

Q1 2013 Interim Report

Letter to Shareholders

Overview

Operating conditions for Acadian Timber Corp. (“Acadian”) were favourable for the three month period ended March 30, 2013 (herein referred to as the “first quarter”) with harvest volumes coming in slightly ahead of the same period in the prior year and prices for most primary products showing modest improvement.

Results of Operations

Acadian generated Adjusted EBITDA of \$4.7 million on net sales of \$18.3 million during the first quarter, \$0.1 million and \$0.4 million lower, respectively, than in the same period of the prior year. Adjusted EBITDA margin in the first quarter at 26% was unchanged from the first quarter of 2012. Free Cash Flow of \$3.9 million (2012 – \$4.0 million) generated during the quarter exceeded the dividend payment resulting in \$0.5 million (2012 – \$0.6 million) of excess cash generation. Historically, Acadian’s first quarter has accounted for more than 40% of annual sales. However, as in the prior year, results for the first quarter were impacted by the vendor managed inventory program (“VMI”) with one of our larger softwood sawlog customers. At the end of the first quarter, Acadian held 54 thousand m³ (2012 – 72 thousand m³) of softwood logs in inventory related to this VMI. As purchase commitments are filled under the VMI during the second quarter of 2013, additional sales of approximately \$2.9 million (2012 – \$3.4 million) and Adjusted EBITDA of approximately \$1.6 million (2012 – \$1.5 million) are expected to be realized.

Harvest volume, excluding biomass, was 353 thousand m³ for the first quarter, up 2% from 345 thousand m³ in the first quarter of 2012. Consolidated sales volume of 339 thousand m³ was down 4% from the first quarter of 2012 which benefitted from unusually high sales of hardwood from inventory.

Acadian’s weighted average selling price across all log products during the first quarter increased 1% year-over-year. Improving prices across most primary products were partially offset by a lower quality product mix due to the proportion of softwood pulpwood increasing to 13% of sales from 7% in the first quarter of 2012 as the current year VMI program excluded softwood pulpwood. Assisted by the implementation of the new pricing mechanism in Acadian’s fibre supply agreement in New Brunswick along with a general strengthening of markets, softwood sawlog prices increased 5% over the prior year. While hardwood sawlog markets remain stable, average realized prices for this product, decreased by 3% year-over-year as a result of changes in product mix. Prices for softwood pulpwood and hardwood pulpwood, increased by 7% and 1%, respectively year-over-year. Market conditions for softwood pulpwood continued to improve during the quarter with prices moving up 11% quarter-over-quarter. Biomass markets remained stable, however, realized gross margins decreased 15% year-over-year due to a change in customer mix.

Acadian’s operations experienced one recordable safety incident among contractors and no recordable incidents involving employees during the first quarter of 2013. The injured contractor employee is expected to return to work by mid-May 2013.

Outlook²

The U.S. housing market continues to gain momentum. As of March 2013, seasonally adjusted annualized U.S. housing starts are 47% above year-ago levels at 1,036,000 while permits are up 17% year-over-year. Inventories of new homes available for sale remain near 50-year record lows while household formations, forecast at 1.2 million in 2013, suggest that inventory shortages will persist. According to the Corelogic March 2013 Home Price Index report, U.S. home prices nationwide, including distressed sales, increased 11% on a year-over-year basis. This change represents the biggest year-over-year increase since March 2006 and the 13th consecutive monthly increase in home prices nationally. The S&P/Case-Shiller Home Price 20-City Composite index showed a 9% increase for the 12 months ending February 2013. Mortgage rates remain at record lows, housing affordability is at near-record highs and mortgage underwriting standards are becoming more accommodative. Most importantly, Acadian's key wood products customers have benefited from exceptionally strong lumber and panel prices over the past six months encouraging them to increase production supporting demand and pricing for softwood sawtimber. This improved market dynamic is expected to continue throughout 2013.

Markets for hardwood pulpwood continue to be reasonably strong with Acadian's major hardwood pulp customers all operating and actively competing for deliveries suggesting prices will remain relatively stable in 2013. Global demand trends for market pulp appear to be positive with relatively balanced inventories and these markets are expected to tighten in the near-term as demand continues to improve and supply is restricted owing to seasonal maintenance. Demand for hardwood pulpwood in Acadian's operating region is further supported by the current strong OSB demand and prices as these operations rely on the aspen component of our hardwood pulpwood.

Markets for hardwood sawlogs remain stable and appear to have a similar outlook for the foreseeable future. Prices for softwood pulpwood recovered on a year-over-year basis as demand came back into better balance, but the market for this product remains fragile. Acadian continues to be able to sell all of its biomass with a stable outlook for customer-level prices.

We are pleased with Acadian's solid operating and financial performance in the first quarter of 2013 and are confident that the high quality of Acadian's underlying asset base, our solid balance sheet, healthy and diverse markets and strong operating team will support strong future performance. We thank you for your continued support of Acadian Timber Corp.



Reid Carter
President and Chief Executive Officer
May 9, 2013

1 Adjusted EBITDA and Free Cash Flow are key performance measures in evaluating Acadian's operations and are important in enhancing investors' understanding of Acadian's operating performance. Acadian's management defines Adjusted EBITDA as earnings before interest, taxes, fair value adjustments, recovery of or impairment of land and roads, unrealized exchange gain/loss on debt, depreciation and amortization and Free Cash Flow as Adjusted EBITDA less interest paid, current income tax expense, additions to, and gains from the sale of, fixed assets plus losses on, and proceeds from, the sale of fixed assets. As these performance measures do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"), they may not be comparable to similar measures presented by other companies. Please refer to Management's Discussion and Analysis for further details.

2 This section contains forward-looking information within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Please refer to the section entitled "Forward-Looking Statements" in Management's Discussion and Analysis for further details.

Management's Discussion and Analysis

INTRODUCTION

Acadian Timber Corp. ("Acadian" or the "Company") 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 764,000 acres of freehold timberlands in New Brunswick ("NB Timberlands"), approximately 310,000 acres of freehold timberlands in Maine ("Maine Timberlands") and provides management services relating to approximately 1.3 million acres of Crown licensed timberlands. Acadian also owns and operates a forest nursery in Second Falls, New Brunswick. Acadian's products include softwood and hardwood sawlogs, pulpwood and biomass byproducts, sold to approximately 90 regional customers. Acadian's business strategy is to maximize cash flows from its timberland assets, while enhancing the value of these assets over time.

Basis of Presentation

This management's discussion and analysis ("MD&A") discusses the financial condition and results of operations of the Company for the three months ended March 30, 2013, (herein referred to as the "first quarter") relative to the three months ended March 31, 2012, and should be read in conjunction with the interim consolidated financial statements and notes thereto included at page 15 of this interim report.

Our first quarter financial results are determined in accordance with IAS 34 "*Interim Financial Reporting*" using accounting policies consistent with International Financial Reporting Standards ("IFRS") and are expressed in Canadian dollars unless otherwise noted. External economic and industry factors remain unchanged since the previous annual report, unless otherwise noted. This MD&A has been prepared based on information available as at May 9, 2013. Additional information is available on Acadian's website at www.acadiantimber.com and on SEDAR's website at www.sedar.com.

Non-IFRS Measures

Throughout the MD&A, reference is made to "Adjusted EBITDA," which Acadian's management defines as earnings before interest, taxes, fair value adjustments, recovery of or impairment of land and roads, unrealized exchange gain/loss on debt, depreciation and amortization and to "Free Cash Flow" which Acadian's management defines as Adjusted EBITDA less interest paid, current income tax expense, additions to, and gains from the sale of, fixed assets plus losses on, and proceeds from, the sale of fixed assets. Management believes that Adjusted EBITDA and Free Cash Flow are key performance measures in evaluating Acadian's operations and are important in enhancing investors' understanding of the Company's operating performance. As Adjusted EBITDA and Free Cash Flow do not have a standardized meaning prescribed by IFRS, they may not be comparable to similar measures presented by other companies. As a result, we have provided reconciliations of net income as determined in accordance with IFRS, to Adjusted EBITDA and Free Cash Flow in the "Adjusted EBITDA and Free Cash Flow" section of this MD&A.

Assessment and Changes in Disclosure Controls and Internal Controls

Management has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as at December 31, 2012. There have been no changes in our disclosure controls and procedures during the period ended March 30, 2013 that have materially affected, or are reasonably likely to materially affect, our disclosure controls and procedures.

Management has also evaluated the design and effectiveness of our internal controls over financial reporting in accordance with Multilateral Instrument 52-109 using the COSO framework as at December 31, 2012. There have been no changes in our internal controls over financial reporting during the period ended March 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

REVIEW OF OPERATIONS

Summary of First Quarter Results

The table below summarizes operating and financial data for Acadian:

<i>Three Months Ended</i> <i>(CAD thousands, except where indicated)</i>	March 30, 2013	March 31, 2012
Sales volume (000s m ³)	339.2	351.5
Net sales	\$ 18,252	\$ 18,648
Operating earnings	4,514	4,629
Net income	1,291	4,368
Total assets	288,455	284,238
Total debt financing	73,776	72,308
Adjusted EBITDA ¹	\$ 4,655	\$ 4,770
Adjusted EBITDA margin ¹	26%	26%
Free Cash Flow ¹	\$ 3,911	\$ 4,035
Dividends declared	3,451	3,451
Payout ratio	88%	86%
Per share - basic and diluted		
Net income	\$ 0.08	\$ 0.26
Free Cash Flow ¹	0.23	0.24
Dividends declared	0.21	0.21
Book value	11.00	11.07
Common shares outstanding	16,731,216	16,731,216

1. Non-IFRS Measure. See "Reconciliation of net income, in accordance with IFRS, to Adjusted EBITDA and Free Cash Flow".

Acadian generated net sales of \$18.3 million on consolidated sales volume of 339 thousand m³ in the first quarter of 2013. This compares to net sales of \$18.6 million on consolidated sales volume of 352 thousand m³ in the first quarter of 2012. The impact of the 4% year-over-year decline in sales volume was mostly offset by a 1% increase in the average selling price across all log products.

Net income totaled \$1.3 million, or \$0.08 per share, for the period ended March 30, 2013, a decrease of \$3.1 million, or \$0.18 per share, compared to the prior year with the change primarily attributable to a \$1.8 million unrealized exchange loss on long-term debt compared to a \$1.8 million gain in the same period of the prior year. Operating earnings for the period at \$4.5 million were almost unchanged compared to the prior year.

Adjusted EBITDA and Free Cash Flow

Adjusted EBITDA and Free Cash Flow are generated primarily from the sale of our timber, but also from management services and the sale of non-timber products. Adjusted EBITDA for the first quarter of 2013 was \$4.7 million as compared to \$4.8 million in the same period of 2012. Acadian's Adjusted EBITDA margin in the first quarter was 26%, unchanged from the first quarter of 2012. Free cash flow for the first quarter was \$3.9 million as compared to \$4.0 million during the first quarter in 2012.

The following table provides a reconciliation of net income, as determined in accordance with IFRS, to Adjusted EBITDA and Free Cash Flow during each respective period:

<i>Three Months Ended</i> <i>(CAD thousands)</i>	March 30, 2013	March 31, 2012
Net income	\$ 1,291	\$ 4,368
Add (deduct):		
Interest expense, net	739	715
Deferred tax expense	661	918
Depreciation and amortization	141	137
Fair value adjustments	(19)	401
Unrealized exchange (gain) loss on long-term debt	1,842	(1,769)
Adjusted EBITDA ¹	4,655	4,770
Add (deduct):		
Interest paid on debt, net	(744)	(720)
Additions to timber, land, roads and other fixed assets	—	(15)
Gain on sale of timberlands	—	(4)
Proceeds on sale of timberlands	—	4
Free Cash Flow ¹	\$ 3,911	\$ 4,035
Dividends declared	\$ 3,451	\$ 3,451
Payout ratio	88%	86%

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 3 of this interim report.

In determining the appropriate level of dividends, our Board of Directors considers the historic and forecast quarterly free cash flow of Acadian. Given the seasonality of Acadian's operations, the Company's performance may vary significantly on a quarter by quarter basis. The payout ratio of the Company, which represents the amount of dividends declared as a percentage of the Free Cash Flow generated, for the first quarter was 88%, as compared to 86% for the same period of the prior year. Based on Free Cash Flow generated to date, Acadian's undrawn revolving credit facility and existing cash reserves, Acadian is well positioned to meet dividend targets throughout 2013.

Operating and Market Conditions

Operating conditions were favourable in the first quarter resulting in good productivity. Harvest volume, excluding biomass, for the first quarter was 353 thousand m³. This compares to a harvest volume, excluding biomass, of 345 thousand m³ in the first quarter of 2012. Historically, Acadian's first quarter has accounted for more than 40% of annual sales. However, as in the prior year, results for the first quarter were impacted by the vendor managed inventory program ("VMI") with one of our larger softwood sawlog customers. At the end of the first quarter, Acadian held 54 thousand m³ (2012 – 72 thousand m³) of harvested logs in inventory related to this VMI. As purchase commitments are filled under the VMI during the second quarter of 2013, additional sales of approximately \$2.9 million (2012 – \$3.4 million) and Adjusted EBITDA of approximately \$1.6 million (2012 – \$1.5 million) are expected to be realized.

The markets for softwood and hardwood pulpwood were positive during the first quarter. Acadian's major softwood sawmill and structural panel customers operated continuously throughout the quarter and most regional customers competed to gain sufficient inventory to ensure opportunities to run through the second quarter when harvesting operations are limited by spring break-up.

Acadian's weighted average selling price across all log products during the first quarter increased 1% year-over-year. Improving prices across most primary products were partially offset by a lower quality product mix due to the proportion of softwood pulpwood increasing to 13% of sales from 7% of sales in the first quarter of 2012 as the current year VMI program excludes softwood pulpwood. Assisted by the implementation of the new pricing mechanism in Acadian's fiber supply agreement in New Brunswick along with a general strengthening of markets, softwood sawlog prices increased 5% over the prior year. While hardwood sawlog markets remain stable, average realized prices for this product decreased by 3%

as a result of changes in product mix. Prices for softwood pulpwood and hardwood pulpwood, increased by 7% and 1%, respectively, year-over-year. Market conditions for softwood pulpwood continued to improve during the quarter with prices moving up 11% quarter-over-quarter. Biomass markets remained stable, however, realized gross margins for this product decreased 15% year-over-year due to a change in customer mix.

Income Tax Expense

Included in net income for the first quarter is deferred tax expense of \$0.7 million (2012 – \$0.9 million).

Segmented Results of Operations

The table below summarizes operating and financial results for the New Brunswick and Maine timberlands:

<i>Three Months Ended March 30, 2013</i>				
<i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	228.9	110.3	—	339.2
Net sales	\$ 12,153	\$ 6,099	\$ —	\$ 18,252
Adjusted EBITDA ¹	\$ 2,992	\$ 2,028	\$ (365)	\$ 4,655
Adjusted EBITDA margin ¹	25%	33%	n/a	26%

<i>Three Months Ended March 31, 2012</i>				
<i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	256.7	94.8	—	351.5
Net sales	\$ 13,155	\$ 5,493	\$ —	\$ 18,648
Adjusted EBITDA ¹	\$ 3,116	\$ 1,808	\$ (154)	\$ 4,770
Adjusted EBITDA margin ¹	24%	33%	n/a	26%

1. Non-IFRS Measure. See “Non-IFRS Measures” on page 3 of this interim report.

NB Timberlands

NB Timberlands owns and manages approximately 764,000 acres of freehold timberlands, provides management services relating to approximately 1.3 million acres of Crown licensed timberlands and owns and operates a forest tree nursery.

Approximately 80% of harvesting operations are performed by third-party contractors and approximately 20% by NB Timberlands employees.

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

	Three Months Ended March 30, 2013			Three Months Ended March 31, 2012		
	<i>Harvest (000s m³)</i>	<i>Sales (000s m³)</i>	<i>Results (\$000s)</i>	<i>Harvest (000s m³)</i>	<i>Sales (000s m³)</i>	<i>Results (\$000s)</i>
Softwood	156.0	87.0	\$ 4,573	155.5	82.2	\$ 4,161
Hardwood	94.6	97.0	6,055	93.2	114.7	6,985
Biomass	44.9	44.9	819	59.8	59.8	1,120
	295.5	228.9	11,447	308.5	256.7	12,266
Other sales			706			889
Net sales			\$ 12,153			\$ 13,155
Adjusted EBITDA ¹			\$ 2,992			\$ 3,116
Adjusted EBITDA margin ¹			25%			24%

1. Non-IFRS Measure. See “Non-IFRS Measures” on page 3 of this interim report.

Softwood, hardwood and biomass shipments were 87 thousand m³, 97 thousand m³ and 45 thousand m³, respectively, for the first quarter of 2013. Approximately 27% was sold as sawlogs, 53% as pulpwood and 20% as biomass. This compares to 31% sold as sawlogs, 46% as pulpwood and 23% as biomass in the first quarter of 2012.

Net sales for the first quarter of 2013 were \$12.2 million (2012 – \$13.2 million) with an average selling price across all log products of \$57.77 per m³, which compares to an average log selling price of \$56.62 per m³ during the first quarter of 2012. This year-over-year increase in the average log selling price reflects higher prices for softwood sawtimber due to improved market conditions and the implementation of a new pricing formula under Acadian’s fibre supply agreement with its largest softwood sawlog customers, somewhat offset by a higher proportion of pulpwood in the sales mix.

Costs for the first quarter were \$9.2 million (2012 – \$10.1 million). Variable costs per m³ were almost unchanged from the first quarter of 2012.

Adjusted EBITDA for the first quarter was \$3.0 million, compared to \$3.1 million in the first quarter of 2012 with this modest difference reflecting lower sales volume and an increase in lower margin softwood pulpwood in the sales mix. Harvest volume was consistent with the prior year. However, sales volume decreased as the prior year’s volume had benefitted from unusually high sales of hardwood from inventory and the biomass sales volume is lower this year. Other sales decreased to \$0.7 million from \$0.9 million in the comparable period of 2012 due to decreased harvesting activity on the land Acadian manages on behalf of others. Adjusted EBITDA margin was 25%, compared to 24% for the first quarter of 2012.

NB Timberlands experienced one recordable safety incident among contractors and no recordable incidents involving employees during the first quarter of 2013.

Maine Timberlands

Maine Timberlands owns and operates approximately 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:

	Three Months Ended March 30, 2013			Three Months Ended March 31, 2012		
	Harvest (000s m ³)	Sales (000s m ³)	Results (\$000s)	Harvest (000s m ³)	Sales (000s m ³)	Results (\$000s)
Softwood	76.5	76.2	\$ 4,342	76.0	74.6	\$ 4,208
Hardwood	25.7	26.4	1,607	19.8	19.6	1,223
Biomass	7.7	7.7	81	0.6	0.6	19
	109.9	110.3	6,030	96.4	94.8	5,450
Other sales			69			43
Net sales			\$ 6,099			\$ 5,493
Adjusted EBITDA ¹			\$ 2,028			\$ 1,808
Adjusted EBITDA margin ¹			33%			33%

1. Non-IFRS Measure. See “Non-IFRS Measures” on page 3 of this interim report.

Softwood, hardwood and biomass shipments were 76 thousand m³, 26 thousand m³ and 8 thousand m³, respectively, for the first quarter of 2013. Approximately 56% was sold as sawlogs, 37% as pulpwood and 7% as biomass. This compares to 63% sold as sawlogs, 36% as pulpwood and 1% as biomass in the first quarter of 2012.

Net sales for the first quarter of 2013 were \$6.1 million (2012 – \$5.5 million) with an average selling price across all log products of \$57.95 per m³, compared to the average log selling price of \$57.79 per m³ during the first quarter of 2012. The year-over-year average log selling price was consistent with the prior year as increases in softwood sawtimber prices were offset by decreases in hardwood pulpwood prices.

Costs for the first quarter were \$4.1 million (2012 – \$3.7 million). Variable costs per m³ increased 3% in Canadian dollar terms as a result of a 2% increase in U.S. dollar-based contractor rates and the year-over-year weakening of the Canadian dollar compared to the U.S. dollar.

Adjusted EBITDA for the first quarter was \$2.0 million, compared to \$1.8 million in the first quarter of 2012 primarily as a result of increased sales volume. Adjusted EBITDA margin was 33% in the first quarter of 2013, unchanged from the first quarter of 2012.

We are pleased to report that during the first quarter, Maine Timberlands experienced no recordable safety incidents among employees or contractors.

Financial Position

As at March 30, 2013, Acadian's balance sheet consisted of total assets of \$288.5 million (December 31, 2012 – \$285.2 million), represented primarily by timber, land, roads and other fixed assets of \$265.7 million (December 31, 2012 – \$264.0 million) with the balance in cash and current assets of \$16.5 million (December 31, 2012 – \$14.4 million), deferred income tax assets of \$0.1 million (December 31, 2012 – \$0.7 million), and intangible assets of \$6.1 million (December 31, 2012 – \$6.1 million). Timber has been recorded at fair value as determined through independent third party appraisal at December 31, 2012 and adjusted for growth estimates and harvest during the first quarter. Reforestation costs have been expensed as incurred.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Acadian's principal sources of liquidity include cash earned from operations and a US\$10.0 million revolving credit facility of which US\$2.2 million is reserved to support the minimum cash balance requirement of Acadian's term credit facility. These sources, combined with existing cash and cash equivalents, are expected to allow the Company to meet its operating, debt service, capital expenditure and dividend requirements. As indicated previously, due to the seasonal nature of our business, it is typical that cash reserves are generated in the first quarter of the year and are then drawn down during periods such as the second quarter when harvesting conditions are not ideal. This remains unchanged from the prior year.

The Company expects to pay quarterly dividends to the extent determined prudent by the Company's Board of Directors.

Management will assess financing alternatives, which may include the issuance of additional shares and debt, when funding requirements such as potential acquisitions and debt maturities present themselves.

Capital Resources

Borrowings

In February 2011, Acadian refinanced its Canadian and U.S. dollar denominated loan facilities through the entering into of a first mortgage loan agreement with Metropolitan Life Insurance Company which will mature on March 1, 2016. This agreement established a revolving credit facility of up to US\$10.0 million (the "Revolving Facility") for general corporate purposes and a term credit facility in an amount up to US\$72.5 million (the "Term Facility"). The Term Facility bears interest at a fixed rate of 3.97%. The Revolving Facility bears interest at floating rates based on 30 or 90 day LIBOR plus applicable margin.

As at March 30, 2013, Acadian has borrowings of US\$72.5 million under the Term Facility and \$nil under the Revolving Facility, however, US\$2.2 million of the revolving facility is reserved to support the minimum cash balance requirement of the Term Facility.

As security for these facilities, Acadian has granted the lenders a security interest over all of its assets. The facilities are subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness, granting liens or selling assets without the consent of the lenders. The credit facilities are also subject to the maintenance of a maximum ratio of loan-to-appraised value and Acadian is in compliance as of March 30, 2013.

Outstanding Shares

As at March 30, 2013, 16,731,216 common shares were issued and outstanding. The Company is authorized to issue an unlimited number of shares of the same class with equal rights and privileges. Shareholders are entitled to receive dividends as and when declared by the Directors of the Company and are entitled to one vote per share on all matters to be voted on by shareholders at each meeting of shareholders.

As at March 30, 2013, affiliates of Brookfield Asset Management Inc. (collectively "Brookfield") owned 7,513,262 common shares. Brookfield's ownership interest is 45% of the outstanding common shares of Acadian.

MARKET OUTLOOK

The following contains forward-looking statements about Acadian Timber Corp.'s market outlook for the remainder of fiscal 2013. Reference should be made to "Forward-looking Statements" on page 14. 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 of Acadian's most recent Annual Report and Annual Information Form available on our website at www.acadiantimber.com or www.sedar.com.

The U.S. housing market continues to gain momentum. As of March 2013, seasonally adjusted annualized U.S. housing starts are 47% above year-ago levels at 1,036,000 while permits are up 17% year-over-year. Inventories of new homes available for sale remain near 50-year record lows while household formations, forecast at 1.2 million in 2013, suggest that inventory shortages will persist. According to the Corelogic March 2013 Home Price Index report, U.S. home prices nationwide, including distressed sales, increased 11% on a year-over-year basis. This change represents the biggest year-over-year increase since March 2006 and the 13th consecutive monthly increase in home prices nationally. The S&P/Case-Shiller Home Price 20-City Composite index showed a 9% increase for the 12 months ending February 2013. Mortgage rates remain at record lows, housing affordability is at near-record highs and mortgage underwriting standards are becoming more accommodative. Most importantly, Acadian's key wood products customers have benefited from exceptionally strong lumber and panel prices over the past six months encouraging them to increase production supporting demand and pricing for softwood sawtimber. This improved market dynamic is expected to continue throughout 2013.

Markets for hardwood pulpwood continue to be reasonably strong with Acadian's major hardwood pulp customers all operating and actively competing for deliveries suggesting prices will remain relatively stable in 2013. Global demand trends for market pulp appear to be positive with relatively balanced inventories and these markets are expected to tighten in the near-term as demand continues to improve and supply is restricted owing to seasonal maintenance. Demand for hardwood pulpwood in Acadian's operating region is further supported by the current strong OSB demand and prices as these operations rely on the aspen component of our hardwood pulpwood.

Markets for hardwood sawlogs remain stable and appear to have a similar outlook for the foreseeable future. Prices for softwood pulpwood recovered on a year-over-year basis as demand came back into better balance, but the market for this product remains fragile. Acadian continues to be able to sell all of its biomass with a stable outlook for customer-level prices.

SUPPLEMENTAL INFORMATION

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

Selected Consolidated Quarterly Information

The table below sets forth selected consolidated quarterly information for the current and last seven quarters. See “Additional Quarterly Information” section for the segmented quarterly results.

	2013	2012				2011		
<i>(CAD thousands, except per share data and where indicated)</i>	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales volume (000s m ³)	339.2	327	319	306	352	284	341	243
Net sales	\$ 18,252	\$ 18,410	\$ 17,523	\$ 14,257	\$ 18,648	\$ 15,139	\$ 17,535	\$ 11,723
Adjusted EBITDA ¹	4,655	5,145	4,377	2,196	4,770	3,843	3,811	608
Free Cash Flow ¹	3,911	4,368	3,532	2,087	4,035	2,239	3,183	(37)
Net income (loss)	1,291	3,791	4,995	575	4,368	11,427	(341)	(261)
Per share - basic and diluted	\$ 0.08	\$ 0.23	\$ 0.30	\$ 0.03	\$ 0.26	\$ 0.68	\$ (0.02)	\$ (0.02)

1. Non-IFRS Measure. See “Non-IFRS Measures” on page 3 of this interim report.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reported period. The critical estimates and judgements applied in preparing Acadian’s financial statements affect the assessment of net recoverable amounts, net realizable values and fair values, depreciation rates and useful lives, determination of functional currency and the selection of accounting policies.

The critical estimates and judgements made in the preparation of Acadian’s financial statements include, among other things, future prices and margins, future sales volumes, future harvest rates and sustainable yields, and discount rates utilized in the valuation of Acadian’s timber, roads and land. In making estimates and judgements, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgements have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making these estimates and judgements in these consolidated financial statements. Actual results could differ from those estimates. For further reference on critical accounting policies, see our significant accounting policies contained in Note 2 of Acadian’s 2012 annual report.

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

Dividend Policy of the Company

Acadian declares dividends from its available cash to the extent determined prudent by the Board of Directors. These dividends represent cash received from the Company’s indirect interest in the Maine and NB Timberlands, less estimated cash amounts required for expenses and other obligations of Acadian, cash redemptions of shares and any tax liability. Dividends are paid on or about the 15th day following each dividend declaration date. Total dividends declared to shareholders during the three months ended March 30, 2013 were \$3.5 million, or \$0.21 per share, unchanged from the prior year.

Related Party Transactions

In the normal course of operations, the Company 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 Company

has one significant related party, Brookfield Asset Management Inc., and its affiliates (collectively “Brookfield”). As at March 30, 2013, Brookfield owned 7,513,262 common shares, representing approximately 45% of the outstanding shares of the Company. Acadian is also a related party of Twin Rivers Paper Company (“Twin Rivers”) and Katahdin Timberlands LLC as a result of their common significant shareholder.

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

a) Upon inception Acadian became party to fibre supply agreements whereby Acadian agreed to provide fibre to Twin Rivers for periods of up to 20 years. In addition, Acadian agreed to administer certain licenses on behalf of Twin Rivers. On January 9, 2012, Acadian entered into the Fibre Supply Agreement Modification Term Sheet (“Term Sheet”) with Twin Rivers which became effective January 1, 2013. The amendment to the pricing mechanism for the fibre supply agreement is subject to minimum volumes of outside purchases for both tree length and sawlogs. Total sales to Twin Rivers during the three months ended March 30, 2013 totaled \$4.7 million, which represented 20% of Acadian’s consolidated total sales (2012 – \$5.5 million or 23% of total sales). Included in accounts receivable at March 30, 2013 is \$1.1 million related to these agreements (2012 – \$0.6 million).

On February 10, 2012, Acadian entered into the Vendor Inventory Management Agreement (“VMI”) with Twin Rivers that is effective for the period from the date of the agreement to May 31, 2012 and from January 1, 2013 to May 31, 2013. This agreement provides that Acadian will deliver logs to agreed upon locations and Twin Rivers will purchase those logs before the end of each effective period at prices as set out in the fibre supply agreement and Term Sheet and that Twin Rivers will be responsible for all of Acadian’s costs related to carrying the inventory. On March 6, 2012, Acadian entered into a lease agreement with Twin Rivers to store logs delivered under the VMI on their property. As at March 30, 2013, purchase commitments under the VMI totaled \$2.9 million.

b) Acadian has entered into an agreement with Brookfield whereby Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided in the three months ended March 30, 2013 totaled \$0.6 million (2012 – \$0.6 million). All fees have been fully paid in accordance with the services agreement.

c) On September 28, 2012, Maine Timberlands sold two parcels of land totaling 1.62 acres for net proceeds of \$44 thousand to Katahdin Timberlands LLC.

Contractual Obligations

The Company has no material capital or operating lease obligations, however, it has two significant contractual obligations related to the supply of fibre to related parties and the provision of management services under a Crown License Agreement at the direction of a related party. See Related Party Transactions for further discussion of these contracts.

A summary of the Company’s debt obligations is as follows:

<i>(CAD thousands)</i>	Total Available	Payments Due by Period				
		Total	Less Than One Year	1 to 3 Years	3 to 5 Years	After 5 Years
Debt						
Term facility ¹	\$ 73,776	\$ 73,776	\$ —	\$ 73,776	\$ —	\$ —
Revolving facility	10,176	—	—	—	—	—
	\$ 83,952	\$ 73,776	\$ —	\$ 73,776	\$ —	\$ —
Interest payments ²		\$ 9,252	\$ 2,929	\$ 6,323	\$ —	\$ —

1. Represents principal of a U.S. dollar denominated term loan with a Canadian to U.S. dollar conversion of 1.0176, excluding the unamortized deferred financing costs;

2. Interest payment was determined assuming a fixed interest rate at 3.97% with a Canadian to U.S. dollar conversion of 1.0176.

Additional Quarterly Information

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

NB Timberlands

	2013 Q1			2012 Q4			2012 Q3			2012 Q2		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)
Softwood	156.0	87.0	\$ 4,573	96.9	96.5	\$ 4,855	92.3	94.7	\$ 5,091	54.2	130.4	\$ 6,161
Hardwood	94.6	97.0	6,055	104.8	102.2	6,276	113.9	106.0	6,222	91.9	94.0	5,667
Biomass	44.9	44.9	819	39.0	39.0	932	53.6	53.6	877	46.3	46.3	748
	295.5	228.9	11,447	240.7	237.7	12,063	259.8	254.3	12,190	192.4	270.7	12,576
Other sales			706			1,680			1,545			(184)
Net sales			\$ 12,153			\$ 13,743			\$ 13,735			\$ 12,392
Adjusted EBITDA ¹			\$ 2,992			\$ 4,012			\$ 3,626			\$ 2,485
Adjusted EBITDA margin ¹			25%			29%			26%			20%

Maine Timberlands

	2013 Q1			2012 Q4			2012 Q3			2012 Q2		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)
Softwood	76.5	76.2	\$ 4,342	57.9	57.7	\$ 3,164	45.3	45.3	\$ 2,563	20.4	21.6	\$ 1,176
Hardwood	25.7	26.4	1,607	28.5	24.1	1,382	18.1	15.8	989	8.4	9.3	550
Biomass	7.7	7.7	81	7.6	7.6	58	3.5	3.5	22	4.4	4.4	34
	109.9	110.3	6,030	94.0	89.4	4,604	66.9	64.6	3,574	33.2	35.3	1,760
Other sales			69			63			214			105
Net sales			\$ 6,099			\$ 4,667			\$ 3,788			\$ 1,865
Adjusted EBITDA ¹			\$ 2,028			\$ 1,376			\$ 849			\$ (7)
Adjusted EBITDA margin ¹			33%			29%			22%			—%

Corporate

	2013 Q1			2012 Q4			2012 Q3			2012 Q2		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)
Softwood	—	—	\$ —	—	—	\$ —	—	—	\$ —	—	—	\$ —
Hardwood	—	—	—	—	—	—	—	—	—	—	—	—
Biomass	—	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—	—
Other sales			—			—			—			—
Net sales			\$ —			\$ —			\$ —			\$ —
Adjusted EBITDA ¹			\$ (365)			\$ (243)			\$ (98)			\$ (281)
Adjusted EBITDA margin ¹			n/a			n/a			n/a			n/a

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 3 of this interim report.

NB Timberlands

	2012 Q1			2011 Q4			2011 Q3			2011 Q2		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)
Softwood	155.5	82.2	\$ 4,161	80.3	78.2	\$ 4,195	98.0	99.0	\$ 5,174	88.9	96.3	\$ 5,131
Hardwood	93.2	114.7	6,985	93.9	80.6	4,952	121.1	119.5	6,886	87.6	91.6	5,315
Biomass	59.8	59.8	1,120	55.3	55.3	1,145	60.3	60.3	795	34.2	34.2	472
	308.5	256.7	12,266	229.5	214.1	10,292	279.4	278.8	12,855	210.7	222.1	10,918
Other sales			889			986			1,418			(301)
Net sales			\$ 13,155			\$ 11,278			\$ 14,273			\$ 10,617
Adjusted EBITDA ¹			\$ 3,116			\$ 3,301			\$ 3,410			\$ 1,139
Adjusted EBITDA margin ¹			24%			29%			24%			11%

Maine Timberlands

	2012 Q1			2011 Q4			2011 Q3			2011 Q2		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)
Softwood	76.0	74.6	\$ 4,208	47.4	47.3	\$ 2,527	43.8	44.1	\$ 2,283	11.7	11.8	\$ 627
Hardwood	19.8	19.6	1,223	21.4	20.3	1,266	14.0	13.8	781	5.8	6.7	380
Biomass	0.6	0.6	19	1.9	1.9	18	4.0	4.0	41	2.1	2.1	13
	96.4	94.8	5,450	70.7	69.5	3,811	61.8	61.9	3,105	19.6	20.6	1,020
Other sales			43			50			157			86
Net sales			\$ 5,493			\$ 3,861			\$ 3,262			\$ 1,106
Adjusted EBITDA ¹			\$ 1,808			\$ 878			\$ 549			\$ (148)
Adjusted EBITDA margin ¹			33%			23%			17%			(13)%

Corporate

	2012 Q1			2011 Q4			2011 Q3			2011 Q2		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)
Softwood	—	—	\$ —	—	—	\$ —	—	—	\$ —	—	—	\$ —
Hardwood	—	—	—	—	—	—	—	—	—	—	—	—
Biomass	—	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—	—
Other sales			—			—			—			—
Net sales			\$ —			\$ —			\$ —			\$ —
Adjusted EBITDA ¹			\$ (154)			\$ (336)			\$ (148)			\$ (383)
Adjusted EBITDA margin ¹			n/a			n/a			n/a			n/a

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 3 of this interim report.

Forward-Looking Statements

This interim management's discussion and analysis ("MD&A") contains forward-looking information 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 MD&A 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 MD&A includes, without limitation, statements made in sections entitled "Liquidity and Capital Resources," "Market Outlook" and "Supplemental Information," 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, market trends 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 MD&A. All forward-looking statements in this MD&A 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; and other factors discussed under the heading "Risk Factors" in the Annual Information Form of Acadian dated March 28, 2013 and other filings of Acadian made 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 contained herein 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, and the economic situation of key customers. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward looking statements. The forward-looking statements contained in this MD&A are made as of the date of this MD&A, and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this MD&A. Acadian Timber Corp. assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as may be required by applicable law.

Interim Consolidated Statements of Net Income

(unaudited)

<i>Three Months Ended</i> <i>(CAD thousands)</i>	Note	March 30, 2013	March 31, 2012
Net sales		\$ 18,252	\$ 18,648
Operating costs and expenses			
Cost of sales		11,988	12,447
Selling, administration and other		1,604	1,435
Reforestation		5	—
Depreciation and amortization		141	137
		13,738	14,019
Operating earnings		4,514	4,629
Interest expense, net		(739)	(715)
Other items			
Fair value adjustments		19	(401)
Unrealized exchange gain (loss) on long-term debt		(1,842)	1,769
Gain on sale of timberlands		—	4
Earnings before income taxes		1,952	5,286
Deferred tax expense	7	(661)	(918)
Net income for the period		\$ 1,291	\$ 4,368
Net income per share - basic and diluted		\$ 0.08	\$ 0.26

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Comprehensive Income

(unaudited)

<i>Three Months Ended</i> <i>(CAD thousands)</i>	March 30, 2013	March 31, 2012
Net income	\$ 1,291	\$ 4,368
Other comprehensive income (loss)		
Items that may be reclassified subsequently to net income:		
Unrealized foreign currency translation income (loss)	2,209	(2,072)
Amortization of derivatives designated as cash flow hedges	(49)	(49)
Comprehensive income	\$ 3,451	\$ 2,247

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Balance Sheets

(unaudited)

<i>As at</i> <i>(CAD thousands)</i>	Note	March 30, 2013	December 31, 2012
Assets			
Current assets			
Cash and cash equivalents		\$ 6,442	\$ 6,136
Accounts receivable and other assets	5	5,534	6,619
Inventory		4,571	1,651
		16,547	14,406
Timber	10	232,080	230,686
Land, roads and other fixed assets		33,571	33,307
Intangible assets		6,140	6,140
Deferred income tax asset	7	117	696
		\$ 288,455	\$ 285,235
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 5,207	\$ 4,685
Dividends payable to shareholders		3,451	3,451
		8,658	8,136
Long-term debt	3	73,077	71,173
Deferred income tax liability	7	22,718	21,924
Shareholders' equity	4	184,002	184,002
		\$ 288,455	\$ 285,235

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Changes in Equity

(unaudited)

<i>Three Months Ended March 30, 2013</i> <i>(CAD thousands)</i>	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Cash Flow Hedges	Shareholders' Equity
Balance as at December 31, 2012	\$ 140,067	\$ 43,576	\$ 2,598	\$ (2,857)	\$ 618	\$ 184,002
Changes in period						
Net income	—	1,291	—	—	—	1,291
Other comprehensive loss	—	—	—	2,209	(49)	2,160
Shareholders' dividends declared	—	(3,451)	—	—	—	(3,451)
Balance as at March 30, 2013	\$ 140,067	\$ 41,416	\$ 2,598	\$ (648)	\$ 569	\$ 184,002

See accompanying notes to interim consolidated financial statements.

<i>Three Months Ended March 31, 2012</i> <i>(CAD thousands)</i>	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Cash Flow Hedges	Shareholders' Equity
Balance as at December 31, 2011	\$ 140,067	\$ 43,651	\$ 2,185	\$ (358)	\$ 813	\$ 186,358
Changes in period						
Net income	—	4,368	—	—	—	4,368
Other comprehensive loss	—	—	—	(2,072)	(49)	(2,121)
Shareholders' dividends declared	—	(3,451)	—	—	—	(3,451)
Balance as at March 31, 2012	\$ 140,067	\$ 44,568	\$ 2,185	\$ (2,430)	\$ 764	\$ 185,154

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

(unaudited)

<i>Three Months Ended</i> <i>(CAD thousands)</i>	Note	March 30, 2013	March 31, 2012
Cash provided by (used for):			
Operating activities			
Net income		\$ 1,291	\$ 4,368
Adjustments to net income:			
Deferred tax expense	7	661	918
Depreciation and amortization		141	137
Fair value adjustments		(19)	401
Unrealized exchange (gain) loss on long-term debt		1,842	(1,769)
Interest expense, net		739	715
Interest paid, net		(744)	(720)
Gain on sale of timberlands		—	(4)
Net change in non-cash working capital balances and other		(154)	1,881
		3,757	5,927
Financing activities			
Dividends paid to shareholders		(3,451)	(3,451)
		(3,451)	(3,451)
Investing activities			
Additions to timber, land, roads, and other fixed assets		—	(15)
Proceeds from sale of timberlands		—	4
		—	(11)
Increase in cash and cash equivalents during the period		306	2,465
Cash and cash equivalents, beginning of period		6,136	4,019
Cash and cash equivalents, end of period		\$ 6,442	\$ 6,484

See accompanying notes to interim consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

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

NOTE 1. GENERAL

Acadian Timber Corp. (the "Corporation") is governed by the Canada Business Corporation Act pursuant to articles of arrangement dated January 1, 2010. The Corporation is a reporting issuer and its common shares are publicly traded on the Toronto Stock Exchange under the stock symbol "ADN". The principal and head office of the Corporation is located at Suite 458,550 Burrard Street, Bentall V, Vancouver, British Columbia, V6C 2B5.

The Corporation and all of its consolidated operations, collectively "Acadian", owns and manages approximately 764,000 acres of freehold timberlands in New Brunswick ("NB Timberlands"), approximately 310,000 acres of freehold timberlands in Maine ("Maine Timberlands") and provides management services relating to approximately 1.3 million acres of Crown licensed timberlands. Acadian also owns and operates a forest nursery in Second Falls, New Brunswick. Acadian's products include softwood and hardwood sawlogs, pulpwood and biomass by-products, sold to approximately 90 regional customers.

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.

The ultimate parent of the Corporation is Brookfield Asset Management Inc. As at March 30, 2013, affiliates of Brookfield Asset Management Inc. (collectively "Brookfield") own 7,513,262 common shares representing approximately 45% of the outstanding common shares of the Company. Acadian and Twin Rivers are related parties as a result of a common significant shareholder.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and using the accounting policies adopted and disclosed in Note 2 of Acadian's 2012 annual report. These interim condensed consolidated financial statements should be read in conjunction with the Acadian's 2012 annual report.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of Acadian on May 9, 2013.

Future Accounting Policies

IFRS 9 Financial Instruments: Classification and Measurement

In November 2009, the IASB issued IFRS 9 as the first part of its project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 currently prescribes that financial assets are measured at amortized cost or fair value on the basis on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The classification and measurement for financial liabilities remains generally unchanged, however, revisions have been made in the accounting for changes in fair value of a financial liability attributable to changes in the credit risk of that liability. The other phases of this project which are currently under development include impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Acadian is in the process of assessing the impact of the new standard on its consolidated financial statements in conjunction with the completion of the other phase of this project.

NOTE 3. DEBT

Debt consisted of the following:

<i>As at</i> <i>(CAD thousands)</i>	March 30, 2013	December 31, 2012
Term facility, due March 2016	\$ 73,776	\$ 71,935
Less: Deferred debt issuance costs	(699)	(762)
Total	\$ 73,077	\$ 71,173

In February 2011, Acadian refinanced its Canadian and U.S. dollar denominated loan facilities through the entering into of a first mortgage loan agreement with Metropolitan Life Insurance Company which will mature on March 1, 2016. This agreement established a revolving credit facility of up to US\$10.0 million (the “Revolving Facility”) for general corporate purposes and a term credit facility of US\$72.5 million (the “Term Facility”). The Term Facility bears interest at a fixed rate of 3.97%. The Revolving Facility bears interest at floating rates based on 30 or 90 day LIBOR plus applicable margin. Floating interest rates give rise to interest rate risk as earnings and cash flows may be negatively impacted by fluctuations in interest rates.

As at March 30, 2013, Acadian has borrowings of US\$72.5 million under the Term Facility and \$nil under the Revolving Facility (December 31, 2012 – US\$72.5 million and \$nil, respectively) of which US\$2.2 million is reserved to support the minimum cash balance requirement of the Term Facility. As security for these facilities, Acadian has granted the lenders a security interest over all of its assets. The facilities are subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness, granting liens or selling assets without the consent of the lenders. The credit facilities are also subject to the maintenance of a maximum ratio of loan-to-appraised value. Acadian was in compliance as of March 30, 2013 and December 31, 2012.

NOTE 4. SHAREHOLDERS' EQUITY

Acadian is authorized to issue an unlimited number of common shares. The common shares have no stated par value. Common shares outstanding as at March 30, 2013 and December 31, 2012 were 16,731,216.

NOTE 5. RELATED PARTY TRANSACTIONS

In the normal course of operations, Acadian enters into various transactions on market terms with related parties which have been measured at exchange value and recognized in the consolidated financial statements. Acadian has one significant related party, Brookfield Asset Management Inc. and its affiliates (collectively “Brookfield”). As at March 30, 2013, Brookfield owned 7,513,262 common shares, representing approximately 45% of the outstanding shares of the Corporation. Acadian is also a related party of Twin Rivers Paper Company (“Twin Rivers”) and Katahdin Timberlands LLC as a result of their common significant shareholder.

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

- a) Upon inception Acadian became party to fibre supply agreements whereby Acadian agreed to provide fibre to Twin Rivers for periods of up to 20 years. In addition, Acadian agreed to administer certain licenses on behalf of Twin Rivers. On January 9, 2012, Acadian entered into the Fibre Supply Agreement Modification Term Sheet (“Term Sheet”) with Twin Rivers which became effective January 1, 2013. The amendment to the pricing mechanism for the fibre supply agreement is subject to minimum volumes of outside purchases for both tree length and sawlogs. Total sales to Twin Rivers during the three months ended March 30, 2013 totaled \$4.7 million, which represented 20% of Acadian's consolidated total sales (2012 – \$5.5 million or 23% of total sales). Included in accounts receivable at March 30, 2013 is \$1.1 million related to these agreements (2012 – \$0.6 million).

On February 10, 2012, Acadian entered into the Vendor Inventory Management Agreement (“VMI”) with Twin Rivers that is effective for the period from the date of the agreement to May 31, 2012 and from January 1, 2013 to May 31, 2013. This agreement provides that Acadian will deliver logs to agreed upon locations and Twin Rivers will purchase those logs before the end of each effective period at prices as set out in the fibre supply agreement and Term Sheet and that Twin Rivers will be responsible for all of Acadian's costs related to carrying the inventory. On March 6, 2012, Acadian entered into a lease agreement with Twin Rivers to store logs delivered under the VMI on their property. As at March 30, 2013, purchase commitments under the VMI totaled \$2.9 million.

- b) Acadian has entered into an agreement with Brookfield whereby Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided in the three months ended March 30, 2013 totaled \$0.6 million (2012 – \$0.6 million). All fees have been fully paid in accordance with the services agreement.
- c) On September 28, 2012, Maine Timberlands sold two parcels of land totaling 1.62 acres for net proceeds of \$44 thousand to Katahdin Timberlands LLC.

NOTE 6. SEGMENTED INFORMATION

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

<i>Three Months Ended March 30, 2013</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	\$ 8,915	\$ 4,573	\$ 4,342	\$ —
Hardwood	7,662	6,055	1,607	—
Biomass	900	819	81	—
Other	775	706	69	—
Total net sales	18,252	12,153	6,099	—
Operating costs	(13,593)	(9,162)	(4,065)	(366)
Reforestation	(5)	—	(5)	—
Depreciation and amortization	(141)	(64)	(77)	—
Operating earnings (loss)	4,514	2,927	1,952	(366)
Fair value adjustments	19	548	(529)	—
Earnings (loss) before the under noted	4,533	3,475	1,423	(366)
Unrealized exchange gain on long-term debt	(1,842)			
Interest expense, net	(739)			
Deferred income tax expense	(661)			
Net income	\$ 1,291			
<i>As at March 30, 2013</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	\$271,791	\$157,545	\$114,246	\$ —
Total assets	288,455	169,116	119,033	306
Total liabilities	\$104,453	\$ 3,885	\$ 23,966	\$ 76,602

<i>Three Months Ended March 31, 2012</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	\$ 8,369	\$ 4,161	\$ 4,208	\$ —
Hardwood	8,208	6,985	1,223	—
Biomass	1,139	1,120	19	—
Other	932	889	43	—
Total net sales	18,648	13,155	5,493	—
Operating costs	(13,882)	(10,043)	(3,685)	(154)
Depreciation and amortization	(137)	(60)	(77)	—
Operating earnings (loss)	4,629	3,052	1,731	(154)
Gain on sale of timberlands	4	4	—	—
Fair value adjustments	(401)	109	(510)	—
Earnings (loss) before the under noted	4,232	3,165	1,221	(154)
Unrealized exchange gain on long-term debt	1,769			
Interest expense, net	(715)			
Deferred income tax expense	(918)			
Net income	\$ 4,368			

<i>As at March 31, 2012</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	\$ 267,119	\$ 157,072	\$ 110,047	\$ —
Total assets	284,238	166,453	113,603	4,182
Total liabilities	\$ 99,084	\$ 2,382	\$ 22,294	\$ 74,408

During the three months ended March 30, 2013 approximately 34% of total sales were originated with customers domiciled in the U.S. and the balance in Canada (2012 – 29%). During the same period, approximately 26% of total sales were denominated in U.S. dollars (2012 – 23%).

Acadian outsources much of its harvesting, transportation and other services which comprise the majority of Acadian's cost of sales. For the three months ended March 30, 2013, Acadian's top three suppliers accounted for approximately 17%, 16% and 9%, respectively, of Acadian's total harvesting and delivery costs (2012 – 19%, 15% and 14%, respectively).

Acadian sells its products to many forest product companies in North America. For the three-month period ended March 30, 2013, sales to related parties (see Note 5) from NB Timberlands and Maine Timberlands accounted for 20% of total sales (2012 – 23%) and sales to the next largest customer accounted for 12% of total sales (2012 – 10%).

NOTE 7. INCOME TAXES

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

<i>Three Months Ended</i> <i>(CAD thousands)</i>	March 30, 2013	March 31, 2012
Deferred income tax expense		
Income tax at statutory rate	\$ 488	\$ 1,322
Foreign tax rate differential	213	183
Permanent differences	(106)	(532)
Benefit of previously unrecognized tax attributes	65	(58)
Other	1	3
Total deferred tax expense	\$ 661	\$ 918

<i>As at</i> <i>(CAD thousands)</i>	March 30, 2013	December 31, 2012
Deferred income tax asset	\$ 117	\$ 696
Deferred income tax liability	(22,718)	(21,924)
Total net deferred income tax liability	\$ (22,601)	\$ (21,228)

NOTE 8. EMPLOYEE BENEFIT PLANS

NB Timberlands and Maine Timberlands each have defined contribution pension plans covering substantially all employees. During the three months ended March 30, 2013, contributions recorded as expenses amounted to \$68 thousand (2012 – \$67 thousand).

NOTE 9. DIVIDENDS TO SHAREHOLDERS

Acadian pays quarterly dividends to the extent determined prudent by the Board of Directors.

Total dividends declared for the three months ended March 30, 2013 were \$3.5 million (2012 – \$3.5 million), or \$0.21 per share (2012 – \$0.21 per share).

NOTE 10. TIMBER

<i>(CAD thousands)</i>	
Fair Value at December 31, 2011	\$ 231,370
Gains arising from growth	19,701
Decrease arising from harvest	(19,254)
Gain from fair value price changes	1,705
Foreign exchange	(2,836)
Balance at December 31, 2012	\$ 230,686
Gains arising from growth	4,959
Decrease arising from harvest	(6,021)
Foreign Exchange	2,456
Balance at March 30, 2013	\$ 232,080

Board and Management

Corporate and Shareholder Information

BOARD OF DIRECTORS

J. W. Bud Bird, O.C.
*Chairman and
Chief Executive Officer,
Bird Holdings Ltd. and
Bird Lands Limited*

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

Louis J. Maroun
*Executive Chairman
Sigma Real Estate
Advisors
(resigned 31-July-2012)*

David Mann
*Legal Counsel
Cox & Palmer*

Samuel J.B. Pollock
*Senior Managing Partner
Brookfield Asset
Management Inc.*

Saul Shulman
*Chief Executive Officer
MLG Management Inc.
(appointed 31-July-2012)*

MANAGEMENT

Acadian Timber Corp.'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 and Senior Vice
President, Finance of the
Manager*

Marcia McKeague
*Vice President,
Maine Woodland
Operations*

Luc Ouellet
*Vice President,
NB Woodland Operations*

HEAD OFFICE OF THE MANAGER

Brookfield Timberlands Management LP
(wholly-owned subsidiary of Brookfield Asset Management Inc.)
Suite 458, Bentall 5, 550 Burrard Street, Box 51
Vancouver, B.C. V6C 2B5
Please direct your inquiries to:
Robert Lee
Investor Relations and Communications
t. 604.661.9607 f. 604.687.3419
e. rlee@acadiantimber.com

TRANSFER AGENT AND REGISTRAR

Shareholder inquiries relating to dividends, address changes and shareholder account information should be directed to the Corporation's transfer agent:
CIBC Mellon Trust Company,
c/o: Canadian Stock Transfer Company Inc.
P.O. Box 700 Postal Station B
Montreal, QC H3B 3K3
t. 1-800-387-0825 (toll free in North America)
f. 1-888-249-6189
e. inquiries@canstockta.com
www.canstockta.com

SHARE INFORMATION

Toronto Stock Exchange: ADN
Fully Diluted Shares Outstanding (March 30, 2013): 16,731,216
Targeted 2013 Quarterly Dividend: [\$0.20625 per share]
Record Date: Last business day of each quarter
Payment Date: On or about the 15th day of each subsequent month

www.acadiantimber.com

This interim management's discussion and analysis ("MD&A") contains forward-looking information 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 MD&A 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 MD&A includes, without limitation, statements made in sections entitled "Liquidity and Capital Resources," "Market Outlook" and "Supplemental Information," 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, market trends 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 MD&A. All forward-looking statements in this MD&A 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; and other factors discussed under the heading "Risk Factors" in the Annual Information Form of Acadian dated March 28, 2013 and other filings of Acadian made 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 contained herein 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, and the economic situation of key customers. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward looking statements. The forward-looking statements contained in this MD&A are made as of the date of this MD&A, and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this MD&A. Acadian Timber Corp. assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as may be required by applicable law.



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