Q1 2014 Interim Report

Letter to Shareholders

Overview

Acadian Timber Corp.'s ("Acadian") operations performed well for the three month period ending March 29, 2014 (the "first quarter") with favorable winter operating conditions extending through the end of the quarter and improving demand for many of our products. During the first quarter we generated $5.6 million of Free Cash Flow[1] and distributed $3.5 million to our shareholders. Acadian continues to demonstrate stable and predictable results and stands to benefit from improving market conditions.

Results of Operations

Acadian generated net sales of $21.2 million in the first quarter, a 16% increase year-over-year due to 10% higher sales volume of primary products and a 9% increase in weighted average log selling prices, partially offset by lower biomass and other sales. This strong sales performance translated into improved adjusted EBITDA[1] and Free Cash Flow in the first quarter compared to the same period last year. Acadian's safety performance was also strong with only one minor, no lost time incident during the quarter.

Our balance sheet continues to be solid with $74.9 million of net liquidity as at March 29, 2014, including funds available under Acadian's Revolving Facility and our stand-by equity commitment with Brookfield.

Market Conditions and Outlook[2]

The U.S. housing market has struggled in 2014 despite significant increases in pent up demand. Although the current housing outlook is uncertain, almost all industry watchers are forecasting year-over-year increases in total housing starts of approximately 15% in 2014 with increases of the same magnitude forecast for 2015.

Meanwhile, Acadian's key solid wood customers continue to operate at high levels and, following the New Brunswick government's announcement of its Forestry Plan in mid-March, there have been announcements of significant capital investments and additional operating shifts at Irving's St. Leonard and Kedgwick sawmills and Twin Rivers' Plaster Rock sawmill. This is in addition to last summer's announcement of Irving's new sawmill in Portage, Maine. As a result, we expect to see continued strong demand for softwood sawlogs in the region.

In addition to our positive outlook for softwood sawlogs, markets for hardwood sawlogs have been positive and are expected to remain stable while demand and pricing for hardwood pulpwood continues to be strong. While Acadian has been successful in selling its softwood pulpwood production, this market continues to be challenging owing to the closure of regional groundwood mills. Fortunately, this product represents only a small portion of Acadian's sales and an even lower proportion of our operating earnings. Biomass markets are mixed owing to a slowdown in export markets, with demand and pricing expected to remain reasonable offering modest margins.

Business Development

We continue to actively pursue business development opportunities in support of Acadian's global growth strategy. After a prolonged period of limited investment opportunities, we are currently seeing an increasing number of owners willing to test the market. We are optimistic that Acadian will be in a position to participate in attractive opportunities during 2014.

On behalf of the board and management of Acadian, I would like to thank you for your continued support of Acadian and note that we remain committed to continuously improving our financial and operating performance.

Reid Carter
President and Chief Executive Officer
May 12, 2014

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 761,000 acres of freehold timberlands in New Brunswick ("NB Timberlands"), approximately 301,000 acres of freehold timberlands in Maine ("Maine Timberlands") and provides management services relating to approximately 1.3 million acres of Crown licensed timberlands in New Brunswick. 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 existing timberland assets while growing our business by acquiring assets on a value basis and utilizing our operations-oriented approach to drive improved performance.

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 29, 2014 (herein referred to as the "first quarter") relative to the three months ended March 30, 2013, 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 12, 2014. 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, 2013. There have been no changes in our disclosure controls and procedures during the period ended March 29, 2014 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, 2013. There have been no changes in our internal controls over financial reporting during the period ended March 29, 2014 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:

(CAD thousands, except where indicated)	**March 29, 2014**	March 30, 2013
Sales volume (000s m³)	**350.2**	339.2
Net sales	**$ 21,243**	$ 18,252
Operating earnings	**6,465**	4,514
Net income	**697**	1,291
Total assets	**303,675**	288,455
Total debt financing	**80,105**	73,776
Adjusted EBITDA[1]	**$ 6,697**	$ 4,655
Adjusted EBITDA margin[1]	**32%**	26%
Free Cash Flow[1]	**$ 5,600**	$ 3,911
Dividends declared	**3,451**	3,451
Payout ratio	**62%**	88%
Per share - basic and diluted		
Net income	**$ 0.04**	$ 0.08
Free Cash Flow[1]	**0.33**	0.23
Dividends declared	**0.21**	0.21
Book value	**10.94**	11.00
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".

For the three months ended March 29, 2014 (the "first quarter"), Acadian generated net sales of $21.2 million on a sales volume of 350 thousand m³, compared with net sales of $18.3 million on a sales volume of 339 thousand m³ during the same period last year. The 16% increase in net sales is primarily attributable to a 10% higher sales volume of primary products and a 9% increase in weighted average log selling prices, partially offset by lower biomass and other sales. Strong market demand, the strengthening of the U.S. dollar and the discontinuation of the vendor managed inventory ("VMI") program in our New Brunswick operation drove these improvements. Weighted average log selling prices also benefited from the expiration of the VMI program as a higher proportion of softwood sawtimber was sold in the first quarter rather than being deferred to the second quarter as happened in 2013.

Operating earnings for the period, at $6.5 million, increased $2.0 million year-over-year reflecting improved log selling prices and sales volumes. Net income totaled $0.7 million, or $0.04 per share, for the first quarter, a decrease of $0.6 million or $0.04 per share from the same period in 2013. The decrease in net income primarily reflects a higher non-cash fair value adjustment to timber and an increased unrealized exchange loss on long-term debt.

Adjusted EBITDA and Free Cash Flow

Adjusted EBITDA for the first quarter was $6.7 million, compared to $4.7 million during the comparable period in 2013, reflecting higher log selling prices across most products and the impact of deferred sales associated with last year's VMI program in our New Brunswick operations. Adjusted EBITDA margin in the first quarter was 32%, an increase from 26% in the same period in 2013. Free Cash Flow was $5.6 million during the first quarter, which represents an increase of $1.7 million from the same period in 2013.

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:

(CAD thousands)	**March 29, 2014**	March 30, 2013
Net income	**$ 697**	$ 1,291
Add (deduct):		
Interest expense, net	**797**	739
Current income tax expense	**297**	—
Deferred income tax expense	**484**	661
Depreciation and amortization	**136**	141
Fair value adjustments	**1,190**	(19)
Unrealized exchange loss on long-term debt	**3,096**	1,842
Adjusted EBITDA[1]	**6,697**	4,655
Add (deduct):		
Interest paid on debt, net	**(801)**	(744)
Gain on sale of timberlands	**(96)**	—
Proceeds on sale of timberlands	**97**	—
Current income tax expense	**(297)**	—
Free Cash Flow[1]	**$ 5,600**	$ 3,911
Dividends declared	**$ 3,451**	$ 3,451
Payout ratio	**62%**	88%

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

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.

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.

Total dividends declared to shareholders during the three months ended March 29, 2014 were $3.5 million, or $0.21 per share, unchanged from the prior year. 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 62%.

Based on Free Cash Flow generated to date, Acadian's revolving credit facility and existing cash reserves, Acadian remains well positioned to meet dividend targets into 2014.

Operating and Market Conditions

Acadian's operations ran well during the first quarter with favourable winter operating conditions extending through the end of the quarter. Harvest volume for the first quarter, excluding biomass, was 349 thousand m^3, in line with the same period in the prior year. Sales volume of 350 thousand m^3 was up 3% from the first quarter of 2013, with the increase coming from Acadian's operations in New Brunswick.

Acadian's weighted average log price for the first quarter increased 9% year-over-year reflecting increased prices across most products and changes in product mix. Stronger softwood sawlog markets and the strengthening of the U.S. dollar resulted in a 7% increase in the weighted average softwood sawlog price relative to the first quarter of 2013. Most of this benefit came from the Maine operations. Hardwood sawlog markets improved for both the New Brunswick and Maine operations with weighted average selling prices increasing by 16%. Prices for softwood and hardwood pulpwood decreased 7% and increased 10%, respectively, year-over-year. While market conditions for hardwood pulpwood continued to be strong, softwood pulpwood markets were challenged during the quarter due to a limited customer base. Biomass markets remained stable, however, realized gross margins on this product decreased 23% year-over-year due to fewer export customers.

Income Tax Expense

Included in net income for the first quarter is current income tax expense of $0.3 million (2013 – $nil) and deferred income tax expense of $0.5 million (2013 – $0.7 million).

Segmented Results of Operations

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

Three Months Ended March 29, 2014 (CAD thousands)	**NB Timberlands**	**Maine Timberlands**	**Corporate**	**Consolidated**
Sales volumes (000s m³)	**245.1**	**105.1**	**—**	**350.2**
Net sales	**$ 14,446**	**$ 6,797**	**$ —**	**$ 21,243**
Adjusted EBITDA[1]	**$ 4,458**	**$ 2,477**	**$ (238)**	**$ 6,697**
Adjusted EBITDA margin[1]	**31%**	**36%**	**n/a**	**32%**

Three Months Ended March 30, 2013 (CAD thousands)	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m³)	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%

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

NB Timberlands

NB Timberlands owns and manages approximately 761,000 acres of freehold timberlands, provides management services relating to approximately 1.3 million acres of Crown licensed timberlands and owns a forest nursery. Approximately 80% of harvest 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 29, 2014			Three Months Ended March 30, 2013		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**120.6**	**100.1**	**$ 5,379**	156.0	87.0	$ 4,573
Hardwood	**123.9**	**115.7**	**7,759**	94.6	97.0	6,055
Biomass	**29.3**	**29.3**	**646**	44.9	44.9	819
	273.8	**245.1**	**13,784**	295.5	228.9	11,447
Other sales			**662**			706
Net sales			**$ 14,446**			$ 12,153
Adjusted EBITDA[1]			**$ 4,458**			$ 2,992
Adjusted EBITDA margin[1]			**31%**			25%

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

Softwood, hardwood and biomass shipments were 100 thousand m³, 116 thousand m³ and 29 thousand m³, respectively, during the first quarter. This represents a year-over-year increase in sales volume of 7%. Approximately 38% of sales volume was sold as sawlogs, 50% as pulpwood and 12% as biomass in the first quarter. This compares to 27% sold as sawlogs, 53% as pulpwood and 20% as biomass in the first quarter of 2013.

Net sales for the first quarter totaled $14.4 million compared to $12.2 million for the same period last year, reflecting the positive impact of not operating under last year's VMI program that resulted in the deferral of softwood sawlog sales into the second quarter in 2013. Net sales also benefited from increases in selling prices across most products and a more favourable product mix. The weighted average log selling price was $60.88 per m³ in the first quarter, a 5% increase from $57.77 per m³ in the same period of 2013.

Costs for the first quarter were $10.0 million, compared to $9.2 million in the same period in 2013, due to 1% higher variable costs per m³ resulting primarily from higher hardwood harvest volumes.

Adjusted EBITDA for the first quarter was $4.5 million, compared to $3.0 million in the first quarter of 2013 reflecting improved market demand for most products and the impact of the VMI program in 2013. Adjusted EBITDA margin increased to 31% from 25% in the prior year.

During the first quarter, NB Timberlands experienced no recordable incidents among employees and one reportable incident among contractors. The injuries of the contractor's employee were relatively minor and did not result in any lost time.

Maine Timberlands

Maine Timberlands owns and manages approximately 301,000 acres of freehold timberlands. All harvesting operations are performed by third-party contractors.

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

	Three Months Ended March 29, 2014			Three Months Ended March 30, 2013		
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*
Softwood	**71.6**	**71.3**	**$ 4,676**	76.5	76.2	$ 4,342
Hardwood	**32.5**	**27.1**	**1,991**	25.7	26.4	1,607
Biomass	**6.7**	**6.7**	**61**	7.7	7.7	81
	110.8	**105.1**	**6,728**	109.9	110.3	6,030
Other sales			**69**			69
Net sales			**$ 6,797**			$ 6,099
Adjusted EBITDA[1]			**$ 2,477**			$ 2,028
Adjusted EBITDA margin[1]			**36%**			33%

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

Softwood, hardwood and biomass shipments were 71 thousand m^3, 27 thousand m^3, and 7 thousand m^3, respectively, during the first quarter. This represents a year-over-year decrease in sales volume of 5%. Approximately 55% of sales volume was sold as sawlogs, 39% as pulpwood and 6% as biomass during the first quarter. This compares to 56% sold as sawlogs, 37% as pulpwood and 7% as biomass in the first quarter of 2013.

Net sales for the first quarter totaled $6.8 million compared to $6.1 million for the same period last year. The improvement was the result of improved pricing across most products and the positive impact of foreign exchange movements. The weighted average log selling price was $67.75 per m^3 in the first quarter, a 17% increase from $57.95 per m^3 in the same period of 2013 in Canadian dollar terms. Weighted average log selling prices in U.S. dollar terms increased 7% year-over-year.

Costs for the first quarter were $4.3 million, compared to $4.1 million during the same period in 2013. This increase primarily reflects foreign exchange movements during the year as variable costs per m^3 increased 11% in Canadian dollar terms while only increasing 2% in U.S. dollar terms.

Adjusted EBITDA for the first quarter was $2.5 million, compared to $2.0 million for the same period in 2013, while Adjusted EBITDA margin increased from 33% to 36%.

There were no recordable safety incidents among employees and contractors during the first quarter.

Financial Position

As at March 29, 2014, Acadian's balance sheet consisted of total assets of $303.7 million (December 31, 2013 – $296.2 million), represented primarily by timber, land, roads and other fixed assets of $275.2 million (December 31, 2013 – $272.4 million) with the balance in cash and current assets of $22.3 million (December 31, 2013 – $17.6 million), and intangible assets of $6.1 million (December 31, 2013 – $6.1 million). Timber has been recorded at fair value as determined through independent third party appraisal at December 31, 2013 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.

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 29, 2014, Acadian has borrowings of US$72.5 million under the Term Facility and the Revolving Facility was undrawn.

As collateral 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 subject to the maintenance of a maximum ratio of loan-to-appraised value and Acadian is in compliance as of March 29, 2014. In addition, US$2.2 million of the Revolving Facility is reserved to support the minimum cash balance requirement of the Term Facility.

Stand-by Equity Commitment

On August 12, 2013, Acadian arranged a stand-by equity commitment with Brookfield in an aggregate amount of US$50 million for a 2-year duration subject to regulatory approval. The equity commitment is structured so that Acadian may call on the equity commitment in exchange for the issuance of a number of common shares that corresponds to the amount of the equity commitment called, divided by the volume-weighted average of the trading price for Acadian's common shares on the Toronto Stock Exchange for a period of up to twenty trading days immediately preceding the date of the call, as approved by the Toronto Stock Exchange. All issuances of shares pursuant to the equity commitment will be subject to meeting Toronto Stock Exchange and other applicable regulatory requirements (if any).

As at March 29, 2014, no amounts have been drawn on the equity commitment.

Outstanding Shares

As at March 29, 2014,16,731,216 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 29, 2014, 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 2014. 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 has struggled in 2014 despite significant increases in pent up demand. While severe winter weather is almost certainly behind much of the slowdown, underlying demand remains weak as traditional buyers continue to defer home purchases while they wait for employment conditions to strengthen further. Although the current housing outlook is uncertain, almost all industry watchers are forecasting year-over-year increases in total housing starts of approximately 15% in 2014 with increases of the same magnitude forecast for 2015.

Meanwhile, Acadian's key solid wood customers continue to operate at high levels and, following the New Brunswick government's announcement of its Forestry Plan in mid-March, there have been announcements of significant capital investments and additional operating shifts at Irving's St. Leonard and Kedgwick sawmills and Twin Rivers' Plaster Rock sawmill. This is in addition to last summer's announcement of Irving's new sawmill in Portage, Maine. As a result, we expect to see continued strong demand for softwood sawlogs in the region.

In addition to our positive outlook for softwood sawlogs, markets for hardwood sawlogs have been positive and are expected to remain stable while demand and pricing for hardwood pulpwood continues to be strong. While Acadian has been successful in selling its softwood pulpwood production, this market continues to be challenging owing to the closure of regional groundwood mills. Fortunately, this product represents only a small portion of Acadian's sales and an even lower proportion of our operating earnings. Biomass markets are mixed owing to a slowdown in export markets, with demand and pricing expected to remain reasonable offering modest margins.

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 eight quarters. See "Additional Quarterly Information" section for the segmented quarterly results.

	2014	2013				2012		
(CAD thousands, except per share data and where indicated)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales volume (000s m³)	**350.2**	370	343	330	339	327	319	306
Net sales	**$ 21,243**	$ 21,764	$ 18,759	$ 15,608	$ 18,252	$ 18,410	$ 17,523	$ 14,257
Adjusted EBITDA[1]	**6,697**	6,139	3,789	2,897	4,655	5,145	4,377	2,196
Free Cash Flow[1]	**5,600**	5,304	2,812	1,774	3,911	4,368	3,532	2,087
Net income (loss)	**697**	3,420	3,394	(857)	1,291	3,791	4,995	575
Per share - basic and diluted	**$ 0.04**	$ 0.20	$ 0.20	$ (0.05)	$ 0.08	$ 0.23	$ 0.30	$ 0.03

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 2013 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.

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 29, 2014, Brookfield owned 7,513,262 common shares, representing approximately 45% of the outstanding shares of the Company. Acadian is also a related party of Katahdin Timberlands LLC as a result of their common significant shareholder and was a related party of Twin Rivers Paper Company ("Twin Rivers") prior to Brookfield completing the sale of its interest in Twin Rivers on June 10, 2013. References in this report to Twin Rivers refer to transactions and relationships with Brookfield prior to the sale of this interest.

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. 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.

b) Upon inception, Acadian entered into an agreement with Brookfield whereby Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided in the three months ended March 29, 2014 totaled $0.6 million (2013 – $0.6 million). As at March 29, 2014, fees of $0.6 million (2013 – $nil) remain outstanding.

c) Maine Timberlands sold 4.13 acres of land for net proceeds of $97 thousand to Katahdin Timberlands LLC during the three months ended March 29, 2014 (2013 – $nil).

Further to the related party transactions noted above, the total net payable due to related parties as at March 29, 2014 is $557 thousand (December 31, 2013 net receivable due from related parties – $65 thousand).

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 Twin Rivers for periods up to 20 years and the provision of management services under a Crown License Agreement at the direction of Twin Rivers.

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

		Payments Due by Period				
(CAD thousands)	Total Available	Total	Less Than One Year	1 to 3 Years	3 to 5 Years	After 5 Years
Debt						
Term facility[1]	$ 80,105	$ 80,105	$ —	$ 80,105	$ —	$ —
Revolving facility	11,049	—	—	—	—	—
	$ 91,154	$ 80,105	$ —	$ 80,105	$ —	$ —
Interest payments[2]		$ 6,866	$ 3,180	$ 3,686	$ —	$ —

1. Represents principal of a U.S. dollar denominated term loan with a Canadian to U.S. dollar conversion of 1.1049, 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 1.1049.

Additional Quarterly Information

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

NB Timberlands

	2014 Q1			2013 Q4			2013 Q3			2013 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)*	*($000s)*
Softwood	**120.6**	**100.1**	**$ 5,379**	121.7	119.9	$ 6,681	87.7	90.5	$ 4,632	57.4	124.4	$ 6,538
Hardwood	**123.9**	**115.7**	**7,759**	115.9	110.0	7,142	106.3	103.3	6,213	89.8	95.6	5,807
Biomass	**29.3**	**29.3**	**646**	52.3	52.3	1,658	60.3	60.3	1,364	68.2	68.2	1,199
	273.8	**245.1**	**13,784**	289.9	282.2	15,481	254.3	254.1	12,209	215.4	288.2	13,544
Other sales			**662**			1,241			1,439			(36)
Net sales			**$ 14,446**			$ 16,722			$ 13,648			$ 13,508
Adjusted EBITDA[1]			**$ 4,458**			$ 5,047			$ 2,701			$ 2,943
Adjusted EBITDA margin[1]			**31%**			30%			20%			22%

Maine Timberlands

	2014 Q1			2013 Q4			2013 Q3			2013 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)*	*($000s)*
Softwood	**71.6**	**71.3**	**$ 4,676**	54.4	54.4	$ 3,228	51.4	51.3	$ 3,168	18.1	18.1	$ 875
Hardwood	**32.5**	**27.1**	**1,991**	26.5	26.1	1,698	25.6	26.0	1,754	9.9	15.6	1.051
Biomass	**6.7**	**6.7**	**61**	7.0	7.0	42	11.8	11.8	65	8.6	8.6	44
	110.8	**105.1**	**6,728**	87.9	87.5	4,968	88.8	89.1	4,987	36.6	42.3	1,970
Other sales			**69**			74			124			130
Net sales			**$ 6,797**			$ 5,042			$ 5,111			$ 2,100
Adjusted EBITDA[1]			**$ 2,477**			$ 1,577			$ 1,456			$ 215
Adjusted EBITDA margin[1]			**36%**			31%			28%			10%

Corporate

	2014 Q1	2013 Q4	2013 Q3	2013 Q2
	Results	**Results**	**Results**	**Results**
	($000s)	*($000s)*	*($000s)*	*($000s)*
Net sales	**$ —**	$ —	$ —	$ —
Adjusted EBITDA[1]	**$ (238)**	$ (485)	$ (368)	$ (261)

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

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
	Results	**Results**	**Results**	**Results**
	($000s)	*($000s)*	*($000s)*	*($000s)*
Net sales	$ —	$ —	$ —	$ —
Adjusted EBITDA[1]	$ (365)	$ (243)	$ (98)	$ (281)

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

Forward-Looking Statements

This management 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 statements made in sections entitled "Dividend Policy of the Company," "Liquidity and Capital Resources" and "Market Outlook" and without limitation other statements regarding management's beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, growth strategy and prospects, access to capital, liquidity and trading volumes, dividends, taxes, capital expenditures, projected costs, market trends and similar statements concerning anticipated future events, results, achievements, circumstances, performance or expectations that are not historical facts. These statements, which 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; Brookfield's ability to source and secure potential investment opportunities; the availability of potential acquisitions that suit Acadian's growth profile; and other risks and factors discussed under the heading "Risk Factors" in each of the Annual Information Form dated March 28, 2014 and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: anticipated financial performance; anticipated market conditions; business prospects; the economic situation of key customers; 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. 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 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 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)

Three Months Ended (CAD thousands)	Note	**March 29, 2014**	March 30, 2013
Net sales	6	**$ 21,243**	$ 18,252
Operating costs and expenses			
Cost of sales		**13,179**	11,988
Selling, administration and other	6	**1,463**	1,604
Reforestation		**—**	5
Depreciation and amortization		**136**	141
		14,778	13,738
Operating earnings		**6,465**	4,514
Interest expense, net		**(797)**	(739)
Other items			
Fair value adjustments		**(1,190)**	19
Unrealized exchange loss on long-term debt		**(3,096)**	(1,842)
Gain on sale of timberlands	5	**96**	—
Earnings before income taxes		**1,478**	1,952
Current income tax expense	7	**(297)**	—
Deferred income tax expense	7	**(484)**	(661)
Net income		**$ 697**	$ 1,291
Net income per share - basic and diluted		**$ 0.04**	$ 0.08

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Comprehensive Income

(unaudited)

Three Months Ended *(CAD thousands)*	**March 29, 2014**	March 30, 2013
Net income	**$ 697**	$ 1,291
Other comprehensive income (loss)		
Items that may be reclassified subsequently to net income:		
Unrealized foreign currency translation income	**3,697**	2,209
Amortization of derivatives designated as cash flow hedges	**(47)**	(49)
Comprehensive income	**$ 4,347**	$ 3,451

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Balance Sheets

(unaudited)

As at *(CAD thousands)*	Note	**March 29, 2014**	December 31, 2013
Assets			
Current assets			
Cash and cash equivalents		**$ 11,039**	$ 8,564
Accounts receivable and other assets	5	**8,154**	7,673
Inventory		**3,098**	1,380
		22,291	17,617
Timber	10	**242,514**	240,143
Land, roads and other fixed assets		**32,730**	32,268
Intangible assets		**6,140**	6,140
		$ 303,675	$ 296,168
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	5	**$ 9,452**	$ 7,680
Dividends payable to shareholders		**3,451**	3,451
		12,903	11,131
Long-term debt	3	**79,648**	76,496
Deferred income tax liability	7	**28,035**	26,348
Shareholders' equity	4	**183,089**	182,193
		$ 303,675	$ 296,168

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Changes in Equity

(unaudited)

Three Months Ended March 29, 2014 *(CAD thousands)*	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Cash Flow Hedges	Shareholders' Equity
Balance as at December 31, 2013	$ 140,067	$ 37,020	$ 1,383	$ 3,294	$ 429	$ 182,193
Changes in period						
Net income	—	697	—	—	—	697
Other comprehensive income/(loss)	—	—	—	3,697	(47)	3,650
Shareholders' dividends declared	—	(3,451)	—	—	—	(3,451)
Balance as at March 29, 2014	$ 140,067	$ 34,266	$ 1,383	$ 6,991	$ 382	$ 183,089

See accompanying notes to interim consolidated financial statements.

Three Months Ended March 30, 2013 *(CAD thousands)*	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 income/(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.

Interim Consolidated Statements of Cash Flows

(unaudited)

(CAD thousands)	Note	**March 29, 2014**	March 30, 2013
Cash provided by (used for):			
Operating activities			
Net income		**$ 697**	$ 1,291
Adjustments to net income:			
Deferred income tax expense	7	**484**	661
Depreciation and amortization		**136**	141
Fair value adjustments		**1,190**	(19)
Unrealized exchange loss on long-term debt		**3,096**	1,842
Interest expense, net		**797**	739
Interest paid, net		**(801)**	(744)
Gain on sale of timberlands		**(96)**	—
Net change in non-cash working capital balances and other		**326**	(154)
		5,829	3,757
Financing activities			
Dividends paid to shareholders	9	**(3,451)**	(3,451)
		(3,451)	(3,451)
Investing activities			
Proceeds from sale of timberlands		**97**	—
		97	—
Increase in cash and cash equivalents during the period		**2,475**	306
Cash and cash equivalents, beginning of period		**8,564**	6,136
Cash and cash equivalents, end of period		**$ 11,039**	$ 6,442

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 1800-1055 West Georgia Street, P.O. Box 11179, Royal Centre, Vancouver, British Columbia, V6E 3R5.

The Corporation and all of its consolidated operations, collectively "Acadian", owns and manages approximately 761,000 acres of freehold timberlands in New Brunswick ("NB Timberlands"), approximately 301,000 acres of freehold timberlands in Maine ("Maine Timberlands") and provides management services relating to approximately 1.3 million acres of Crown licensed timberlands in New Brunswick. 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 29, 2014, 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.

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 2013 annual report. These interim condensed consolidated financial statements should be read in conjunction with the Acadian's 2013 annual report.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of Acadian on May 12, 2014.

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.

IFRIC 21 Levies
International Financial Reporting Interpretations Committee 21, Levies ("IFRIC 21") is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., International Accounting Standard 12, Income Taxes) and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognizes a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognized before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and is applied retrospectively. The adoption of this new interpretation did not result in any changes to the unaudited interim condensed consolidated financial statements.

NOTE 3. DEBT

Debt consisted of the following:

As at *(CAD thousands)*	**March 29, 2014**	December 31, 2013
Term facility, due March 2016	**$ 80,105**	$ 77,013
Less: Deferred debt issuance costs	**(457)**	(517)
Total	**$ 79,648**	$ 76,496

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.

As at March 29, 2014 and December 31, 2013, Acadian had borrowed US$72.5 million under the Term Facility and $nil under the Revolving Facility.

As collateral 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 subject to the maintenance of a maximum ratio of loan-to-appraised value and Acadian was in compliance as of March 29, 2014 and December 31, 2013. In addition, US$2.2 million is reserved under the Revolving Facility to support the minimum cash balance requirement of the Term Facility.

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 29, 2014 and December 31, 2013 were 16,731,216.

NOTE 5. 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 29, 2014, Brookfield owned 7,513,262 common shares, representing approximately 45% of the outstanding shares of the Company. Acadian is also a related party of Katahdin Timberlands LLC as a result of their common significant shareholder and was a related party of Twin Rivers Paper Company ("Twin Rivers") prior to Brookfield completing the sale of its interest in Twin Rivers on June 10, 2013. References in this report to Twin Rivers refer to transactions and relationships with Brookfield prior to the sale of this interest.

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. 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.

b) Upon inception, Acadian entered into an agreement with Brookfield whereby Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided in the three months ended March 29, 2014 totaled $0.6 million (2013 – $0.6 million). As at March 29, 2014, fees of $0.6 million (2013 – $nil) remain outstanding.

c) Maine Timberlands sold 4.13 acres of land for net proceeds of $97 thousand to Katahdin Timberlands LLC during the three months ended March 29, 2014 (2013 – $nil).

Further to the related party transactions noted above, the total net payable due to related parties as at March 29, 2014 is $557 thousand (December 31, 2013 net receivable due from related parties – $65 thousand).

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:

Three Months Ended March 29, 2014 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 10,055	$ 5,379	$ 4,676	$ —
Hardwood	9,750	7,759	1,991	—
Biomass	707	646	61	—
Other	731	662	69	—
Total net sales	21,243	14,446	6,797	—
Operating costs	(14,642)	(9,988)	(4,416)	(238)
Reforestation	—	—	—	—
Depreciation and amortization	(136)	(49)	(87)	—
Operating earnings (loss)	6,465	4,409	2,294	(238)
Gain on sale of timberlands	96	—	96	—
Fair value adjustments	(1,190)	(232)	(958)	—
Earnings (loss) before the under noted	5,371	4,177	1,432	(238)
Unrealized exchange gain on long-term debt	(3,096)			
Interest expense, net	(797)			
Current income tax expense	(297)			
Deferred income tax expense	(484)			
Net income	$ 697			

As at March 29, 2014 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	$281,384	$160,029	$121,355	$ —
Total assets	303,675	172,527	126,876	4,272
Total liabilities	$120,586	$ 6,930	$ 25,230	$ 88,426

Three Months Ended March 30, 2013 (CAD thousands)	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			

As at March 30, 2013 (CAD thousands)	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

During the three months ended March 29, 2014 approximately 34% of total sales were originated with customers domiciled in the U.S. and the balance in Canada (2013 – 34%). During the same period, approximately 25% of total sales (2013 – 26%) were denominated in U.S. dollars.

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 29, 2014, Acadian's top three suppliers accounted for approximately 18%, 13% and 11%, respectively, of Acadian's total harvesting and delivery costs (2013 – 17%, 16% and 9%, respectively).

Acadian sells its products to many forest product companies in North America. For the three-month period ended March 29, 2014, sales to the largest and next largest customer accounted for 29% and 9%, respectively (2013 – 20% and 12%, respectively).

NOTE 7. INCOME TAXES

The major components of income tax recognized in profit or loss are as follows:

Three Months Ended (CAD thousands)	March 29, 2014	March 30, 2013
Income tax expense		
Income tax at statutory rate	$ 399	$ 488
Foreign tax rate differential	187	213
Permanent differences	88	(106)
Benefit of previously unrecognized tax attributes	118	65
Other	(11)	1
Total income tax expense	$ 781	$ 661

As at (CAD thousands)	March 29, 2014	December 31, 2013
Deferred income tax asset	$ —	$ —
Deferred income tax liability	(28,035)	(26,348)
Total net deferred income tax liability	$ (28,035)	$ (26,348)

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 29, 2014, contributions recorded as expenses amounted to $68 thousand (2013 – $68 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 29, 2014 were $3.5 million (2013 – $3.5 million) or $0.21 per share (2013 – $0.21 per share).

NOTE 10. TIMBER

(CAD thousands)	
Fair Value at December 31, 2012	**$ 230,686**
Gains arising from growth	21,130
Decrease arising from harvest	(21,006)
Gain from fair value price changes	2,544
Foreign exchange	6,789
Balance at December 31, 2013	**$ 240,143**
Gains arising from growth	5,354
Decrease arising from harvest	(7,116)
Foreign exchange	4,133
Balance at March 29, 2014	**$ 242,514**

Board and Management

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

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.

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 Operating Officer
of Acadian and Senior Vice
President of the Manager

Erika Reilly
Chief Financial Officer
of Acadian and Senior Vice
President of the Manager

Marcia McKeague
Vice President,
Maine Woodland
Operations

Luc Ouellet
Vice President,
NB Woodland Operations

Corporate and Shareholder Information

HEAD OFFICE OF THE MANAGER

Brookfield Timberlands Management LP
(wholly-owned subsidiary of Brookfield Asset Management Inc.)
Suite 1800 – 1055 West Georgia Street, PO Box 11179, Royal Centre
Vancouver, B.C. V6E 3R5
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:

CST Trust Company
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 29, 2014): 16,731,216
Targeted 2014 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 management 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 statements made in sections entitled "Dividend Policy of the Company," "Liquidity and Capital Resources" and "Market Outlook" and without limitation other statements regarding management's beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, growth strategy and prospects, access to capital, liquidity and trading volumes, dividends, taxes, capital expenditures, projected costs, market trends and similar statements concerning anticipated future events, results, achievements, circumstances, performance or expectations that are not historical facts. These statements, which 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; Brookfield's ability to source and secure potential investment opportunities; the availability of potential acquisitions that suit Acadian's growth profile; and other risks and factors discussed under the heading "Risk Factors" in each of the Annual Information Form dated March 28, 2014 and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: anticipated financial performance; anticipated market conditions; business prospects; the economic situation of key customers; 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. 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 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 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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