculation of basic earnings per Unit.

Translation of Foreign Currencies

Monetary assets and liabilities of domestic operations denominated in United Sates dollars are translated at the exchange rate prevailing at the end of the period and revenues and expenses are translated at average exchange rates during the period.

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

Financial Instruments

The fair values of financial instruments approximate their book value except where disclosed in these notes.

Income Taxes

The Fund follows the liability method of tax allocation, whereby future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

NOTE 3. CHANGES IN ACCOUNTING POLICIES

In 2005, the CICA issued three new accounting standards: Handbook Section 1530, Comprehensive Income (Section 1530), Handbook Section 3855, Financial Instruments – Recognition and Measurement (Section 3855), and Handbook Section 3861, Financial Instruments – Disclosure and Presentation (Section 3861), which provides disclosure and presentation requirements related to the aforementioned standards. These new standards became effective for Acadian on January 1, 2007.

Comprehensive Income

Section 1530 introduces Comprehensive Income and represents changes in Unitholders' Equity during a period arising from transactions and other events with non-owner sources. Other comprehensive income ("OCI") includes the unrealized foreign currency translation amounts arising from self-sustaining foreign operations. The Interim Consolidated Financial Statements include a Statement of Comprehensive Income while the cumulative amount, Accumulated Other Comprehensive Income ("AOCI"), is presented as a new category of Unitholders' Equity in the Consolidated Balance Sheet.

Financial Instruments – Recognition and Measurement

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities including derivatives be recognized on the balance sheet when we become a party to the contractual provisions of the financial instrument or a non-financial derivative contract. All financial instruments should be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities. Transaction costs related to trading financial assets or liabilities are expensed as incurred. For other financial instruments, transaction costs are capitalized on initial recognition and amortized using the effective interest method of amortization.

Derivative instruments must be recorded on the balance sheet at fair value including those derivatives that are embedded in financial instrument or other contracts that are not closely related to the host financial instrument or contract. Changes in the fair values of derivative instruments will be recognized in net income.

Impact of adopting Sections 1530, 3855 and 3861

Acadian recorded a transition adjustment, specifically the reclassification of $0.2 million of net foreign currency gains for cumulative translation adjustments to AOCI. This adjustment was made on a retrospecitve basis for comparative purposes but had no effect on total unitholders' equity. There were no additional transition adjustments recorded as a result of the adoption of these accounting standards.

Future Accounting Policies

Capital Disclosures

On December 1, 2006, the CICA issued Section 1535, Capital Disclosures. Section 1535 requires the disclosure of (i) an entity's objectives, policies and process for managing capital; (ii) quantitative data about an entity's managed capital; (iii) whether an entity has complied with capital requirements; and (iv) if an entity has not complied with such capital requirements, the consequences of such non-compliance.

Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued two new accounting standards, Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation. These standards replace Section 3861, Financial Instruments – Disclosure and Presentation and enhance the disclosure of the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Inventories

In March 2007, the CICA approved Handbook Section 3031 Inventories, which replaces the existing Section 3030 Inventories. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, with earlier application encouraged. The standard provides more guidance on the measurement and disclosure requirements for inventories.

The Fund is currently assessing the impact of these new accounting standards on its financial statments.

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

NOTE 4. ACQUISITION OF THE NB TIMBERLANDS

Concurrent with the Offering, Acadian acquired the NB Timberlands from Fraser Papers. The net assets were acquired for total consideration of $142.9 million, comprising $106.8 million in cash consisting of $108.4 million in cash less $1.6 million in cash assumed, plus 3,613,780 Class B LP units in a subsidiary of the Fund ("Fraser units") with a fair value of $10.00 per unit. As at December 31, 2006, any amounts owing on this adjustment had been settled. The Fraser units are substantially equivalent to units of the Fund. The acquisition was accounted for using the purchase method. The allocation of the purchase price to the fair value of the assets acquired and liabilities assumed is as follows:

millions		
Current assets less accounts payable and accrued liabilities (excluding cash)	$	2.4
Buildings and equipment		1.5
Roads and bridges		8.1
Land		7.9
Crown Lands Services Agreement		6.1
Timberlands		116.9
Total, net of cash acquired	$	142.9

NOTE 5. ACQUISITION OF THE MAINE TIMBERLANDS

Concurrent with the Offering, Acadian acquired all of the common membership interests of the Maine Timberlands from Brookfield. These interests were acquired for cash consideration of $9.1 million less $1.6 million of cash assumed on acquisition. The acquisition was accounted for using the purchase method. The allocation of the purchase price to the fair value of the assets acquired and liabilities assumed is as follows:

millions		
Current assets less accounts payable and accrued liabilities (excluding cash)	$	(0.3)
Buildings and equipment		0.2
Roads and bridges		5.6
Land		3.1
Timberlands		80.0
Term loan facility (Note7)		(36.0)
Class B Interest Liability (Note 8)		(45.1)
Total	$	7.5

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

NOTE 6. TIMBERLANDS, LOGGING ROADS AND FIXED ASSETS

As at June 30, 2007 *millions*	Book Value	Accumulated Depletion and Depreciation	Net Book Value
Timberlands	**$ 192.2**	**$ (10.5)**	**$ 181.7**
Land	**10.8**	**—**	**10.8**
Logging roads and bridges	**13.8**	**(1.0)**	**12.8**
Building and equipment	**1.7**	**(0.2)**	**1.5**
	$ 218.5	**$ (11.7)**	**$ 206.8**

As at December 31, 2006 *millions*	Book Value	Accumulated Depletion and Depreciation	Net Book Value
Timberlands	$ 199.7	$ (6.8)	$ 192.9
Land	11.0	—	11.0
Logging roads and bridges	14.3	(0.7)	13.6
Building and equipment	1.7	(0.1)	1.6
	$ 226.7	$ (7.6)	$ 219.1

NOTE 7. LONG-TERM DEBT

Long term debt consisted of the following:

millions	June 30, 2007	December 31, 2006
Bank term credit facility, repayable in January 2009	**$ 42.0**	$ 42.0
Term loan facility, repayable in February 2011	**34.0**	37.3
	$ 76.0	$ 79.3

Concurrent with the Offering, Acadian secured a term credit facility for up to $42.0 million and a revolving credit facility of up to $5.0 million. The term credit facility expires on January 30, 2009 and bears interest at floating rates which for the three and six month periods ended June 30, 2007 was based on 30-day Banker Acceptance rates. As at June 30, 2007, the effective interest rate on the term credit facility was 7.13% (December 31, 2006 – 5.27%). The revolving credit facility bears interest at 30-day Banker Acceptance rates, has a period of 364 days and has customary extension features. As at June 30, 2007, Acadian has borrowed $42.0 million under the term facility and nil under the revolving security. As security for these facilities, Acadian has granted the lenders a security interest over the assets of the NB Timberlands. This remains unchanged from December 31, 2006.

These facilities have certain restrictive covenants relating to debt incurrence and the sale of assets and require Acadian to maintain certain financial ratios. As at June 30, 2007, Acadian was in compliance with all covenants.

The Maine Timberlands secured a term loan facility for up to US$31.5 million which was fully drawn at June 30, 2007. The carrying amount of the facility includes US$0.4 million of deferred financing costs payable upon maturity of the facility. The facility bears interest at 4.67% and expires on February 27, 2011. As security for this facility, Maine Timberlands has granted the lenders a security interest over its assets. This remains unchanged from December 31, 2006.

The facility has certain restrictive covenants relating to debt incurrence and the sale of assets and requires Maine Timberlands to maintain certain financial ratios. As at June 30, 2007, Maine Timberlands was in compliance with all covenants. The amount payable under this facility totalled $34.0 million at June 30, 2007 (December 31, 2006 – $37.3 million).

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

NOTE 8. CLASS B INTEREST LIABILITY OF A SUBSIDIARY

The Class B Interest Liability represents 4,507,030 preferred interests in the Maine Timberlands which are convertible into Units of the Fund. The distributions are entitled to a fixed monthly cumulative preferential dividend equal to the lesser of $0.075625 and the most recently announced distribution per Unit of the Fund. These interests are convertible at the option of the holder on a one for one basis into units of the Fund or, at the sole discretion of Acadian, into cash equal to the full market value of these Units on the date of conversion. During the period, distributions on the Class B Interests were $0.21 per preferred interest (2006 – $0.21 per preferred interest), the same as distribution on Units of the Fund.

The Class B Interest Liability is a Canadian dollar liability of the Maine Timberlands. As the currency of measurement of the Maine timberlands is the U.S. dollar, the liability is marked to market at each balance sheet date based on the change on the value of the units of the Fund and the U.S. to Canadian dollar exchange rate with the change recorded in income for the period. For the three months ended June 30, 2007, the revaluation of this interest resulted in a loss of $6.4 million (2006 – $2.7 million gain), and a $13.4 million loss for the six months ended June 30, 2007 (five months ended June 30, 2006 – $3.6 million gain). The year-to-date loss is comprised of an $8.8 million mark-to-market loss (five months ended June 30, 2006 – $4.5 million gain) plus an additional $4.6 million foreign exchange loss (five months ended June 30, 2006 – $0.9 million loss) due to the strengthening of the Canadian currency.

NOTE 9. UNITHOLDERS' EQUITY

The components of Unitholders' equity as at June 30, 2007 are as follows:

millions		
Units issued and outstanding – 8,450,643 Units	$	78.2
Class B LP units issued and outstanding – 3,613,780 Fraser Units		33.4
Accumulated other comprehensive income		0.1
Deficit		(25.8)
Total	$	85.9

Accumulated Other Comprehensive Income

As described in Note 2, upon adoption of Sections 1530, 3855 and 3861, Acadian recorded a transition adjustment, attributable to the reclassification of $0.2 million of net foreign currency gains to AOCI, previously classified as a separate item in Unitholders' equity.

millions	**Three Months Ended June 30**				Period Ended June 30			
		2007		2006		**2007**[1]		2006[2]
Balance, beginning of period, as previously reported	**$**	**0.1**	$	—	**$**	**—**	$	—
Unrealized gains on translation of financial statements of self-sustaining operations		**—**		—		**0.2**		—
Restated balance, beginning of period		**0.1**		—		**0.2**		—
Other comprehensive income		**—**		—		**(0.1)**		—
Balance, end of period	**$**	**0.1**	$	—	**$**	**0.1**	$	—

1 Period from January 1, 2007 to June 30, 2007.

2 Period from commencement of operations (January 31, 2006) to June 30, 2006.

The Fund issued one Unit upon its formation and 8,450,643 Units at $10 per unit on January 31, 2006 for gross proceeds of $84.5 million and net proceeds of $78.2 million after the allocation of $6.35 million of costs of the Offering.

Acadian issued 3,613,780 Class B LP Units on January 31, 2006 as part of the consideration for the purchase of the NB Timberlands (see Note 4). The carrying amount has been reduced by the allocation of $2.75 million of the costs of the Offering resulting in a carrying value of $33.4 million. The Class B LP Units are convertible on a one for one basis into Units at the option of the holder and are entitled to distributions and voting rights equivalent to the Fund units.

Immediately prior to the Offering, the Maine Timberlands issued preferred interests to companies controlled by Brookfield (the "Class B Interest Liability") that had a value of $45.1 million at the time of the Offering. The Class B Interest Liability is convertible on a one-for-one basis into Units. See Notes 5 and 8 for further information with respect to the Class B Interest Liability.

The Fund incurred $9.1 million in costs associated with the offering comprised of underwriting costs of $4.9 million and $4.2 million of other costs. These costs have been allocated $6.35 million against Units and $2.75 million to the Class B LP Units.

As at June 30, 2007, the Fund had 8,450,643 Units issued and outstanding. Assuming the full conversion of the Class B LP Units and the Class B Interest Liability described above, at June 30, 2007 the Fund would have 16,571,453 Units outstanding. This remains unchanged from the prior year.

The weighted average number of Units outstanding for basic net income (loss) per Unit is determined by dividing net income (loss) by the total number of Units and Fraser Units outstanding. Diluted net income (loss) per Unit for the three and six month periods ended June 30, 2007, respectively, and the respective comparable periods was calculated as follows:

Reconciliation to net income:

	Three Months Ended June 30		Period Ended June 30	
millions	**2007**	2006	**2007**[1]	2006[2]
Net income (loss)	**$ (17.1)**	$ (0.3)	**$ (19.6)**	$ 4.2
Add (deduct)				
Interest expense of Class B Interest Liability of a subsidiary	**—**	—	**—**	1.6
Gain on Class B Interest Liability of a subsidiary	**—**	—	**—**	(3.6)
Diluted net income (loss) available for unitholders	**$ (17.1)**	$ (0.3)	**$ (19.6)**	$ 2.2

1 Period from January 1, 2007 to June 30, 2007.

2 Period from commencement of operations (January 31, 2006) to June 30, 2006.

Reconciliation of number of Units:

	Three Months Ended June 30		Period Ended June 30	
thousands	**2007**	2006	**2007**[1]	2006[2]
Weighted average number of Units				
Units	**8,450**	8,450	**8,450**	8,450
Fraser units	**3,614**	3,614	**3,614**	3,614
Basic weighted average number of Units	**12,064**	12,064	**12,064**	12,064
Conversion of Class B Interest Liability of a subsidiary	**—**	—	**—**	4,507
Diluted weighted average number of Units	**12,064**	12,064	**12,064**	16,571

1 Period from commencement of operations (January 31, 2006) to June 30, 2006.

The Class B Interest Liability was anti-dilutive for the three-month period ended June 30, 2006 and for the three month and six month periods ended June 30, 2007, due to the net loss for each respective period.

NOTE 10. RELATED PARTY TRANSACTIONS

All related party transactions are recorded at the exchange amount.

a) Concurrent with the Offering, Acadian entered into a number of fibre supply agreements whereby Acadian has agreed to provide fibre to Fraser Papers and Brookfield for periods of up to 20 years. In addition, Acadian has agreed to administer certain licenses on behalf of Fraser Papers. Total sales to Fraser Papers and Brookfield during the three months ended June 30, 2007 amounted to $4.7 million (2006 – $3.2 million) and $0.4 million (2006 – $0.4 million), respectively which represented 33% (2006 – 33%) of consolidated total sales. Included in accounts receivable at June 30, 2007 is $2.6 million (2006 – $1.0 million) related to these agreements. Total sales to Fraser Papers and Brookfield for the six-month period ended June 30, 2007 amounted to $17.8 million (five months ended June 30, 2006 – $10.2 million) and $1.6 million (five months ended June 30, 2006 – $1.2 million).

b) Concurrent with the Offering, Acadian entered into an agreement with Brookfield whereby, Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided in the second quarter amounted to $0.5 million (2006 – $0.5 million) and $1.0 million (five months ended June 30, 2006 – $0.8 million) for the six months ended June 30, 2007. All fees have been fully paid in accordance with the services agreement.

c) Distributions paid or declared to Fraser Papers during the three and six months ended June 30, 2007 totalled $0.7 million (2006 – $0.6 million) and $1.5 million (five months ended June 30, 2006 – $1.2 million), respectively.

d) Payments on the Class B Interest Liability to Brookfield during the three and six months ended June 30, 2007 totalled $0.9 million (2006 – $1.0 million) and $1.8 million (five months ended June 30, 2006 – $1.6 million), respectively.

e) Included in accounts payable and accrued liabilities as at June 30, 2007 is $nil (December 31, 2006 - $nil) related to a working capital adjustment due to Fraser Papers as part of the acquisition of the NB Timberlands.

f) Maine Timberlands rents space in a shared office building from Katahdin Paper Company LLC (a wholly-owned subsidiary of Brookfield), which also provides certain administrative services to Maine Timberlands. Total costs paid for these services were $4 thousand (2006 – $4 thousand) in the second quarter and $8 thousand during the six-month period ended June 30, 2007 (five months ended June 30, 2006 – $7 thousand).

NOTE 11. SEGMENTED INFORMATION

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

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

For the Three Months Ended June 30, 2006 *millions*	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 4.2	$ 2.2	$ 2.0	$ —
Hardwood	6.5	5.7	0.8	—
Other	0.2	0.2	—	—
Total net sales	10.9	8.1	2.8	—
Operating costs	(10.7)	(8.2)	(2.3)	(0.2)
Earnings before under noted	0.2	(0.1)	0.5	(0.2)
Depletion and depreciation	(1.2)	(0.7)	(0.5)	—
Operating earnings	$ (1.0)	$ (0.8)	$ —	$ (0.2)
Gain on Class B Interest Liability of a subsidiary	2.7			
Interest expense, net	(2.0)			
Future income taxes	—			
Net loss	$ (0.3)			

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

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

For the Five Months Ended June 30, 2006[1] *millions*	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 15.3	$ 9.5	$ 5.8	$ —
Hardwood	12.9	11.3	1.6	—
Other	2.1	2.1	—	—
Total net sales	30.3	22.9	7.4	—
Operating costs	(23.2)	(18.0)	(4.8)	(0.4)
Earnings before under noted	7.1	4.9	2.6	(0.4)
Depletion and depreciation	(3.3)	(2.0)	(1.3)	—
Operating earnings	$ 3.8	$ 2.9	$ 1.3	$ (0.4)
Gain on Class B Interest Liability of a subsidiary	3.6			
Interest expense, net	(3.2)			
Future income taxes	—			
Net income	$ 4.2	$	$	$

As at June 30, 2006 *millions*				
Timberlands, logging roads, fixed assets and intangible assets	224.7	138.6	86.1	—
Total assets	$ 235.7	$ 144.8	$ 88.8	$ 2.1

1 Period from commencement of operations (January 31, 2006) to June 30, 2006.

During the three months ended June 30, 2007 approximately 30% of net sales were originated with customers domiciled in the U.S. and the balance in Canada. During the same period approximately 31% of total sales were denominated in U.S. dollars.

Acadian outsources much of its harvesting, transportation and other services which comprise the majority of the Fund's cost of sales. For the three month period ended June 30, 2007, Acadian's top three suppliers accounted for approximately 16%, 14% and 9%, respectively, of the Fund's cost of sales.

Acadian sells its products to many forest product companies in North America. For the three-month period ended June 30, 2007, related parties (see Note 10) and the next largest customer accounted for 33% and 8% of total sales, respectively.

NOTE 12. INCOME TAXES

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

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

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

	Three Months Ended June 30		Period Ended June 30	
millions	**2007**	2006	**2007**[1]	2006[2]
Loss before income taxes	**$ (7.3)**	$ (0.3)	**$ (9.8)**	$ 4.2
Expected tax recovery (expense) at combined statutory rates	**2.3**	0.1	**3.1**	(1.3)
Effect of:				
Non-taxable income	**(2.3)**	(0.1)	**(3.1)**	1.3
Timing differences to reverse after January 1, 2011	**(9.8)**	—	**(9.8)**	—
Income tax expense	**$ (9.8)**	$ —	**$ (9.8)**	$ —

1 *Period from January 1, 2007 to June 30, 2007.*

2 *Period from commencement of operations (January 31, 2006) to June 30, 2006.*

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

NOTE 13. DISTRIBUTIONS TO UNITHOLDERS

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

Total distributions for the second quarter were $3.4 million (2006 – $3.4 million), and $6.8 million for the six months ended June 30, 2007 (five months ended June 30, 2006 - $5.7 million).

Board and Management

Corporate and Unitholder Information

www.acadiantimber.com

HEAD OFFICE OF THE MANAGER

Brookfield Timberlands Management LP
(wholly-owned subsidiary of Brookfield Asset Management Inc.)
Brookfield Place, 181 Bay Street, Suite 300
Toronto, Ontario M5J 2T3

Please direct your inquiries to:
Tracey Wise
Director, Investor Relations and Communications
t. 416-956-5154
f. 416-365-9542
e. twise@acadiantimber.com

TRUSTEE, TRANSFER AGENT AND REGISTRAR

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

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

UNIT INFORMATION

Toronto Stock Exchange:	ADN.UN
Fully Diluted Units Outstanding (June 30, 2007):	16,571,453
Targeted 2007 Monthly Distribution:	$0.06875 per unit
Record Date:	Last business day of each month
Payment Date:	On or about the 15th day of each subsequent month

ACADIAN TIMBER

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