

CANFOR PULP INCOME FUND
CANFOR PULP LIMITED PARTNERSHIP
Unaudited Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2010

Canfor Pulp Income Fund
Consolidated Statements of Income, Comprehensive Income and Accumulated Earnings and Distributions

(thousands of dollars, except unit and per unit amounts, unaudited)	Three months ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Income				
Equity income (loss) in Canfor Pulp Limited Partnership	\$ 27,124	\$ 9,098	\$ 64,776	\$ (918)
Net income (loss) before future income tax recovery	27,124	9,098	64,776	(918)
Future income tax (recovery) (note 6)	(777)	601	(1,780)	(3,081)
Net income	27,901	8,497	66,556	2,163
Distributions declared (note 4)	(24,491)	(1,065)	(54,305)	(4,260)
Earnings in excess of distributions – surplus (deficit)	\$ 3,410	\$ 7,432	\$ 12,251	\$ (2,097)
Net income per unit, basic and diluted	\$ 0.79	\$ 0.24	\$ 1.88	\$ 0.06
Weighted average number of units	35,493,505	35,493,505	35,493,505	35,493,505
Net income for the period	\$ 27,901	\$ 8,497	\$ 66,556	\$ 2,163
Equity interest in other comprehensive income (loss) of Canfor Pulp Limited Partnership	8	14	32	(15)
Comprehensive income	\$ 27,909	\$ 8,511	\$ 66,588	\$ 2,148
Accumulated Earnings and Distributions				
Balance, beginning of period – distributions in excess of earnings	\$ (64,185)	\$ (82,392)	\$ (73,026)	\$ (72,863)
Earnings in excess of distributions – surplus (deficit), current period	3,410	7,432	12,251	(2,097)
Balance, end of period – Accumulated distributions in excess of earnings	\$ (60,775)	\$ (74,960)	\$ (60,775)	\$ (74,960)

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

Canfor Pulp Income Fund
Consolidated Statements of Cash Flows

(thousands of dollars, unaudited)	Three months ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Cash generated from (used in)				
Operating activities				
Net income	\$ 27,901	\$ 8,497	\$ 66,556	\$ 2,163
Items not affecting cash:				
Equity (income) loss in Canfor Pulp Limited Partnership	(27,124)	(9,098)	(64,776)	918
Future income tax recovery	(777)	601	(1,780)	(3,081)
Distributions received from Canfor Pulp Limited Partnership	22,716	1,065	48,271	5,324
	22,716	1,065	48,271	5,324
Financing activities				
Distributions paid to unitholders	\$ (22,716)	\$ (1,065)	\$ (48,271)	\$ (5,324)
Beginning, change and ending balance in cash and cash equivalents	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

**Canfor Pulp Income Fund
Consolidated Balance Sheets**

(thousands of dollars, unaudited)	As at September 30, 2010	As at December 31, 2009
ASSETS		
Current assets		
Distributions receivable from Canfor Pulp Limited Partnership (notes 4,5)	\$ 8,873	\$ 2,839
Total current assets	8,873	2,839
Equity investment in Canfor Pulp Limited Partnership (note 3)	274,147	263,644
	\$ 283,020	\$ 266,483
LIABILITIES		
Current liabilities		
Distributions payable (note 4)	\$ 8,873	\$ 2,839
Total current liabilities	8,873	2,839
Future income taxes (note 6)	35,507	37,287
	\$ 44,380	\$ 40,126
UNITHOLDERS' EQUITY		
Unitholders' equity – 35,493,505 Fund units outstanding	\$ 299,351	\$ 299,351
Accumulated earnings and distributions	(60,775)	(73,026)
Accumulated other comprehensive income (note 7)	64	32
Total Unitholders' Equity	238,640	226,357
	\$ 283,020	\$ 266,483

Description of the Fund and basis of presentation of financial statements (note 1).

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

Approved by the Trustees

"Stan Bracken-Horrocks"

Stan Bracken-Horrocks

"Charles Jago"

Charles Jago

Canfor Pulp Income Fund

Notes to the Unaudited Interim Consolidated Financial Statements as at September 30, 2010

1. Description of the Fund and Basis of Presentation of Financial Statements

Canfor Pulp Income Fund (the Fund) is an unincorporated open-ended trust established under the laws of Ontario on April 21, 2006, pursuant to the Fund Declaration. The principal head office of the Fund is located at 1700 West 75th Avenue, Vancouver, BC, Canada. The Fund has been established to acquire and hold, through a wholly owned trust, the Canfor Pulp Trust (the Trust), investments in the Limited Partnership Units of the Canfor Pulp Limited Partnership (the Partnership), and such other investments as the Trustees of the Fund may determine. The general partner of the Partnership is Canfor Pulp Holding Inc. (the General Partner) and each partner holds an ownership interest in the General Partner equal to its Partnership interest.

Each unitholder participates pro-rata in any distributions from the Fund.

The Fund is entirely dependent on distributions from the Partnership to make its own distributions.

The Fund expects to convert to a taxable Canadian corporation on or about January 1, 2011, pursuant to a plan of arrangement approved at the annual general meeting on April 27, 2010.

2. Significant Accounting Policies

These unaudited interim consolidated financial statements do not include all of the disclosures required by Canadian generally accepted accounting principles for annual financial statements and, accordingly, should be read in conjunction with the audited consolidated financial statements and notes included in the Fund's 2009 Annual Report available at www.canforpulp.com or www.sedar.com. These unaudited interim consolidated financial statements follow the same accounting policies and methods of computation as used in the 2009 audited consolidated financial statements.

3. Equity Investment in Canfor Pulp Limited Partnership

The Fund's equity investment in the Partnership is as follows:

(thousands of dollars, unaudited)	Nine months ended September 30, 2010	Year ended December 31, 2009
Balance, beginning of period	263,644	266,274
Equity interest in income of the Partnership	64,776	6,644
Equity interest in other comprehensive income (loss) of the Partnership	32	(45)
Distributions from the Partnership	(54,305)	(9,229)
Balance, end of period	274,147	263,644

4. Distributions

The Fund declared distributions during the first nine months of 2010 as follows:

(thousands of dollars, except per unit amounts, unaudited)

Record Date	Payable Date	Amount per Fund Unit \$	Amount \$
January 29, 2010	February 15, 2010	0.08	2,839
February 26, 2010	March 15, 2010	0.12	4,259
March 31, 2010	April 15, 2010	0.12	4,259
April 30, 2010	May 14, 2010	0.12	4,259
May 31, 2010	June 15, 2010	0.20	7,099
June 30, 2010	July 15, 2010	0.20	7,099
July 30, 2010	August 13, 2010	0.22	7,809
August 31, 2010	September 15, 2010	0.22	7,809
September 30, 2010	October 15, 2010	0.25	8,873
		1.53	54,305

The Fund's monthly distributions are based on the Partnership's monthly distributions.

Monthly cash distributions from the Partnership are based on the Partnership's cash flow and are not directly equal to the Fund's pro-rata share of the Partnership's income under the equity method.

5. Related Party Transactions

All accounting, treasury, legal and administrative functions for the Fund are performed on its behalf, without charge, by the Partnership pursuant to a support agreement. Distributions earned from the Partnership for the three months ended September 30, 2010 were \$24.5 million of which \$15.6 million was received, with the balance of \$8.9 million receivable on September 30, 2010.

6. Future Income Taxes

The following table reconciles the income tax expense calculated using statutory tax rates to the actual income tax expense.

(thousands of dollars, unaudited)

	Nine months ended September 30, 2010	Year ended December 31, 2009
Expected income tax expense at statutory tax rate of nil (2009 – nil)	-	-
Future income tax recovery on temporary differences	(1,780)	(2,422)
	(1,780)	(2,422)

The temporary differences based on the Fund's 49.8% ownership of the Partnership are as follows:

(thousands of dollars, unaudited)

	September 30, 2010	December 31, 2009
Future income tax liability:		
Equity investment in the Partnership	41,343	42,347
Expected reversal of temporary differences prior to January 1, 2011	(5,836)	(5,060)
	35,507	37,287

The future income tax liability is based on a current estimate of the balance at the beginning of 2011. The balance relates to the Fund's 49.8% ownership in the Partnership and is based on temporary differences between the accounting and tax basis of the Partnership's assets and liabilities expected to reverse after January 1, 2011.

7. Accumulated Other Comprehensive Income

(thousands of dollars, unaudited)	Nine months ended September 30, 2010	Year ended December 31, 2009
Balance, beginning of period	32	77
Other comprehensive income (loss)	32	(45)
Balance, end of period	64	32

8. Financial Instruments

The Fund's financial instruments consist of distributions receivable from the Partnership and distributions payable to unitholders. Distributions receivable are classified as loans and receivables, and are measured at amortized cost. Distributions payable are classified as other liabilities and are measured at amortized cost. The carrying values of these financial instruments approximate their fair values due to the relatively short period to maturity of these instruments.

The Fund is exposed to certain risks related to the nature of its investment in the Partnership and the structure of the Fund, as well as the underlying risks related to the business of the Partnership. The Fund relies on the objectives, policies and processes of the Partnership for managing these risks.

9. Segmented Information

The Fund operates in one industry segment, namely investing in pulp and paper producing assets in one geographic region, Canada.

Canfor Pulp Limited Partnership
Consolidated Statements of Income (Loss), Comprehensive Income (Loss) and Partners' Equity

(millions of dollars, except units and per unit amounts, unaudited)	Three months ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Revenue				
Sales	\$ 247.9	\$ 202.0	\$ 735.0	\$ 593.3
Business interruption insurance	-	-	-	3.2
	247.9	202.0	735.0	596.5
Costs and expenses				
Manufacturing and product costs	147.9	140.3	452.6	452.4
Freight and other distribution costs	29.5	30.6	90.4	91.5
Amortization	11.9	12.6	35.5	36.8
Selling and administration costs	6.6	6.1	20.4	18.2
	195.9	189.6	598.9	598.9
Operating income (loss)	52.0	12.4	136.1	(2.4)
Interest expense, net	(2.0)	(2.8)	(5.9)	(7.9)
Foreign exchange gain on long-term debt	3.4	9.9	1.8	16.7
Gain (loss) on derivative financial instruments (note 11)	2.6	3.4	(0.8)	(2.0)
Foreign exchange loss on working capital	(1.5)	(4.6)	(1.2)	(6.2)
Other income	-	-	0.1	-
	2.5	5.9	(6.0)	0.6
Net income (loss)	54.5	18.3	130.1	(1.8)
Other comprehensive income (loss)				
Adjustment for derivatives (note 14)	-	-	0.1	(0.1)
Comprehensive income (loss)	\$ 54.5	\$ 18.3	\$ 130.2	\$ (1.9)
Net income (loss) per Partnership unit (note 10)				
Basic and diluted	\$ 0.76	\$ 0.26	\$ 1.82	\$ (0.02)
Weighted average Partnership units outstanding	71,270,025	71,270,025	71,270,025	71,270,025
Partners' Equity				
Balance, beginning of period	\$ 544.9	\$ 507.8	\$ 529.1	\$ 534.4
Net income (loss)	54.5	18.3	130.1	(1.8)
Distributions declared to partners (note 13)	(49.2)	(2.2)	(109.1)	(8.6)
Other comprehensive income (loss) (note 14)	-	-	0.1	(0.1)
Balance, end of period	\$ 550.2	\$ 523.9	\$ 550.2	\$ 523.9

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

Canfor Pulp Limited Partnership
Consolidated Statements of Cash Flows

	Three months ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
(millions of dollars, unaudited)				
Cash and cash equivalents generated from (used in)				
Operating activities				
Net income (loss)	\$ 54.5	\$ 18.3	\$ 130.1	\$ (1.8)
Items not affecting cash:				
Amortization	11.9	12.6	35.5	36.8
Foreign exchange gain on long-term debt	(3.4)	(9.9)	(1.8)	(16.7)
Reduction (increase) in value of outstanding derivative instruments (note 11)	(4.1)	(4.0)	0.4	(1.2)
Employee future benefits	1.9	1.5	5.8	3.7
Change in long-term maintenance provision	1.1	0.8	7.6	2.3
Other	(0.4)	0.5	(0.3)	0.3
Salary pension plan contribution	(0.7)	(0.5)	(1.9)	(1.9)
Long-term maintenance expenditure	-	(0.8)	(5.8)	(3.4)
Cash flow from operations before working capital changes	60.8	18.5	169.6	18.1
Changes in non-cash working capital (note 12)	(15.1)	30.6	(39.3)	75.6
	45.7	49.1	130.3	93.7
Financing activities				
Distributions paid to partners	(45.6)	(2.2)	(96.9)	(10.7)
Operating loan repayment (note 7)	-	(15.1)	-	(25.2)
	(45.6)	(17.3)	(96.9)	(35.9)
Investing activities				
Property, plant and equipment, net (note 12)	(14.0)	(6.2)	(20.5)	(14.4)
Green Transformation Program reimbursements	1.1	-	1.1	-
Net insurance proceeds	-	-	-	0.1
	(12.9)	(6.2)	(19.4)	(14.3)
Increase (decrease) in cash and cash equivalents	(12.8)	25.6	14.0	43.5
Cash and cash equivalents, beginning of period	40.3	18.3	13.5	0.4
Cash and cash equivalents, end of period	\$ 27.5	\$ 43.9	\$ 27.5	\$ 43.9

Supplementary cash flow information (note 12).

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

**Canfor Pulp Limited Partnership
Consolidated Balance Sheets**

(millions of dollars, unaudited)	As at September 30, 2010	As at December 31, 2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 27.5	\$ 13.5
Accounts receivable (note 9)		
Trade	122.2	110.5
Other	15.4	8.6
Green Transformation Program (note 15)	20.6	-
Inventories (note 3)	143.2	135.4
Prepaid expenses and other assets	31.7	18.4
Total current assets	360.6	286.4
Property, plant and equipment (note 4)	507.9	534.1
Other long-term assets (note 5)	14.4	17.1
	\$ 882.9	\$ 837.6
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	\$ 146.3	\$ 134.5
Distributions payable (note 13)	17.8	5.7
Total current liabilities	164.1	140.2
Long-term debt (note 7)	113.3	115.1
Long-term liabilities (note 8)	55.3	53.2
	\$ 332.7	\$ 308.5
PARTNERS' EQUITY – 14,254,005 Class A Limited Partnership Units and 57,016,020 Class B Limited Partnership Units	550.2	529.1
	\$ 882.9	\$ 837.6

Description of the Partnership and basis of presentation of financial statements (note 1).

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

Approved on behalf of Canfor Pulp Limited Partnership by its
General Partner, Canfor Pulp Holding Inc.,

"Stan Bracken-Horrocks"

Stan Bracken-Horrocks
Director

"Joe Nemeth"

Joe Nemeth
Director

Canfor Pulp Limited Partnership

Notes to the Unaudited Interim Consolidated Financial Statements as at September 30, 2010

1. Business Description and Basis of Presentation of Financial Statements

Canfor Pulp Limited Partnership (the Partnership) is a limited partnership formed on April 21, 2006, under the laws of Manitoba, to acquire and carry on the NBSK pulp and paper business of Canadian Forest Products Ltd. a subsidiary of Canfor Corporation (collectively Canfor). The business consists of two NBSK pulp mills and one NBSK pulp and paper mill located in Prince George, British Columbia and a marketing group based in Vancouver, British Columbia (the Pulp Business).

At September 30, 2010, Canfor owned 50.2% and Canfor Pulp Income Fund (the Fund) indirectly owned 49.8% of the issued and outstanding units of the Partnership.

The general partner of the Partnership is Canfor Pulp Holding Inc. (the General Partner), which holds an interest of 0.001% of the Partnership.

These unaudited interim consolidated financial statements are those of the Partnership and do not include the assets, liabilities, revenues and expenses of its partners. The Partnership, other than its incorporated subsidiaries, is not subject to income taxes as its income is allocated for tax purposes to its partners. Accordingly, no recognition has been made for income taxes related to Partnership income in these financial statements. The tax attributes of the Partnership's net assets flow directly to the partners.

Certain comparative figures have been reclassified to conform to current year presentation.

Economic Dependence

The Partnership depends on Canfor to provide approximately 57% (2009 Year – 63%) of its fibre supply as well as to provide certain key business and administrative services as described in the Fund's 2009 Annual Report available at www.canforpulp.com or www.sedar.com. As a result of these relationships the Partnership considers its operations to be dependent on its ongoing relationship with Canfor.

2. Significant Accounting Policies

These unaudited interim consolidated financial statements do not include all of the note disclosures required by Canadian generally accepted accounting principles for annual financial statements. The Partnership's accounting policies are as disclosed in the annual consolidated financial statements of the Partnership included in the Fund's 2009 Annual Report available at www.canforpulp.com or www.sedar.com. These unaudited interim consolidated financial statements follow the same accounting policies and methods of computation as used in the 2009 audited consolidated financial statements.

3. Inventories

(millions of dollars, unaudited)	September 30, 2010	December 31, 2009
Pulp	60.4	55.2
Paper	13.7	15.9
Wood chips	25.1	21.5
Processing materials and supplies	44.0	42.8
	143.2	135.4

4. Property, Plant and Equipment

(millions of dollars, unaudited)	September 30, 2010		
	Cost	Accumulated amortization	Net
Land and improvements	5.4	-	5.4
Asset retirement - Landfill	2.3	0.8	1.5
Buildings, machinery and equipment	1,350.7	855.3	495.4
Construction in progress	5.6	-	5.6
	1,364.0	856.1	507.9

(millions of dollars, unaudited)	December 31, 2009		
	Cost	Accumulated amortization	Net
Land and improvements	5.4	-	5.4
Asset retirement - Landfill	2.3	0.8	1.5
Buildings, machinery and equipment	1,344.1	820.1	524.0
Construction in progress	3.2	-	3.2
	1,355.0	820.9	534.1

5. Other Long-term Assets

(millions of dollars, unaudited)	September 30, 2010	December 31, 2009
Pension benefit plan	10.4	11.3
Maintenance shutdown costs	3.6	5.4
Other	0.4	0.4
	14.4	17.1

6. Employee Future Benefits

The Partnership, in participation with Canfor, has funded and unfunded defined benefit plans, as well as a defined contribution plan, that provide pension, other retirement and post-employment benefits to substantially all salaried employees and for its hourly employees covered under collective agreements. The defined benefit plans are based on years of service and final average salary. The post-employment benefit plans are non-contributory and include a range of health care and other benefits.

Total employee future benefit expenses were as follows:

(millions of dollars, unaudited)	Three months ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Pension plans	1.5	1.2	4.5	3.7
Other employee future benefit plans	1.1	0.9	3.3	2.6
Contributions to forest industry union plans	1.8	1.7	5.1	5.0
	4.4	3.8	12.9	11.3

7. Credit Facilities and Long-term Debt

At September 30, 2010 the Partnership had outstanding long-term debt of \$113.3 million (December 31, 2009 – \$115.1 million, US\$110.0 million) in the form of unsecured US dollar private placement notes (the Notes). The Notes bear interest at 6.41% and are repayable in full on their maturity date of November 30, 2013.

The Partnership has a \$40.0 million bank credit facility with a maturity date of November 30, 2011, of which \$0.5 million was utilized at September 30, 2010 for a standby letter of credit issued for general business purposes. In addition, the Partnership has a separate facility with a maturity date of November 30, 2011, to cover the \$16.0 million standby letter of credit issued to BC Hydro under the Electricity Purchase Agreement. Interest and other costs of the bank credit facility are at prevailing market rates.

The Notes and bank credit agreements each contain similar financial covenants including a maximum allowable debt:EBITDA leverage ratio and minimum required EBITDA:interest coverage ratio. The Partnership remained in compliance with all covenants at September 30, 2010 and throughout the period.

The fair value of long-term debt at September 30, 2010 was \$124.6 million (US\$121.0 million).

8. Long-term Liabilities

(millions of dollars, unaudited)	September 30, 2010	December 31, 2009
Accrued pension obligations	6.5	5.8
Post-employment benefits	45.5	43.2
Derivative financial instruments (note 11)	0.2	1.2
Asset retirement obligations	3.1	3.0
	55.3	53.2

9. Related Party Transactions

The Partnership's transactions with related parties are consistent with the transactions described in the December 31, 2009 audited consolidated financial statements and are based on agreed upon amounts between the parties, and are summarized below:

(millions of dollars, unaudited)	Three months ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Transactions				
Canfor	28.7	33.7	98.4	88.7
Howe Sound LP – commission received	0.6	0.7	1.8	1.9
Howe Sound LP – sale of wood chips	-	-	-	0.1
Lakeland Mills Ltd. – purchase of wood chips	1.6	0.9	4.3	2.7
			September 30, 2010	December 31, 2009
Balance Sheet				
Included in accounts payable and accrued liabilities:				
Canfor			26.9	40.8
Howe Sound LP			19.8	17.6
Lakeland Mills Ltd.			0.4	0.4
Included in trade accounts receivable:				
Product marketed for Canfor			14.3	24.4
Product marketed for Howe Sound LP			18.5	16.5

Transactions and payables to Canfor include purchases of wood chips, pulp and administrative services.

10. Net Income (Loss) per Partnership Unit

Basic net income (loss) per Partnership unit is based on the weighted average number of Limited Partnership units outstanding during the period. All outstanding Partnership units were issued on July 1, 2006, and there was no change in the number of outstanding Partnership units during the quarter.

11. Derivative Financial Instruments

The Partnership uses derivative instruments to reduce its exposure to risks associated with fluctuations in foreign exchange rates and natural gas prices.

For the third quarter of 2010 the Partnership recorded a net gain on derivative financial instruments of \$2.6 million (third quarter 2009 – gain of \$3.4 million) relating to the settlement of maturing contracts during the quarter, and the revaluation to market of outstanding contracts at the end of the quarter, for natural gas swaps and US dollar forward contracts.

The Partnership recorded losses of \$0.9 million during the third quarter of 2010 (third quarter 2009 – loss of \$2.5 million) relating to settlement of maturing natural gas contracts as a charge to non-operating income. At September 30, 2010 the Partnership had outstanding commodity swaps hedging future natural gas purchases of 0.8 million gigajoules extending to October 2011. At September 30, 2010 the unrealized loss of \$3.7 million (September 30, 2009 – loss of \$4.3 million) on these outstanding commodity swaps was recorded as a liability in accounts payable and accrued liabilities and in long-term liabilities.

The Partnership recorded a loss of \$0.6 million during the third quarter of 2010 (third quarter 2009 – gain of \$1.9 million) on settlement of maturing US dollar forward contracts to non-operating income. At September 30, 2010 the Partnership had outstanding US dollar forward contracts of \$52.5 million extending to January 2011. At September 30, 2010 the unrealized gain of \$0.8 million (September 30, 2009 – gain of \$1.0 million) on these outstanding US dollar forward contracts was recorded as an asset in other accounts receivable.

12. Supplementary Cash Flow Information

(millions of dollars, unaudited)	Three months ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Decrease (increase) in non-cash working capital				
Accounts receivable – trade and other	10.1	11.2	(18.7)	(21.1)
Insurance receivable	-	-	-	7.3
Inventories	(4.8)	(6.0)	(7.8)	36.8
Prepaid expenses and other assets	(9.9)	(0.3)	(13.3)	3.0
Accounts payable and accrued liabilities	(10.5)	25.7	0.5	49.6
	(15.1)	30.6	(39.3)	75.6
Capital expenditures				
Capital expenditures – cash	14.0	6.2	20.5	14.4
Less amount reimbursable - Green Transformation Program	(10.8)	-	(12.4)	-
	3.2	6.2	8.1	14.4
Proceeds on disposal of fixed assets	0.3	-	0.3	-
Capital expenditures accruals – net accruals	1.2	0.9	0.9	(3.4)
	4.7	7.1	9.3	11.0
Net interest paid	0.1	0.5	4.0	5.3

13. Distributions

The Partnership declared distributions in the first nine months of 2010 as follows:

(millions of dollars, except per unit amounts, unaudited)

Record Date	Payable Date	Amount per Partnership Unit	Amount
		\$	\$
January 29, 2010	February 15, 2010	0.08	5.7
February 26, 2010	March 15, 2010	0.12	8.5
March 31, 2010	April 15, 2010	0.12	8.6
April 30, 2010	May 14, 2010	0.12	8.6
May 31, 2010	June 15, 2010	0.20	14.2
June 30, 2010	July 15, 2010	0.20	14.3
July 30, 2010	August 13, 2010	0.22	15.7
August 31, 2010	September 15, 2010	0.22	15.7
September 30, 2010	October 15, 2010	0.25	17.8
		1.53	109.1

14. Accumulated Other Comprehensive Income

(millions of dollars, unaudited)	Nine months ended September 30, 2010	Year ended December 31, 2009
Balance, beginning of period	-	0.1
Adjustment for exchange translation	0.1	(0.2)
Adjustment for derivatives recorded in other comprehensive income	-	0.1
Balance, end of period	0.1	-

Since the inception of the Partnership, the total of the cumulative comprehensive income, less cumulative distributions is as follows:

(millions of dollars, unaudited)	September 30, 2010
Cumulative comprehensive income	406.9
Cumulative distributions	(444.2)
	(37.3)
Partners' capital – at July 1, 2006	587.5
Partners' equity, end of period	550.2

15. Green Transformation Program

On October 9, 2009 the Canadian federal government announced the allocation of credits from the billion dollar Pulp and Paper Green Transformation Program (the Program). The Partnership has been allocated \$122.2 million from the Program announced by the Canadian government on June 17, 2009. The Program is designed as a reimbursement of funds to be spent on qualifying energy and environmental capital projects. Credits may be used until the program end date of March 31, 2012. The Partnership has received Program approval to proceed with two projects totaling \$15.6 million. The Partnership has submitted a \$100.0 million project to upgrade the recovery boiler at the Northwood Pulp Mill for Program approval, and expects to submit further projects over the balance of 2010. The Partnership submits claims for expenditures on approved projects under the Program on a quarterly basis. The Partnership received \$1.1 million for eligible expenditures under the program in the third quarter of 2010 and as of September 30, 2010 has incurred \$21.7 million for qualifying reimbursable expenditures. These projects are expected to provide economic and environmental benefits to the Partnership's operations.

16. Segmented Information ^(a)

(millions of dollars, unaudited)	Pulp	Paper	Unallocated Costs	Total
Three months ended September 30, 2010				
Sales to external customers ^(b)	212.9	34.7	0.3	247.9
Sales of pulp to paper segment ^(c)	23.9	(23.9)	-	-
Operating income (loss)	57.2	0.2	(5.4)	52.0
Amortization	11.0	0.8	0.1	11.9
Capital expenditures, net	4.3	0.2	0.2	4.7
Three months ended September 30, 2009				
Sales to external customers ^(b)	170.1	31.9	-	202.0
Sales of pulp to paper segment ^(c)	16.2	(16.2)	-	-
Operating income (loss)	11.6	3.2	(2.4)	12.4
Amortization	11.7	0.8	0.1	12.6
Capital expenditures, net	7.1	-	-	7.1
Nine months ended September 30, 2010				
Sales to external customers ^(b)	632.5	101.7	0.8	735.0
Sales of pulp to paper segment ^(c)	66.8	(66.8)	-	-
Operating income (loss)	150.7	(0.9)	(13.7)	136.1
Amortization	33.0	2.3	0.2	35.5
Capital expenditures, net	7.6	1.0	0.7	9.3
Identifiable assets	761.9	64.6	56.4	882.9
Nine months ended September 30, 2009				
Sales to external customers ^(b)	503.1	90.2	-	593.3
Sales of pulp to paper segment ^(c)	42.8	(42.8)	-	-
Operating income (loss)	(6.2)	10.5	(6.7)	(2.4)
Amortization	34.1	2.5	0.2	36.8
Capital expenditures, net	10.9	-	0.1	11.0
Identifiable assets	735.0	65.0	61.9	861.9

(a) Operations are presented by product lines. Operations are considered to be in one geographic area since all production facilities are in Canada. Substantially all sales are exported outside Canada, with sales to the United States representing 39% (Year 2009 – 36%).

(b) Sales to the largest customer represented approximately 11% of pulp segment sales (Year 2009 – 7%).

(c) Sales of slush pulp to the paper segment are accounted for at approximate market value. The sales are transacted as a cost transfer and are not reflected in Pulp sales.