ACADIANTIMBER

Q3 2007 Interim Report

President's Letter to Unitholders,

We are pleased to announce Acadian Timber Income Fund's ("Acadian") operating and financial results for the third quarter ended September 30, 2007 (herein referred to as the "third quarter"). Acadian generated distributable cash from operations of $2.0 million or $0.12 per unit for the third quarter of 2007 and has now earned 85% of its targeted annual distributions. These results for the third quarter were within our expectations and were achieved in the difficult market environment currently facing the North American wood products industry. Despite these challenges, we believe that Acadian remains well positioned to maintain its distributions at current rates going forward.

Acadian generated sales of $16.9 million on a consolidated log sales volume of 323.5 thousand m^3, a 14% decrease in sales revenue and a 13% decrease in sales volumes compared to the third quarter of 2006. This is primarily a result of customers reducing wood deliveries. EBITDA for the third quarter of 2007 was $3.9 million or 36% lower than the $6.1 million generated in the same period of 2006.

Operations

We are pleased to report that Acadian demonstrated strong safety performance during the third quarter experiencing only three very minor reportable incidents.

Despite optimal harvesting conditions in the third quarter, the weighted average selling price across Acadian's total production declined by 2.4% versus the third quarter of 2006. Notwithstanding a very challenging market environment, Acadian was able to sell all of its production. We believe this is an excellent demonstration of Acadian's ability to modify its product mix and achieve relative stability of timber prices supporting the sustainability of Acadian's cash flows.

Softwood sawlog pricing remained under intense pressure due to the U.S. weak housing market and surplus supplies with market prices for spruce-fir sawlogs down 4.0% year-over-year. However, a portion of this decline is attributable to a change in species mix with most prices remaining relatively unchanged from the previous quarter. Partially offsetting this decline, prices for softwood pulpwood were up 2.8% year-over-year owing to a continued fibre shortage in the region and strong pulp markets. Biomass prices continued to be very favourable with strong demand.

Pricing and demand for hardwood pulpwood were relatively stable during the third quarter with prices up 1.6% year-over-year. Demand for hardwood sawlogs was relatively weak in Acadian's Maine operations during the third quarter owing to recent mill closures with the average selling price for hardwood sawlogs across Acadian's production declining by 4.5% year-over-year.

Outlook

Despite Acadian's solid performance year-to-date, the decline in U.S. housing starts is expected to exert increasing downward pressure on demand and pricing for softwood sawlogs. The early October announcement that Fraser Papers would close its Juniper sawmill for 11 months and our expectation that Fraser's Plaster Rock sawmill will operate only intermittently during the fourth quarter suggest a continued difficult market for spruce-fir sawlogs. The regional log market has been kept in relative balance through the end of the third quarter owing to dramatic reductions in harvest volumes by private woodlot owners. However, curtailments announced for softwood sawmills for the fourth quarter are expected to result in significant downward pressure on softwood sawlog pricing, and, just as importantly, this weak demand is expected to make it increasingly difficult to sell our desired levels of production. This is most pronounced in the New Brunswick operation which is responding by reducing its spruce-fir harvest and increasing its harvest of lower margin hardwood stands. Demand and pricing for hemlock, cedar and pine are expected to remain steady. Demand and pricing for hardwood and softwood pulp logs and biomass are expected to remain firm through year end.

During these weak market conditions our primary focus will continue to be on merchandising all of our products for their highest value while seeking every opportunity to reduce costs. Acadian is committed to an operating style aimed at maximising long-term value for unitholders and we will continue to make every effort to maintain stable financial performance while preserving the long-term value of the business.

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

November 6, 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 September 30, 2007, (herein referred to as the "third quarter") and the nine-month period ended September 30, 2007, as compared to the Fund's performance during the three-month period ended September 30, 2006 and the eight-month period from the Fund's inception on January 31, 2006 to September 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 November 6, 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 September 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 September 30, 2007 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

REVIEW OF OPERATIONS

Summary of Third Quarter Results

The table below summarizes operating and financial data for Acadian:

	Three Months Ended September 30		Period Ended September 30	
millions, except per unit data and where indicated	**2007**	(restated) 2006	**2007**[1]	(restated) 2006[2]
Total				
Sales volume (000s m³)	**323.5**	370.9	**1,073.7**	956.7
Net sales	**$ 16.9**	$ 19.7	**$ 57.1**	$ 50.0
EBITDA	**3.9**	6.1	**15.4**	13.2
EBITDA margin	**23%**	31%	**27%**	26%
Distributable cash from operations	**$ 2.0**	$ 3.7	**$ 11.6**	$ 9.0
Net income (loss)[3]	**(4.3)**	0.9	**(23.9)**	5.1
Distributions declared				
Class A unitholders	**2.0**	1.8	**5.5**	4.7
Class B LP unitholders	**0.5**	0.8	**2.0**	2.0
Class B Interest of a subsidiary	**1.0**	0.9	**2.8**	2.5
	3.5	3.5	**10.3**	9.2
Payout ratio	**175%**	95%	**89%**	102%
Total long-term debt	**$ 73.6**	$ 77.7	**$ 73.6**	$ 77.7
Total assets	**222.0**	237.3	**222.0**	237.3
Per Unit (fully diluted)				
Distributable cash from operations per unit	**$ 0.12**	$ 0.22	**$ 0.70**	$ 0.54
Distributions declared per unit				
Class A unitholders	**0.21**	0.21	**0.62**	0.55
Class B LP unitholders	**0.14**	0.21	**0.55**	0.55
Class B Interest of a subsidiary	**0.21**	0.21	**0.62**	0.55
Net income (loss)[3]	**(0.36)**	0.07	**(1.98)**	0.28
Book value	**7.89**	9.11	**7.89**	9.11
Units outstanding				
Class A unitholders	**12,064,423**	8,450,643	**12,064,423**	8,450,643
Class B LP unitholders	**—**	3,613,780	**—**	3,613,780
Class B Interest of a subsidiary	**4,507,030**	4,507,030	**4,507,030**	4,507,030

1 *Period from January 1, 2007 to September 30, 2007.*
2 *Period from commencement of operations (January 31, 2006) to September 30, 2006.*
3 *Net income (loss) includes the impact of the revaluation of the Class B Interest Liability of a subsidiary and the future income tax expense recorded in each respective period.*

Distributable Cash from Operations

Distributable cash from operations for the third quarter and for the nine months ended September 30, 2007 were $2.0 million and $11.6 million, respectively, as compared with a distributable cash from operations of $3.7 million and $9.0 million, in Acadian's third quarter and first eight months of operations in 2006, respectively. Distributions declared during the quarter to Class A and B LP unitholders were $2.5 million and to Class B Interest holders were $1.0 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 comparison of distributions declared on Class A and Class B LP units during the three and nine months ended September 30, 2007, and during the comparable periods in 2006, to the net income (loss) and cash flow from operations recorded during each of these respective periods. Distributions on the Class B Interest Liability of a subsidiary are included in net income and distributable cash from operations, as they are included as interest expense in accordance with GAAP, and have thus been excluded from this analysis.

	Three Months Ended September 30				Period Ended September 30			
millions		**2007**		(restated) 2006		**2007**[1]		(restated) 2006[2]
Cash flow from operating activities	**$**	**(0.1)**	$	7.2	**$**	**3.8**	$	10.9
Net income (loss)[3]		**(4.3)**		0.9		**(23.9)**		5.1
Actual cash distributions declared on Class A and Class B LP Units		**2.5**		2.6		**7.5**		6.7
Excess (shortfall) of cash flows from operating activities over distributions declared	**$**	**(2.6)**	$	4.6	**$**	**(3.7)**	$	4.2
Excess (shortfall) of net income over cash distributions declared	**$**	**(6.8)**	$	(1.7)	**$**	**(31.4)**	$	(1.6)

1 Period from January 1, 2007 to September 30, 2007.
2 Period from commencement of operations (January 31, 2006) to September 30, 2006.
3 Net income (loss) includes the impact of the revaluation of the Class B Interest Liability of a subsidiary and the future income tax expense recorded in each respective period.

The cash distributions declared to Class A and Class B LP unitholders during the three and nine month periods ended September 30, 2007 were greater than net income and cash flow from operating activities; however they are not considered to represent an economic return of capital as the distributable cash from operations generated to during the nine months ended September 30, 2007, and since Acadian's inception, have been sufficient to meet the distributions of the Fund. In determining the appropriate level of distributions, our Board of Trustees consider the historic and forecasted annual distributable cash from operations of Acadian. Given the seasonality of Acadian's operations, the Fund's performance may vary significantly on a quarter by quarter basis. The payout ratio of the Fund, which represents the amount of distributions declared as a percentage of the distributable cash from operations generated, for the three and nine month periods ended September 30, 2007 is 175% and 89%, respectively. Since Acadian's inception on January 31, 2006, the cumulative payout ratio of the Fund is 91%.

The following tables provide a reconciliation of cash flow from operations and net income, respectively, as determined in accordance with GAAP, to distributable cash from operations during each respective period:

	Three Months Ended September 30				Period Ended September 30			
millions		**2007**		(restated) 2006		**2007**[1]		(restated) 2006[2]
Cash flow from operating activities	**$**	**(0.1)**	$	7.2	**$**	**3.8**	$	10.9
Add (deduct):								
Capital adjustments:								
Proceeds from sale of timberlands, logging roads and fixed assets		**0.4**		—		**0.4**		—
Other adjustments:								
Change in non-cash working capital balances and other		**1.9**		(3.1)		**5.9**		(2.9)
Distribution on Class B Interest Liability of a subsidiary		**1.0**		0.9		**2.8**		2.5
Silviculture and capital expenditures		**(1.2)**		(1.3)		**(1.3)**		(1.5)
Distributable cash from operations	**$**	**2.0**	$	3.7	**$**	**11.6**	$	9.0
Distributions declared	**$**	**3.5**	$	3.5	**$**	**10.3**	$	9.2

1 Period from January 1, 2007 to September 30, 2007.
2 Period from commencement of operations (January 31, 2006) to September 30, 2006.

millions		Three Months Ended September 30 2007		(restated) 2006		Period Ended September 30 2007[1]		(restated) 2006[2]
Net income (loss)[3]	$	**(4.3)**	$	0.9	$	**(23.9)**	$	5.1
Add (deduct):								
Non-cash loss (gain) on Class B Interest Liability of a subsidiary		**4.1**		0.6		**17.5**		(3.0)
Depreciation and depletion		**2.1**		2.6		**6.4**		5.9
Interest income		**(0.1)**		—		**(0.3)**		—
Interest expense on long-term debt		**0.9**		1.1		**2.9**		2.7
Distribution on Class B Interest Liability of a subsidiary		**1.0**		0.9		**2.8**		2.5
Future income tax expense		**0.2**		—		**10.0**		—
EBITDA		**3.9**		6.1		**15.4**		13.2
Add (deduct):								
Interest income		**0.1**		—		**0.3**		—
Interest expense on long-term debt		**(0.9)**		(1.1)		**(2.9)**		(2.7)
Silviculture and capital expenditures		**(1.2)**		(1.3)		**(1.3)**		(1.5)
Non-cash gain on sale of timberlands		**(0.3)**		—		**(0.3)**		—
Proceeds from sale of timberlands, logging roads and fixed assets		**0.4**		—		**0.4**		—
Distributable cash from operations	**$**	**2.0**	$	3.7	**$**	**11.6**	$	9.0
Distributions declared	**$**	**3.5**	$	3.5	**$**	**10.3**	$	9.2

1 Period from January 1, 2007 to September 30, 2007.
2 Period from commencement of operations (January 31, 2006) to September 30, 2006.
3 Net income (loss) includes the impact of the revaluation of the Class B Interest Liability of a subsidiary and the future income tax expense recorded in each respective period.

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 the 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. During the first nine months of the year, the Fund has generated distributable cash from operations representing 85% of the annual target distributions of the Fund. With the distributable cash to date and existing cash reserves, Acadian is well positioned to meet distributable cash flow targets for the balance of the year.

Hardwood and softwood harvest volumes represent the productive capacity of Acadian's operations. Harvest volumes, excluding biomass, for the three and nine months ended September 30, 2007 were 274.4 thousand m^3 and 844.2 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 11 of this report, Acadian has borrowings totaling $73.6 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 September 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 17 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 nine months ended September 30, 2007 were $3.5 million or $0.21 per unit, and $10.3 million or $0.62 per unit, respectively, as compared to $3.5 million or $0.21 per unit during the third quarter of 2006 and $9.2 million or $0.55 per unit during Acadian's first eight months of operations in 2006, respectively, which was in line with distributions anticipated at the time of the IPO.

Results of Operations

Despite optimal harvesting conditions and good operating performance, Acadian's financial results were below last year's results due to poor market conditions. We reported net sales of $16.9 million on 323.5 thousand m^3 of log sales volumes, a 14% decrease in sales revenue and a 13% decrease in sales volumes compared to the third quarter of 2006. This is primarily a result of customers reducing wood deliveries. EBITDA for the third quarter was $3.9 million, compared to $6.1 million for the same period of 2006.

For the nine months ended September 30, 2007, Acadian generated net sales of $57.1 million on log sales volumes of 1,073.7 thousand m^3 as compared with net sales of $50.0 million on log sales of 956.7 thousand m^3 in the shortened eight month comparable period in 2006. EBITDA of $15.4 million during the nine months ended September 30, 2007 represents an 17% increase over the $13.2 million during the eight-month period ended September 30, 2006.

Included in the net loss for the third quarter of 2007, is a non-cash loss related to the revaluation of the Class B Interest Liability of a subsidiary. The settlement obligation of this interest is based on the trading value of Acadian's units at the time of settlement, which requires the liability to be recorded at its fair value at each balance sheet date with the corresponding gain or loss included in the statement of operations. In addition, as this Canadian dollar liability has been issued by a self-sustaining U.S. dollar subsidiary of the Fund, the obligation is required to be converted to U.S. dollars at each reporting period, with the corresponding gain or loss included in the statement of operations. These items resulted in a $4.1 million loss for the third quarter (2006 – $0.6 million loss) and a $17.5 million loss for the nine months ended September 30, 2007 (eight months ended September 30, 2006 – $3.0 million gain), comprising a $8.1 million foreign exchange loss (eight months ended September 30, 2006 – $0.8 million loss) and an $9.4 million mark-to-market loss (eight months ended September 30, 2006 – $3.8 million gain).

Also included in the net loss for the three and nine months ended September 30, 2007 is a non-cash future tax expense of $0.2 million (2006 – $nil) and $10.0 million (eight months ended September 30, 2006 – $nil), respectively, 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 was able to sell all of its production in the third quarter with the weighted average selling price across Acadian's total third quarter production declining by 2.4% in the third quarter of 2007 versus 2006. Despite this relative stability in our average selling price, the decline in U.S. housing starts has begun to significantly impact markets for softwood timber in Acadian's operating region and throughout North America. Softwood sawlog markets are the most challenging, with the average selling price for spruce-fir sawlogs declining by 4.0% year-over-year. The weighted average selling price in the New Brunswick operations declined by 1.0% in the third quarter of 2007 with slight reductions in softwood and hardwood sawlog prices largely offset by stronger pricing for softwood and hardwood pulp logs and biomass. The weighted average selling price in the Maine operations declined by an average of 8.2% in Canadian dollar terms, in the third quarter of 2007 versus 2006. This decline was due to a combination of changes in market pricing, species mix, and, most significantly, the appreciation of the Canadian dollar against the U.S. dollar, which strengthened by 7.2% year-over-year. The greatest decline was in the selling price of hardwood sawlogs which were down 21% from the third quarter of 2006 followed by spruce-fir sawlogs which were down 8.7%, while biomass prices were up 17.4%.

External market conditions continued to pose the most significant challenge as regional softwood sawmills took market-related curtailments. Fraser Papers operated all of its sawmills throughout the third quarter with only one week of reduced shifting at the Plaster Rock mill. However, softwood sawlog pricing came under increasing pressure late in the quarter. Markets for hardwood sawlogs continue to be reasonable in New Brunswick's markets while the Maine operations experienced softer market conditions. Markets for hardwood and softwood pulpwood remain strong with some regional mills buying softwood studwood for pulp owing to softwood pulp log shortages.

Segmented Results of Operations

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

	Three Months Ended September 30, 2007			
millions	**NB Timberlands**	**Maine Timberlands**	**Corporate**	**Consolidated**
Sales volumes (000s m^3)	**242.7**	**80.8**	**—**	**323.5**
Net sales	**$ 12.5**	**$ 4.4**	**$ —**	**$ 16.9**
EBITDA	**$ 2.8**	**$ 1.4**	**$ (0.3)**	**$ 3.9**
EBITDA margin	**22%**	**32%**	**n/a**	**23%**

	Three Months Ended September 30, 2006			
millions	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m^3)	292.9	78.0	—	370.9
Net sales	$ 15.1	$ 4.6	$ —	$ 19.7
EBITDA	$ 4.6	$ 1.4	$ 0.1	$ 6.1
EBITDA margin	30%	30%	n/a	31%

	Nine Months Ended September 30, 2007			
millions	**NB Timberlands**	**Maine Timberlands**	**Corporate**	**Consolidated**
Sales volumes (000s m^3)	**820.3**	**253.4**	**—**	**1,073.7**
Net sales	**$ 43.0**	**$ 14.1**	**$ —**	**$ 57.1**
EBITDA	**$ 11.5**	**$ 4.6**	**$ (0.7)**	**$ 15.4**
EBITDA margin	**27%**	**33%**	**n/a**	**27%**

	Eight Months Ended September 30, 2006[1]			
millions	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m³)	755.9	200.8	—	956.7
Net sales	$ 38.0	$ 12.0	$ —	$ 50.0
EBITDA	$ 9.5	$ 4.0	$ (0.3)	$ 13.2
EBITDA margin	25%	33%	n/a	26%

1 Period from commencement of operations (January 31, 2006) to September 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 September 30, 2007			Three Months Ended September 30, 2006		
	Harvest	**Sales**	**Results**	Harvest	Sales	Results
	(000s m³)	*(000s m³)*	*(millions)*	*(000s m³)*	*(000s m³)*	*(millions)*
Softwood	**99.0**	**86.8**	**$ 5.5**	101.4	97.6	$ 6.2
Hardwood	**97.9**	**90.8**	**4.8**	122.7	127.8	6.6
Biomass	**65.1**	**65.1**	**1.4**	67.5	67.5	1.4
	262.0	**242.7**	**11.7**	291.6	292.9	14.2
Other sales			**0.8**			0.9
Net sales			**$ 12.5**			$ 15.1
EBITDA			**$ 2.8**			$ 4.6
EBITDA margin			**22%**			30%

	Nine Months Ended September 30, 2007			Eight Months Ended September 30, 2006[1]		
	Harvest	**Sales**	**Results**	Harvest	Sales	Results
	(000s m³)	*(000s m³)*	*(millions)*	*(000s m³)*	*(000s m³)*	*(millions)*
Softwood	**279.1**	**269.5**	**$ 17.0**	203.8	242.1	$ 15.7
Hardwood	**323.8**	**340.5**	**18.4**	318.4	342.9	18.1
Biomass	**210.3**	**210.3**	**4.4**	170.9	170.9	3.1
	813.2	**820.3**	**39.8**	693.1	755.9	36.9
Other sales			**3.2**			1.1
Net sales			**$ 43.0**			$ 38.0
EBITDA			**$ 11.5**			$ 9.5
EBITDA margin			**27%**			25%

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

NB Timberlands' results reflect the overall weakness in market demand for softwood sawlogs. Softwood, hardwood and biomass shipments were 86.8 thousand m³, 90.8 thousand m³ and 65.1 thousand m³, respectively. This represents an overall decrease in shipments of 17% compared to the third quarter of 2006. Approximately 34% of sales volume was sold as sawlogs, 39% as pulpwood and 27% as biomass.

Net sales for the third quarter were $12.5 million; a 17% decrease compared to the third quarter of 2006, largely attributable to the decrease in shipment volumes as regional mills reduced wood deliveries. Weighted average price decreased by 1.0% compared to the third quarter of 2006, supported by a stronger pulpwood market. For the nine months ended September 30, 2007, net sales increased by $5.0 million compared to the eight month period ended September 30, 2006.

Costs for the third quarter were $9.7 million, a $0.8 million decrease compared to the third quarter of 2006. This decrease is a result of 10% lower harvest volume, as a large component of costs is variable. Variable costs per cubic meter increased 5.2%, however, which is largely associated with longer hauling distances and fuel surcharges.

EBITDA for the third quarter was $2.8 million, a 39% decrease compared to the third quarter of 2006. EBITDA margins decreased from 30% to 22%. In addition to lower sales volume, this decrease in margin is a result of higher variable costs. For the nine months ended September 30, 2007, EBITDA was $11.5 million, compared to $9.5 million for the comparable eight month period in 2006, and EBITDA margin improved slightly.

NB Timberlands experienced one minor reportable incident 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 September 30, 2007			Three Months Ended September 30, 2006		
	Harvest	**Sales**	**Results**	Harvest	Sales	Results
	(000s m^3)	*(000s m^3)*	*(millions)*	*(000s m^3)*	*(000s m^3)*	*(millions)*
Softwood	**63.4**	**63.4**	**$ 3.6**	57.3	57.3	$ 3.5
Hardwood	**14.1**	**14.2**	**0.6**	19.8	18.4	0.8
Biomass	**3.2**	**3.2**	**0.1**	2.3	2.3	0.1
	80.7	**80.8**	**4.3**	79.4	78.0	4.4
Other sales			**0.1**			0.2
Net sales			**$ 4.4**			$ 4.6
EBITDA			**$ 1.4**			$ 1.4
EBITDA margin			**32%**			30%

	Nine Months Ended September 30, 2007			Eight Months Ended September 30, 2006[1]		
	Harvest	**Sales**	**Results**	Harvest	Sales	Results
	(000s m^3)	*(000s m^3)*	*(millions)*	*(000s m^3)*	*(000s m^3)*	*(millions)*
Softwood	**193.0**	**192.7**	**$ 11.2**	145.7	145.7	$ 9.3
Hardwood	**48.3**	**47.7**	**2.1**	48.8	47.4	2.4
Biomass	**13.0**	**13.0**	**0.5**	7.7	7.7	0.1
	254.3	**253.4**	**13.8**	202.2	200.8	11.8
Other sales			**0.3**			0.2
Net sales			**$ 14.1**			$ 12.0
EBITDA			**$ 4.6**			$ 4.0
EBITDA margin			**33%**			33%

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

Maine Timberlands experienced excellent operating conditions during the third quarter. Softwood, hardwood and biomass shipments were 63.4 thousand m^3, 14.2 thousand m^3 and 3.2 thousand m^3, respectively. This represents an overall increase in shipments of 4% compared to the third quarter of 2006. Approximately 56% of shipment volume was sold as sawlogs, 40% as pulpwood and 4% as biomass.

Net sales for the third quarter were $4.4 million; a decrease of 4% from the comparable period in 2006. This decrease primarily reflects the strengthening of the Canadian dollar relative to the US dollar as the weighted average price actually increased 0.6% in U.S. dollar terms. For the nine months ended September 30, 2007, net sales increased $2.1 million compared to the eight month period ended September 30, 2006.

Total costs for the third quarter were $3.0 million, a decrease of 6% as compared to the same period last year. Unit costs in Canadian dollars declined by 3.8% due to the strengthening Canadian dollar.

Maine Timberlands completed two sales of small land parcels, which were inoperable for timber but attractive for, and valued more highly for, development due to their lakefront or riverfront location. These contributed $0.3 million to EBITDA and $0.4 million to distributable cash from operations this quarter.

EBITDA for the third quarter was $1.4 million, which remains unchanged compared to the three month period ended September 30, 2006 as a result of a $0.3 million gain on the sale of land. For the nine months ended September 30, 2007, EBITDA increased $0.6 million compared to the eight months ended September 30, 2006, while EBITDA margin remained consistent at 33%.

Acadian's Maine Timberlands operated safely with no incidents in the third quarter of 2007.

Financial Position

As of September 30, 2007, Acadian's balance sheet consists of total assets of $222.0 million (December 31, 2006 – $240.0 million), represented primarily by timberlands, logging roads and fixed assets of $200.5 million (December 31, 2006 – $219.1 million) and the balance in cash and working capital of $15.4 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 and nine-months ended September 30, 2007 were $1.2 million (2006 – $1.3 million) and $1.3 million (2006 – $1.5 million) which are in line with management's estimate of annual silviculture and capital expenditures of $1.4 million (2006 – $1.4 million), which as expected was 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, present 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 September 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 September 30, 2007. This remains unchanged from December 31, 2006.

Outstanding Units

As at September 30, 2007, 12,064,423 Class A units were issued and outstanding, which represents an increase of 3,613,780 units from the Fund's 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.

On September 26, 2007, Fraser Papers announced that they had converted and sold their entire holdings of Class B LP units of Acadian. As part of this transaction, 2,600,000 of the 3,613,780 Class A units sold by Fraser Papers were purchased by Brookfield. Pursuant to the conversion and sale of units by Fraser Papers, Acadian has 12,064,423 Class A units and 4,507,030 Class B units of a subsidiary outstanding. Effective October 1, 2007, Fraser Papers no longer has an ownership interest in the Fund and Brookfield's ownership interest has increased to 45% of the outstanding units of the Fund on a fully diluted basis.

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 September 30, 2007	
	Number	Percentage
Class A units outstanding	12,064,423	73%
Class B LP units outstanding	—	—
Class B Interest Liability of a subsidiary outstanding	4,507,030	27%
	16,571,453	100%

OUTLOOK

Despite Acadian's strong performance year-to-date, the decline in U.S. housing starts is expected to exert increasing downward pressure on demand and pricing for softwood sawlogs. Fraser Papers announced the closure of its Juniper sawmill for 11 months in early October while its Plaster Rock sawmill is expected to operate only intermittently during the fourth quarter. Although the selling price for Acadian's spruce-fir sawlogs is expected to be stable through the remainder of the year, it is increasingly difficult to sell our desired levels of production owing to extremely weak demand. The regional log market was kept in relative balance through the end of the third quarter owing to dramatic reductions in harvest volumes by private woodlot owners. However, curtailments announced for softwood sawmills for the fourth quarter are expected to result in significant downward pressure on softwood sawlog pricing. This is most pronounced in the New Brunswick operation which is responding by reducing its spruce-fir harvest and increasing its harvest of lower margin hardwood stands. Demand and pricing for hemlock, cedar and pine is expected to remain steady. Demand and pricing for hardwood and softwood pulp logs and biomass are expected to remain firm through year end and into 2008.

During these exceptionally difficult market conditions Acadian will focus on targeting its production at markets with the strongest demand and pricing and allowing trees for which the demand is currently weak to remain growing on the stump. Despite this challenging outlook, we are confident that Acadian remains very well positioned to meet its distributable cash flow needs going forward.

Canadian Government Tax Fairness Plan

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

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

SUPPLEMENTAL INFORMATION

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

Selected Consolidated Quarterly Information

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

	2007			2006				Proforma 2005[1]
millions	**Q3**	Q2	Q1	Q4[2]	Q3[2]	Q2	Q1[3]	Q4
Sales volume (000s m^3)	**323.5**	267.6	482.6	370.8	370.9	244.8	341.0	399.4
Net sales	**$ 16.9**	$ 13.3	$ 26.9	$ 19.5	$ 19.7	$ 10.9	$ 19.4	$ 22.5
EBITDA[4]	**$ 3.9**	$ 1.9	$ 9.6	$ 5.1	$ 6.1	$ 0.2	$ 6.9	$ 6.6
Distributable cash	**$ 2.0**	$ 0.9	$ 8.7	$ 4.4	$ 3.7	$ (1.0)	$ 6.3	n/a
Net income (loss)	**$ (4.3)**	$ (17.1)	$ (2.5)	$ 2.8	$ 0.9	$ (0.3)	$ 4.5	n/a
Net income (loss) per unit - basic	**$ (0.36)**	$ (1.42)	$ (0.21)	$ 0.23	$ 0.07	$ (0.02)	$ 0.37	n/a
Net income (loss) per unit - diluted	**$ (0.36)**	$ (1.42)	$ (0.21)	$ 0.15	$ 0.07	$ (0.02)	$ 0.25	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 *Restated.*

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

4 *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. On September 26, 2007, Fraser Papers exercised their right to exchange these units for Class A units of the Fund. The Class B LP units had 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 retrospective 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 nine month periods ending September 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 statements.

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. As at September 30, 2007 Brookfield owned 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, and Fraser Papers owned approximately 22% of the outstanding units of the Fund on a fully diluted basis through its ownership of the 3,613,780 Class A units. On September 26, 2007 Fraser Papers announced that they had converted and sold their entire holdings of units of the Fund. As part of this transaction, Brookfield acquired 2,600,000 of the 3,613,780 units sold by Fraser Papers. Effective October 1, 2007, Fraser Papers no longer has an ownership interest in the Fund and Brookfield’s ownership interest has increased to 45% of the outstanding units of the Fund on a fully diluted basis. 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 September 30, 2007 amounted to $12.6 million (2006 – $14.7 million) and $1.0 million (2006 – $0.8 million), respectively which represented 50% (2006 – 50%) of consolidated total sales. Included in accounts receivable at September 30, 2007 is $4.6 million (2006 – $2.3 million) related to these agreements. Total sales to Fraser Papers and Brookfield for the nine-month period ended September 30, 2007 amounted to $30.4 million (eight months ended September, 2006 – $24.9 million) and $2.6 million (eight months ended September 30, 2006 – $2.0 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 third quarter amounted to $0.5 million (2006 – $0.5 million) and $1.5 million (eight months ended September 30, 2006 – $1.3 million) for the nine months ended September 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 nine months ended September 30, 2007 totalled $0.8 million (2006 – $0.8 million) and $2.2 million (eight months ended September 30, 2006 – $2.0 million), respectively.

d) Payments on the Class B Interest Liability to Brookfield during the three and nine months ended September 30, 2007 totalled $1.0 million (2006 – $0.9 million) and $2.8 million (eight months ended September 30, 2006 – $2.5 million), respectively.

e) Maine Timberlands rents space in a shared office building from Katahdin Paper Company LLC (a wholly-owned subsidiary of Brookfield), which also provides certain administrative services to Maine Timberlands. Total costs paid for these services were $4 thousand (2006 – $4 thousand) in the third quarter and $12 thousand during the nine-month period ended September 30, 2007 (eight months ended September 30, 2006 – $11 thousand).

f) During the three months ended September 30, 2007, Maine Timberlands completed the sale of small land parcels to a subsidiary of Brookfield for proceeds of $0.2 million, representing their fair market value, which has resulted in a gain from the sale of these land parcels of $0.2 million. In accordance with the terms of the purchase and sale agreement, the total proceeds have been fully collected.

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	51.1	51.1	—	—	—	51.1
Term loan facility	31.6	31.6	—	—	31.6	—
	$ 129.7	$ 124.7	$ —	$ 42.0	$ 31.6	$ 51.1
Interest expense (i)(ii)		$ 71.9	$ 7.6	$ 11.2	$ 8.0	$ 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 5.83% per annum;

(ii) Term loan facility fixed interest at 4.67% with a Canadian to U.S. dollar conversion of 1.01.

Restatement of Comparative Results

The 2006 comparative consolidated financial results of the Fund have been amended to reduce the depletion expense of our Maine & New Brunswick operations by $0.7 million and cost of sales by $0.1 million for the three and eight month periods ended September 30, 2006. This adjustment increases net income by $0.8 million, EBITDA by $0.1 million, and distributable cash from operations by $0.1 million for the three and eight-month periods ended September 30, 2006. This amendment does not have an impact on the consolidated financial results of the Fund for the eleven month period ended December 31, 2006, the two month period ended March 31, 2006 or for the three and six month periods ended June 30, 2006.

Additional Quarterly Information

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

NB Timberlands

	2007 Q3			2007 Q2			2007 Q1			2006 Q4		
	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	**99.0**	**86.8**	**$ 5.5**	32.0	49.4	$ 3.0	148.1	133.3	$ 8.5	117.4	86.4	$ 5.5
Hardwood	**97.9**	**90.8**	**4.8**	63.7	96.4	5.5	162.2	153.3	8.1	121.2	125.0	6.6
Biomass	**65.1**	**65.1**	**1.4**	74.4	74.4	1.6	70.8	70.8	1.4	76.7	76.7	1.4
	262.0	**242.7**	**11.7**	170.1	220.2	10.1	371.1	357.4	18.0	315.3	288.1	13.5
Other Sales			**0.8**			0.9			1.5			0.9
Net sales			**$ 12.5**			$ 11.0			$ 19.5			$ 14.4
EBITDA[3]			**$ 2.8**			$ 2.0			$ 6.7			$ 4.0
EBITDA Margin			**22%**			18%			34%			28%

Maine Timberlands

	2007 Q3			2007 Q2			2007 Q1			2006 Q4		
	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	**63.4**	**63.4**	**$ 3.6**	28.6	28.5	$ 1.4	101.0	100.8	$ 6.2	58.9	58.5	$ 3.8
Hardwood	**14.1**	**14.2**	**0.6**	12.5	13.7	0.6	21.7	19.8	0.9	22.1	22.2	1.1
Biomass	**3.2**	**3.2**	**0.1**	5.2	5.2	0.2	4.6	4.6	0.2	2.0	2.0	0.1
	80.7	**80.8**	**4.3**	46.3	47.4	2.2	127.3	125.2	7.3	83.0	82.7	5.0
Other Sales			**0.1**			0.1			0.1			0.1
Net sales			**$ 4.4**			$ 2.3			$ 7.4			$ 5.1
EBITDA[3]			**$ 1.4**			$ 0.3			$ 2.9			$ 1.9
EBITDA Margin			**32%**			13%			39%			37%

Corporate

	2007 Q3			2007 Q2			2007 Q1			2006 Q4		
	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]			**$ (0.3)**			$ (0.4)			$ —			$ (0.8)
EBITDA Margin			**n/a**			n/a			n/a			n/a

NB Timberlands

	2006 Q3			2006 Q2			2006 Q1[2]			2005 Q4[1]		
	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	101.4	97.6	$ 6.2	24.8	33.1	$ 2.2	77.6	111.4	$ 7.3	87.9	92.6	$ 5.6
Hardwood	122.7	127.8	6.6	86.6	106.8	5.7	109.1	108.3	5.8	207.4	153.5	9.3
Biomass	67.5	67.5	1.4	53.0	53.0	0.9	50.4	50.4	0.8	63.6	63.6	0.9
	291.6	292.9	14.2	164.4	192.9	8.8	237.1	270.1	13.9	358.9	309.7	15.8
Other Sales			0.9			(0.7)			0.9			0.9
Net sales			$ 15.1			$ 8.1			$ 14.8			$ 16.7
EBITDA[3]			$ 4.6			$ (0.1)			$ 5.0			$ 3.6
EBITDA Margin			30%			(1%)			34%			22%

Maine Timberlands

	2006 Q3			2006 Q2			2006 Q1[2]			2005 Q4[1]		
	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	57.3	57.3	$ 3.5	32.1	32.1	$ 2.0	56.3	56.3	$ 3.8	71.9	71.9	$ 5.1
Hardwood	19.8	18.4	0.8	16.9	16.9	0.8	12.1	12.1	0.8	15.6	15.6	0.7
Biomass	2.3	2.3	0.1	2.9	2.9	—	2.5	2.5	—	2.2	2.2	—
	79.4	78.0	4.4	51.9	51.9	2.8	70.9	70.9	4.6	89.7	89.7	5.8
Other Sales			0.2			—			—			—
Net sales			$ 4.6			$ 2.8			$ 4.6			$ 5.8
EBITDA[3]			$ 1.4			$ 0.5			$ 2.1			$ 3.0
EBITDA Margin			30%			18%			46%			52%

Corporate

	2006 Q3			2006 Q2			2006 Q1[2]			2005 Q4[1]		
	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]			$ 0.1			$ (0.2)			$ (0.2)			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," "predict," "remain," "anticipate," "estimate," "potential," "continue" or the negative of these terms or other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this Interim Report. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. Factors that could cause actual results to differ materially from the results discussed in the forward-looking statements include, but are not limited to: general economic and market conditions; product demand; concentration of customers; commodity pricing; interest rate and foreign currency fluctuations; seasonality; weather and natural conditions; regulatory, trade or environmental policy changes; and other risks and factors discussed under Risk Factors in Acadian's Final Prospectus and other filings with securities regulatory authorities. Although the forward-looking statements contained in this Interim Report are based upon what management believes are reasonable assumptions, the Fund cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this Interim Report, and 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		**September 30, 2007**		December 31, 2006
Assets					
Current assets					
Cash and cash equivalents	2	**$**	**3.1**	$	7.7
Accounts receivable and other assets	11		**10.0**		4.1
Inventory			**2.3**		3.0
			15.4		14.8
Intangible assets			**6.1**		6.1
Timberlands, logging roads and fixed assets	7		**200.5**		219.1
		$	**222.0**	$	240.0
Liabilities and unitholders' equity					
Current liabilities					
Accounts payable and accrued liabilities	11	**$**	**6.9**	$	7.6
Distributions payable to unitholders			**0.8**		0.8
			7.7		8.4
Future income tax liability	13		**10.0**		—
Long-term debt	8		**73.6**		79.3
Class B Interest Liability of a subsidiary	9		**51.1**		41.7
Unitholders' equity	10		**79.6**		110.6
		$	**222.0**	$	240.0

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statement of Comprehensive Income (Loss)

(unaudited)

CAD millions	For the Three Months Ended September 30 2007[1]	2006	For the Period Ended September 30 2007[1,2]	2006[3]
Net income (loss)	**$ (4.3)**	$ 0.9	**$ (23.9)**	$ 5.1
Other comprehensive income				
Unrealized foreign currency translation gains	**0.5**	—	**0.4**	—
Other comprehensive income	**0.5**	—	**0.4**	—
Comprehensive income (loss)	**$ (3.8)**	$ 0.9	**$ (23.5)**	$ 5.1

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 January 1, 2007 to September 30, 2007*

3 *Period from commencement of operations (January 31, 2006) to September 30, 2006*

Interim Consolidated Statement of Operations and Retained Earnings (Deficit)

(unaudited)

CAD millions	Note	For the Three Months Ended September 30 **2007**	For the Three Months Ended September 30 2006[1] (restated)	For the Period Ended September 30 **2007**[2]	For the Period Ended September 30 2006[1,3] (restated)
Net sales		**$ 16.9**	$ 19.7	**$ 57.1**	$ 50.0
Operating costs and expenses					
Cost of sales	4	**11.5**	12.5	**36.9**	33.2
Selling, administration and other		**1.8**	1.1	**5.1**	3.6
Depreciation and depletion	4	**2.1**	2.6	**6.4**	5.9
		15.4	16.2	**48.4**	42.7
Operating earnings		**1.5**	3.5	**8.7**	7.3
Gain on sale of timberlands		**(0.3)**	—	**(0.3)**	—
Loss (gain) on Class B Interest Liability of a subsidiary	9	**4.1**	0.6	**17.5**	(3.0)
Interest:					
Interest income		**(0.1)**	—	**(0.3)**	—
Interest expense on long-term debt		**0.9**	1.1	**2.9**	2.7
Class B Interest Liability of a subsidiary		**1.0**	0.9	**2.8**	2.5
Earnings (loss) before income taxes		**(4.1)**	0.9	**(13.9)**	5.1
Future income taxes	13	**(0.2)**	—	**(10.0)**	—
Net income (loss) for the period		**(4.3)**	0.9	**(23.9)**	5.1
Retained earnings (deficit), beginning of period		**(25.8)**	0.1	**(1.2)**	—
Unitholders' distributions		**(2.5)**	(2.6)	**(7.5)**	(6.7)
Retained earnings (deficit), end of period		**$ (32.6)**	$ (1.6)	**$ (32.6)**	$ (1.6)
Net income (loss) per unit – basic	10	**$ (0.36)**	$ 0.07	**$ (1.98)**	$ 0.42
Net income (loss) per unit – diluted	10	**$ (0.36)**	$ 0.07	**$ (1.98)**	$ 0.28

See accompanying notes to interim consolidated financial statements.

1 *Restated. See Note 4.*

2 *Period from January 1, 2007 to September 30, 2007.*

3 *Period from commencement of operations (January 31, 2006) to September 30, 2006.*

Interim Consolidated Statement of Cash Flows
(unaudited)

CAD millions	Note	For the Three Months Ended September 30 2007	2006[1] (restated)	For the Period Ended September 30 2007[2]	2006[1,3] (restated)
Cash provided by (used for):					
Operating activities					
Net income (loss)		**$ (4.3)**	$ 0.9	**$ (23.9)**	$ 5.1
Items not affecting cash:					
Future income taxes	13	**0.2**	—	**10.0**	—
Depreciation and depletion		**2.1**	2.6	**6.4**	5.9
Gain on sale of timberlands		**(0.3)**	—	**(0.3)**	—
Loss (gain) on Class B Interest Liability of a subsidiary	9	**4.1**	0.6	**17.5**	(3.0)
		1.8	4.1	**9.7**	8.0
Net change in non-cash working capital balances and other		**(1.9)**	3.1	**(5.9)**	2.9
		(0.1)	7.2	**3.8**	10.9
Investing activities					
Purchase of New Brunswick Timberlands	5	**—**	—	**—**	(106.8)
Purchase of Maine Timberlands	6	**—**	—	**—**	(7.5)
Sale of timberlands, logging roads and fixed assets		**0.4**	—	**0.4**	—
Additions to timberlands, logging roads & fixed assets		**(0.6)**	(0.6)	**(0.6)**	(0.6)
Silviculture expenditures		**(0.6)**	(0.7)	**(0.7)**	(0.9)
		(0.8)	(1.3)	**(0.9)**	(115.8)
Financing activities					
Proceeds on issuance of units, gross		**—**	—	**—**	84.5
Proceeds from long-term debt		**—**	—	**—**	42.0
Offering costs paid		**—**	—	**—**	(9.1)
Distributions paid to unitholders		**(2.5)**	(2.6)	**(7.5)**	(5.9)
		(2.5)	(2.6)	**(7.5)**	111.5
Increase (decrease) in cash and cash equivalents during the period		**(3.4)**	3.3	**(4.6)**	6.6
Cash and cash equivalents, beginning of period		**6.5**	3.3	**7.7**	—
Cash and cash equivalents, end of period		**$ 3.1**	$ 6.6	**$ 3.1**	$ 6.6

See accompanying notes to interim consolidated financial statements.

1 *Restated. See Note 4.*

2 *Period from January 1, 2007 to September 30, 2007.*

3 *Period from commencement of operations (January 31, 2006) to September 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 5 and 6.

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 had a significant ownership interest in Acadian and are considered related parties. On September 26, 2007, Fraser Papers announced that they had converted and sold their entire holdings of Class B LP Units of Acadian. Effective October 1, 2007, Fraser Papers no longer has an ownership interest in Acadian.

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 September 30, 2007 (the “third quarter”) and for the nine-month period ended September 30, 2007, along with comparative results for the three-month period ended September 30, 2006 and for the period January 31 to September 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 restated (see Note 4).

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 individually than does the second quarter of each fiscal year. This seasonal pattern may cause Acadian’s revenue and net income to vary significantly from quarter to quarter.

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 $4.7 million as at September 30, 2007 (December 31, 2006 – $6.5 million) which have a weighted average effective interest rate of 4.1% (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 September 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 were exchangeable into units at any time. On September 26, 2007, Fraser Papers exercised their right to convert these units for Class A units of the Fund. The Class B LP units had 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 retrospective 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 statements.

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

NOTE 4. RESTATEMENT TO COMPARATIVE FINANCIAL STATEMENTS

The 2006 comparative consolidated financial results of Acadian have been amended to reflect adjustments to the depletion and cost of sales expenses that were overstated during the three months ended September 30, 2006. This adjustment does not have an impact on cash provided by operating activities during the period or the consolidated financial results of the Fund for the eleven months ended December 31, 2006.

The impact of the restatement on the September 30, 2006 results are as follows:

Consolidated Balance Sheet

millions	As previously reported September 30, 2006	Change	**As restated September 30, 2006**
Timberlands, logging roads and fixed assets	222.4	0.7	**223.1**
Accounts payable and accrued liabilities	7.9	(0.1)	**7.8**
Unitholders' equity	$ 109.0	$ 0.8	**$ 109.8**

Consolidated Statement of Operations and Deficit

Three months ended September 30, 2006 *millions*	As previously reported September 30, 2006	Change	**As restated September 30, 2006**
Net earnings	$ 0.1	$ 0.8	**$ 0.9**
Per unit			
Net income - basic	0.01	0.06	**0.07**
Net income - diluted	$ 0.01	$ 0.06	**$ 0.07**

Consolidated Statement of Operations and Deficit

Eight months ended September 30, 2006 *millions*	As previously reported September 30, 2006	Change	**As restated September 30, 2006**
Net earnings	$ 4.3	$ 0.8	**$ 5.1**
Per unit			
Net income - basic	0.36	0.06	**0.42**
Net income - diluted	$ 0.23	$ 0.05	**$ 0.28**

NOTE 5. 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

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

NOTE 6. 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 (Note 8)		(36.0)
Class B Interest Liability (Note 9)		(45.1)
Total	$	7.5

NOTE 7. TIMBERLANDS, LOGGING ROADS AND FIXED ASSETS

As at September 30, 2007 *millions*		**Book Value**		**Accumulated Depletion and Depreciation**		**Net Book Value**
Timberlands	$	**187.0**	$	**(11.0)**	$	**176.0**
Land		**10.5**		**—**		**10.5**
Logging roads and bridges		**13.4**		**(1.0)**		**12.4**
Building and equipment		**1.8**		**(0.2)**		**1.6**
	$	**212.7**	$	**(12.2)**	$	**200.5**

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

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

NOTE 8. LONG-TERM DEBT

Long term debt consisted of the following:

millions	**September 30, 2007**	December 31, 2006
Bank term credit facility, repayable in January 2009	**$ 42.0**	$ 42.0
Term loan facility, repayable in February 2011	**31.6**	37.3
	$ 73.6	$ 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 nine month periods ended September 30, 2007 was based on 30-day Banker Acceptance rates. As at September 30, 2007, the effective interest rate on the term credit facility was 5.83% (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 September 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 September 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 September 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 September 30, 2007, Maine Timberlands was in compliance with all covenants. The amount payable under this facility totalled $31.6 million at September 30, 2007 (December 31, 2006 – $37.3 million).

NOTE 9. 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 September 30, 2007, the revaluation of this interest resulted in a loss of $4.1 million (2006 – $0.6 million loss), and a $17.5 million loss for the nine months ended September 30, 2007 (eight months ended September 30, 2006 – $3.0 million gain). The year-to-date loss is comprised of an $9.4 million mark-to-market loss (eight months ended September 30, 2006 – $3.8 million gain) plus an additional $8.1 million foreign exchange loss (eight months ended September 30, 2006 – $0.8 million loss) due to the strengthening of the Canadian currency.

NOTE 10. UNITHOLDERS' EQUITY

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

millions		
Units issued and outstanding – 12,064,423 Units	$	111.6
Accumulated other comprehensive income		0.6
Deficit		(32.6)
Total	$	79.6

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 September 30**				Period Ended September 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		**0.5**		—		**0.4**		—
Balance, end of period	**$**	**0.6**	$	—	**$**	**0.6**	$	—

1 Period from January 1, 2007 to September 30, 2007.
2 Period from commencement of operations (January 31, 2006) to September 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 5). 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. On September 26, 2007, Fraser Papers announced they had converted their entire holdings of Class B LP Units and sold the resulting units effective October 1, 2007.

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 6 and 9 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 September 30, 2007, the Fund had 12,064,423 Units issued and outstanding. Assuming the full conversion of the Class B Interest Liability described above, at September 30, 2007 the Fund would have 16,571,453 Units outstanding.

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 outstanding. Diluted net income (loss) per Unit for the three and nine month periods ended September 30, 2007, respectively, and the respective comparable periods was calculated as follows:

Reconciliation to net income:

	Three Months Ended September 30		Period Ended September 30	
millions	**2007**	2006	**2007**[1]	2006[2]
Net income (loss)	**$ (4.3)**	$ 0.9	**$ (23.9)**	$ 5.1
Add (deduct)				
Interest expense of Class B Interest Liability of a subsidiary	**—**	—	**—**	2.5
Gain on Class B Interest Liability of a subsidiary	**—**	—	**—**	(3.0)
Diluted net income (loss) available for unitholders	**$ (4.3)**	$ 0.9	**$ (23.9)**	$ 4.6

1 Period from January 1, 2007 to September 30, 2007.
2 Period from commencement of operations (January 31, 2006) to September 30, 2006.

Reconciliation of number of Units:

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

1 Period from January 1, 2007 to September 30, 2007.
2 Period from commencement of operations (January 31, 2006) to September 30, 2006.

The Class B Interest Liability was anti-dilutive for the three-month period ended September 30, 2006 and for the three month and nine month periods ended September 30, 2007, due to the loss on the revaluation of the Class B Interest Liability of a subsidiary for each respective period.

NOTE 11. 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 September 30, 2007 amounted to $12.6 million (2006 – $14.7 million) and $1.0 million (2006 – $0.8 million), respectively which represented 50% (2006 – 51%) of consolidated total sales. Included in accounts receivable at September 30, 2007 is $4.6 million (2006 – $2.3 million) related to these agreements. Total sales to Fraser Papers and Brookfield for the nine-month period ended September 30, 2007 amounted to $30.4 million (eight months ended September 30, 2006 – $24.9 million) and $2.6 million (eight months ended September 30, 2006 – $2.0 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 third quarter amounted to $0.5 million (2006 – $0.5 million) and $1.5 million (eight months ended September 30, 2006 – $1.3 million) for the nine months ended September 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 nine months ended September 30, 2007 totalled $0.8 million (2006 – $0.8 million) and $2.2 million (eight months ended September 30, 2006 – $2.0 million), respectively.

d) Payments on the Class B Interest Liability to Brookfield during the three and nine months ended September 30, 2007 totalled $1.0 million (2006 – $0.9 million) and $2.8 million (eight months ended September 30, 2006 – $2.5 million), respectively.

e) Maine Timberlands rents space in a shared office building from Katahdin Paper Company LLC (a wholly-owned subsidiary of Brookfield), which also provides certain administrative services to Maine Timberlands. Total costs paid for these services were $4 thousand (2006 – $4 thousand) in the third quarter and $12 thousand during the nine-month period ended September 30, 2007 (eight months ended September 30, 2006 – $11 thousand).

f) During the three months ended September 30, 2007, Maine Timberlands completed the sale of small land parcels to a subsidiary of Brookfield for proceeds of $0.2 million, representing their fair market value, which has resulted in a gain from the sale of these land parcels of $0.2 million. In accordance with the terms of the purchase and sale agreement, the total proceeds have been fully collected.

NOTE 12. 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 September 30, 2007 *millions*	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 9.1	$ 5.5	$ 3.6	$ —
Hardwood	5.4	4.8	0.6	—
Other	2.4	2.2	0.2	—
Total net sales	16.9	12.5	4.4	—
Operating costs	(13.3)	(9.7)	(3.3)	(0.3)
Earnings before under noted	3.6	2.8	1.1	(0.3)
Depletion and depreciation	(2.1)	(1.3)	(0.8)	—
Operating earnings	1.5	1.5	0.3	(0.3)
Gain on sale of timberlands	0.3	—	0.3	—
Earnings before under noted items	$ 1.8	$ 1.5	$ 0.6	$ (0.3)
Loss on Class B Interest Liability of a subsidiary	(4.1)			
Interest expense, net	(1.8)			
Future income taxes	(0.2)			
Net loss	$ (4.3)			

For the Three Months Ended September 30, 2006 *millions*	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 9.7	$ 6.2	$ 3.5	$ —
Hardwood	7.4	6.6	0.8	—
Other	2.6	2.3	0.3	—
Total net sales	19.7	15.1	4.6	—
Operating costs	(13.6)	(10.5)	(3.2)	0.1
Earnings before under noted	6.1	4.6	1.4	0.1
Depletion and depreciation	(2.6)	(1.6)	(0.9)	(0.1)
Operating earnings	$ 3.5	$ 3.0	$ 0.5	$ —
Loss on Class B Interest Liability of a subsidiary	(0.6)			
Interest expense, net	(2.0)			
Future income taxes	—			
Net income	$ 0.9			

For the Nine Months Ended September 30, 2007 millions	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 28.2	$ 17.0	$ 11.2	$ —
Hardwood	20.5	18.4	2.1	—
Other	8.4	7.6	0.8	—
Total net sales	57.1	43.0	14.1	—
Operating costs	(42.0)	(31.5)	(9.8)	(0.7)
Earnings before under noted	15.1	11.5	4.3	(0.7)
Depletion and depreciation	(6.4)	(3.8)	(2.6)	—
Operating earnings	8.7	7.7	1.7	(0.7)
Gain on sale of timberlands	0.3	—	0.3	—
Earnings before under noted items	$ 9.0	$ 7.7	$ 2.0	$ (0.7)
Loss on Class B Interest Liability of a subsidiary	(17.5)			
Interest expense, net	(5.4)			
Future income taxes	(10.0)			
Net loss	$ (23.9)			

As at September 30, 2007 millions				
Timberlands, logging roads, fixed assets and intangible assets	$ 206.6	$ 134.6	$ 72.0	$ —
Total assets	$ 222.0	$ 143.9	$ 74.8	$ 3.3

For the Eight Months Ended September 30, 2006[1] millions	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 25.0	$ 15.7	$ 9.3	$ —
Hardwood	20.5	18.1	2.4	—
Other	4.5	4.2	0.3	—
Total net sales	50.0	38.0	12.0	—
Operating costs	(36.8)	(28.5)	(8.0)	(0.3)
Earnings before under noted	13.2	9.5	4.0	(0.3)
Depletion and depreciation	(5.9)	(3.6)	(2.2)	(0.1)
Operating earnings	$ 7.3	$ 5.9	$ 1.8	$ (0.4)
Gain on Class B Interest Liability of a subsidiary	3.0			
Interest expense, net	(5.2)			
Future income taxes	—			
Net income	$ 5.1	$	$	$

As at September 30, 2006 millions				
Timberlands, logging roads and fixed assets	223.1	138.0	85.1	—
Total assets	$ 237.3	$ 143.4	$ 87.5	$ 6.4

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

During the three months ended September 30, 2007 approximately 17% of total sales were originated with customers domiciled in the U.S. and the balance in Canada. During the same period approximately 23% 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 September 30, 2007, Acadian's top three suppliers accounted for approximately 21%, 14% and 12%, 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 September 30, 2007, related parties (see Note 11) and the next largest customer accounted for 50% and 6% of total sales, respectively.

NOTE 13. 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 September 30		Period Ended September 30	
millions	**2007**	2006	**2007**[1]	2006[2]
Loss before income taxes	**$ (4.1)**	$ 0.9	**$ (13.9)**	$ 5.1
Expected tax recovery (expense) at combined statutory rates	**1.3**	(0.3)	**4.4**	(1.6)
Effect of:				
Non-taxable income	**(1.3)**	0.3	**(4.4)**	1.6
Timing differences to reverse after January 1, 2011	**(0.2)**	—	**(10.0)**	—
Income tax expense	**$ (0.2)**	$ —	**$ (10.0)**	$ —

1 *Period from January 1, 2007 to September 30, 2007.*
2 *Period from commencement of operations (January 31, 2006) to September 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 14. 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 third quarter were $3.5 million (2006 – $3.5 million), and $10.3 million for the nine months ended September 30, 2007 (eight months ended September 30, 2006 - $9.2 million).

Board and Management

Corporate and Unitholder Information

www.acadiantimber.com

HEAD OFFICE OF THE MANAGER

Brookfield Timberlands Management LP
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f. 416-363-2856
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TRUSTEE, TRANSFER AGENT AND REGISTRAR

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

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

UNIT INFORMATION

Toronto Stock Exchange:	ADN.UN
Fully Diluted Units Outstanding (September 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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