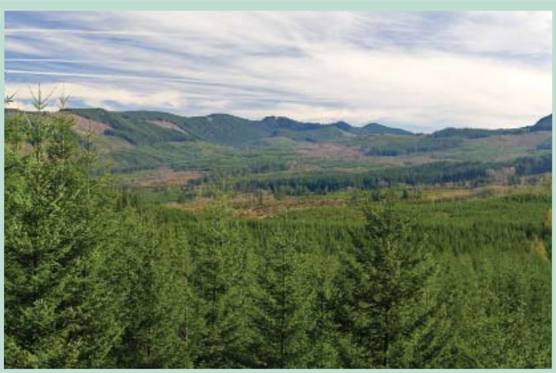
ACADIAN TIMBER

Annual Report 2009

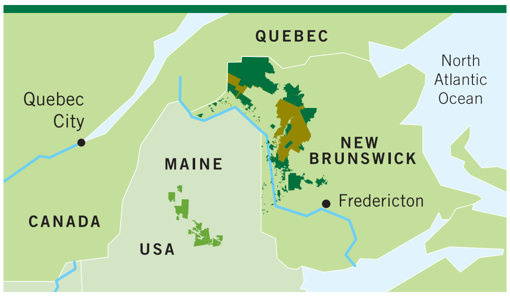


Acadian Timber Corp. (TSX: ADN), formerly Acadian Timber Income Fund ("Acadian"; TSX: ADN.UN), is a leading supplier of primary forest products in Eastern Canada and the Northeastern U.S. With a total of 2.4 million acres of land under management, Acadian is the second largest timberland operator in New Brunswick and Maine. Acadian is managed by a wholly-owned subsidiary of Brookfield Asset Management Inc. (NYSE: BAM, TSX: BAM.A and Euronext: BAMA).

Acadian owns and manages approximately 1.1 million acres of freehold timberlands in New Brunswick and Maine, and provides management services relating to 1.3 million acres of Crown licensed timberlands. Acadian also owns and operates a forest nursery in Second Falls, New Brunswick. Acadian's products include softwood and hardwood sawlogs, pulpwood and biomass by-products, sold to more than 110 regional customers.

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

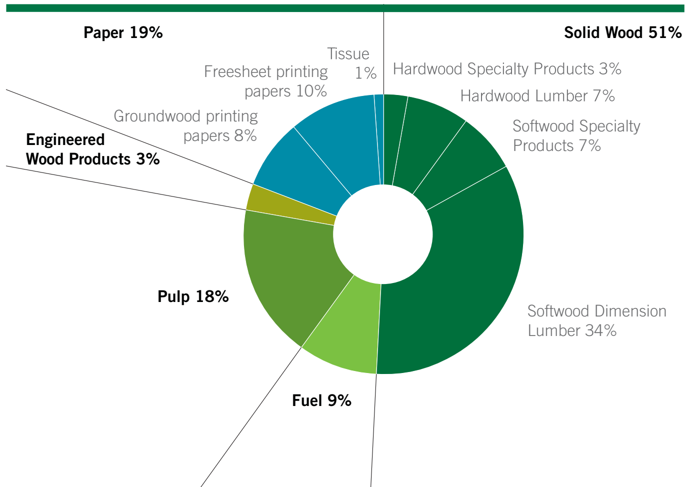
ACADIAN'S LOCATIONS



Forest Areas	*Acres*	*Hectares*
Maine Timberlands	310,000	125,000
New Brunswick Timberlands	765,000	310,000
Crown Lands Under Management	1,313,000	533,000
Area Under Management	2,388,000	968,000

ACADIAN'S PRODUCT MIX BY END USE*

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



** Percentage of log sales by value for the twelve months ended December 31, 2009.*

2009 HIGHLIGHTS

- Generated net sales of $63.4 million and EBITDA[1] of $12.1 million on consolidated log sales volume of 1,258 thousand m³ in an exceptionally difficult operating environment
- Completed land sales for total proceeds of $0.6 million
- Successfully converted from an income trust to a corporation effective January 1, 2010, resulting in a name change to Acadian Timber Corp. and a new ticker symbol ADN
- Successfully extended the maturity of the Canadian-dollar credit facilities and increased available credit by $5.0 million
- Maintained strong safety performance

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FINANCIAL HIGHLIGHTS

(CAD millions, Years Ended December 31)	**2009**	2008
Sales volume (000s m^3)	**1,258.3**	1,251.0
Net sales	**$ 63.4**	$ 67.9
EBITDA[1]	**$ 12.1**	$ 17.4
Distributable cash from operations[1]	**$ 8.1**	$ 13.3

[1] Distributable cash from operations and earnings before interest, taxes, depletion, depreciation and amortization ("EBITDA") are key performance measures in evaluating Acadian's operations and are important in enhancing investors' understanding of Acadian's operating performance. As distributable cash from operations and EBITDA do not have a standardized meaning prescribed by Canadian generally accepted accounting principles ("GAAP"), they may not be comparable to similar measures presented by other companies.

PRESIDENT'S LETTER TO UNITHOLDERS

2009 was another very challenging year. However, we are pleased with how Acadian Timber Income Fund ("Acadian" or the "Fund") performed at both corporate and operating levels in 2009 and believe we have the team, structure and balance sheet to successfully weather what is expected to be another difficult year in 2010. Despite exceptionally weak wood products markets, Acadian generated distributable cash from operations[1] of $8.1 million or $0.49 per unit in 2009. Acadian also completed a corporate conversion involving a reverse take-over by CellFor Inc. ("CellFor") of Acadian on January 1, 2010, to form a new taxable Canadian corporation with approximately $95 million in tax attributes. This conversion was completed well in advance of the implementation of Canadian federal income tax legislation related to specified investment flow through trusts in January 2011 and removes uncertainty with regards to Acadian's future tax status while providing considerable protection from future cash taxes.

Committed to Safety

At Acadian, we believe that emphasizing and achieving a strong safety record is a leading indicator of success in the broader business. The accident frequency for Acadian's employees declined modestly in 2009 versus 2008. More importantly, the few reportable accidents that occurred were minor and resulted in very little lost time with all affected employees and contractors now returned to the workforce.

Solid Financial Performance in Current Environment

Acadian generated net sales of $63.4 million on consolidated sales volume of 1,258 thousand m^3. Consolidated log sales volume during 2008 was 1,251 thousand m^3, resulting in net sales of $67.9 million. Acadian also met all of its obligations related to the Crown licenses it manages on behalf of Fraser Papers Inc.

Acadian generated earnings before interest, taxes, depletion, depreciation and amortization ("EBITDA") of $12.1 million in 2009 as compared to EBITDA[1] of $17.4 million in 2008. EBITDA margins declined during the year from 26% in 2008 to 19% in 2009. Lower EBITDA and EBITDA margin reflect continued soft market conditions and non-recurring corporate costs incurred in relation to Acadian's corporate conversion and other corporate initiatives pursued during the year. 2009 presented a very challenging operating environment for many of our customers owing to weak markets for softwood lumber and structural panels and, different from 2008, weak markets for pulp and paper. With this in mind, we are very pleased with Acadian's performance. Acadian's operating managers were successful in harvesting and merchandising our products to maximize market opportunities and maintain stable cash flows, while keeping costs low.

A Challenging Market Environment

Acadian's operations performed well in 2009, however, external market conditions continued to present our most significant challenges. Lumber prices at 25 year lows, a strong Canadian dollar throughout most of the year, and exceptionally weak demand for dimension lumber resulted in reduced production, and in several cases closures, at regional softwood sawmills. Unlike 2008, these difficult solid wood markets were not offset by strong pulp markets, with pulpwood shipments and average value per m^3 declining by 27,700 m^3 and $5.50 per m^3, respectively, in 2009 as compared to 2008. Despite these market conditions, Acadian's weighted average selling price for softwood (spruce-fir) sawlogs for 2009, was only 5% lower than the comparable period in 2008. Acadian's weighted average selling price of $47.41 per m^3 across all products in 2009, was 5% lower than the weighted average selling price of $50.15 per m^3 in 2008, despite the fact that higher value sawlogs represented 37% of total harvest volumes in 2009 as compared to 34% in 2008.

Controlled Capital Expenditures

Capital expenditures totaling $0.9 million in 2009, were comprised of $0.1 million for silvicultural treatments, including planting and herbicide treatments, $0.4 million for timberland acquisitions, and the remaining $0.4 million invested in roads and bridges. Given that our silviculture expenditures are largely discretionary from year-to-year, we felt it was important that we were able to complete a reasonable program of silvicultural investments during 2009 despite the poor market conditions. In addition, we are confident that capital expenditures on roads and bridges have maintained the quality of Acadian's infrastructure avoiding the creation of any long-term liabilities.

Environment and Sustainability

We are pleased to share with you that there were no significant environmental issues on Acadian's timberlands in 2009.

Higher and Better Use (HBU) Properties and Other Non-Timber Income

There was only limited activity within Acadian's portfolio of HBU properties during 2009. Other non-timber income from activities including recreation and road use fees as well as gravel sales, combined with Acadian's gain on HBU sales, totaled $1.3 million in 2009. Acadian has several properties suitable for sale; however, selling all parcels could take several years, as markets for these properties are limited due to their rural nature.

Debt Facility Refinancing

Acadian successfully extended the maturity of its Canadian-dollar bank term and revolving credit facilities to February 27, 2011 – an achievement in the current credit environment and a reflection of the quality and long-term value of Acadian's assets. These facilities will continue to bear interest at floating rates based on the 30-day Banker Acceptances rate plus the applicable margin. As part of the terms of the extension, management was also successful in increasing the available commitment of the revolving credit facility from $5.0 million to $10.0 million.

Conversion from an Income Trust

Acadian completed the conversion of the Fund from an income trust to a corporation effective January 1, 2010. This was in advance of the implementation of the Canadian federal income tax legislation applicable to specified investment flow through trusts ("SIFT"), which was announced on October 31, 2006 and is expected to be implemented in January 2011. This conversion involved a Plan of Arrangement (the "Arrangement") under the provisions of the Canada Business Corporations Act with the Fund and CellFor and allowed the Fund to convert into a corporation, while maintaining a dividend policy that is similar to the current distribution policy of the Fund.

The key benefits of the Arrangement to Fund Unitholders include:

- An effective and efficient method of converting the Fund from an income trust to a corporation consistent with existing legislation;
- Retention and licensing (as applicable) by the resulting corporation ("New Acadian") of the development of superior spruce stock offering opportunities to increase the long-term productivity of Acadian's timberlands;
- With respect to the $0.05 quarterly ($0.20 annual) dividend anticipated to be paid on the New Acadian Common Shares following the conversion, Canadian taxable Fund unitholders should benefit from lower income taxes paid on dividends compared to taxes paid on current distributions of income of the Fund;
- The removal of the "normal growth" and "undue expansion" restrictions in the normal growth guidelines that limit the Fund's ability to consider strategic acquisitions and may result in greater access to capital;
- It is expected that Fund unitholders will be able to exchange Fund units for New Acadian Common Shares on a tax-deferred basis for Canadian income tax purposes; and,
- New Acadian will have estimated aggregate tax attributes equivalent to approximately $95 million following the Arrangement.

Decision to Reduce Acadian's Distribution

Possibly the most difficult decision Acadian faced during 2009 was the decision to reduce our monthly distribution. Acadian generated distributable cash from operations of $8.1 million during 2009 and declared $11.7 million of distributions to unitholders. In order to make these distributions, Acadian had to rely on cash reserves. While we remain very confident of the value of Acadian's assets and our ability to maintain our historic payout over the long-term, current market conditions led Acadian's Trustees to support management's decision to preserve long-term value by reducing our target distribution to $0.20 per year. Acadian expects to return to its historic level of distributions as business conditions improve, and our objective will be to provide the market with a high level of certainty around the level of distributions to be paid in any one year.

Outlook

Consensus forecasts for U.S. housing predict starts increasing to only 675,000 units in 2010 and 910,000 in 2011 – a very slow recovery from 2009's post World War II low of 550,000 starts. While smaller, non-industrial timberland owners continue to withhold timber from the market, an ample supply of Crown and private timber has placed considerable pressure on timber prices resulting in price declines of approximately 20% from 2006 – 2007 averages. The fact that Fraser Papers Inc. currently expects to operate its Edmundston Pulp mill and Plaster Rock sawmill provides some encouragement that demand for Acadian's spruce-fir sawlogs will be stronger in 2010 than in 2009, although prices are expected to remain low throughout the year. Despite current difficult softwood sawlog markets, Acadian continues to find markets for its key products while choosing to preserve value for those products that don't offer adequate market opportunities by leaving them to grow.

Clearly, we can expect to continue to operate in exceptionally difficult and uncertain market conditions throughout 2010. Fortunately, we have a very talented, committed and hardworking team of individuals who have proven to be very adept at identifying and accessing market opportunities while keeping costs low.

As I pointed out last year, it is worth recalling what makes timberlands such a compelling investment proposition. While timberlands have historically provided strong risk-adjusted returns, they have also done so demonstrating relatively low volatility and correlation to other asset classes, and a positive correlation with inflation. This helps to provide significant benefits in terms of achieving portfolio diversification and real returns. Notwithstanding the current turbulence in some markets today, the long-term supply/demand dynamics for our products remain highly favorable. In addition, and for these reasons, timberlands continue to gain awareness among investors worldwide as an attractive asset class. As a result, we are excited about the prospects and opportunities that lie ahead.

We thank you for your continued interest in Acadian and remain confident that the company is well positioned to meet its distributable cash from operations target over the coming year.

Reid Carter
President and Chief Executive Officer
February 9 , 2010

1 *Distributable cash from operations and earnings before interest, taxes, depletion, depreciation and amortization ("EBITDA") are key performance measures in evaluating Acadian's operations and are important in enhancing investors' understanding of Acadian's operating performance. As distributable cash from operations and EBITDA do not have a standardized meaning prescribed by GAAP, they may not be comparable to similar measures presented by other companies.*

MARKET OVERVIEW

Softwood Sawlogs – 39% of Net Sales

Softwood sawlogs accounted for 39% of Acadian Timber Income Fund's ("Acadian") net sales and 32% of sales volume for the twelve months ended December 31, 2009. Sales volume increased by 39,000 m^3 year-over-year but remain depressed relative to historic levels. Demand and pricing were relatively strong during the first quarter of 2009 but softened dramatically through the remainder of the year. The average selling price per m^3 declined 3% compared to 2008. The impact of soft market conditions during the final three quarters of 2009, were mitigated by the strong first quarter.

Acadian's lumber and panel producing customers continued to struggle as a result of difficult market conditions with the Random Lengths Framing Lumber Composite Price down approximately 12% year-over-year, hitting 25 year lows during the second quarter of 2009. The Random Lengths Structural Panel Composite Price was down 11% year-over-year. This continued downturn resulted in further market-related closures and reduced production at regional sawmills. Much of the weakness in softwood demand and pricing during the second half of the year was tied to the closure of Fraser Paper Inc.'s Edmundston pulp mill between June and the end of August, and its Plaster Rock sawmill for most of the second half of the year. These closures negatively impacted Acadian's direct sales to Fraser Papers Inc. as well as purchases of softwood sawlogs by many regional converters as they lost their key market for residuals.

New Brunswick Timberlands ("NB Timberlands") softwood sawlog sales volume increased 34% while the average price per m^3 decreased 4% in 2009 compared to the same twelve month period of 2008. Maine Timberlands experienced a 17% decrease in softwood sawlog sales volume over this period with average selling prices declining 7% in U.S. dollar terms. In Canadian dollar terms, the average selling price of softwood sawlogs in Maine was effectively unchanged year-over-year as a result of favourable foreign exchange rates.

Hardwood Sawlogs – 9% of Net Sales

Hardwood sawlogs accounted for 9% of Acadian's net sales and 5% of sales volume for the twelve months ended December 31, 2009, unchanged from the same period in 2008. Demand remained low, particularly for red maple, while markets for poplar were reasonably strong. NB Timberlands hardwood sawlog volumes and average price per m^3 were up 3% and down 6%, respectively, from 2008. Maine Timberlands' hardwood sawlog sales volume declined by 41% and average price per m^3 declined 10% in 2009.

Softwood and Hardwood Pulpwood – 39% of Net Sales

Softwood and hardwood pulpwood shipments accounted for 10% and 29%, respectively, of Acadian's net sales and 10% and 33% of sales volume in 2009. Pulp markets were very weak during the first half of 2009 with demand for hardwood pulpwood improving steadily through the second half of the year. As a result, average softwood and hardwood pulpwood prices per m^3 declined 4% and 13%, respectively, year-over-year. Softwood pulpwood sales volume decreased 19% with hardwood pulpwood sales volume relatively unchanged compared to 2008.

Biomass – 8% of Net Sales

Biomass markets remained stable in 2009, accounting for 8% of net sales and 20% of sales volume for the twelve months ended December 31, 2009, which was very comparable to fiscal 2008. Prices for biomass were relatively unchanged year-over-year and margins were maintained.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(All figures in Canadian dollars unless otherwise stated)

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

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

On January 1, 2010, Acadian completed a plan of arrangement which allowed for the conversion of the Fund from an income trust to a corporation. Subsequent to the conversion, Acadian will operate as Acadian Timber Corp.

Basis of Presentation

This section of our report presents management's discussion and analysis ("MD&A") of our operating and financial results followed by our consolidated financial statements for the year ended December 31, 2009. The MD&A is intended to provide you with an assessment of our performance during the three months and year ended December 31, 2009, compared to the Fund's performance during the three months and year ended December 31, 2008.

Our financial results are determined in accordance with Canadian generally accepted accounting principles ("GAAP") and are expressed in Canadian dollars unless otherwise noted.

This MD&A has been prepared based on information available as at February 9, 2010. Additional information, including the Fund's Final Prospectus and Annual Information Form are available on Acadian's website at www.acadiantimber.com and on SEDAR's website at www.sedar.com.

Non-GAAP Measures

Throughout this 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 and cash flow from operating activities, as determined in accordance with GAAP, to EBITDA and distributable cash from operations in the "Distributable Cash From Operations" section of this MD&A.

Internal Controls over Financial Reporting

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

Management assessed the effectiveness of the Fund's internal control over financial reporting as of December 31, 2009, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2009, Acadian's internal control over financial reporting is effective. Also, management determined that there were no material weaknesses in Acadian's internal control over financial reporting as of December 31, 2009.

Disclosure Controls

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in the Canadian Securities Administrators National Instrument 52-109). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of December 31, 2009 in providing reasonable assurance that material information relating to the company and our consolidated subsidiaries would be identified within those entities.

Conversion from an Income Trust

On October 31, 2006, the Canadian government announced proposed changes to Canada's taxation system designed to level the playing field between income trusts and corporations. These proposed changes were enacted into law on June 22, 2007. Based on the information that the government provided, it appeared 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.

During the fourth quarter, in response to these changes to Canada's taxation system, the Fund entered into an agreement with CellFor Inc. ("CellFor") in relation to a transaction which allowed for the conversion of Acadian from an income trust to a corporation. On December 22, 2009 a special meeting of unitholders was held, at which time unitholders approved a plan of arrangement (the "Arrangement") under the provisions of the Canada Business Corporations Act involving the Fund and CellFor. On December 30, 2009, the Arrangement was approved by the Ontario Supreme Court of Justice allowing for the conversion of the income trust to a corporation effective January 1, 2010. Concurrent with, and subsequent to, the signing of the definitive documents, Acadian loaned $4.0 million to CellFor (the "CellFor Loan").

Subsequent to year end, on January 1, 2010, the Fund's unitholders received one common share of CellFor for each Trust Unit held on the effective date, and CellFor changed its name to Acadian Timber Corp. ("New Acadian"). Upon completion of the Arrangement, New Acadian now indirectly owns and operates the existing business of the Fund, and the existing trustees of the Fund and management of Acadian became the directors and management of New Acadian. New Acadian retained and licensed certain business assets of CellFor related to the development of superior spruce stock (the "Retained Assets").

Pursuant to the Plan of Arrangement, CellFor transferred all of its assets (other than the Retained Assets) to a new subsidiary ("New Cellfor") and all of Cellfor's liabilities (other than the liability relating to the CellFor loan) were repaid, settled or assumed by New Cellfor. All of the securities of New Cellfor were distributed to CellFor security holders. New Acadian, maintained its tax attributes, which are equivalent to approximately $95 million, and the Retained Assets. New CellFor has agreed to indemnify New Acadian for losses or damages that may have resulted from the activities of CellFor prior to the conversion.

New Acadian's dividend policy is similar to the distribution policy of the Fund prior to the conversion.

New Acadian will account for the conversion as continuity of interests of the Fund. As such, New Acadian will file audited consolidated financial statements of the Fund for the years ended December 31, 2009 and December 31, 2008 pursuant to section 4.1 of National Instrument 51-102.

Complete details of the terms of the Plan of Arrangement are set out in the Arrangement Agreement filed by Acadian on SEDAR (www.sedar.com).

REVIEW OF OPERATIONS

Summary of Results for the Years Ended December 31

The table below summarizes operating and financial data for Acadian:

Years Ended December 31 *(CAD millions, except per unit data and where indicated)*	**2009**	2008
Total		
Sales volume (000s m³)	**1,258.3**	1,251.0
Net sales	**$ 63.4**	$ 67.9
EBITDA	**12.1**	17.4
EBITDA margin	**19%**	26%
Distributable cash from operations	**$ 8.1**	$ 13.3
Net income[1]	**9.3**	18.9
Distributions declared		
Class A unitholders	**11.4**	10.0
Class B Interest Liability of a subsidiary	**0.3**	3.7
	11.7	13.7
Payout ratio	**144%**	103%
Total assets	**$ 210.2**	$ 229.0
Total debt	**80.7**	80.8
Per unit (fully diluted)		
Distributable cash from operations	**$ 0.49**	$ 0.80
Distribution declared per unit		
Class A unitholders	**0.70**	0.83
Class B Interest Liability of a subsidiary	**0.07**	0.83
Net income[1]	**0.30**	0.02
Book value	**6.72**	7.45
Units outstanding		
Class A unitholders	**16,571,453**	12,064,423
Class B Interest Liability of a subsidiary	**—**	4,507,030

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

Distributable Cash From Operations

Distributable cash from operations for the year ended December 31, 2009 was $8.1 million, compared to $13.3 million in 2008. Based on distributable cash generated to date and existing cash reserves, Acadian is well positioned to meet distribution targets in 2010.

Distributable cash from operations represents cash that is generated from the sale of our timber, from the services provided in the management of Crown licensed timberlands and from the sale of non-timber products. Hardwood and softwood harvest volumes represent the productive capacity of Acadian's operations. Harvest volumes, excluding biomass, for the year ended December 31, 2009 were 1,022 thousand m³, which was 62 thousand m³ higher than the comparable period in 2008 and was within the harvest levels required to maintain the Long Run Sustained Yield ("LRSY") of our timberland estates. Acadian is focused on maximizing long-term value for unitholders, and in doing so will make every effort to maintain a stable financial performance while preserving the long-term value of the business. In order to continue to achieve this objective, Acadian will operate at harvest levels within LRSY and will invest in silviculture to improve the quality and value of future harvests. Although this may cause volatility in our distributable cash from operations annually, we will continue to focus on preserving the long-term value of Acadian. The risks associated with our practices with regard to forest sustainability and forest management are described in more detail on page 25 of this report.

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

Years Ended December 31 *(CAD millions)*	**2009**	2008
Net income[1]	**$ 9.3**	$ 18.9
Add (deduct):		
Interest Income	**—**	(0.2)
Interest expense on long-term debt	**3.1**	3.6
Distribution on Class B Interest Liability of a subsidiary	**0.3**	3.7
Future income tax expense (recovery)	**(3.0)**	6.2
Depreciation and depletion	**7.1**	7.4
Non-cash gain on Class B Interest Liability of a subsidiary	**(4.7)**	(22.2)
EBITDA	**$ 12.1**	$ 17.4
Add (deduct):		
Interest income	**—**	0.2
Interest expense on long-term debt	**(3.1)**	(3.6)
Silviculture and capital expenditures	**(0.5)**	(0.8)
Non-cash gain on sale of timberlands	**(0.6)**	(0.7)
Proceeds from sale of timberlands, logging roads and fixed assets	**0.6**	0.8
Acquisition of timberlands	**(0.4)**	—
Distributable cash from operations	**$ 8.1**	$ 13.3
Distributions declared	**$ 11.7**	$ 13.7

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

In calculating our 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, and actual cash spent to maintain our assets. In addition, an adjustment is made for the distributions related to the Class B Interest Liability of a subsidiary, which is included as interest expense in accordance with GAAP; however, these payments were made on the same basis as distributions to our other unitholders, and consequently are included in our disclosure of distributions declared. The following table provides a reconciliation of cash flow from operating activities, as determined in accordance with GAAP, to distributable cash from operations during each respective period:

Years Ended December 31 *(CAD millions)*	**2009**	2008
Cash flow from operating activities	**$ 4.1**	$ 14.1
Add (deduct):		
Capital adjustments:		
Proceeds from sale of timberlands, logging roads and fixed assets	**0.6**	0.8
Acquisition of timberlands	**(0.4)**	—
Other adjustments:		
Change in non-cash working capital balances and other	**4.0**	(4.5)
Distribution on Class B Interest Liability of a subsidiary	**0.3**	3.7
Silviculture and capital expenditures	**(0.5)**	(0.8)
Distributable cash from operations	**$ 8.1**	$ 13.3
Distributions declared	**$ 11.7**	$ 13.7

The following table provides a comparison of distributions declared on Class A units during the year ended December 31, 2009, and the comparable period in 2008, to the net income and cash flow from operating activities 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 recorded as interest expense in accordance with GAAP, and have therefore been excluded from this analysis.

Years Ended December 31 *(CAD millions)*	**2009**	2008
Net income[1]	**$ 9.3**	$ 18.9
Cash flow from operating activities	**4.1**	14.1
Actual cash distributions declared on Class A Units	**11.4**	10.0
Excess (shortfall) of cash flows from operating activities over distributions declared	**$ (7.3)**	$ 4.1
Excess (shortfall) of net income over cash distributions declared	**$ (2.1)**	$ 8.9

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

The cash distributions declared to Class A unitholders during the year ended December 31, 2009 totalled more than net income and cash flow from operating activities. This compares to distributions declared to Class A unitholders during 2008 that were less than net income and cash flow from operating activities. In determining the appropriate level of distributions, our Board of Trustees consider the historic and forecasted annual distributable cash from operations of Acadian. 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 year ended December 31, 2009 was 144%, compared to 103% for the year ended December 31, 2008. Since Acadian's inception on January 31, 2006, the cumulative payout ratio of the Fund is 103%.

As described in more detail on page 13 of this report, as at December 31, 2009, Acadian had borrowings totalling $80.7 million (2008 - $80.8 million), net of a $0.3 million deferred financing fee (2008 – $0.1 million) incurred in the fourth quarter, 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 the end of the period. 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 24 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 therefore considered in determining the Fund's distributable cash from operations.

Distribution Policy of the Fund

The Fund makes 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 Maine and NB Timberlands, 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 each distribution declaration date. Total distributions declared to unitholders during the year ended December 31, 2009 were $11.7 million, or $0.70 per unit. This compares to total distributions declared to unitholders of $13.7 million or $0.83 per unit for the year ended December 31, 2008.

During the year ended December 31, 2009 Acadian generated distributable cash from operations of $8.1 million. Distributions declared during this period of $11.7 million were funded through the use of cash reserves. While Acadian has historically targeted a policy of stable distributions, management and the Board of Trustees have concluded that the best strategy for maximizing the total returns for unitholders, is to temporarily reduce harvest levels for those products currently experiencing very weak markets thereby preserving the long term value of our timberlands. As a result, the Fund announced in November 2009 that it has reduced its annual distributions to $0.20 per unit in 2010. Acadian will continue to evaluate the appropriate level of cash distributions as business conditions improve.

Results of Operations

We believe Acadian's operating and financial performance have been very strong, despite the current challenging market conditions. Management focused on maximizing long-term value by harvesting and merchandising our timber products in response to market opportunities. Year-over-year, the weighted average selling price across all products decreased 6% on a per m^3 basis, while variable costs per m^3 also declined by 6%. Overall, EBITDA margin for the twelve months ended December 31, 2009 was 19%, compared to 26% in 2008.

For the twelve months ended December 31, 2009, Acadian generated net sales of $63.4 million and EBITDA of $12.1 million on consolidated sales volume of 1,258 thousand m^3. During this period the fund incurred $1.8 million of non-recurring costs associated with its corporate initiatives. Consolidated sales volume for the twelve months ended December 31, 2008 was 1,251 thousand m^3, resulting in net sales of $67.9 million and EBITDA of $17.4 million.

Class B Interest Liability

Included in net income for the year ended December 31, 2009 is a non-cash gain related to the Class B Interest Liability of a subsidiary. The settlement obligation of this interest was based on the trading value of Acadian's units at the time of settlement, which required recording the liability at its fair value at each balance sheet date with the corresponding gain arising from a decrease in Acadian's unit price or loss arising from an increase in Acadian's unit price included in the statement of operations. In addition, as this Canadian dollar liability was issued by a self-sustaining U.S. dollar subsidiary of the Fund, the obligation required conversion 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 $4.7 million gain for the year ended December 31, 2009 (2008 – $22.2 million gain) comprised of a $4.1 million mark-to-market gain (2008 – $15.0 million gain) and a $0.6 million foreign exchange gain (2008 – $7.2 million gain).

On February 3, 2009, an affiliate of Brookfield Asset Management Inc. converted all units representing the Class B Interest Liability of a subsidiary into Class A units of the Fund. As a result of the conversion, an additional 4,507,030 Units of the Fund were issued at a value of $27.5 million and have been recorded in equity.

Future Income Tax Expense (Recovery)

Included in net income for the year ended December 31, 2009 is a non-cash future income tax recovery of $3.0 million (2008 - $6.2 million expense). The future income tax liability of the Fund is based on differences between the financial reporting and tax basis of assets and liabilities of its subsidiaries which have been measured using the substantially enacted tax rates and laws that are expected to be in effect at the time the differences are anticipated to reverse. The reduction in the future income tax liability, and related recovery, recorded during the year is largely a result of a decline in the substantially enacted tax rate expected to be in effect.

Segmented Results of Operations

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

	Year Ended December 31, 2009				*Year Ended December 31, 2008*			
millions	**NB Timberlands**	**Maine Timberlands**	**Corporate**	**Consolidated**	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volume (000s m^3)	**997.0**	**261.3**	**—**	**1,258.3**	935.9	315.1	—	1,251.0
Net sales	**$ 48.8**	**$ 14.6**	**$ —**	**$ 63.4**	$ 50.0	$ 17.9	$ —	$ 67.9
EBITDA	**$ 10.8**	**$ 4.2**	**$ (2.9)**	**$ 12.1**	$ 11.5	$ 6.5	$ (0.6)	$ 17.4
EBITDA margin	**22%**	**29%**	**n/a**	**19%**	23%	36%	n/a	26%

NB Timberlands

NB Timberlands owns and manages 765,000 acres of freehold timberlands, provides management services relating to 1.3 million acres of Crown licensed timberlands and owns a forest nursery. Approximately two-thirds of harvest operations during 2009 was performed by third-party contractors and one-third by NB Timberland employees.

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

	Year Ended December 31, 2009			*Year Ended December 31, 2008*		
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *(millions)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *(millions)*
Softwood	**336.5**	**328.9**	**$ 18.9**	273.8	280.8	$ 17.0
Hardwood	**444.0**	**432.7**	**22.1**	389.6	413.5	23.8
Biomass	**235.4**	**235.4**	**4.5**	241.6	241.6	4.4
	1,015.9	**997.0**	**45.5**	905.0	935.9	45.2
Other sales			**3.3**			4.8
Net sales			**$ 48.8**			$ 50.0
EBITDA			**$ 10.8**			$ 11.5
EBITDA margin			**22%**			23%

Softwood, hardwood and biomass shipments were 329 thousand m^3, 433 thousand m^3 and 235 thousand m^3, respectively, for the twelve months ended December 31, 2009. This represents a 7% increase in overall sales volume compared to the prior year and is largely a result of greater demand for softwood sawlogs. Approximately 32% of sales volume was sold as sawlogs, 44% as pulpwood and 24% as biomass in 2009. This compares to 27% of sales volume sold as sawlogs, 47% as pulpwood and 26% as biomass in 2008, demonstrating the operation's responsiveness to market conditions and the shift in focus to softwood stands early this year.

Net sales for the twelve months ended December 31, 2009 were $48.8 million with an average selling price across all products of $45.63 per m^3. This compares to net sales of $50.0 million and an average selling price of $48.34 per m^3 during the same period in 2008. The year-over-year decrease in the average selling price resulted from continued pricing pressure on all products and deliveries to customers within a closer proximity to our timberlands. The overall decrease in net sales was primarily a result of a $1.5 million decrease in other income resulting from lower harvesting activity on the Crown licensed timberlands during the year.

Costs were $38.0 million, compared to $38.5 million in the prior year. This is attributable to 5% lower variable costs per m^3, reflecting shorter hauling distances and customers taking delivery of products from Acadian's yard, offset by higher volumes sold.

EBITDA for the twelve months ended December 31, 2009 was $10.8 million, compared to $11.5 million in the prior year while EBITDA margin remained comparable at 22% as compared to 23% in 2008.

NB Timberlands experienced two minor reportable incidents among employees and nine minor reportable incidents among contractors during the year from which all individuals have fully recovered. We are pleased to report that there were no reportable environmental incidents during 2009.

NB Timberlands' 2009 highlights include:

- Operating flexibility and strong customer relationships allowed NB Timberlands to benefit from a strong spruce-fir market early this year;
- Reducing the serious accident frequency rate for employees to 2.08 in 2009 as compared to 3.14 in 2008; and
- Successful ISO recertification while meeting all requirements of our 2009 SFI surveillance audit.

Maine Timberlands

Maine Timberlands owns and operates 310,000 acres of freehold timberlands and is operated exclusively by third-party contractors.

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

	Year Ended December 31, 2009			Year Ended December 31, 2008		
	Harvest (000s m^3)	Sales (000s m^3)	Results (millions)	Harvest (000s m^3)	Sales (000s m^3)	Results (millions)
Softwood	**196.0**	**195.6**	**$ 11.7**	234.4	234.2	$ 13.7
Hardwood	**45.3**	**44.6**	**2.2**	62.1	62.5	3.6
Biomass	**21.1**	**21.1**	**0.3**	18.4	18.4	0.2
	262.4	**261.3**	**14.2**	314.9	315.1	17.5
Other sales			**0.4**			0.4
Net sales			**$ 14.6**			$ 17.9
EBITDA			**$ 4.2**			$ 6.5
EBITDA margin			**29%**			36%

Softwood, hardwood and biomass shipments were 196 thousand m^3, 45 thousand m^3 and 21 thousand m^3, respectively, for the year ended December 31, 2009. This represents a 17% decrease in overall sales volume when compared to the prior year as a result of our continued reduction in near-term harvest levels which we believe will allow us to maximize opportunities when markets recover. Approximately 52% of sales volume was sold as sawlogs, 39% as pulpwood and 8% as biomass in 2009. This compares to 53% of sales volume sold as sawlogs, 41% as pulpwood and 6% as biomass in 2008.

Net sales for the twelve months ended December 31, 2009 totalled $14.6 million, down 19% from the prior year, primarily reflecting lower volumes across all primary products. The 7% appreciation of the U.S. dollar compared to the Canadian dollar during the year partially offset lower softwood sawlog and hardwood pulpwood prices in U.S. dollar terms, resulting in a 2% decrease in average selling price per m^3 in Canadian dollar terms during this period.

Costs for the twelve months ended December 31, 2009 were $10.4 million, or $1.0 million lower than the prior year, primarily attributed to decreased sales volume. Variable costs per m^3 in U.S. dollar terms were lower by 3% due to renegotiated contracts. These benefits were offset by the appreciation of the U.S. dollar as compared to the Canadian dollar during the year.

EBITDA for the twelve months ended December 31, 2009 was $4.2 million as compared to $6.5 million in the prior year while EBITDA margin decreased from 36% to 29%.

For the twelve-month period ended December 31, 2009, there were no recordable safety incidents among employees and one minor reportable safety incident among contractors from which the individual has since fully recovered. We are pleased to report that there were no reportable environmental incidents during the year.

Maine Timberlands' 2009 highlights include:

- Successful sale of small properties unsuited for timber production for proceeds of $0.6 million;
- Acquisition of timberlands in the same region that represent a good fit with Maine's existing timberlands for $0.4 million; and
- Timing of harvest activities resulted in successful capture of key market opportunities during 2009.

Financial Position

As at December 31, 2009, Acadian's balance sheet consisted of total assets of $210.2 million (2008 – $229.0 million), represented primarily by timberlands, logging roads and fixed assets of $190.0 million (2008 – $207.8 million) with the balance in cash and working capital of $14.1 million (2008 – $15.1 million) and intangible assets of $6.1 million (2008 – $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 $10.0 million revolving credit facility. These sources, combined with existing cash and cash equivalents and net working capital generated by the Fund since inception, are expected to allow the Fund to meet its operating, debt service, capital expenditure and distribution requirements. Due to the seasonal nature of our business, it is typical that cash reserves are generated in the first, third and fourth quarter of the year and are then drawn down during periods such as the second quarter when harvesting conditions are not ideal.

Silviculture and capital expenditures for the year ended December 31, 2009 were $0.5 million (2008 – $0.8 million). This level of expenditure was slightly higher than guidance provided during the first half of the year and reflects managements' decision to take advantage of investment opportunities expected to enhance the long term value of Acadian's resource.

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

Capital Resources

Borrowings

The Fund has a $52.0 million bank credit facility consisting of a $42.0 million bank term credit facility and a $10.0 million revolving credit facility. During the fourth quarter of 2009, Acadian entered into an agreement to extend the bank term credit and revolving credit facilities for a period of 13 months. These will continue to bear interest at floating rates based on the 30-day Banker's Acceptances rate, plus the applicable margin and will mature on February 27, 2011. As part of the terms of the extension, management was also successful in increasing the available commitment of the revolving credit facility from $5.0 million to $10.0 million. Based on the terms of the extension agreement, at today's market rates, Acadian would incur approximately $0.5 million in additional interest expense over this period as compared to the terms of the credit agreement in the current year. As at December 31, 2009, $5.5 million (2008 - $nil) had been drawn on the revolving credit facility, primarily as a result of costs associated with the corporate conversion.

The Fund also has 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 Maine timberlands.

Both facilities contain certain restrictive covenants relating to debt incurrence, sale of assets, and maintenance of certain financial ratios, all of which were in compliance as at December 31, 2009. This remains unchanged from the prior year.

Outstanding Units

As at December 31, 2009, 16,571,453 Class A units were issued and outstanding. This represents an increase of 4,507,030 units from December 31, 2008 resulting from the conversion of all units representing the Class B Interest Liability of a subsidiary by an affiliate of Brookfield Asset Management Inc. on February 3, 2009. The Fund is authorized to issue an unlimited number of units of the same class with equal rights and privileges. Unitholders are entitled to receive distributions as and when declared by the Trustees of the Fund and are entitled to one vote per unit on all matters to be voted on by unitholders at each meeting of unitholders.

As at December 31, 2009, Brookfield Asset Management Inc., together with its affiliates (collectively "Brookfield"), owned 7,513,262 Class A units, representing 45% of the outstanding units of Acadian.

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

	As at December 31, 2009	
	Units	**Percentage**
Class A units outstanding	**16,571,453**	**100%**
Class B Interest Liability of a subsidiary outstanding	—	**0%**
	16,571,453	**100%**

	As at December 31, 2008	
	Units	Percentage
Class A units outstanding	12,064,423	73%
Class B Interest Liability of a subsidiary outstanding	4,507,030	27%
	16,571,453	100%

On January 1, 2010, Acadian completed a Plan of Arrangement with CellFor Inc. which allowed for the conversion of the Fund from an income trust to a corporation. Pursuant to this Arrangement, Acadian issued 159,763 shares to CellFor as partial consideration. Subsequent to the conversion, Acadian has 16,731,216 shares outstanding of which 7,513,262 or 45% were owned by Brookfield.

OUTLOOK

The following contains forward-looking statements about Acadian Timber Corp.'s market outlook for fiscal 2010. Reference should be made to "Forward-Looking Statements" on page 29. For a description of material factors that could cause actual results to differ materially from the forward-looking statements in the following, please see the Risk Factors section on page 25 of this Annual Report and in our Annual Information Form available on our website at www.acadiantimber.com or www.sedar.com.

Consensus forecasts for U.S. housing predict an increase in housing starts to only 675,000 units in 2010 and 910,000 in 2011 – a very slow recovery from 2009's post World War II low of 550,000 starts. While smaller, non-industrial timberland owners continue to withhold timber from the market, an ample supply of Crown and private timber has placed considerable pressure on timber prices resulting in price declines of approximately 20% from 2006 – 2007 averages. The fact that Fraser Papers Inc. ("Fraser Papers") is currently expected to operate its Edmundston Pulp mill and Plaster Rock sawmill provides some encouragement that demand for Acadian's spruce-fir sawlogs will be stronger in 2010 than in 2009, although prices are expected to remain low throughout 2010. Despite current difficult softwood sawlog markets, Acadian continues to find markets for its key products while choosing to preserve value for those products that don't offer adequate market opportunities by leaving them to appreciate on the stump. Weak softwood sawlog markets and relatively large inventories of softwood pulpwood and chips is also expected to result in uncertainties in regard to the level of activity on Fraser Papers Inc.'s Crown licensed timberlands which is managed by Acadian reducing the contribution from these management services to Acadian's net income.

Markets for hardwood sawlogs and specialty products remain relatively stable, particularly for poplar. These markets are expected to remain stable into 2010. Markets for hardwood have improved since the first half of 2009 and Acadian's major hardwood pulpwood customers continue to operate and take deliveries with pricing improving modestly from the second and early third quarter. Acadian has been able to sell all of its biomass, although this market has also been under pressure due to low demand for electric power and reduced gas and oil prices. The Biomass Crop Assistance Program ("BCAP") implemented in the U.S. during the fourth quarter of 2009 may provide limited additional opportunities for biomass sales by our Maine Timberlands although the impact of this two-year program on biomass sales by our NB Timberlands remains uncertain.

ANALYSIS OF FOURTH QUARTER RESULTS

Summary of Fourth Quarter 2009 Results

The table below summarizes operating and financial data for Acadian:

Three Months Ended December 31 *(CAD millions, except where indicated)*	**2009**	2008
Total		
Sales volume (000s m³)	**343.0**	306.6
Net sales	**$ 16.7**	$ 19.7
EBITDA	**2.0**	6.9
EBITDA margin	**12%**	35%
Distributable cash from operations	**$ 1.3**	$ 5.7
Net income[1]	**—**	15.8
Distributions declared		
Class A unitholders	**1.4**	2.5
Class B interest liability of a subsidiary	**—**	0.9
	1.4	3.4
Payout ratio	**108%**	60%

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

Distributable Cash from Operations and Distributions

Distributable cash from operations was $1.3 million during the three months ended December 31, 2009 (the "fourth quarter"), which represents a decrease of $4.4 million from the same period in 2008. Distributions declared during the fourth quarter to unitholders were $1.4 million, 59% lower than the total distributions declared in the fourth quarter of 2008. The following tables provide a reconciliation of cash flow from operation activities and net income, as determined in accordance with GAAP, to EBITDA and distributable cash from operations:

Three Months Ended December 31 *(CAD millions)*	**2009**	2008
Net income[1]	**$ —**	$ 15.8
Add (deduct):		
Interest expense on long-term debt	**0.7**	1.0
Distribution on Class B Interest Liability of a subsidiary	**—**	0.9
Future income tax expense (recovery)	**(0.3)**	6.1
Depreciation and depletion	**1.6**	2.2
Non-cash gain on Class B Interest Liability of a subsidiary	**—**	(19.1)
EBITDA	**$ 2.0**	$ 6.9
Add (deduct):		
Interest expense on long-term debt	**(0.7)**	(1.0)
Silviculture and capital expenditures	**—**	(0.2)
Distributable cash from operations	**$ 1.3**	$ 5.7
Distributions declared	**$ 1.4**	$ 3.4

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

Three Months Ended December 31 *(CAD millions)*	**2009**	2008
Cash flow from operating activities	**$ 0.5**	$ 6.6
Add (deduct):		
Other adjustments:		
Change in non-cash working capital balances and other	**0.8**	(1.6)
Distribution on Class B Interest Liability of a subsidiary	**—**	0.9
Silviculture and capital expenditures	**—**	(0.2)
Distributable cash from operations	**$ 1.3**	$ 5.7
Distributions declared	**$ 1.4**	$ 3.4

Results of Operations

For the three months ended December 31, 2009, Acadian generated net sales of $16.7 million on consolidated volumes of 343 thousand m^3, compared with net sales of $19.7 million on consolidated volumes of 307 thousand m^3 during the same period last year.

EBITDA for the fourth quarter was $2.0 million or 12% of sales as compared to EBITDA of $6.9 million or 35% of sales during the comparable period in 2008. Results in the quarter reflect a lower contribution from the management of the Crown licensed timberlands by New Brunswick Timberlands and soft pricing at Maine Timberlands. As a result of these market conditions, Acadian has continued to reduce near-term harvest levels of our high margin spruce-fir sawlogs allowing us to maximize opportunities when markets recover, thus preserving the long-term value of Acadian's resource. Additionally, the Fund incurred $0.9 million of non-recurring costs associated with the previously announced conversion to a corporation.

Class B Interest Liability

As a result of the conversion of the Class B Interest Liability of a subsidiary on February 3, 2009 by an affiliate of Brookfield, these units were no longer outstanding and thus not revalued during the fourth quarter of 2009. During the three months ended December 31, 2008, the revaluation of the Class B Interest Liability of a subsidiary resulted in a $19.1 million gain, comprised of a $13.4 mark-to-market gain and a $5.7 million foreign exchange gain.

Future Income Tax Expense

Included in net income for the three months ended December 31, 2009 is a non-cash future tax recovery of $0.3 (2008 – 6.1 million expense), resulting from differences between the financial reporting and tax bases of the assets and liabilities of the Fund's subsidiaries.

Segmented Results of Operations

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

	Three Months Ended December 31, 2009				*Three Months Ended December 31, 2008*			
millions	**NB Timberlands**	**Maine Timberlands**	**Corporate**	**Consolidated**	**NB Timberlands**	**Maine Timberlands**	**Corporate**	**Consolidated**
Sales volume (000s m^3)	**270.7**	**72.3**	**—**	**343.0**	208.8	97.8	—	306.6
Net sales	**$ 13.3**	**$ 3.4**	**$ —**	**$ 16.7**	$ 13.3	$ 6.4	$ —	$ 19.7
EBITDA	**$ 2.5**	**$ 0.7**	**$ (1.2)**	**$ 2.0**	$ 4.5	$ 2.5	$ (0.1)	$ 6.9
EBITDA margin	**19%**	**21%**	**—**	**12%**	34%	39%	n/a	35%

NB Timberlands

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

	Three Months Ended December 31, 2009			Three Months Ended December 31, 2008		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *(millions)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *(millions)*
Softwood	**57.4**	**68.0**	**$ 3.8**	72.5	73.2	$ 4.4
Hardwood	**148.7**	**143.9**	**7.6**	81.7	78.2	4.6
Biomass	**58.8**	**58.8**	**1.1**	57.4	57.4	1.1
	264.9	**270.7**	**12.5**	211.6	208.8	10.1
Other sales			**0.8**			3.2
Net sales			**$ 13.3**			$ 13.3
EBITDA			**$ 2.5**			$ 4.5
EBITDA margin			**19%**			34%

Softwood, hardwood and biomass shipments were 68 thousand m^3, 144 thousand m^3 and 59 thousand m^3, respectively, during the fourth quarter, representing a 30% increase in sales volume as compared to same period in 2008. This increase reflects improved demand for hardwood pulpwood as compared to the fourth quarter of 2008. Approximately 30% of sales volume was sold as sawlogs, 48% as pulpwood and 22% as biomass in the fourth quarter. This compares to 34% of sales volume sold as sawlogs, 39% as pulpwood and 27% as biomass in the fourth quarter of 2008.

Net sales for the fourth quarter totaled $13.3 million, consistent with the same period in 2008. The increase in sales volume was offset by a lower value species mix and a $2.4 million decrease in other sales. The decrease in other sales was primarily attributed to a reduced contribution from our management of Crown licensed timberlands as a result of lower harvesting activity. The weighted average selling price was $46.05 in the fourth quarter of 2009, compared to $48.79 in the same period of 2008.

Costs for the fourth quarter were $10.8 million, representing an increase of 23% compared to the same period of 2008. This was primarily a result of increased harvest volumes, longer hauling distances and cable logging.

EBITDA for the fourth quarter was $2.5 million, compared to $4.5 million in the same period in 2008, while EBITDA margin decreased from 34% to 19%.

NB Timberlands experienced no incidents among employees and three minor reportable incidents among contractors during the fourth quarter, from which the individuals have since fully recovered. We are pleased to report that there were no reportable environmental incidents during the fourth quarter.

Maine Timberlands

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

	Three Months Ended December 31, 2009			Three Months Ended December 31, 2008		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *(millions)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *(millions)*
Softwood	**43.7**	**43.6**	**$ 2.1**	72.4	72.4	$ 4.8
Hardwood	**21.2**	**21.2**	**1.1**	18.1	18.7	1.4
Biomass	**7.5**	**7.5**	**0.1**	6.7	6.7	0.1
	72.4	**72.3**	**3.3**	97.2	97.8	6.3
Other sales			**0.1**			0.1
Net sales			**$ 3.4**			$ 6.4
EBITDA			**$ 0.7**			$ 2.5
EBITDA margin			**21%**			39%

Maine Timberlands had a strong fourth quarter in light of current market conditions, primarily as a result of favourable weather conditions. Softwood, hardwood and biomass shipments were 44 thousand m^3, 21 thousand m^3, and 7 thousand m^3, respectively, with total sales volume decreasing by 26% as compared to the fourth quarter of 2008. The decrease in sales volume reflects particularly strong volumes in the fourth quarter of 2008 as the operation's largest contractor caught up on its contract volume after weather-related difficulties during the spring and early summer operating season. Approximately 43% of sales volume was sold as sawlogs, 47% as pulpwood and 10% as biomass during the fourth quarter. This compares to 55% of sales volume sold as sawlogs, 38% as pulpwood and 7% as biomass in the fourth quarter of 2008.

Net sales for the fourth quarter totaled $3.4 million, compared to $6.4 million for the same period last year. The year-over-year decline in net sales is a result of lower shipment volumes, a lower value species mix, and softer prices across all products. The weighted average price across all products was $45.27 in the fourth quarter, compared to $64.19 in the same period of 2008, reflecting a 29% decrease in Canadian dollar terms. Weighted average selling prices decreased 22% in U.S. dollar terms during the fourth quarter.

Costs for the fourth quarter were $2.7 million, compared to $3.9 million for the same period in 2008. This decrease reflects lower sales volume and lower variable costs per m^3, partially due to lower diesel prices.

EBITDA for the fourth quarter was $0.7 million, compared to $2.5 million for the same period in 2008, while EBITDA margin decreased from 39% to 21%.

Maine Timberlands had no recordable safety incidents among employees and one minor reportable incident among contractors during the fourth quarter. The individual has since fully recovered. We are pleased to report that there were no reportable environmental incidents during the fourth quarter.

SUPPLEMENTAL INFORMATION

Selected Consolidated Quarterly Information

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

	2009				2008			
(CAD millions, except per unit data and where indicated)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Sales volume (000s m^3)	**343**	**331**	**157**	**427**	307	319	213	412
Net sales	**$ 16.7**	**$ 14.4**	**$ 6.1**	**$ 26.2**	$ 19.7	$ 17.2	$ 8.3	$ 22.7
EBITDA	**2.0**	**1.3**	**(2.0)**	**10.8**	6.9	4.3	(1.0)	7.2
Distributable cash from operations	**1.3**	**(0.3)**	**(2.4)**	**9.5**	5.7	3.3	(2.0)	6.3
Net income (loss)[1]	**—**	**(0.2)**	**(1.6)**	**11.1**	15.8	6.8	(8.4)	4.7
Net income per unit - basic	**—**	**(0.01)**	**(0.10)**	**0.75**	1.31	0.56	(0.70)	0.39
Net income per unit - diluted	**—**	**(0.01)**	**(0.10)**	**0.40**	(0.14)	0.11	(0.70)	0.22

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

Additional Quarterly Information

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

NB Timberlands

	2009 Q4			2009 Q3			2009 Q2			2009 Q1		
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *(millions)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *(millions)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *(millions)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *(millions)*
Softwood	**57.4**	**68.0**	**$ 3.8**	68.6	67.8	$ 3.5	36.3	41.2	$ 2.5	174.2	151.9	$ 9.1
Hardwood	**148.7**	**143.9**	**7.6**	137.5	125.5	6.4	34.0	70.1	3.0	123.8	93.2	5.1
Biomass	**58.8**	**58.8**	**1.1**	80.2	80.2	1.4	33.0	33.0	0.5	63.4	63.4	1.5
	264.9	**270.7**	**12.5**	286.3	273.5	11.3	103.3	144.3	6.0	361.4	308.5	15.7
Other sales			**0.8**			0.3			(0.3)			2.5
Net sales			**$ 13.3**			$ 11.6			$ 5.7			$ 18.2
EBITDA			**$ 2.5**			$ 1.3			$ (0.8)			$ 7.8
EBITDA margin			**19%**			11%			(14)%			43%

Maine Timberlands

	2009 Q4			2009 Q3			2009 Q2			2009 Q1		
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *(millions)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *(millions)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *(millions)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *(millions)*
Softwood	**43.7**	**43.6**	**$ 2.1**	38.5	40.9	$ 2.1	5.0	6.2	$ 0.1	108.8	104.9	$ 7.4
Hardwood	**21.2**	**21.2**	**1.1**	12.4	12.1	0.5	1.9	2.7	0.2	9.8	8.6	0.4
Biomass	**7.5**	**7.5**	**0.1**	4.1	4.1	0.1	4.1	4.1	—	5.4	5.4	0.1
	72.4	**72.3**	**3.3**	55.0	57.1	2.7	11.0	13.0	0.3	124.0	118.9	7.9
Other sales			**0.1**			0.1			0.1			0.1
Net sales			**$ 3.4**			$ 2.8			$ 0.4			$ 8.0
EBITDA			**$ 0.7**			$ 0.8			$ (0.6)			$ 3.3
EBITDA margin			**21%**			29%			(150)%			41%

Corporate

	2009 Q4			2009 Q3			2009 Q2			2009 Q1		
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *(millions)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *(millions)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *(millions)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *(millions)*
Softwood	—	—	**$ —**	—	—	$ —	—	—	$ —	—	—	$ —
Hardwood	—	—	—	—	—	—	—	—	—	—	—	—
Biomass	—	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—	—
Other sales			—			—			—			—
Net sales			**$ —**			$ —			$ —			$ —
EBITDA			**$ (1.2)**			$ (0.8)			$ (0.6)			$ (0.3)
EBITDA margin			**n/a**			n/a			n/a			n/a

NB Timberlands

	2008 Q4			2008 Q3			2008 Q2			2008 Q1		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *(millions)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *(millions)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *(millions)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *(millions)*
Softwood	72.5	73.2	$ 4.4	68.9	64.6	$ 3.8	9.0	20.3	$ 1.2	123.4	122.7	$ 7.6
Hardwood	81.7	78.2	4.6	92.5	111.1	6.3	76.7	92.5	5.6	138.7	131.7	7.3
Biomass	57.4	57.4	1.1	67.8	67.8	1.4	61.9	61.9	0.9	54.5	54.5	1.0
	211.6	208.8	10.1	229.2	243.5	11.5	147.6	174.7	7.7	316.6	308.9	15.9
Other sales			3.2			1.5			(1.2)			1.3
Net sales			$ 13.3			$ 13.0			$ 6.5			$ 17.2
EBITDA			$ 4.5			$ 2.6			$ (0.8)			$ 5.2
EBITDA margin			34%			20%			(12)%			30%

Maine Timberlands

	2008 Q4			2008 Q3			2008 Q2			2008 Q1		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *(millions)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *(millions)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *(millions)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *(millions)*
Softwood	72.4	72.4	$ 4.8	52.3	52.2	$ 3.0	23.1	23.0	$ 1.1	86.6	86.6	$ 4.8
Hardwood	18.1	18.7	1.4	19.6	19.4	1.1	10.0	11.6	0.5	14.4	12.8	0.6
Biomass	6.7	6.7	0.1	4.4	4.4	—	3.6	3.6	0.1	3.7	3.7	—
	97.2	97.8	6.3	76.3	76.0	4.1	36.7	38.2	1.7	104.7	103.1	5.4
Other sales			0.1			0.1			0.1			0.1
Net sales			$ 6.4			$ 4.2			$ 1.8			$ 5.5
EBITDA			$ 2.5			$ 1.8			$ —			$ 2.2
EBITDA margin			39%			43%			0%			40%

Corporate

	2008 Q4			2008 Q3			2008 Q2			2008 Q1		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *(millions)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *(millions)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *(millions)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *(millions)*
Softwood	—	—	$ —	—	—	$ —	—	—	$ —	—	—	$ —
Hardwood	—	—	—	—	—	—	—	—	—	—	—	—
Biomass	—	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—	—
Other sales			—			—			—			—
Net sales			$ —			$ —			$ —			$ —
EBITDA			$ (0.1)			$ (0.1)			$ (0.2)			$ (0.2)
EBITDA margin			n/a			n/a			n/a			n/a

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. As a result, actual results could materially 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 represented preferred interests in the Maine Timberlands. The preferred interests were convertible into units at the option of the holder and were treated as a liability of the Maine Timberlands for accounting purposes. The value of the liability was measured at each reporting date to reflect the market price of the units and the current exchange rates. Changes in value were recorded in the consolidated statement of operations.

Translation of Foreign Currencies

The currency of measurement of the Fund's Canadian operations and U.S. operations are the Canadian dollar and U.S. dollar, respectively. Monetary assets and liabilities denominated in a currency other than the operation's currency of measurement are translated at exchange rates prevailing at the end of each reporting 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 are translated 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.

Change in Accounting Policies

Goodwill and Intangible Assets

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

Future Accounting Policies

International Financial Reporting Standards

In 2005, the Accounting Standards Board of Canada (AcSB) announced that accounting standards in Canada are to converge with IFRS. In May 2007, the CICA published an updated version of its implementation plan which outlines the key decisions that the CICA will need to make as it implements the Strategic Plan for publicly accountable enterprises that will converge Canadian GAAP with IFRS for fiscal years beginning on or after January 1, 2011. The CICA plans to converge Canadian GAAP with IFRS, with the objective of moving towards the use of a single set of world-wide accounting standards, improving financial reporting and transparency. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies which may significantly impact Acadian's processes and financial results. While we believe the adoption of IFRS will not have a material impact on Acadian's reported distributable cash from operations, it is expect to have a material impact on Acadian's consolidated balance sheets and consolidated statements of operations and deficit.

Acadian has completed the planning phase of the conversion. Existing Canadian GAAP and IFRS differences have been identified, staff have been trained, and business impacts have been determined to be minimal. Management has identified the following significant accounting differences between Canadian GAAP and IFRS:

- In accordance with current Canadian GAAP, our standing timber assets are treated as property, plant and equipment and are, therefore, recorded at cost less accumulated depletion. Under IFRS and in accordance with IAS 41 — Agriculture ("IAS 41"), our standing timber assets are considered biological assets and will be measured at the end of each reporting period at fair value, less estimated point-of-sale costs. Fair value is generally determined based upon the expected future cash flows to be derived from the sale of timber, discounted to the measurement date. Changes in the fair value of standing timber after initial recognition will be recognized in income in the period in which the changes arise. Depending on the change in fair value in each reporting period, income could either be greater or less than under Canadian GAAP;

- Current Canadian GAAP requires the recognition of a depletion charge to income based on volume harvested. IAS 41 replaces this expense with the impact of the change in the fair value of timber harvested. This change would have decreased income in 2009;

- Current Canadian GAAP does not permit the recognition of the value of timber growth in a period, but IAS 41 requires that this value be recognized as an increase in fair value. This increase in fair value would have increased income in 2009;

- Current Canadian GAAP requires that silviculture expenditures be capitalized and included in the historical cost of standing timber, whereas IFRS does not directly address the issue of subsequent expenditures related to biological assets. As timberlands are carried at fair value at each measurement date, management believes it is appropriate to record silviculture expenditures as a period cost as the capitalization of such costs would be offset by an equivalent fair value adjustment in the accounting period. These amounts are discretionary and can vary significantly each year;

- Current Canadian GAAP requires that the logging roads, bridges and other fixed assets be carried at original cost less accumulated amortization, whereas IFRS allows an entity to make a policy election with respect to the subsequent measurement of these items. Acadian is planning to elect the revaluation method for logging roads and the cost method for bridges and other fixed assets. The use of the revaluation method for roads will eliminate the charge for amortization of these costs. This change would have increased income in 2009; and,

- Both Canadian GAAP and IFRS require that inventories are carried at the lower of cost and net realizable value. Net realizable value, under both Canadian GAAP and IFRS, is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Under Canadian GAAP the cost of logs held in inventory includes depletion, while IFRS depletion will be replaced with a charge for the fair value of timber harvested. This charge, when added to the costs of harvest and delivery, will cause the value of inventory on Acadian's balance sheet to increase as cost, when determined in this manner, is expected to approximate market value. As Acadian's log inventory quantities are typically minimal, this change is not expected to have a significant impact on net income.

In addition to the significant differences noted above, the adoption of IFRS will require the application of IFRS 1 — First-time Adoption of International Reporting Standards ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity apply all IFRS effective at the end of its first IFRS reporting period retrospectively. However, IFRS 1 does require certain mandatory exceptions and limited optional exemptions in specified areas of certain standards from this general requirement. The following are the optional exemptions available under IFRS 1, which we believe are significant to Acadian and that we expect to apply in preparing our first financial statements under IFRS:

- IFRS 1 allows an entity to initially measure an item of property, plant and equipment upon transition to IFRS at fair value. We expect to apply this exemption by measuring the value of land, roads and bridges at fair value;

- IAS 21 — The Effects of Changes in Foreign Exchange Rates, requires an entity to determine the translation differences in accordance with IFRS from the date on which a subsidiary was formed or acquired. IFRS allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from periods prior to the date of transition to IFRS. We expect to apply this allowance by deeming all cumulative translation differences to be zero; and,

- IFRS 1 allows for certain other optional exemptions; however, we do not expect such exemptions to be significant to our adoption of IFRS.

This discussion has been prepared using the standards and interpretations currently issued and expected to be effective at the end of our first annual IFRS reporting period, which we intend to be December 31, 2011. Certain accounting policies expected to be adopted under IFRS may not be adopted and the application of such policies to certain transactions or circumstances may be modified.

The current International Accounting Standard Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") are considering further modifications to IFRS which may ultimately change our preliminary analysis. Acadian currently expects to report under IFRS, on a comparative basis, starting with the first quarter of 2011.

Taxation of Fund Distributions

Distributions to Canadian unitholders in 2009 consisted of 38% taxable income (2008 – 40%) and 62% return of capital (2008 – 60%), which are tax deferred. The tax deferral arises as Acadian's tax depletion, capital cost allowance, and expenses significantly reduce the Fund's income that would otherwise be taxable. The tax-deferred portion of distributions represents a return of capital for Canadian income tax purposes, which reduces the adjusted cost base of the trust units. Generally, a trust unit is considered to be capital property. The actual or deemed disposition of a unit will give rise to a capital gain (or loss) equal to the amount by which the proceeds of disposition of a trust unit are greater (or less) than the adjusted cost base of the unit and any associated selling costs.

Related Party Transactions

In the normal course of operations, the Fund enters into various transactions on market terms with related parties which have been measured at exchange value and recognized in the consolidated financial statements. The Fund has one significant related party, Brookfield. As at December 31, 2009, Brookfield owned 7,513,262 Class A units representing approximately 45% of the outstanding units of the Fund. Acadian is also a related party of Fraser Papers as a result of their common significant shareholder, Brookfield.

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

a. Acadian is party to fibre supply agreements whereby Acadian has agreed to provide fibre to Fraser Papers and Brookfield for periods of up to 20 years. In addition, Acadian has agreed to administer certain licenses on behalf of Fraser Papers. Total sales to Fraser Papers and Brookfield during the year ended December 31, 2009 totaled $17.7 million (2008 – $27.7 million) and $1.6 (2008 – $2.8 million), respectively, which represented 26% (2008 – 32%) of consolidated total sales. Included in accounts receivable as December 31, 2009 is $1.4 million (2008 – $1.2 million) related to these agreements. During the fourth quarter, Acadian entered into an agreement with Fraser Papers to collect overdue receivables, related to Fraser Papers Inc.'s court-supervised restructuring.

b. Acadian is party to an agreement with Brookfield, whereby Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided during the year ended December 31, 2009 were $2.1 million (2008 – $2.0 million). All fees have been fully paid in accordance with the services agreement.

c. Payments on the Class B Interest Liability of a subsidiary to Brookfield during the year ended December 31, 2009 totalled $0.6 million (2008 – $3.7 million). All units representing the Class B Liability of a subsidiary were converted by an affiliate of Brookfield on February 3, 2009. No amounts have been included in accounts payable and accrued liabilities as at December 31, 2009 (2008 – $0.3 million).

d. 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 $16 thousand in the year ended December 31, 2009 (2008 – $16 thousand).

e. During the year ended December 31, 2009 Acadian completed the sale of ten acres to Brookfield for proceeds of $0.5 million, and recognized a gain of $0.5 million (2008 - $nil). Additionally, in the same period Acadian purchased 89 acres of timberlands from Brookfield at a cost of $0.4 million (2008 - $nil).

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.

The table below summarizes the Fund's debt obligations as at December 31, 2009.

			Payments Due by Period			
(CAD 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[(i)]	**$ 42.0**	**$ 42.0**	$ —	$ 42.0	$ —	$ —
Revolving credit facility	**10.0**	**5.5**	—	5.5	—	—
Term loan facility	**33.5**	**33.5**	—	33.5	—	—
	$ 85.5	**$ 81.0**	$ —	$ 81.0	$ —	$ —
Interest expense [(ii)]		**$ 4.3**	$ 3.8	$ 0.5	$ —	$ —

(i) Represents principal of bank term facility, excluding the deferred extension fee incurred in the fourth quarter of 2009;

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

- Bank term debt credit facility variable interest at 4.65% per annum; and,
- Term loan facility fixed interest at 4.67% with a Canadian to U.S. dollar conversion of 1.0522.

RISK FACTORS

The following information is a summary of certain risk factors and the potential impact these factors could have on the business, assets, financial condition, results of operations, cash flows, liquidity and/or distributable cash from operations of Acadian, as well as on the ability of Acadian to make distributions on the units. Additional risks and uncertainties not presently known to Acadian, or that Acadian currently deems immaterial, may also impair the operations of Acadian. A more detailed discussion of the business environment and risks is contained in our Annual Information Form which is posted on our website and filed on SEDAR.

Dependence on Fraser Papers

Approximately 23% of Acadian's total sales for the year ended December 31, 2009 were derived from lumber mills and pulp and paper mills owned or managed by Fraser Papers (2008 - 29%). Under the Fibre Supply Agreement, Fraser Papers is permitted to permanently reduce its purchases by any amount, subject to certain notice periods. Additionally, Fraser Papers has the right to temporarily reduce the volume of fibre that it purchases as a result of market factors or the sale or closure (whether temporary or permanent) of any of its owned or managed mills while retaining the right to increase such volumes in the future up to the committed level. This right may restrict Acadian's ability to find replacement customers given the uncertainty of ongoing supply to which such replacement customers would be subject.

In addition, the Crown licenses have been granted to Fraser Papers as the owner/operator of its mills. If Fraser Papers sells or closes these mills in the future, the Crown licenses would likely be required to be transferred to the purchaser or revert to the Crown, as the case may be, resulting in Fraser Papers potentially losing management over the NB Crown Lands subject to these licenses. Such events could potentially eliminate the fees earned by Acadian in providing services relating to the NB Crown Lands, and thus would result in a reduction in distributable cash from operations.

On June 18, 2009, Fraser Papers, together with its subsidiaries, initiated a court-supervised restructuring under the Companies' Creditors Arrangement Act (Canada) ("CCAA") in the Ontario Superior Court of Justice and shortly thereafter obtained similar relief pursuant to Chapter 15 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. Fraser Papers then intiated a bid process for the sale of the firm with this process approved by the Ontario Superior Court on December 10, 2009 and by the U.S. Bankruptcy Court for the District of Delaware on January 5, 2010. This bid process was unsuccessful and Fraser Papers terminated the bid process on January 26, 2010 and is now working diligently to clear the remaining conditions and complete the firm purchase offer sponsored by the Company's secured creditors that was signed on December 22, 2009.

Dependence on the Lumber and Pulp and Paper Industries

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

Dependence on the Housing, Construction, Repair and Remodelling Market

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

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

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

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

Highly Competitive Industry

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

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

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

Lack of Control with Fraser Papers' Crown Lands Management

Acadian's revenue from operations in respect of the NB Crown Lands is generated from the service fees it charges to Fraser Papers. Acadian has little control over these revenues as the Government of New Brunswick dictates the management fees that Fraser Papers receives and therefore indirectly influences the service fees to be charged by Acadian on harvesting from the NB Crown Lands. There is a risk that Acadian's overhead expenses incurred to provide services relating to the NB Crown Lands may not be fully recovered through the fees it is permitted to charge.

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

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

Restrictions Imposed by Forestry and Environmental Regulations

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

Laws, regulations and related judicial decisions and administrative interpretations affecting Acadian's business are subject to change and new laws and regulations that may affect its business are frequently enacted. Some of these laws and regulations could impose on Acadian significant costs, penalties and liabilities for violations or existing conditions whether or not Acadian caused or knew about them. Acadian is subject to laws and regulations which relate to, among other things: the protection of timberlands, health and safety, the protection of endangered species, air and water quality, and timber harvesting practices. Regions with frequent policy changes add volatility to revenue streams and depress timberland values. Historically, New Brunswick has had relatively stable forestry regulations. Forest regulation in Maine has experienced volatility in the past but has shown a consistent trend towards stabilization.

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

Limitations on Ability to Harvest

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

Forest Management

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

Fuel and Energy Costs

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

Geographic Concentration

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

Currency Risk

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

Insurance

Acadian's business is subject to fires, drought, tree diseases, severe weather, unforeseen equipment breakdowns, or any other event, including any event of force majeure, which could result in material damages to Acadian. Insurance for companies who operate timberlands have not been available on commercially acceptable terms or, in some cases, have been unavailable.

Seasonality

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

Cyclicality

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

Non-Timber Income

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

Labour Relations

A portion of Acadian's workforce is unionized and, as a result, Acadian is required to negotiate the wages, benefits and other terms with many of its employees collectively. In particular, negotiations for new labour agreements are set to commence in the second quarter of 2010. If Acadian is unable to negotiate acceptable contracts with any of its unions as existing agreements expire, Acadian could experience a significant disruption of its operations, higher ongoing labour costs and restriction of its ability to maximize the efficiency of its operations, which could have a material adverse effect on Acadian's operations and financial results.

Dependence on and Scarcity of Trained Labour

Acadian relies significantly on a limited number of entities to cut and haul harvested timber, as well as to conduct road building and silviculture activities. If any of these entities were to stop doing business with Acadian, Acadian's operations could be negatively impacted. In addition, there is a limited supply of trained foresters and trained operators/contractors in the New Brunswick and Maine regions which may result in increased costs to Acadian to retain its workforce.

Protection of Threatened or Endangered Species and Waterways

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

Aboriginal Claims

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

Undetected Environmental Liabilities

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

Dependence on Brookfield and Potential Conflicts of Interest

Acadian is dependent on Brookfield in respect of certain strategic management functions relating to the ongoing operations of the Acadian Timberlands. Brookfield, and their respective affiliates, employees or agents, and other funds and vehicles managed by Brookfield or their respective affiliates are engaged or invested, directly or indirectly, in a variety of other companies or entities involved in owning, managing, advising on or being otherwise engaged in timberland operations and businesses. This may result in conflicts, which could restrict expansion and other opportunities available to Acadian.

Taxation Risk

The conversion of the Fund into a corporation was done in advance of the implementation of the SIFT Rules in January 2011. The Corporation will file all required income tax returns in a manner that it believes will be in full compliance with the provisions of the Income Tax Act (Canada) and all applicable provincial legislation. It is expected that the Corporation will benefit from certain federal tax account balances obtained from CellFor in connection with the Arrangement. However, the Corporation's income tax returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Corporation, whether by re-characterization of certain expenditures, or the restriction of the deductibility of the acquired federal tax account balances, such reassessment may have an impact on current and future taxes payable by the Corporation. Any such impact may have a material adverse affect on the Corporation.

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

Forward-Looking Statements

This Annual Report contains forward-looking information and other forward-looking statements within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this Annual Report, such statements may contain such words as "may," "will," "intend," "should," "expect," "believe," "outlook," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the negative of these terms or other similar terminology. Forward-looking information in this Annual Report includes, without limitation, statements made in sections entitled "Market Overview," "Distributable Cash From Operations," "Coversion From An Income Trust," "Capital Resources" and "Outlook," and other statements regarding management's beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, access to capital, liquidity and trading volumes, dividends, taxes, capital expenditures, projected costs and anticipated benefits of the conversion from an income trust to a corporation, and similar statements concerning anticipated future events, results, achievements, circumstances, performance or expectations that are not historical facts. These statements reflect management's current expectations regarding future events and operating performance, are based on information currently available to management and speak only as of the date of this Annual Report. All forward-looking statements in this Annual Report are qualified by these cautionary statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon, and will not necessarily be accurate indications of whether or not such results will be achieved. Factors that could cause actual results to differ materially from the results discussed in the forward-looking statements include, but are not limited to: general economic and market conditions; product demand; concentration of customers; commodity pricing; interest rate and foreign currency fluctuations; seasonality; weather and natural conditions; regulatory, trade or environmental policy changes; changes in Canadian income tax law; economic situation of key customers; failure to realize the anticipated benefits of the conversion from an income trust to a corporation; the risks associated with the availability and amount of the tax basis in connection with the conversion from an income trust to a corporation and other risks and factors discussed under the heading "Risk Factors" in each of the Annual Information Form dated March 27, 2009 and the Management Information Circular dated November 23, 2009 of Acadian Timber Income Fund (the "Fund"), the reporting issuer predecessor to Acadian and other filings of the Fund and Acadian with securities regulatory authorities available on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: anticipated financial performance; business prospects; strategies; regulatory developments; exchange rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services and the ability to obtain financing on acceptable terms, which are subject to change based on commodity prices, market conditions for timber and wood products, the economic situation of key customers, and the utilization of the tax basis resulting from the conversion from an income trust to a conversion Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this Annual Report are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward looking statements. Certain statements in this Annual Report may also be considered "financial outlook" for the purposes of applicable Canadian securities laws, and such financial outlook may not be appropriate for purposes other than this Annual Report. The forward-looking statements contained in this Annual Report are made as of the date of this Annual Report, and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this Annual Report. Acadian Timber Corp. assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as required by applicable law.

Management's Responsibility For Financial Reporting

To the Shareholders of Acadian Timber Corp.:

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

To assist management in fulfilling its responsibilities, a system of internal accounting controls has been established to provide reasonable assurance that the consolidated financial statements are accurate and reliable and that assets are safeguarded. Management believes that this system of internal controls is designed and operating effectively for the year ended December 31, 2009.

Ernst & Young LLP, appointed by the unitholders, have audited the consolidated financial statements and conducted a review of internal accounting policies and procedures to the extent required by Canadian generally accepted auditing standards and performed such tests as they deemed necessary to enable them to express an opinion on the consolidated financial statements.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls, and is ultimately responsible for reviewing and approving the consolidated financial statements and the management's discussion and analysis. The Audit Committee is composed of three independent directors who are not employees of the Corporation. The Audit Committee meets regularly with management and Ernst & Young LLP to review their activities and to discuss internal control, accounting, auditing and financial matters.

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

Reid Carter
President and Chief Executive Officer

Joseph Cornacchia
Chief Financial Officer

February 9, 2010

Auditors' Report

To the Shareholders of Acadian Timber Corp.:

We have audited the consolidated balance sheets of Acadian Timber Income Fund as at December 31, 2009 and 2008 and the consolidated statements of operations and deficit, comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of Acadian Timber Corp.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended, respectively, in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Toronto, Canada
February 9, 2010

Chartered Accountants
Licensed Public Accountants

Consolidated Balance Sheets

As at December 31 *(CAD millions)*	Note	**2009**	2008
Assets			
Current assets			
Cash and cash equivalents		**$ 2.1**	$ 9.0
Accounts receivable and other assets	8	**6.2**	4.7
Note receivable	15	**4.0**	—
Inventory		**1.8**	1.4
		14.1	15.1
Intangible assets		**6.1**	6.1
Timberlands, logging roads and fixed assets	4	**190.0**	207.8
		$ 210.2	$ 229.0
Liabilities and unitholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	8	**$ 4.3**	$ 6.2
Distributions payable to unitholders		**—**	0.8
		4.3	7.0
Future income tax liability	12	**13.9**	17.7
Long-term debt	5	**80.7**	80.8
Class B Interest Liability of a subsidiary	6	**—**	31.6
Unitholders' equity	7	**111.3**	91.9
		$ 210.2	$ 229.0

See accompanying notes to consolidated financial statements.

On Behalf of the Board

Reid Carter
President and Chief Executive Officer

David M. Mann
Director

Consolidated Statements of Operations and Deficit

For the Years Ended December 31 *(CAD millions, except per unit data)*	Note	**2009**	2008
Net sales		**$ 63.4**	$ 67.9
Operating costs and expenses			
Cost of sales		**43.3**	44.8
Selling, administration and other		**8.6**	6.4
Depreciation and depletion		**7.1**	7.4
		59.0	58.6
Operating earnings		**4.4**	9.3
Gain on sale of timberlands	8	**(0.6)**	(0.7)
Gain on Class B Interest Liability of a subsidiary	6	**(4.7)**	(22.2)
Interest			
Interest income		**—**	(0.2)
Interest expense	5	**3.1**	3.6
Class B Interest Liability of a subsidiary	6	**0.3**	3.7
Earnings before income tax recovery (expense)		**6.3**	25.1
Future income tax recovery (expense)	12	**3.0**	(6.2)
Net income for the year		**9.3**	18.9
Deficit, beginning of year		**(20.9)**	(29.8)
Unitholders' distributions	14	**(11.4)**	(10.0)
Deficit, end of year		**$ (23.0)**	$ (20.9)
Net income per unit – basic	7	**$ 0.58**	$ 1.57
Net income per unit – diluted	7	**$ 0.30**	$ 0.02

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the Years Ended December 31 *(CAD millions)*	Note	**2009**	2008
Net income		**$ 9.3**	$ 18.9
Other comprehensive income (loss)			
Unrealized foreign currency translation gains (losses)	7	**(6.0)**	1.5
Other comprehensive income (loss)		**(6.0)**	1.5
Comprehensive income		**$ 3.3**	$ 20.4

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the Years Ended December 31 *(CAD millions)*	Note	**2009**	2008
Cash provided by (used for):			
Operating activities			
Net income		**$ 9.3**	$ 18.9
Items not affecting cash:			
Future income tax expense (recovery)	12	**(3.0)**	6.2
Depreciation and depletion		**7.1**	7.4
Gain on sale of timberlands	8	**(0.6)**	(0.7)
Gain on Class B Interest Liability of a subsidiary	6	**(4.7)**	(22.2)
		8.1	9.6
Net change in non-cash working capital balances and other		**(4.0)**	4.5
		4.1	14.1
Investing activities			
Sale of timberlands, logging roads and fixed assets	8	**0.6**	0.8
Additions to Timberlands, logging roads and fixed assets	8	**(0.8)**	(0.5)
Silviculture expenditures		**(0.1)**	(0.3)
Issuance of note receivable	15	**(4.0)**	—
		(4.3)	—
Financing activities			
Distributions paid to unitholders	14	**(12.2)**	(10.0)
Borrowing from revolving credit facility	5	**5.5**	—
		(6.7)	(10.0)
Increase (decrease) in cash and cash equivalents during the year		**(6.9)**	4.1
Cash and cash equivalents, beginning of year		**9.0**	4.9
Cash and cash equivalents, end of year		**$ 2.1**	$ 9.0

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 (All figures in Canadian dollars unless otherwise stated)

1. GENERAL

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

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

Acadian owns and manages approximately 765,000 acres of freehold timberlands in New Brunswick ("NB Timberlands"), approximately 310,000 acres of freehold timberlands in Maine ("Maine Timberlands") and provides management services relating to approximately 1.3 million acres of Crown licensed timberlands. Acadian also owns and operates a forest nursery in Second Falls, New Brunswick. Acadian's products include softwood and hardwood sawlogs, pulpwood and biomass by-products, sold to over 110 regional customers.

As part of the initial public offering of the Fund, affiliates of Brookfield Asset Management Inc. (collectively "Brookfield"), had a significant ownership interest in, and exercised significant influence over, Acadian. As at December 31, 2009, Brookfield owns 7,513,262 Class A units representing approximately 45% of the outstanding units of the Fund on a fully diluted basis.

On January 1, 2010, Acadian completed a plan of arrangement which allowed for the conversion of the Fund from an income trust to a corporation (Note 15). Subsequent to the conversion, Acadian will operate as Acadian Timber Corp.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
These consolidated financial statements present the results of operations and cash flows of Acadian for the year ended December 31, 2009 along with the comparative results for the year ended December 31, 2008. These consolidated financial statements include the accounts of Acadian and its subsidiaries, and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") as prescribed by the Canadian Institute of Chartered Accountants ("CICA").

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 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 equivalents were $0.6 million as at December 31, 2009 (2008 – $1.6 million), with a weighted average effective interest rate of 0.25% (2008 – 0.25%).

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. 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 twenty 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 is currently 20 years for buildings and 10 years for operating 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 licensees and sub-licensees 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 has a term equal to the term of the Crown Licenses, including any renewal terms, which is considered indeterminable as at December 31, 2009, and thus the carrying value of this contract is not being amortized. Management tests 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 represented preferred interests in the Maine Timberlands. The preferred interests were convertible into units at the option of the holder and were treated as a liability of the Maine Timberlands for accounting purposes.

The Class B interest liability had been classified as held-for-trading for accounting purposes, with the value of the liability measured at each reporting date to reflect the market price of the units and current exchange rates. Changes in value were recorded in the consolidated statement of operations.

On February 3, 2009, Brookfield converted all units representing the Class B liability of a subsidiary into Class A units of the Fund (Note 6).

Translation of Foreign Currencies

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

The accounts of the Fund's self-sustaining operations 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 are translated 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.

NB Timberlands enters into sales transactions denominated in U.S. dollars and the related revenues and accounts receivables are subject to exchange rate fluctuations. Additionally, our Maine Timberlands' Class B Interest Liability was a Canadian dollar liability for accounting purposes. As a result, the Fund's earnings may be adversely affected by exchange rate fluctuations.

Financial Instruments

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

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

Income Taxes

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 substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Under the terms of the Income Tax Act (Canada), the Fund, excluding its corporate subsidiaries, is not subject to income taxes to the extent that its taxable income in a year is paid or payable to a Unitholder. Accordingly, no provision is made for current income taxes for the Fund. As a result of the federal government's Bill C-52 Budget Implementation Act, 2007, which will apply income tax to income trusts and other specified investment flow-through ("SIFT") entities starting January 1, 2011. The Fund records future income tax assets or liabilities related to the estimated differences between the tax and accounting values of the Fund's assets and liabilities and its flow-through subsidiaries expected to be in place on January 1, 2011.

Deferred Financing Costs

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

3. CHANGES IN ACCOUNTING POLICIES

Goodwill and Intangible Assets

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

Future Accounting Policies

International Financial Reporting Standards

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

Acadian has completed the planning phase of the conversion. Existing Canadian GAAP and IFRS differences have been identified, staff have been trained, and business impacts have been determined to be minimal.

4. TIMBERLANDS, LOGGING ROADS AND FIXED ASSETS

As at December 31, 2009 (CAD millions)	**Book Value**	**Accumulated Depletion and Depreciation**	**Net Book Value**
Timberlands	**$ 192.6**	**$ (26.7)**	**$ 165.9**
Land	**10.5**	**—**	**10.5**
Logging roads and bridges	**14.9**	**(2.7)**	**12.2**
Buildings and equipment	**1.9**	**(0.5)**	**1.4**
	$ 219.9	**$ (29.9)**	**$ 190.0**

As at December 31, 2008 (CAD millions)	Book Value	Accumulated Depletion and Depreciation	Net Book Value
Timberlands	$ 204.0	$ (22.0)	$ 182.0
Land	10.9	—	10.9
Logging roads and bridges	15.5	(2.1)	13.4
Buildings and equipment	1.9	(0.4)	1.5
	$ 232.3	$ (24.5)	$ 207.8

5. DEBT

At December 31, long-term debt consisted of the following:

(CAD millions)	**2009**	2008
Bank term credit facility, repayable in February 2011	**$ 42.0**	$ 42.0
Revolving credit facility	**5.5**	—
Less: Deferred debt issuance costs	**(0.3)**	(0.1)
	47.2	41.9
Term loan facility, repayable in February 2011	**33.5**	38.9
	$ 80.7	$ 80.8

At December 31, 2009, Acadian has a term credit facility of up to $42.0 million and a revolving credit facility of up to $10.0 million. The term credit facility bears interest at floating rates which for the period ended December 31, 2009 was based on 30-day Bankers' Acceptances rates. As at December 31, 2009, the effective interest rate on the term credit facility is 4.65%. The revolving credit facility bears interest at 30-day Bankers' Acceptances rates and has customary extension features. During the fourth quarter of 2009, Acadian signed an agreement to extend the bank term credit facility and revolving credit facility for a period of 13 months. The bank term facility and the revolving credit facility continue to bear interest at floating rates based on the 30-day Bankers' Acceptances rate, plus the applicable margin, and will mature on February 27, 2011. As part of the terms of the extension, management was also successful in increasing the available commitment of the revolving credit facility from $5.0 million to $10.0 million. Floating interest rates give rise to interest rate risk as earnings and cash flows may be negatively impacted by fluctuations in interest rates. As at December 31, 2009, Acadian has borrowed $42 million under the term facility (2008 - $42.0 million) and $5.5 million under the revolving facility (2008 - $nil). As security for these facilities, Acadian has granted the lenders a security interest over the assets of the NB Timberlands. These facilities have certain restrictive covenants relating to debt incurrence and the sale of assets and require Acadian to maintain certain financial ratios (Note 10). As at December 31, 2009, 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 as at December 31, 2009. 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. The fair value of the secured term loan facility is estimated to be US$32.4 million (2008 – US$33.1 million) as compared to the carrying value of US$31.5 million. As security for this facility, Maine Timberlands has granted the lenders a security interest over its assets. The facility has certain restrictive covenants relating to debt incurrence and the sale of assets and requires Maine Timberlands to maintain certain financial ratios (Note 10). As at December 31, 2009, Maine Timberlands was in compliance with all covenants.

6. CLASS B INTEREST LIABILITY OF A SUBSIDIARY

The Class B Interest Liability represented 4,507,030 preferred interests in the Maine Timberlands which were converted into Units of the Fund on February 3, 2009 by an affiliate of Brookfield. The preferred interests were 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 were 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 year ended December 31, 2009, distributions on the Class B Interests were $0.07 per preferred interest (2008 – $0.83 per preferred interest).

The Class B Interest Liability was a Canadian dollar liability of the Maine Timberlands. As the currency of measurement of Maine Timberlands is the U.S. dollar, the liability was 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. As of the date of conversion, the revaluation of this interest resulted in a gain of $4.7 million, which is comprised of a $4.1 million mark-to-market gain plus an additional $0.6 million foreign exchange gain due to the weakening of the Canadian currency in the period. During the year ended December 31, 2008, the revaluation of this interest resulted in a $22.2 million gain which was comprised of a $15.0 million mark-to-market gain and a $7.2 million foreign exchange gain.

7. UNITHOLDERS' EQUITY

The components of unitholders' equity as at December 31, are as follows:

(CAD millions)	**2009**	2008
Units issued and outstanding – 16,571,453 units (2008 - 12,064,423 units)	**$ 139.1**	$ 111.6
Accumulated other comprehensive income (loss)	**(4.8)**	1.2
Deficit	**(23.0)**	(20.9)
Total	**$ 111.3**	$ 91.9

As a result of the conversion of the Class B Interest Liability of a subsidiary on February 3, 2009 (Note 6), Acadian has issued an additional 4,507,030 Class A units at a value of $27.5 million.

Accumulated Other Comprehensive Income (Loss)
Accumulated other comprehensive income (loss) reflects unrealized gains (losses) on the translation of the financial statements of the Maine Timberlands. Accumulated other comprehensive income (loss) as at December 31 is as follows:

Years Ended December 31 *(CAD millions)*	**2009**	2008
Balance, beginning of period	**$ 1.2**	$ (0.3)
Other comprehensive income (loss)	**(6.0)**	1.5
Balance, end of period	**$ (4.8)**	$ 1.2

As at December 31, 2009, the Fund had 16,571,453 units issued and outstanding.

Basic net income per unit is determined by dividing net income by the weighted average number of Units outstanding during the period. Diluted net income per unit for the year ended December 31, 2009, and the respective comparable period, was calculated as follows:

Reconciliation to net income:

Years Ended December 31 *(CAD millions)*	**2009**	2008
Net income	**$ 9.3**	$ 18.9
Add (deduct)		
Interest expense of Class B Interest Liability of a subsidiary	**0.3**	3.7
Gain on Class B Interest Liability of a subsidiary	**(4.7)**	(22.2)
Diluted net income available to unitholders	**$ 4.9**	$ 0.4

Reconciliation of the number of units:

(thousands)	**2009**	2008
Weighted average number of units		
Class A units	**16,151**	12,064
Basic weighted average number of units	**16,151**	12,064
Conversion of Class B Interest Liability of a Subsidiary	**420**	4,507
Diluted weighted average number of units	**16,571**	16,571

8. RELATED PARTY TRANSACTIONS

In the normal course of operations, the Fund enters into various transactions on market terms with related parties which have been measured at exchange value and recognized in the consolidated financial statements. The Fund has one significant related party, Brookfield. Acadian is also a related party of Fraser Papers Inc. ("Fraser Papers") as a result of their common significant shareholder, Brookfield.

All related party transactions are recorded at the exchange amount.

a. Acadian is party to fibre supply agreements whereby Acadian has agreed to provide fibre to Fraser Papers and Brookfield for periods of up to 20 years. In addition, Acadian has agreed to administer certain licenses on behalf of Fraser Papers. Total sales to Fraser Papers and Brookfield during the year ended December 31, 2009 totaled $17.7 million (2008 – $27.7 million) and $1.6 (2008 – $2.8 million), respectively, which represented 26% (2008 – 32%) of consolidated total sales. Included in accounts receivable as December 31, 2009 is $1.4 million (2008 – $1.2 million) related to these agreements. During the fourth quarter, Acadian entered into an agreement with Fraser Papers to collect overdue receivables, related to Fraser Papers' court-supervised restructuring.

b. Acadian is party to an agreement with Brookfield, whereby Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided during the year ended December 31, 2009 were $2.1 million (2008 – $2.0 million). All fees have been fully paid in accordance with the services agreement.

c. Payments on the Class B Interest Liability of a subsidiary to Brookfield during the year ended December 31, 2009 totalled $0.6 million (2008 – $3.7 million). All units representing the Class B Liability of a subsidiary were converted by an affiliate of Brookfield on February 3, 2009. No amounts have been included in accounts payable and accrued liabilities as at December 31, 2009 (2008 – $0.3 million).

d. 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 $16 thousand in the year ended December 31, 2009 (2008 – $16 thousand).

e. During the year ended December 31, 2009 Acadian completed the sale of ten acres to Brookfield for proceeds of $0.5 million, and recognized a gain of $0.5 million (2008 - $nil). Additionally, in the same period Acadian purchased 89 acres of timberlands from Brookfield at a cost of $0.4 million (2008 - $nil).

9. SEGMENTED INFORMATION

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

For the Year Ended December 31, 2009 (CAD millions)	**Total**	**NB Timberlands**	**Maine Timberlands**	**Corporate and Other**
Net sales				
Softwood	**$ 30.6**	**$ 18.9**	**$ 11.7**	**$ —**
Hardwood	**24.3**	**22.1**	**2.2**	**—**
Biomass and other	**8.5**	**7.8**	**0.7**	**—**
Total net sales	**63.4**	**48.8**	**14.6**	**—**
Operating costs	**(51.9)**	**(38.0)**	**(11.0)**	**(2.9)**
Earnings (loss) before under noted	**11.5**	**10.8**	**3.6**	**(2.9)**
Depletion and depreciation	**(7.1)**	**(4.4)**	**(2.7)**	**—**
Operating earnings (loss)	**4.4**	**6.4**	**0.9**	**(2.9)**
Gain on sale of timberlands	**0.6**	**—**	**0.6**	**—**
Earnings (loss) before under noted items	**$ 5.0**	**$ 6.4**	**$ 1.5**	**$ (2.9)**
Gain on Class B Interest Liability of a subsidiary	**4.7**			
Interest expense, net	**(3.4)**			
Future income tax recovery	**3.0**			
Net Income	**$ 9.3**			
Additions to timberlands, logging roads, bridges and fixed assets	**$ 0.8**	**$ 0.5**	**$ 0.3**	**$ —**
Silviculture expenditures	**0.1**	**—**	**0.1**	**—**
Timberlands, logging roads, fixed assets and intangible assets	**196.1**	**125.8**	**70.3**	**—**
Total assets	**210.2**	**133.6**	**72.1**	**4.5**

For the Year Ended December 31, 2008 (CAD millions)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 30.7	$ 17.0	$ 13.7	$ —
Hardwood	27.4	23.8	3.6	—
Biomass and other	9.8	9.2	0.6	—
Total net sales	67.9	50.0	17.9	—
Operating costs	(51.2)	(38.6)	(12.0)	(0.6)
Earnings (loss) before under noted	16.7	11.4	5.9	(0.6)
Depletion and depreciation	(7.4)	(4.2)	(3.2)	—
Operating earnings (loss)	9.3	7.2	2.7	(0.6)
Gain on sale of timberlands	0.7	0.1	0.6	—
Earnings (loss) before under noted items	$ 10.0	$ 7.3	$ 3.3	$ (0.6)
Gain on Class B Interest Liability of a subsidiary	22.2			
Interest expense, net	(7.1)			
Future income tax expense	(6.2)			
Net income	$ 18.9			
Additions to logging roads and fixed assets	$ 0.5	$ 0.4	$ 0.1	$ —
Silviculture expenditures	0.3	0.3	—	—
Timberlands, logging roads, fixed assets and intangible assets	213.9	129.7	84.2	—
Total assets	229.0	138.1	87.0	3.9

During the year ended December 31, 2009, approximately 24% of total consolidated sales were originated with customers domiciled in the U.S. with the balance in Canada (2008 – 28% of total consolidated sales). During the same period approximately 25% of total sales were denominated in U.S. dollars (2008 – 26% of total sales).

Acadian outsources much of its harvesting, transportation and other services which comprise the majority of the Fund's cost of sales. For the year ended December 31, 2009, Acadian's top three suppliers accounted for approximately 19%, 11% and 10%, respectively, of the Fund's cost of sales (2008 – 20%, 15% and 11%, respectively).

Acadian sells its products to many forest product companies in North America. For the year ended December 31, 2009, related parties (Note 8) and the next largest customer accounted for 26% and 7% of total sales, respectively (2008 – 32% and 11%, respectively). The Fund is exposed to credit risk in the event of non-performance by its counterparties, which includes the non-collection of accounts receivables. The Fund's subsidiaries perform on-going credit evaluations of their customers' financial positions and do not anticipate non-performance by their counterparties. Accounts receivable from the top three customers as at December 31, 2009 amounted to approximately 33% of accounts receivable (2008 – 57%).

10. CAPITAL DISCLOSURES

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

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

Acadian monitors its capital structure to ensure compliance with its financial covenants with debtholders. These financial covenants include a funded debt to capitalization ratio (book value of equity of the NB Timberlands) and an interest coverage ratio in respect to the bank term credit facility and a debt service coverage ratio in respect to the term loan credit facility. As part of the extension of the bank term credit and revolving credit facilities signed in the prior year, the funded debt to capitalization ratio has replaced the previous funded debt to last twelve months earnings before interest, taxes, depletion, depreciation and amortization ("LTM EBITDA") covenant requirement. These covenants remain consistent in the extension signed in the current year.

The financial covenants contained in the bank term credit facility are as follows:

For the Year Ended December 31 *(CAD millions, except coverage ratios)*	**2009**	2008
Funded debt	**$ 42.0**	$ 42.0
Capitalization	**126.4**	131.4
Funded debt / Capitalization (maximum 42.5%)	**33.2%**	32.0%
LTM EBITDA	**$ 10.8**	$ 11.5
LTM Interest for period	**1.4**	2.0
Interest coverage (minimum 3.0)	**7.7**	5.8

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

For the Year Ended December 31 *(USD millions, except coverage ratios)*	**2009**	2008
LTM EBITDA	**$ 3.6**	$ 6.0
Capital expenditure	**(0.3)**	(0.1)
Cash flow	**3.3**	5.9
LTM Interest	**$ 1.5**	$ 1.5
Debt service coverage ratio (minimum 1.25)	**2.2**	3.9

11. FINANCIAL INSTRUMENTS

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

Financial Risk Management

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

Foreign Exchange Risk

Acadian owns and manages timberlands in both Canada and the United States; as a result, revenues and expenses are incurred in both Canadian and U.S. dollars. The functional currency of Maine Timberlands is the U.S. dollar and the functional currency of the NB Timberlands is the Canadian dollar. Acadian's reporting currency is the Canadian dollar. Acadian's most significant foreign currency risk exposure arises due to its investment in the Maine Timberlands. Accordingly, the impact of a strengthening (deteriorating) Canadian dollar will reduce (increase) the net income (loss) of Acadian, and will also result in an other comprehensive (gain) loss on the revaluation of the Maine Timberlands' assets, including non-financial assets and liabilities in a given period. During the year ended December 31, 2009, a $0.01 appreciation (depreciation) in the period end U.S. to Canadian dollar foreign exchange rates, all else being equal, would have increased (decreased) net income by approximately $0.4 million, and would not have significantly impacted cash flow from operations or other comprehensive income. The foreign exchange risk arising on the translation of the Maine Timberlands' financial statements is considered to be a financial reporting risk that does not represent a significant operating risk.

The objective of Acadian's foreign exchange risk management activities is to minimize foreign exchange exposures that would have an impact on its operating performance. All of the NB Timberlands expenses and a significant proportion of its revenues are incurred in Canadian dollars. As such, the financial reporting and operational risk associated with the revaluation of NB

Timberlands revenues and accounts receivables denominated in U.S. dollars is considered immaterial. Management continues to monitor the operational impact of all foreign exchange exposure, and will consider alternatives, as required, to ensure that this risk is maintained at prudent levels.

Interest Rate Risk

Acadian's interest rate risk arises from the floating interest rate bank term credit facility (Note 5). A change in Bankers' Acceptances rates will result in variability in the interest expense of Acadian, impacting its consolidated net income. As at December 31, 2009, a 25 bps increase (decrease) in Bankers' Acceptances rates, all else being equal, would have resulted in an increase (decrease) of the interest expense recorded in the year of $0.1 million per annum.

Additionally, a change in interest rates will also expose Acadian to variability in the fair value of the Maine Timberlands' term loan facility, but would have no impact on the reporting value of the debt facility (Note 5). As at December 31, 2009, a 25 bps increase (decrease) in U.S. treasury rates, all else being equal, would have resulted in a decrease (increase) in the fair value of the term loan facility by approximately $0.1 million.

Other Price Risk

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

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

Credit Risk

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

The objective of managing counterparty credit risk is to prevent losses in financial assets. Cash and cash equivalents are invested with counterparties meeting minimum credit quality requirements in accordance with the terms of Acadian's declaration of trust. With respect to outstanding accounts receivable, NB Timberlands and Maine Timberlands each assess the credit quality of the counterparties, including customers, taking into account their financial position, past experience and other factors. In cases where the credit quality of a client does not meet Acadian's credit requirements, a cash deposit is received before any timber is harvested and sold. Management, upon evaluating all open balances as at December 31, 2009, does not anticipate any defaults by its counterparties, and accordingly has not recorded an allowance against outstanding receivables. Pursuant to their respective terms, all outstanding accounts receivable are current with the exception of approximately $0.9 million.

Liquidity Risk

Acadian's objective in managing liquidity risk is to maintain sufficient reserves in order to meet operational and investing requirements at any point in time, and to maintain debt financing at levels which will allow Acadian to attract additional capital at reasonable cost. The bank term credit facility, which has security over the assets of the NB Timberlands, bears interest based on the 30-day Bankers' Acceptances rate. Prevailing interest rates or other factors at the time of the interest rate re-set or refinancing of this facility could increase the interest expense of Acadian in future years.

Additionally, management assesses the nature and timing of discretionary payments in an effort to mitigate any impact on the financial condition or results of operations of Acadian. As at December 31, 2009, the accounts payable and accrued liabilities and distributions payable of Acadian are due in less than 30 days.

12. INCOME TAXES

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

Under the terms of the Income Tax Act (Canada), Acadian, excluding its Canadian and U.S. 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 Canadian subsidiaries, in accordance with the recommendations of Section 3465, Income Taxes, of the CICA Handbook, the Fund, on a consolidated basis, has recorded a future tax liability based on differences between the financial reporting and tax bases of assets and liabilities of its subsidiaries which have been measured using the substantially enacted tax rates and laws that are expected to be in effect in the 2011 taxation year.

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

(CAD millions)	**2009**	2008
Current	**$ —**	$ —
Future	**(3.0)**	6.2
Income tax (recovery) expense	**$ (3.0)**	$ 6.2

(CAD millions)	**2009**	2008
Income before income taxes	**$ 6.3**	$ 25.1
Tax (recovery) expense at statutory rate	**$ 1.7**	$ 7.4
Income of fund distributed	**(3.0)**	(1.2)
Class B income (loss) allocations	**—**	(1.3)
Rate Differential	**(0.9)**	1.7
Income Trust future tax	**—**	(0.2)
Permanent differences	**(1.2)**	—
Other income not taxed	**2.7**	—
Income rate reduction	**(1.9)**	—
Other	**(0.4)**	(0.2)
Future income tax (recovery) expense	**$ (3.0)**	$ 6.2

The future tax liability represents the cumulative amount of tax payable on the differences between the financial reporting and tax bases of the assets and liabilities of the Fund and its corporate subsidiaries 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.

13. EMPLOYEE BENEFIT PLANS

NB Timberlands and Maine Timberlands each have defined contribution plans covering substantially all employees. During the year, contributions recorded as expenses amounted to $0.3 million (2008 – $0.3 million).

14. DISTRIBUTIONS TO UNITHOLDERS

Acadian makes 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 declared for the year ended December 31, 2009 were $11.4 million (2008 – $10.0 million).

15. SUBSEQUENT EVENT

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

Pursuant to the Plan of Arrangement, CellFor transferred all of its assets (other than the Retained Assets) to a new subsidiary ("New Cellfor") and all of Cellfor's liabilities (other than the liability relating to the CellFor loan) were repaid, settled or assumed by New Cellfor. All of the securities of New Cellfor were distributed to the CellFor security holders. New CellFor has agreed to indemnify New Acadian for losses or damages that may have resulted from the activities of CellFor prior to the conversion.

Total consideration paid to CellFor was $5.0 million comprised of 159,763 shares of New Acadian and the assumption of the loan payable to Acadian for $4.0 million. Coincident with the completion of the Plan of Arrangement, the CellFor Loan and the loan payable to Acadian for $4.0 million were settled in full. Subsequent to completion of the arrangement on January 1, 2010, the Corporation had 16,731,216 shares issued and outstanding, of which 7,513,262 or 45% were owned by Brookfield.

New Acadian's dividend policy will be similar to the distribution policy of the Fund prior to the conversion.

CORPORATE GOVERNANCE

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

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

BOARD AND MANAGEMENT

MANAGEMENT

Acadian Timber's Manager:
Brookfield Timberlands
Management LP

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

Brian Banfill
Chief Financial Officer
of Acadian

Marcia McKeague
Vice President,
Maine Woodland Operations

Luc Ouellet
Vice President,
NB Woodland Operations

CORPORATE AND UNITHOLDER INFORMATION

HEAD OFFICE OF THE MANAGER

Brookfield Timberlands Management LP
(wholly-owned subsidiary of Brookfield Asset Management Inc.)
Suite 458, Bentall 5, 550 Burrard Street, Box 51
Vancouver, B.C. V6C 2B5
Please direct your inquiries to:
Robert Lee
Investor Relations and Communications
t. 604.661.9607 f. 604.562.6674
e. rlee@acadiantimber.com

TRUSTEE, TRANSFER AGENT AND REGISTRAR

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

UNIT INFORMATION

Toronto Stock Exchange: ADN.UN (ADN post corporate conversion)
Fully Diluted Units Outstanding (December 31, 2009): 16,571,453
Targeted 2010 Quarterly Distribution: $0.05 per unit
Record Date: Last business day of each quarter
Payment Date: On or about the 15th day of each subsequent month

ANNUAL MEETING

The Fund's 2009 Annual Meeting of shareholders will be held at the Hockey Hall of Fame, The Esso Theatre, Brookfield Place, 30 Yonge Street, Toronto, Ontario, at 10:30 a.m. on April 29, 2010.

www.acadiantimber.com

This Annual Report contains forward-looking information and other forward-looking statements within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this Annual Report, such statements may contain such words as "may," "will," "intend," "should," "expect," "believe," "outlook," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the negative of these terms or other similar terminology. Forward-looking information in this Annual Report includes, without limitation, statements made in sections entitled "Market Overview," "Distributable Cash From Operations," "Coversion From An Income Trust," "Capital Resources" and "Outlook," and other statements regarding management's beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, access to capital, liquidity and trading volumes, dividends, taxes, capital expenditures, projected costs and anticipated benefits of the conversion from an income trust to a corporation, and similar statements concerning anticipated future events, results, achievements, circumstances, performance or expectations that are not historical facts. These statements reflect management's current expectations regarding future events and operating performance, are based on information currently available to management and speak only as of the date of this Annual Report. All forward-looking statements in this Annual Report are qualified by these cautionary statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon, and will not necessarily be accurate indications of whether or not such results will be achieved. Factors that could cause actual results to differ materially from the results discussed in the forward-looking statements include, but are not limited to: general economic and market conditions; product demand; concentration of customers; commodity pricing; interest rate and foreign currency fluctuations; seasonality; weather and natural conditions; regulatory, trade or environmental policy changes; changes in Canadian income tax law; economic situation of key customers; failure to realize the anticipated benefits of the conversion from an income trust to a corporation; the risks associated with the availability and amount of the tax basis in connection with the conversion from an income trust to a corporation and other risks and factors discussed under the heading "Risk Factors" in each of the Annual Information Form dated March 27, 2009 and the Management Information Circular dated November 23, 2009 of Acadian Timber Income Fund (the "Fund"), the reporting issuer predecessor to Acadian and other filings of the Fund and Acadian with securities regulatory authorities available on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: anticipated financial performance; business prospects; strategies; regulatory developments; exchange rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services and the ability to obtain financing on acceptable terms, which are subject to change based on commodity prices, market conditions for timber and wood products, the economic situation of key customers, and the utilization of the tax basis resulting from the conversion from an income trust to a conversion Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this Annual Report are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward looking statements. Certain statements in this Annual Report may also be considered "financial outlook" for the purposes of applicable Canadian securities laws, and such financial outlook may not be appropriate for purposes other than this Annual Report. The forward-looking statements contained in this Annual Report are made as of the date of this Annual Report, and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this Annual Report. Acadian Timber Corp. assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as required by applicable law.

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