Q1 2012 Interim Report

President's Letter

To our Shareholders,

We are pleased to report the operating and financial results of Acadian Timber Corp. ("Acadian") for the three month period ended March 31, 2012 (herein referred to as the "first quarter"). Acadian generated net sales of $18.6 million on consolidated sales volume of 352 thousand m^3. This compares to net sales of $21.8 million on consolidated sales volume of 426 thousand m^3 in the first quarter of 2011.

Operating conditions were excellent during January and February followed by exceptionally warm weather in early March causing an early spring break-up disrupting production and sales. Results for the first quarter were also meaningfully impacted by Acadian's implementation of a short-term vendor managed inventory program ("VMI") with one of its larger customers. At the end of the first quarter, Acadian held 72 thousand m^3 of harvested logs in inventory related to the VMI. As purchase commitments are filled under the VMI during the second quarter of 2012, additional sales of approximately $3.4 million and Adjusted EBITDA[1] of approximately $1.5 million are expected to be realized.

Acadian generated Adjusted EBITDA of $4.8 million, which was $2.5 million lower than the first quarter of 2011. Acadian's Adjusted EBITDA margin in the first quarter was 26% down from 33% in the first quarter of 2011. This decrease in margin is attributed to a lower contribution from the land management services agreement and significantly lower sales of higher margin spruce-fir sawlogs owing to the sale of these volumes being delayed until the second quarter as a result of the VMI.

Operations

We are pleased to report that during the first quarter, Acadian's operations experienced no recordable safety incidents among employees or contractors.

Acadian's weighted average selling price across all products increased 7% year-over-year although this change was largely due to changes in the sales mix and sales to more distant markets. Prices for softwood sawlogs, which represent 38% of net sales, increased 5% year-over-year with this increase in average price primarily related to a greater proportion of sales coming from Acadian's Maine operations where softwood sawlogs attract stronger prices. Prices for hardwood sawlogs, which represent 7% of net sales, increased by 2%. Selling prices for hardwood and softwood pulpwood increased by 6% and 14%, respectively, year-over-year. Biomass markets remained stable with price comparisons having little utility as they are significantly affected by distance from the harvest location.

Outlook

The U.S. housing market sent mixed signals during the winter months with the February data for construction and new and existing homes sales falling slightly while the results of the homebuilders' survey data and the housing-related question in the consumer confidence survey improved significantly in March. We continue to believe, however, that for US housing to fully recover, the economy must continue to improve with concurrent employment growth and improving consumer confidence and the inventory of unsold homes and homes in foreclosure must decline to more normal levels. Despite these broad economic challenges, most of Acadian's softwood sawmilling customers are maintaining active operations and, as a result, demand for spruce-fir sawlogs continues to be reasonably strong causing our outlook to be cautiously optimistic for the remainder of 2012. Markets for hardwood sawlogs remain stable and appear to have a similar outlook for the foreseeable future.

Markets for hardwood pulpwood remain strong with Acadian's major hardwood pulp customers all operating and actively competing for deliveries suggesting prices will remain stable through year end. Softwood pulpwood markets are increasingly soft as there has been an ample supply of sawmill residuals and too little demand from regional pulp mills. As a result, we expect softwood pulpwood prices to continue to soften through the summer. Softwood pulpwood typically accounts for approximately 7 – 8% of total sales.

Biomass markets continue to face significant market challenges. Cogeneration plants associated with manufacturing facilities are generally in good shape, while stand-alone wood-to-energy plants continue to suffer from depressed prices for electricity and decade-low prices for natural gas. Despite this challenging market environment, Acadian continues to be able to sell all of its biomass with a stable price outlook.

Acadian benefits from a strong balance sheet, healthy and diverse markets and a strong operating team. Owing to the additional softwood sawlog and pulpwood volumes held in the VMI at the end of March, we also expect second quarter 2012 sales and related cash flow to be considerably stronger than has historically been the case. These factors give us considerable confidence that Acadian is well positioned to meet its dividend target for 2012. We thank you for your continued support of Acadian Timber Corp. and remain committed to continuously improving our financial and operating performance.

Reid Carter
President and Chief Executive Officer
May 1, 2012

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, unrealized exchange gain/loss on debt, depreciation and amortization. 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.

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 section of our interim report presents management's discussion and analysis ("MD&A") of our financial results and is followed by our consolidated financial statements for the most recent period. The MD&A is intended to provide you with an assessment of our performance during the three-month period ended March 31, 2012, (herein referred to as the "first quarter") and the three-month period ended March 26, 2011.

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 1, 2012. 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, unrealized exchange gain/loss on debt, depreciation and amortization. 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 "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, 2011. There have been no changes in our disclosure controls and procedures during the period ended March 31, 2012 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, 2011. There have been no changes in our internal controls over financial reporting during the period ended March 31, 2012 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:

Three Months Ended *(CAD thousands, except where indicated)*	**March 31, 2012**	March 26, 2011
Total		
Sales volume (000s m³)	**351.5**	426.4
Net sales	**$ 18,648**	$ 21,756
Adjusted EBITDA	**4,770**	7,265
Adjusted EBITDA margin	**26%**	33%
Free cash flow	**$ 4,035**	$ 7,052
Net income	**4,368**	2,934
Dividends declared	**3,451**	3,451
Payout ratio	**86%**	49%
Total assets	**$ 284,238**	$ 288,994
Total debt financing	**72,308**	71,141
Per share (fully diluted)		
Free cash flow	**$ 0.24**	$ 0.42
Dividends declared	**0.21**	0.21
Net income	**0.26**	0.18
Book value	**11.07**	10.92
Common shares outstanding	**16,731,216**	16,731,216

Free Cash Flow

Free cash flow for the first quarter was $4.0 million as compared to $7.1 million during the first quarter in 2011. 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 2012.

Free cash flow from operations represents cash that is generated from the sale of our timber, from land management service contract activities and from the sale of non-timber products. Harvest volumes, excluding biomass, for the first quarter were 345 thousand m³ which was well within long-run sustainable harvest limits.

The following table provides a reconciliation of net income, as determined in accordance with IFRS, to Adjusted EBITDA and free cash flow from operations during each respective period:

Three Months Ended *(CAD thousands)*	**March 31, 2012**	March 26, 2011
Net income	**$ 4,368**	$ 2,934
Add (deduct):		
Interest expense, net	**715**	940
Deferred tax expense	**918**	1,084
Depreciation and amortization	**137**	137
Fair value adjustments	**401**	1,633
Unrealized exchange (gain) loss on long-term debt	**(1,769)**	537
Adjusted EBITDA	**4,770**	7,265
Add (deduct):		
Interest paid on debt, net	**(720)**	(205)
Additions to timber, land, roads and other fixed assets	**(15)**	(8)
Gain on sale of timberlands	**(4)**	(1)
Proceeds on sale of timberlands	**4**	1
Free cash flow	**$ 4,035**	$ 7,052
Dividends declared	**$ 3,451**	$ 3,451
Payout ratio	**86%**	49%

In determining the appropriate level of dividends, our Board of Directors considers the historic and forecasted 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.

As described in more detail on page 9 of this report, Acadian has borrowings totaling US$72.5 million that have a security interest over the assets and contain certain restrictive covenants relating to debt incurrence, sale of assets, and the maintenance of certain financial ratios, none of which are in default as at March 31, 2012. These covenants are not expected to restrict the ability of the Company to pay dividends to its shareholders. The obligations of these borrowings over the next five years are disclosed on page 12 of this report. All interest payments on the existing debt obligations are incurred in order to sustain the Company's productive capacity and are thus considered in determining the free cash flow of Acadian.

Market Conditions

The market for hardwood and softwood sawlogs and pulpwood during the first quarter improved across all product groups year-over-year. Acadian's major softwood sawmill and structural panel customers operated continuously throughout the quarter while most regional pulp and paper mills continued to run at full capacity, consuming large volumes of both hardwood and softwood pulpwood. Demand and pricing for hardwood pulpwood continued to be positive while global inventories for hardwood and softwood market pulp appear to have come back into balance with modest price recovery underway. Softwood pulpwood markets softened slightly during the quarter owing to increased over-supply of this smaller regional market. Demand and pricing for hardwood sawlogs remained stable despite continued difficult pricing for finished products. While operating conditions were excellent early in the quarter, unseasonably warm weather in early March resulted in early seasonal production curtailments leaving some regional mills with relatively low inventories at the end of the quarter.

Acadian's weighted average selling price across all products increased 7% year-over-year, although this change was largely due to changes in the sales mix and sales to more distant markets. Prices for softwood sawlogs, which represent 38% of net sales, increased 5% year-over-year with this increase in average price primarily related to a greater proportion of sales coming from Acadian's Maine operations where softwood sawlogs attract higher prices. Softwood sawlog prices in Acadian's Maine and New Brunswick operations increased 2% and 1% year-over-year, respectively. Prices for hardwood sawlogs, which represent 7% of net sales, increased by 2%. Selling prices for hardwood and softwood pulpwood increased by 6% and 14%, respectively year-over-year. Biomass markets remained stable with price comparisons having little utility as they are significantly affected by distance from the harvest location.

Results from Operations

Acadian generated net sales of $18.6 million on consolidated sales volumes of 352 thousand m^3 in the first quarter. This compares to net sales of $21.8 million on consolidated sales volumes of 426 thousand m^3 in the first quarter of 2011.

Results for the first quarter were meaningfully impacted by Acadian's implementation of a short-term vendor managed inventory program ("VMI") with one of its larger customers. At the end of the first quarter, Acadian held 72 thousand m^3 of harvested logs in inventory related to the VMI. As purchase commitments are filled under the VMI during the second quarter of 2012, additional sales of approximately $3.4 million and Adjusted EBITDA of approximately $1.5 million are expected to be realized.

Operating conditions were very good during January and February resulting in high productivity and lower costs during those months. However, the early arrival of very warm weather in March shortened the operating season significantly reducing overall production and sales. In addition, fuel costs increased with diesel prices increasing by approximately $0.06 per litre quarter-over-quarter which is concerning as they account for approximately 15% of operating costs. These higher fuel costs, together with year-over-year increases in contractor rates and longer hauls to more distant markets resulted in unit costs increasing by 16% year-over-year. However, approximately half of this cost increase was recovered through higher selling prices for the sales to more distant markets.

Adjusted EBITDA for the first quarter was $4.8 million as compared to $7.3 million in the same period of 2011. Acadian's Adjusted EBITDA margin in the first quarter was 26%, down from 33% in the first quarter of 2011. This decrease in margin is attributed to a lower contribution from the land management services agreement and significantly lower sales of higher margin spruce-fir sawlogs owing to the sale of these volumes being delayed until the second quarter of 2012 as a result of the VMI.

Income Tax Expense

Included in net income for the first quarter is deferred tax expense of $0.9 million (2011 – $1.1 million).

Segmented Results of Operations

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

Three Months Ended March 31, 2012 (CAD thousands)	**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	**$ 3,116**	**$ 1,808**	**$ (154)**	**$ 4,770**
Adjusted EBITDA margin	**24%**	**33%**	**n/a**	**26%**

Three Months Ended March 26, 2011 (CAD thousands)	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m^3)	352.6	73.8	—	426.4
Net sales	$ 17,931	$ 3,825	$ —	$ 21,756
Adjusted EBITDA	$ 6,355	$ 1,229	$ (319)	$ 7,265
Adjusted EBITDA margin	35%	32%	n/a	33%

NB Timberlands

NB Timberlands owns and manages 764,000 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 harvesting operations are performed by third-party contractors with the remainder by NB Timberlands employees.

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

	Three Months Ended March 31, 2012			Three Months Ended March 26, 2011		
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*
Softwood	**155.5**	**82.2**	**$ 4,161**	165.9	156.3	$ 7,583
Hardwood	**93.2**	**114.7**	**6,985**	137.6	126.6	7,606
Biomass	**59.8**	**59.8**	**1,120**	69.7	69.7	1,163
	308.5	**256.7**	**12,266**	373.2	352.6	16,352
Other sales			**889**			1,579
Net sales			**$ 13,155**			$ 17,931
Adjusted EBITDA			**$ 3,116**			$ 6,355
Adjusted EBITDA margin			**24%**			35%

Softwood, hardwood and biomass shipments were 82 thousand m^3, 115 thousand m^3 and 60 thousand m^3, respectively, for the first quarter. Approximately 31% was sold as sawlogs, 46% as pulpwood and 23% as biomass. This compares to 40% sold as sawlogs, 40% as pulpwood and 20% as biomass in the first quarter of 2011.

Net sales for the first quarter were $13.2 million (2011 – $17.9 million) with an average selling price across all products of $47.79 per m^3 which compares to an average selling price of $46.37 per m^3 during the first quarter of 2011. This year-over-year change in the average selling price reflects a higher proportion of hardwood pulpwood in the sales mix and improved pricing for this product. Other sales decreased to $0.9 million from $1.6 million in the comparable period of 2011 due to decreased harvesting activity on the land Acadian manages on behalf of others.

NB Timberlands held 72 thousand m^3 of harvested logs in inventory related to the VMI at the end of the first quarter reducing sales and Adjusted EBITDA during the quarter by approximately $3.4 million and $1.5 million, respectively. These amounts are expected to be realized in the second quarter of 2012 as purchase commitments under the VMI are filled.

Costs for the first quarter were $10.0 million (2011 – $11.6 million). Variable costs per m^3 were 16% higher than the first quarter of 2011 as a result of increased sales of hardwood pulpwood to more distant customers in the United States and higher contractor and fuel costs.

Adjusted EBITDA for the first quarter was $3.1 million, compared to $6.4 million in the comparable period of 2011. Adjusted EBITDA margin decreased to 24%, as compared to 35% for the first quarter of 2011, reflecting higher delivered log costs, lower contribution from the land management services agreement and the effect of reduced sales volume on fixed cost absorption.

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

Maine Timberlands

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

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

	Three Months Ended March 31, 2012			Three Months Ended March 26, 2011		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**76.0**	**74.6**	**$ 4,208**	58.3	58.2	$ 3,058
Hardwood	**19.8**	**19.6**	**1,223**	10.6	11.1	665
Biomass	**0.6**	**0.6**	**19**	4.5	4.5	44
	96.4	**94.8**	**5,450**	73.4	73.8	3,767
Other sales			**43**			58
Net sales			**$ 5,493**			$ 3,825
Adjusted EBITDA			**$ 1,808**			$ 1,229
Adjusted EBITDA margin			**33%**			32%

Softwood, hardwood and biomass shipments were 75 thousand m³, 20 thousand m³ and 1 thousand m³, respectively, for the first quarter. Approximately 63% was sold as sawlogs, 36% as pulpwood and 1% as biomass. This compares to 58% sold as sawlogs, 36% as pulpwood and 6% as biomass in the first quarter of 2011.

Net sales for the first quarter were $5.5 million (2011 – $3.8 million) with an average selling price across all products of $57.50 per m³ which compares to an average selling price of $51.03 per m³ during the first quarter of 2011. This variance in sales price was attributable to higher proportions of softwood sawtimber and hardwood pulpwood and improved prices for hardwood pulpwood. Strategies implemented by Acadian have allowed for improved contractor availability which, together with favourable operating conditions, resulted in increased harvest and sales volumes.

Costs for the first quarter were $3.7 million (2011 – $2.6 million). Variable costs per m³ increased 22% in Canadian dollar terms due to changes in contractor rates driven by increases in fuel costs and greater distances from the harvest site to mill delivery locations.

Adjusted EBITDA for the first quarter was $1.8 million, compared to $1.2 million in the comparable period of 2011. Adjusted EBITDA margin averaged 33% in the first quarter as compared to 32% during the first quarter of 2011.

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 31, 2012, Acadian's balance sheet consisted of total assets of $284.2 million (December 31, 2011 – $289.0 million), represented primarily by timber, land, roads and other fixed assets of $261.0 million (December 31, 2011 – $264.8 million) with the balance in cash and current assets of $14.7 million (December 31, 2011 – $15.0 million), deferred income tax assets of $2.5 million (December 31, 2011 – $3.0 million), and intangible assets of $6.1 million (December 31, 2011 – $6.1 million). Timber has been recorded at fair value as determined through independent third party appraisal at December 31, 2011 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 which was undrawn at March 31, 2012. 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 continue to 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 31, 2012, Acadian has borrowings of US$72.5 million under the Term Facility and $nil under the Revolving 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 31, 2012.

Outstanding Shares

As at March 31, 2012, 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 31, 2012, 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 2012. Reference should be made to "Forward-looking Statements" on page 15. 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 US housing market sent mixed signals during the winter months with the February data for construction and new and existing homes sales falling slightly while the results of the homebuilders' survey data and the housing-related question in the consumer confidence survey improved significantly in March. We continue to believe, however, that for US housing to fully recover, the economy must continue to improve with concurrent employment growth and improving consumer confidence and the inventory of unsold homes and homes in foreclosure must decline to more normal levels. Despite these broad economic challenges, most of Acadian's softwood sawmilling customers are maintaining active operations and, as a result, demand for spruce-fir sawlogs continues to be reasonably strong causing our outlook to be cautiously optimistic for the remainder of 2012. Markets for hardwood sawlogs remain stable and appear to have a similar outlook for the foreseeable future.

Markets for hardwood pulpwood remain strong with Acadian's major hardwood pulp customers all operating and actively competing for deliveries suggesting prices will remain stable through year end. Softwood pulpwood markets are increasingly soft as there has been an ample supply of sawmill residuals and too little demand from regional pulp mills. As a result, we expect softwood pulpwood prices to continue to soften through the summer. Softwood pulpwood typically accounts for approximately 7 – 8% of total sales.

Biomass markets continue to face significant market challenges. Cogeneration plants associated with manufacturing facilities are generally in good shape, while stand-alone wood-to-energy plants continue to suffer from depressed prices for electricity and decade-low prices for natural gas. Despite this challenging market environment, Acadian continues to be able to sell all of its biomass with a stable price outlook.

Acadian's efforts in addressing upward cost pressures from contractor availability appear to have been reasonably successful during the first quarter and we will continue to work with our contractors, industry associations and the state and provincial governments to secure an adequate skilled workforce.

Finally, owing to the additional 72 thousand m^3 of softwood sawlog and pulpwood volumes held in inventory as a result of the VMI, we expect second quarter 2012 sales and related cash flow to be considerably stronger than has historically been the case.

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.

	2012	2011				2010		
(CAD thousands, except per share data and where indicated)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales volume (000s m^3)	**352**	284	341	243	426	382	346	270
Net sales	**$ 18,648**	$ 15,139	$ 17,535	$ 11,723	$ 21,756	$ 20,581	$ 17,820	$ 12,137
Adjusted EBITDA	**4,770**	3,843	3,811	608	7,265	6,393	4,672	971
Free cash flow	**4,035**	2,239	3,183	(37)	7,052	5,358	3,608	(391)
Net income (loss)	**4,368**	11,427	(341)	(261)	2,934	2,622	3,039	565
Per share - basic and diluted	**$ 0.26**	$ 0.68	$ (0.02)	$ (0.02)	$ 0.18	$ 0.16	$ 0.18	$ 0.03

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 2011 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 31, 2012, 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") 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 and Brookfield for periods of up to 20 years. In addition, Acadian agreed to administer certain licenses on behalf of Twin Rivers. On September 28, 2011, Acadian and Brookfield terminated their fibre supply agreement coinciding with Brookfield's sale of their Maine paper mill to a third party. On January 9, 2012, Acadian entered into the Fibre Supply Agreement Modification Term Sheet ("Term Sheet") with Twin Rivers which will be effective January 1, 2013. The amendment to the pricing mechanism for the fibre supply agreement will be subject to minimum volumes of outside purchases for both tree length and sawlogs. Total sales to Twin Rivers and Brookfield during the three months ended March 31, 2012 totaled $5.5 million and $nil, respectively, which represented 23% of Acadian's consolidated total sales (2011 – $8.9 million and $0.7 million, respectively, or 35% of total sales). Included in accounts receivable at March 31, 2012 is $0.6 million related to these agreements (March 26, 2011 – $3.5 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 31, 2012, purchase commitments under the VMI totaled $3.4 million.

b) Maine Timberlands rented space in a shared office building from a wholly-owned subsidiary of Brookfield, which also provides certain administrative services to Maine Timberlands. Effective September 29, 2011, Maine Timberlands rents space from a third party. Total costs paid for these services were $4 thousand during the three-month period ended March 31, 2011.

c) 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 31, 2012 totaled $0.6 million (2011 – $0.6 million). All fees have been fully paid in accordance with the services agreement.

d) On October 14, 2010, Acadian entered into an agreement with Metropolitan Life Insurance Company to refinance existing debt obligations maturing February 28, 2011 at fixed rates determined as US treasury yield plus margin. To mitigate market risk of US treasury yields changing prior to closing of the loan, Brookfield entered into a rate lock agreement on Acadian's behalf whereby Acadian assumed the settlement proceeds upon maturity. The derivative asset related to this agreement was settled on February 1, 2011 for proceeds of $1.3 million.

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:

		Payments Due by Period				
(CAD thousands)	Total Available	Total	Less Than One Year	1 to 3 Years	4 to 5 Years	After 5 Years
Debt						
Term facility[1]	$ 72,308	$ 72,308	$ —	$ —	$ 72,308	$ —
Revolving facility	9,974	—	—	—	—	—
	$ 82,282	$ 72,308	$ —	$ —	$ 72,308	$ —
Interest payments[2]		$ 11,231	$ 2,871	$ 7,904	$ 456	$ —

1. Represents principal of a U.S. dollar denominated term loan with a Canadian to U.S. dollar conversion of 0.9974, 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 0.9974.

Additional Quarterly Information

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

NB Timberlands

	2012 Q1			2011 Q4			2011 Q3			2011 Q2		
	Harvest	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**
	(000s m³)	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*
Softwood	**155.5**	**82.2**	**$ 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			**$ 3,116**			$ 3,301			$ 3,410			$ 1,139
Adjusted EBITDA margin			**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 m³)	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*
Softwood	**76.0**	**74.6**	**$ 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			**$ 1,808**			$ 878			$ 549			$ (148)
Adjusted EBITDA margin			**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 m³)	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*
Softwood	**—**	**—**	**$ —**	—	—	$ —	—	—	$ —	—	—	$ —
Hardwood	**—**	**—**	**—**	—	—	—	—	—	—	—	—	—
Biomass	**—**	**—**	**—**	—	—	—	—	—	—	—	—	—
	—	**—**	**—**	—	—	—	—	—	—	—	—	—
Other sales			**—**			—			—			—
Net sales			**$ —**			$ —			$ —			$ —
Adjusted EBITDA			**$ (154)**			$ (336)			$ (148)			$ (383)
Adjusted EBITDA margin			**n/a**			n/a			n/a			n/a

NB Timberlands

	2011 Q1			2010 Q4			2010 Q3			2010 Q2		
	Harvest	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**
	(000s m³)	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*
Softwood	165.9	156.3	$ 7,583	95.5	109.5	$ 5,667	94.1	98.5	$ 5,150	71.6	72.4	$ 3,888
Hardwood	137.6	126.6	7,606	131.8	136.3	8,233	102.0	96.5	5,587	73.0	99.1	5,633
Biomass	69.7	69.7	1,163	55.2	55.1	572	68.1	68.2	705	50.2	50.1	393
	373.2	352.6	16,352	282.5	300.9	14,472	264.2	263.2	11,442	194.8	221.6	9,914
Other sales			1,579			1,975			1,828			(190)
Net sales			$ 17,931			$ 16,447			$ 13,270			$ 9,724
Adjusted EBITDA			$ 6,355			$ 5,628			$ 3,594			$ 905
Adjusted EBITDA margin			35%			34%			27%			9%

Maine Timberlands

	2011 Q1			2010 Q4			2010 Q3			2010 Q2		
	Harvest	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**
	(000s m³)	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*
Softwood	58.3	58.2	$ 3,058	55.7	55.6	$ 2,890	58.4	58.4	$ 3,102	32.9	33.0	$ 1,623
Hardwood	10.6	11.1	665	17.2	19.1	1,135	23.1	21.3	1,275	10.9	11.7	638
Biomass	4.5	4.5	44	6.1	6.3	59	3.0	2.9	35	3.7	3.7	52
	73.4	73.8	3,767	79.0	81.0	4,084	84.5	82.6	4,412	47.5	48.4	2,313
Other sales			58			50			138			100
Net sales			$ 3,825			$ 4,134			$ 4,550			$ 2,413
Adjusted EBITDA			$ 1,229			$ 1,208			$ 1,246			$ 257
Adjusted EBITDA margin			32%			29%			27%			11%

Corporate

	2011 Q1			2010 Q4			2010 Q3			2010 Q2		
	Harvest	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**
	(000s m³)	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*
Softwood	—	—	$ —	—	—	$ —	—	—	$ —	—	—	$ —
Hardwood	—	—	—	—	—	—	—	—	—	—	—	—
Biomass	—	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—	—
Other sales			—			—			—			—
Net sales			$ —			$ —			$ —			$ —
Adjusted EBITDA			$ (319)			$ (443)			$ (168)			$ (191)
Adjusted EBITDA margin			n/a			n/a			n/a			n/a

Forward-Looking Statements

This interim management's discussion and analysis ("MD&A") contains forward-looking information and other forward looking statements within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this 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 "Market Overview," "Free Cash Flow," "Capital Resources" and "Outlook," and other statements regarding management's beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, access to capital, liquidity and trading volumes, dividends, taxes, capital expenditures, 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 each of the Annual Information Form of Acadian dated March 28, 2012 and the Management Information Circular of Acadian dated March 28, 2012, 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. Certain statements in this MD&A may also be considered "financial outlook" for the purposes of applicable Canadian securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. 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)

Three Months Ended *(CAD thousands)*	Note	**March 31, 2012**	March 26, 2011
Net sales		**$ 18,648**	$ 21,756
Operating costs and expenses			
Cost of sales		**12,447**	12,987
Selling, administration and other		**1,435**	1,505
Depreciation and amortization		**137**	137
		14,019	14,629
Operating earnings		**4,629**	7,127
Interest expense, net		**(715)**	(940)
Other items			
Fair value adjustments		**(401)**	(1,633)
Unrealized exchange gain (loss) on long-term debt		**1,769**	(537)
Gain on sale of timberlands		**4**	1
Earnings before income taxes		**5,286**	4,018
Deferred tax expense	7	**(918)**	(1,084)
Net income for the period		**$ 4,368**	$ 2,934
Net income per share - basic and diluted		**$ 0.26**	$ 0.18

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Comprehensive Income

(unaudited)

Three Months Ended *(CAD thousands)*	**March 31, 2012**	March 26, 2011
Net income	**$ 4,368**	$ 2,934
Other comprehensive loss:		
Unrealized foreign currency translation loss	**(2,072)**	(936)
Amortization of derivatives designated as cash flow hedges	**(49)**	(145)
Comprehensive income	**$ 2,247**	$ 1,853

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Balance Sheets

(unaudited)

As at *(CAD thousands)*	Note	**March 31, 2012**	December 31, 2011
Assets			
Current assets			
Cash and cash equivalents		**$ 6,484**	$ 4,019
Accounts receivable and other assets	5	**4,117**	8,726
Inventory		**4,057**	2,263
		14,658	15,008
Timber	10	**228,042**	231,370
Land, roads and other fixed assets		**32,937**	33,438
Intangible assets		**6,140**	6,140
Deferred income tax asset	7	**2,461**	3,038
		$ 284,238	$ 288,994
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 3,040**	$ 4,534
Dividends payable to shareholders		**3,451**	3,451
		6,491	7,985
Long-term debt	3	**71,370**	73,079
Deferred income tax liability	7	**21,223**	21,572
Shareholders' equity	4	**185,154**	186,358
		$ 284,238	$ 288,994

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Changes in Equity

(unaudited)

Three Months Ended March 31, 2012 (CAD thousands)	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.

Three months ended March 26, 2011 (CAD thousands)	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Cash Flow Hedges	Shareholders' Equity
Balance as at December 31, 2010	$ 140,067	$ 43,696	$ 2,354	$ (2,917)	$ 1,134	$ 184,334
Changes in period						
Net income	—	2,934	—	—	—	2,934
Other comprehensive loss	—	—	—	(936)	(145)	(1,081)
Shareholders' dividends declared	—	(3,451)	—	—	—	(3,451)
Balance as at March 26, 2011	$ 140,067	$ 43,179	$ 2,354	$ (3,853)	$ 989	$ 182,736

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

(unaudited)

Three Months Ended (CAD thousands)	Note	**March 31, 2012**	March 26, 2011
Cash provided by (used for):			
Operating activities			
Net income		**$ 4,368**	$ 2,934
Adjustments to net income:			
Deferred tax expense	7	**918**	1,084
Depreciation and amortization		**137**	137
Fair value adjustments		**401**	1,633
Unrealized exchange (gain) loss on long-term debt		**(1,769)**	537
Interest expense, net		**715**	940
Interest paid, net		**(720)**	(205)
Gain on sale of timberlands		**(4)**	(1)
		4,046	7,059
Net change in non-cash working capital balances and other		**1,881**	1,986
		5,927	9,045
Financing activities			
Borrowing on term facility	3	**—**	70,608
Repayment of bank term credit facility and term loan	3	**—**	(73,639)
Deferred financing costs	3	**—**	(1,205)
Dividends paid to shareholders		**(3,451)**	(837)
		(3,451)	(5,073)
Investing activities			
Additions to timber, land, roads, and other fixed assets		**(15)**	(8)
Proceeds from sale of timberlands		**4**	1
		(11)	(7)
Increase in cash and cash equivalents during the period		**2,465**	$ 3,965
Cash and cash equivalents, beginning of period		**4,019**	7,333
Cash and cash equivalents, end of period		**$ 6,484**	$ 11,298

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.

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 2011 annual report. These interim condensed consolidated financial statement should be read in conjunction with the Acadian's 2011 annual report.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of Acadian on May 1, 2012.

Future Accounting Policies

IAS 1 Presentation of Financial Statements

In June 2011, the IASB amended IAS 1 by revising how certain items are presented in other comprehensive income ("OCI"). Items within OCI that may be reclassified to profit and loss will be presented separately from items that will not be reclassified. The standard is effective for financial years beginning on or after July 1, 2012, with early adoption permitted. Acadian is in the process of assessing the impact of the new standard on its consolidated financial statements.

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 of 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, 2013. 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 phases of this project.

IFRS 10 Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10, which replaces portions of IAS 27, *Consolidated and Separate Financial Statements*, and interpretation SIC-12, *Consolidation – Special Purpose Entities*. The key features of IFRS 10 include consolidation using a single control model, definition of control, considerations on power, and continuous reassessment. IFRS 10 is effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. Acadian is in the process of assessing the impact of the new standard on its consolidated financial statements.

IFRS 11 Joint Arrangements

In May 2011, the IASB issued IFRS 11, which replaces IAS 31, *Interest in Joint Ventures*, and SIC-31, *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 requires joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement is no longer the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. In addition, the option to account for joint ventures (previously called jointly controlled entities) using proportionate consolidation is removed. Venturers transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item. These amendments are effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. Acadian does not believe IFRS 11 will have a material impact on its consolidated financial statements.

IFRS 12 Disclosure of Involvement with Other Entities

In May 2011, the IASB issued IFRS 12, which requires a parent company to disclose information about significant judgments and assumptions it has made in determining whether it has control, joint control, or significant influence over another entity and the type of joint arrangement when the arrangement has been structured through a separate vehicle. An entity should also provide these disclosures when changes in facts and circumstances affect the entity's conclusion during the reporting period. This standard is effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. Acadian does not believe IFRS 12 will have a material impact on its consolidated financial statements.

IAS 27 Separate Financial Statements

In May 2011, the IASB reissued IAS 27 as the consolidation guidance is now included in IFRS 10. The amended IAS 27 prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate (non-consolidated) financial statements. These amendments are effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. Acadian does not believe IAS 27 will have a material impact on its consolidated financial statements.

IAS 28 Investments in Associates and Joint Ventures

In May 2011, the IASB amended IAS 28 as a result of issuing IFRS 10, IFRS 11 and IFRS 12. The amended IAS 28 prescribes the accounting guidance for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee. These amendments are effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. Acadian does not believe IAS 28 will have a material impact on its consolidated financial statements.

IFRS 13 Fair Value Measurement

In May 2011, the IASB issued IFRS 13, which establishes a single source of guidance for fair value measurements when fair value is required or permitted by IFRS. IFRS 13 defines fair value, provides a single framework for measuring fair value and requires enhanced disclosures about fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. Acadian is in the process of assessing the impact of the new standard on its consolidated financial statements.

IAS 19 Employee Benefits

In June 2011, the IASB made amendments to IAS 19 that requires entities to provide their obligation resulting from the provision for defined benefit plans and how those obligations affect its financial position, financial performance and cash flow. The amendment provides several improvements, including eliminating the option to defer the recognition of gains and losses, streamlining the presentation of changes to assets and liabilities with all changes from remeasurement to be recognized in OCI and enhancing the disclosure of the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. The amended version of IAS 19 is effective for financial years beginning on or after January 1, 2013, with earlier application permitted. Acadian does not have defined benefit plans, therefore IAS 19 is not expected to have any impact on its consolidated financial statements.

NOTE 3. DEBT

Debt consisted of the following:

As at *(CAD thousands)*	**March 31, 2012**	March 26, 2011
Term facility, due March 2016	**$ 72,308**	$ 71,141
Less: Deferred debt issuance costs	**(938)**	(1,185)
Total	**$ 71,370**	$ 69,956

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 31, 2012, Acadian has borrowings of US$72.5 million under the Term Facility and $nil under the Revolving Facility (December 31, 2011 – US$72.5 million and $nil, respectively). 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 is in compliance as of March 31, 2012 and December 31, 2011.

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 31, 2012 and December 31, 2011 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 31, 2012, 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") 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 and Brookfield for periods of up to 20 years. In addition, Acadian agreed to administer certain licenses on behalf of Twin Rivers. On September 28, 2011, Acadian and Brookfield terminated their fibre supply agreement coinciding with Brookfield's sale of their Maine paper mill to a third party. On January 9, 2012, Acadian entered into the Fibre Supply Agreement Modification Term Sheet ("Term Sheet") with Twin Rivers which will be effective January 1, 2013. The amendment to the pricing mechanism for the fibre supply agreement will be subject to minimum volumes of outside purchases for both tree length and sawlogs. Total sales to Twin Rivers and Brookfield during the three months ended March 31, 2012 totaled $5.5 million and $nil, respectively, which represented 23% of Acadian's consolidated total sales (2011 – $8.9 million and $0.7 million, respectively, or 35% of total sales). Included in accounts receivable at March 31, 2012 is $0.6 million related to these agreements (2011 – $3.5 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 31, 2012, purchase commitments under the VMI totaled $3.4 million.

b) Maine Timberlands rented space in a shared office building from a wholly-owned subsidiary of Brookfield, which also provides certain administrative services to Maine Timberlands. Effective September 29, 2011, Maine Timberlands rents space from a third party. Total costs paid for these services were $4 thousand during the three-month period ended March 31, 2011.

c) 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 31, 2012 totaled $0.6 million (2011 – $0.6 million). All fees have been fully paid in accordance with the services agreement.

d) On October 14, 2010, Acadian entered into an agreement with Metropolitan Life Insurance Company to refinance existing debt obligations maturing February 28, 2011 at fixed rates determined as US treasury yield plus margin. To mitigate market risk of US treasury yields changing prior to closing of the loan, Brookfield entered into a rate lock agreement on Acadian's behalf whereby Acadian assumed the settlement proceeds upon maturity. The derivative asset related to this agreement was settled on February 1, 2011 for proceeds of $1.3 million.

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 31, 2012 (CAD thousands)	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			

As at March 31, 2012 (CAD thousands)				
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

Three Months Ended March 26, 2011 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 10,641	$ 7,583	$ 3,058	$ —
Hardwood	8,271	7,606	665	—
Biomass	1,207	1,163	44	—
Other	1,637	1,579	58	—
Total net sales	21,756	17,931	3,825	—
Operating costs	(14,492)	(11,577)	(2,596)	(319)
Depreciation and amortization	(137)	(59)	(78)	—
Operating earnings (loss)	7,127	6,295	1,151	(319)
Gain on sale of timberlands	1	1	—	—
Fair value adjustments	(1,633)	(1,668)	35	—
Earnings (loss) before under noted	5,495	4,628	1,186	(319)
Exchange loss on long-term debt	(537)			
Interest expense, net	(940)			
Deferred income tax expense	(1,084)			
Net income	$ 2,934			

As at March 26, 2011 (CAD thousands)				
Timber, land, roads and fixed assets and intangible assets	$ 254,164	$ 151,133	$ 103,031	$ —
Total assets	281,659	164,066	106,201	11,392
Total liabilities	$ 98,923	$ 5,213	$ 18,999	$ 74,711

During the three months ended March 31, 2012 approximately 29% of total sales were originated with customers domiciled in the U.S. and the balance in Canada (2011 – 21%). During the same period, approximately 23% of total sales were denominated in U.S. dollars (2011 – 27%).

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 31, 2012, Acadian's top three suppliers accounted for approximately 19%, 15% and 14%, respectively, of Acadian's total harvesting and delivery costs (2011 – 16%, 13% and 12%, respectively).

Acadian sells its products to many forest product companies in North America. For the three-month period ended March 31, 2012, sales to related parties (see Note 5) from NB Timberlands and Maine Timberlands accounted for 23% of total sales (2011 – 35%) and sales to the next largest customer accounted for 10% of total sales (2011 – 9%).

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:

Three Months Ended *(CAD thousands)*	**March 31, 2012**	March 26, 2011
Deferred income tax expense		
Income tax at statutory rate	**$ 1,322**	$ 1,307
Foreign tax rate differential	**183**	(562)
Permanent differences	**(532)**	222
Rate adjustments	**—**	(15)
Benefit of previously unrecognized tax attributes	**(58)**	57
Other	**3**	75
Total deferred tax expense	**$ 918**	$ 1,084

As at *(CAD thousands)*	**March 31, 2012**	December 31, 2011
Deferred income tax asset	**$ 2,461**	$ 3,038
Deferred income tax liability	**(21,223)**	(21,572)
Total net deferred income tax liability	**$ (18,762)**	$ (18,534)

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 31, 2012, contributions recorded as expenses amounted to $67 thousand (2011 – $62 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 31, 2012 were $3.5 million (2011 – $3.5 million), or $0.21 per share (2011 – $0.21 per share).

NOTE 10. TIMBER

(CAD thousands)	
Fair Value at December 31, 2010	**$ 216,181**
Gains arising from growth	19,614
Decrease arising from harvest	(19,469)
Gain from fair value price changes	12,897
Foreign exchange	2,147
Balance at December 31, 2011	**$ 231,370**
Gains arising from growth	5,104
Decrease arising from harvest	(6,106)
Foreign Exchange	(2,326)
Balance at March 31, 2012	**$ 228,042**

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

Louis J. Maroun
Executive Chairman
Sigma Real Estate
Advisors

David Mann
Legal Counsel
Cox & Palmer

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

MANAGEMENT

Acadian Timber's
Manager:
Brookfield Timberlands
Management LP

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

Brian Banfill
Chief Financial Officer
of Acadian

Marcia McKeague
Vice President,
Maine Woodland
Operations

Luc Ouellet
Vice President,
NB Woodland Operations

Corporate and Shareholder Information

HEAD OFFICE OF THE MANAGER

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

SHARE INFORMATION

Toronto Stock Exchange: ADN
Fully Diluted Shares Outstanding (March 31, 2012): 16,731,216
Targeted 2012 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 and other forward looking statements within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this 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 "Market Overview," "Free Cash Flow," "Capital Resources" and "Outlook," and other statements regarding management's beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, access to capital, liquidity and trading volumes, dividends, taxes, capital expenditures, 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 each of the Annual Information Form of Acadian dated March 28, 2012 and the Management Information Circular of Acadian dated March 28, 2012, 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. Certain statements in this MD&A may also be considered "financial outlook" for the purposes of applicable Canadian securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. 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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