ACADIANTIMBER

Q1 2011 Interim Report

President's Letter

To our Shareholders,

We are pleased to share Acadian Timber Corp.'s ("Acadian") operating and financial results for the three months ended March 26, 2011 (herein referred to as the "first quarter"). Acadian performed well in the first quarter and continues to benefit from improving demand from most of its customers. Acadian generated net sales of $21.8 million on consolidated sales volume of 426 thousand m³ in the first quarter of 2011. This compares to net sales of $20.5 million on consolidated sales volume of 401 thousand m³ in the first quarter of 2010. Acadian generated EBITDA of $7.3 million, which was $1.5 million higher than in the first quarter of 2010. Free cash flow of $7.1 million resulted in a payout ratio of 49% for the first quarter.

Over the past year we have provided supplementary disclosure on the effect of adopting International Financial Reporting Standards ("IFRS"). As you will see in our detailed materials, we have now fully converted our financial statements to IFRS accounting, and the March 26th balance sheet as well as the first quarter results are completed under these standards. While no accounting methodology is perfect, we believe IFRS accounting is most representative of the true underlying value and economics of a business such as ours. As a result, we believe our balance sheet represents a close approximation of the tangible asset value of the company (value of assets with no value reflected for the franchise) which should provide a greater understanding of our company. The key differences between IFRS reporting and the previous Canadian accounting standards can be summarized as follows:

- Our timber, the land on which the trees grow and the road system used to access the timber are carried at current appraised values (adjusted for growth and harvest since the appraisal date); and
- We no longer record a charge for depletion. Instead we record a charge for the fair value of timber harvested in a period and, most importantly, recognize the estimated value of timber grown. This accounting treatment fully recognizes the sustainable nature of our operations.

Operations

Acadian benefited from good winter operating conditions during the first quarter despite several heavy winter storms. Safety performance continues to be strong with no recordable safety incidents among employees. There were two minor recordable safety incidents among contractors from which one of the individuals has fully recovered and the other is expected to be available for spring start-up.

Acadian's weighted average selling price across all products decreased by 1% year-over-year largely attributable to deliveries to closer proximity customers, which resulted in lower freight costs. Hardwood pulpwood which accounted for 28% of consolidated sales volume, experienced a 14% year-over-year increase in selling price. Selling prices for softwood pulpwood declined 10%, although this product only accounted for 12% of consolidated sales volume. Prices for softwood and hardwood sawlogs decreased 1% and increased 7%, respectively, in the first quarter of 2011 as compared to the same period of 2010. While pricing remained relatively stable for Acadian's softwood sawlog products, the volumes for this key high margin product increased 9% year-over-year. Biomass prices declined 22% due to a high portion of stumpage sales, while the sales volume was 23% higher in the first quarter of 2011 as compared to the same period of 2010.

Outlook

Markets for softwood sawlogs have benefited from relatively high operating rates and tight wood supplies among regional sawmill operations despite the continued weak U.S. housing market. Additionally, in our Maine operations, several regional competitors are struggling to find contractors owing to state government efforts to limit Canadian laborer's access to work in Maine and this has further supported pricing for those that are able to operate. While we remain cautious in our outlook as lumber demand and prices are expected to remain weak throughout the remainder of 2011, most of Acadian's regional sawmill customers appear to have entered the spring break-up period with modest inventories which is expected to result in solid demand during the late second and early third quarters of 2011.

Markets for softwood pulp logs continue to be strong although the recent announcement that a large regional groundwood producer in Maine has not been able to find a buyer and will be closed indefinitely is expected to put downward pressure on softwood pulpwood pricing over the medium-term. This mill closure is, however, expected to be partially offset by a large regional hardwood and softwood pulp producer's announcement of a conversion of a significant part of their production from hardwood to softwood-based pulp.

Markets for hardwood pulpwood are expected to remain stable and positive through 2011 owing to high levels of production by local pulp mills. Markets for hardwood sawlogs have improved over the past year but the outlook remains less certain as demand is more closely tied to new home formation and repair and renovation.

Biomass demand and pricing continue to be stable, although somewhat soft, a market situation we expect to remain in place unless or until support for bio-energy markets is put in place.

Acadian benefits from a very strong balance sheet, excellent free cash flow as evidenced by our low payout ratio and a committed workforce allowing us to remain confident that Acadian is well positioned to meet its dividend target for 2011. 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 2, 2011

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 765,000 acres of freehold timberlands in New Brunswick ("NB Timberlands"), approximately 310,000 acres of freehold timberlands in Maine ("Maine Timberlands") and provides management services relating to approximately 1.3 million acres of Crown licensed timberlands. Acadian also owns and operates a forest nursery in Second Falls, New Brunswick. Acadian's products include softwood and hardwood sawlogs, pulpwood and biomass by-products, sold to over 100 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 26, 2011, (herein referred to as the "first quarter") compared to the three-month period ended March 27, 2010.

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, unless otherwise noted.

As this is Acadian's first period of reporting in accordance with IFRS, the values on the balance sheets, statements of net income and statements of cash flows differ materially from those previously reported. Note 15, Transition to IFRS, of the Interim Consolidated Financial Statements, provides detailed explanations and reconciliations of the affect of IFRS on the balances previously reported.

This MD&A has been prepared based on information available as at May 2, 2011. 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 earnings before interest, taxes, depreciation and amortization ("EBITDA") and free cash flow. Management believes that 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 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 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, 2010. There have been no changes in our disclosure controls and procedures during the period ended March 26, 2011 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, 2010. There have been no changes in our internal controls over financial reporting during the period ended March 26, 2011 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 26, 2011**	March 27, 2010
Total		
Sales volume (000s m^3)	**426.4**	401.0
Net sales	**$ 21,756**	$ 20,458
EBITDA	**7,265**	5,739
EBITDA margin	**33%**	28%
Free cash flow	**$ 7,060**	$ 4,980
Net income[1]	**2,934**	25,080
Dividends declared	**3,451**	1,115
Payout ratio	**49%**	22%
Total assets	**$ 281,659**	$ 282,930
Total debt financing	**71,141**	77,677
Per share (fully diluted)		
Free cash flow	**$ 0.42**	$ 0.30
Dividends declared per common share	**0.21**	0.07
Net income[1]	**0.18**	1.50
Book value - fully diluted	**10.92**	10.69
Common Shares outstanding	**16,731,216**	16,731,216

[1] Net income includes the impact of deferred income tax recovery, depreciation and amortization expense and fair value adjustments which are non-cash items recorded in each respective period and, for Q1–2010 only, the gain resulting from Acadian's corporate conversion on January 1, 2010.

Free Cash Flow

Free cash flow from operations for the three months ended March 26, 2011 was $7.1 million as compared to $5.0 million during Acadian's first quarter in 2010. 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 2011.

Free cash flow from operations represents cash that is generated from the sale of our timber, from the land management service contract and from the sale of non-timber products. Harvest volume, excluding biomass, for the first quarter was 372 thousand m^3 which is well within the harvest levels required to maintain the Long Run Sustained Yield ("LRSY") of our timberland estates of approximately 928 thousand m^3 per year. As we have noted in the past, first quarter volumes traditionally account for slightly under half of annual harvest volumes.

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

Three Months Ended *(CAD thousands)*	**March 26, 2011**	March 27, 2010
Net income[1]	**$ 2,934**	$ 25,080
Add (deduct):		
Interest expense, net	**940**	759
Income tax expense	**1,084**	878
Depreciation and amortization	**137**	120
Fair value adjustments	**1,633**	(12)
Exchange loss on long-term debt	**537**	—
Gain on corporate conversion	**—**	(21,086)
EBITDA	**7,265**	5,739
Deduct:		
Interest paid on debt, net	**(205)**	(759)
Free cash flow	**$ 7,060**	$ 4,980
Dividends declared	**$ 3,451**	$ 1,115

[1] Net income includes the impact of deferred income tax recovery, depreciation and amortization expense and fair value adjustments which are non-cash items recorded in each respective period and, for Q1–2010 only, the gain resulting from Acadian's corporate conversion on January 1, 2010.

The following table provides a comparison of dividends declared on common shares during the three months ended March 26, 2011 and during the comparable period in 2010, to the net income and cash flow from operating activities recorded during each of these respective periods.

Three Months Ended *(CAD thousands)*	**March 26, 2011**	March 27, 2010
Net Income[1]	**$ 2,934**	$ 25,080
Cash flow from operating activities	**9,045**	6,593
Actual cash dividends declared on common shares	**3,451**	1,115
Excess of cash flows from operating activities over dividends declared	**5,594**	5,478
Excess (shortfall) of net income over cash dividends declared	**$ (517)**	$ 23,965

[1] Net income includes the impact of deferred income tax recovery, depreciation and amortization expense and fair value adjustments which are non-cash items recorded in each respective period and, for Q1–2010 only, the gain resulting from Acadian's corporate conversion on January 1, 2010.

Cash flow from operating activities was greater than cash dividends declared to common shareholders during the three months ended March 26, 2011. 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. The payout ratio of the Company, which represents the amount of dividends declared as a percentage of the free cash flow generated during a respective period was 49% for the first quarter.

As described in more detail on page 9 of this report, Acadian has borrowings totaling $71.1 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 26, 2011. 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

Acadian benefited from relatively robust sales to local customers as well as a higher contribution from the land management services contract during the first quarter. These sales to close proximity customers resulted in low delivery costs improving overall margins. Most of Acadian's customers entered the first quarter with relatively low inventories and operated normally throughout the quarter creating solid demand. This was particularly true for hardwood pulpwood where pricing remained very strong.

The favorable market conditions continued to be partially supported in Acadian's Maine operations by the state government's efforts to limit Canadian laborer's access to work in Maine causing several regional competitors to struggle to find contractors. This situation did, however, negatively impact shipments in our Maine operations late in the quarter. Acadian's pulp and paper and solid wood products customers operated throughout the first quarter and most ended the quarter with only modest log inventories suggesting good demand when operations resume after the break-up period in the late spring.

Market conditions improved modestly year-over-year with Acadian's weighted average log selling price increasing 2%, excluding biomass. These higher selling prices when combined with lower average freight distances resulted in Acadian's margins increasing by 5% year-over-year. Softwood sawlog prices decreased by 1% year-over-year reflecting sales made to closer proximity markets. Prices for hardwood sawlogs improved by 7% year-over year, while hardwood and softwood pulpwood selling prices improved by 14% and declined 10%, respectively. Prices for biomass were down by 22%, largely attributable to an increased proportion of stumpage sales.

Results from Operations

Acadian generated net sales of $21.8 million on consolidated sales volume of 426 thousand m³ in the first quarter of 2011. This compares to net sales of $20.5 million on consolidated sales volumes of 401 thousand m³ in the first quarter of 2010. EBITDA for the first quarter of 2011 was $7.3 million as compared to $5.7 million in the same period of 2010. The increase in margin is attributed to sales made to closer proximity markets, greater contribution from the land management service contract and the higher percentage of softwood sawlogs sold during the quarter which is Acadian's higher margin product.

Income Tax Expense

Included in net income for the three months ended March 26, 2011 is deferred income tax expense of $1.1 million (2010 – $0.9 million).

Segmented Results of Operations

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

Three Months Ended March 26, 2011 (CAD thousands)	**NB Timberlands**	**Maine Timberlands**	**Corporate**	**Consolidated**
Sales volumes (000s m³)	**352.6**	**73.8**	**—**	**426.4**
Net sales	**$ 17,931**	**$ 3,825**	**$ —**	**$ 21,756**
EBITDA	**$ 6,355**	**$ 1,229**	**$ (319)**	**$ 7,265**
EBITDA margin	**35%**	**32%**	**—%**	**33%**

Three Months Ended March 27, 2010 (CAD thousands)	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m³)	321.9	79.1	—	401.0
Net sales	$ 16,431	$ 4,027	$ —	$ 20,458
EBITDA	$ 5,076	$ 1,166	$ (503)	$ 5,739
EBITDA margin	31%	29%	—%	28%

NB Timberlands

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

The table below summarizes operating and financial results for Acadian's New Brunswick Timberlands:

	Three Months Ended March 26, 2011			Three Months Ended March 27, 2010		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**165.9**	**156.3**	**$ 7,583**	134.2	122.2	$ 6,320
Hardwood	**137.6**	**126.6**	**7,606**	140.9	141.7	7,713
Biomass	**69.7**	**69.7**	**1,163**	58.0	58.0	1,182
	373.2	**352.6**	**16,352**	333.1	321.9	15,215
Other sales			**1,579**			1,216
Net sales			**$ 17,931**			$ 16,431
EBITDA			**$ 6,355**			$ 5,076
EBITDA margin			**35%**			31%

Softwood, hardwood and biomass shipments totaled 156 thousand m³, 127 thousand m³ and 70 thousand m³ for the first quarter of 2011, respectively. Sales volume during the quarter was comprised of approximately 40% sawlogs, 40% pulpwood and 20% biomass. This compares to sales volume in the same period of 2010 of 39% sawlogs, 43% pulpwood and 18% biomass. The sales volume reflects improved demand for softwood sawlogs allowing Acadian to merchandise a greater proportion of its higher margin product.

Net sales for the first quarter of 2011 was $17.9 million with an average selling price across all products of $46.37 per m³. This compares to net sales of $16.4 million and an average selling price of $47.26 per m³ during the same period in 2010. The year-over-year increase in net sales resulted from increased sales volumes and a higher percentage of softwood partially offset by lower selling prices owing to deliveries to closer proximity markets. Other sales increased to $1.6 million from $1.2 million in the comparable period of 2010 due to increased harvest activity on the land Acadian manages on behalf of others.

Costs in the first quarter were $11.6 million compared to $11.4 million during the same period in 2010. Variable costs per cubic meter were 8% lower than the first quarter of 2010 as a result of a higher percentage of softwood sales and an increased proportion of sales made to closer proximity markets which resulted in lower transportation costs.

EBITDA for the first quarter was $6.4 million, an increase from $5.1 million from the first quarter of 2010. EBITDA margin increased to 35% from 31% in the first quarter of 2010.

During the first quarter of 2011, NB Timberlands experienced no recordable safety incidents among employees and two minor recordable safety incidents among contractors, from which one of the individuals has fully recovered and the other is expected to be available for spring start-up.

Maine Timberlands

Maine Timberlands owns and operates 310,000 acres of freehold timberlands and all harvesting and silvicultural operations are performed by third-party contractors.

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

	Three Months Ended March 26, 2011			Three Months Ended March 27, 2010		
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*
Softwood	**58.3**	**58.2**	**$ 3,058**	61.0	60.6	$ 3,132
Hardwood	**10.6**	**11.1**	**665**	17.3	16.2	756
Biomass	**4.5**	**4.5**	**44**	2.3	2.3	70
	73.4	**73.8**	**3,767**	80.6	79.1	3,958
Other sales			**58**			69
Net sales			**$ 3,825**			$ 4,027
EBITDA			**$ 1,229**			$ 1,166
EBITDA margin			**32%**			29%

Softwood, hardwood and biomass shipments for the first quarter were 58 thousand m^3, 11 thousand m^3 and 5 thousand m^3, respectively. Sales volume in the first quarter of 2011 was comprised of approximately 58% sawlogs, 36% pulpwood and 6% biomass. This compares to sales volume in the same period of 2010 of 57% sawlogs, 40% pulpwood and 3% biomass. Sales volume was constrained in the first quarter due to contractor availability, a result of Maine government's efforts to limit Canadian laborer's access to work in the state.

Net sales for the first quarter was $3.8 million with the average selling price across all products of $51.03 per m^3. This compares to net sales of $4.0 million and an average selling price of $50.04 per m^3 during the first quarter of 2010. This increase in average selling price is the result of both improved demand and reduced supply of fiber from regional competitors due to the lack of contractor availability. This pricing benefit was partially offset by the strengthened Canadian dollar. The weighted average selling price increased 8% in U.S. dollar terms year-over-year.

Costs for the first quarter were $2.6 million which compares to costs of $2.9 million during the comparable period of 2010. Overall harvest volume was lower in the first quarter, while variable cost per unit decreased 5% in Canadian dollar terms and was relatively unchanged in U.S. dollar terms.

EBITDA for the first quarter was $1.2 million, unchanged from the same period in 2010. EBITDA margin increased to 32% in the first quarter from 29% during the first quarter of 2010.

We are pleased to report that Acadian's Maine Timberlands experienced no recordable safety incidents among employees or contractors during the first quarter of 2011.

Financial Position

As at March 26, 2011, Acadian's balance sheet consisted of total assets of $281.7 million (December 31, 2010 – $282.4 million), represented primarily by property, plant and equipment and timber of $247.1 million (December 31, 2010 – $250.7 million) and the balance in cash and working capital of $20.8 million (December 31, 2010 – $17.1 million), deferred income tax assets of $6.7 million (December 31, 2010 – $7.5 million), investment property of $0.9 million (December 31, 2010 – $0.9 million) and intangible assets of $6.1 million (December 31, 2010 – $6.1 million). Timber has been recorded at fair value as determined through independent third party appraisal at December 31, 2010 and adjusted for growth and harvest during the three months ended March 26, 2011. 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 26, 2011. 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 The 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 90 day LIBOR plus applicable margin.

As at March 26, 2011, Acadian has borrowed 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 26, 2011.

Outstanding Shares

As at March 26, 2011, 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 26, 2011, 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 fiscal 2011. 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 Timber Corp.'s 2010 Annual Report and Acadian Timber Corp.'s Annual Information Form dated March 28, 2011 available on our website at www.acadiantimber.com or www.sedar.com.

Markets for softwood sawlogs have benefited from relatively high operating rates and tight wood supplies among regional sawmill operations despite the continued weak U.S. housing market. Additionally, in our Maine operations, several regional competitors are struggling to find contractors owing to state government efforts to limit Canadian laborer's access to work in Maine and this has further supported pricing for those that are able to operate. While we remain cautious in our outlook as lumber demand and prices are expected to remain weak throughout the remainder of 2011, most of Acadian's regional sawmill customers appear to have entered the spring break-up period with modest inventories which is expected to result in solid demand during the late second and early third quarters of 2011.

Markets for softwood pulp logs continue to be strong although the recent announcement that a large regional groundwood producer in Maine has not been able to find a buyer and will be closed indefinitely is expected to put downward pressure on softwood pulpwood pricing over the medium-term. This mill closure is, however, expected to be partially offset by a large regional hardwood and softwood pulp producer's announcement of a conversion of a significant part of their production from hardwood to softwood-based pulp.

Markets for hardwood pulpwood are expected to remain stable and positive through 2011 owing to high levels of production by local pulp mills. Markets for hardwood sawlogs have improved over the past year but the outlook remains less certain as demand is more closely tied to new home formation and repair and renovation.

Biomass demand and pricing continue to be stable, although somewhat soft, a market situation we expect to remain in place unless or until support for bio-energy markets is put in place.

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

	2011	2010			
(CAD thousands, except per share data and where indicated)	**Q1**	Q4	Q3	Q2	Q1
Sales volume (000s m^3)	**426**	382	346	270	401
Net sales	**$ 21,756**	$ 20,581	$ 17,820	$ 12,137	$ 20,458
EBITDA	**7,265**	6,367	4,700	969	5,739
Free cash flow	**7,060**	5,394	2,898	713	4,980
Net income[1]	**2,934**	6,236	1,986	1,390	25,080
Net income per share - basic	**0.18**	0.37	0.12	0.08	1.50
Net income per share - diluted	**$ 0.18**	$ 0.37	$ 0.12	$ 0.08	$ 1.50

[1] Net income includes the impact of deferred income tax recovery, depreciation and amortization expense and fair value adjustments which are non-cash items recorded in each respective period and, for Q1–2010 only, the gain resulting from Acadian's corporate conversion on January 1, 2010.

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. Actual results could differ from these estimates.

Acadian considers the following policies to be most critical in understanding the judgements that are involved in preparing the Company's consolidated financial statements and the uncertainties that could affect the Company's results of operations, financial position and cash flows.

Timber

Timber is stated at fair value less estimated costs of harvesting and sales. The fair value of standing timber is determined by deducting the fair value of higher and better use ("HBU") land, timberland, roads and bridges from the total value of the timberlands business. The value of the timberlands business and the fair value of higher and better use (HBU) land, timberland, roads and bridges are updated annually by licensed independent third party appraisers using a combination of the discounted cash flow and comparative sales value methods.

Quarterly valuations are determined by reducing the value of the timber by the fair value of the timber harvested in the period and adding back the fair value of the estimated timber growth in the period. As well, management reviews the underlying appraisal assumptions to determine if there has been a material change that would require a fair value adjustment based on changes in assumptions.

The fair value of timber harvested is charged to inventory when logs are measured. A distinct value is calculated for each harvest product group based on average market price less average cost of harvest and delivery.

The fair value of timber growth is credited to income based on a periodic growth rate. The value of growth is determined for each product grouping based on trend average market prices less average cost of harvest and delivery.

Translation of Foreign Currencies

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

The accounts of the Company's self-sustaining operations are translated using the current rate method under which assets and liabilities are translated at exchange rates prevailing at the end of the period and revenues and expenses are translated at average exchange rates during the period. Gains or losses on translation are not included in the consolidated statement of operations, but are presented as a separate item in shareholders' equity.

NB Timberlands enters into sales transactions denominated in U.S. dollars and the related revenues and accounts receivables are subject to exchange rate fluctuations. As a result, Acadian's earnings may be adversely affected by exchange rate fluctuations.

Cash Flow Hedges

As a qualifying cash flow hedge, the derivative asset was recorded as an asset at its fair value. The effective portion of the gain on the derivative was designated as a cash flow hedge and is reported in other comprehensive income. Amounts in accumulated other comprehensive income are reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

Future Accounting Policies

Financial Instruments

IFRS 9 Financial instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based 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 new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The company is currently evaluating the impact of IFRS 9 on its financial statements.

IFRS 7 Financial Instruments: Disclosures

In October 2010, the IASB amended IFRS 7 to enhance the disclosure about transfers of financial assets. This improvement is to assist users in understanding the possible effects of any risks that remain in an entity after the asset has been transferred. In addition, if disproportionate amounts are transferred near year end, additional disclosures would be required. The effective date of the amendment is July 1, 2011. The Company has determined that the adoption of this amendment will not have a material impact on the consolidated financial statements.

IAS 12 Income Taxes

In December 2010, the IASB amended IAS 12 for the recovery of underlying assets and the impact on deferred taxes. The amendments provide a solution to the problem of assessing whether recovery would be through use or through sale when the asset is measured at fair value under IAS 40 Investment Property, by adding the presumption that the recovery would normally be through sale. The amendment also incorporates the remaining guidance in SIC-21 Income Taxes – Recovery of Revalued Non-depreciable Assets, as SIC-21 has been withdrawn. The effective date of amendment is January 1, 2012. The Company is in the process of reviewing the amendment to determine the possible impact on the consolidated financial statements.

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 26, 2011, 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.

On April 29, 2010 Fraser Papers Inc. ("Fraser") completed the sale of its specialty papers business including Crown timber harvest rights, two Canadian sawmills, the Edmundston pulpmill and the Madawaska paper mill along with fibre supply agreements between Fraser and Acadian to Twin Rivers. References in this report to Twin Rivers include references to transactions and relationships with Fraser prior to the sale of these assets.

A summary of the significant related party transactions have been provided below.

a) Acadian has entered into a number of 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. Total sales to Twin Rivers and Brookfield during the three months ended March 26, 2011 totaled $8.9 million and $0.7 million, respectively, which represented 35% of Acadian's consolidated total sales (2010 – $8.1 million and $0.5 million, respectively, or 33% of total sales). Included in accounts receivable at March 26, 2011 is $3.5 million related to these agreements (March 27, 2010 – $2.3 million).

b) Maine Timberlands rents space in a shared office building from a wholly-owned subsidiary of Brookfield, which also provides certain administrative services to Maine Timberlands. Total costs paid for these services were $4 thousand during the three-month period ended March 26, 2011 (2010 – $4 thousand).

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 26, 2011 totaled $0.6 million (2010 – $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 the 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 which upon maturity, Acadian assumed the settlement proceeds of. As at December 31, 2010, the derivative asset related to this agreement was valued at $1.6 million and 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 three significant contractual obligations related to the supply of fibre to related parties and the provision of management services under a Crown License Agreement at the direction of a related party. See Related Party Transactions for further discussion of these contracts.

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 loan[1]	$71,141	$71,141	$ —	$ —	$71,141	$ —
Revolving credit facility	9,813	—	—	—	—	—
	$80,954	$71,141	$ —	$ —	$71,141	$ —
Interest paid[2]		$13,921	$ 2,871	$ 5,633	$ 5,417	$ —

1. Represents principal of a U.S. dollar denominated term loan with a Canadian to U.S. dollar conversion of 0.9813, excluding the unamortized deferred financing costs incurred in the first quarter of 2011;
2. Interest paid was determined assuming a fixed interest rate at 3.97% with a Canadian to U.S. dollar conversion of 0.9813.

Additional Quarterly Information

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

NB Timberlands

	2011 Q1			2010 Q4			2010 Q3			2010 Q2		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**165.9**	**156.3**	**$ 7,583**	95.5	109.5	$ 5667	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	5,653
Biomass	**69.7**	**69.7**	**1,163**	55.2	55.1	572	68.1	68.2	705	50.2	50.1	392
	373.2	**352.6**	**16,352**	282.5	300.9	14,472	264.2	263.2	11,442	194.8	221.6	9,913
Other sales			**1,579**			1,975			1,828			(189)
Net sales			**$ 17,931**			$ 16,447			$ 13,270			$ 9,724
EBITDA			**$ 6,355**			$ 5,628			$ 3,595			$ 903
EBITDA margin			**35%**			34%			22%			9%

Maine Timberlands

	2011 Q1			2010 Q4			2010 Q3			2010 Q2		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**58.3**	**58.2**	**$ 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
EBITDA			**$ 1,229**			$ 1,178			$ 1,275			$ 251
EBITDA margin			**32%**			28%			28%			10%

Corporate

	2011 Q1			2010 Q4			2010 Q3			2010 Q2		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**—**	**—**	**$ —**	—	—	$ —	—	—	$ —	—	—	$ —
Hardwood	**—**	**—**	**—**	—	—	—	—	—	—	—	—	—
Biomass	**—**	**—**	**—**	—	—	—	—	—	—	—	—	—
	—	**—**	**—**	—	—	—	—	—	—	—	—	—
Other sales			**—**			—			—			—
Net sales			**$ —**			$ —			$ —			$ —
EBITDA			**$ (319)**			$ (439)			$ (170)			$ (185)
EBITDA margin			**n/a**			n/a			n/a			n/a

NB Timberlands

	2010 Q1			2009 Q4			2009 Q3			2009 Q2		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	134.2	122.2	$ 6,320	57.4	68.0	$ 3,771	68.6	67.8	$ 3,571	36.3	41.2	$ 2,475
Hardwood	140.9	141.7	7,713	148.7	143.9	7,568	137.5	125.5	6,373	34.0	70.1	3,019
Biomass	58.0	58.0	1,182	58.8	58.8	1,127	80.2	80.2	1,397	33.0	33.0	492
	333.1	321.9	15,215	264.9	270.7	12,466	286.3	273.5	11,341	103.3	144.3	5,986
Other sales			1,216			767			314			(258)
Net sales			$ 16,431			$ 13,233			$ 11,655			$ 5,728
EBITDA			$ 5,076			$ 2,538			$ 1,317			$ (831)
EBITDA margin			31%			19%			11%			(15)%

Maine Timberlands

	2010 Q1			2009 Q4			2009 Q3			2009 Q2		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	61.0	60.6	$ 3,132	43.7	43.6	$ 2,109	38.5	40.9	$ 2,044	5.0	6.2	$ 137
Hardwood	17.3	16.2	756	21.2	21.2	1,072	12.4	12.1	558	1.9	2.7	131
Biomass	2.3	2.3	70	7.5	7.5	90	4.1	4.1	43	4.1	4.1	48
	80.6	79.1	3,958	72.4	72.3	3,271	55.0	57.1	2,645	11.0	13.0	316
Other sales			69			45			135			60
Net sales			$ 4,027			$ 3,366			$ 2,780			$ 376
EBITDA			$ 1,166			$ 709			$ 690			$ (549)
EBITDA margin			29%			21%			25%			(145)%

Corporate

	2010 Q1			2009 Q4			2009 Q3			2009 Q2		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	—	—	$ —	—	—	$ —	—	—	$ —	—	—	$ —
Hardwood	—	—	—	—	—	—	—	—	—	—	—	—
Biomass	—	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—	—
Other sales			—			—			—			—
Net sales			$ —			$ —			$ —			$ —
EBITDA			$ (503)			$ (1,263)			$ (706)			$ (644)
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, 2011 and the Management Information Circular of Acadian dated March 28, 2011, 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 26, 2011**	March 27, 2010
Net sales		**$ 21,756**	$ 20,458
Operating costs and expenses			
Cost of sales		**12,987**	12,843
Selling, administration and other		**1,505**	1,878
Depreciation and amortization	4	**137**	120
		14,629	14,841
Operating earnings		**7,127**	5,617
Interest expense, net		**(940)**	(759)
Other items			
Fair value adjustments	13	**(1,633)**	12
Exchange loss on long-term debt		**(537)**	—
Gain on sale of timberlands		**1**	2
Gain on corporate conversion	3	**—**	21,086
Earnings before income taxes		**4,018**	25,958
Deferred tax expense	10	**(1,084)**	(878)
Net income for the period		**$ 2,934**	$ 25,080
Net income per share - basic		**$ 0.18**	$ 1.50
Net income per share - diluted		**$ 0.18**	$ 1.50

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Comprehensive Income

(unaudited)

Three Months Ended *(CAD thousands)*	Note	**March 26, 2011**	March 27, 2010
Net income		**$ 2,934**	$ 25,080
Other comprehensive loss:			
Unrealized foreign currency translation loss		**(936)**	(1,433)
Fair value loss on derivatives designated as cash flow hedges		**(145)**	—
Comprehensive income		**$ 1,853**	$ 23,647

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Balance Sheets

(unaudited)

As at *(CAD thousands)*	Note	**March 26, 2011**	December 31, 2010	January 1, 2010
Assets				
Current assets				
Cash and cash equivalents		**$ 11,298**	$ 7,333	$ 2,053
Accounts receivable and other assets	7	**7,860**	7,252	6,265
Inventory		**1,641**	990	2,289
Derivative asset		**—**	1,557	—
Note receivable	3	**—**	—	4,001
		20,799	17,132	14,608
Timber	13	**213,047**	216,181	216,751
Property, plant and equipment	4	**34,102**	34,508	36,275
Investment Property	14	**875**	875	875
Intangible assets		**6,140**	6,140	6,140
Deferred income tax asset	10	**6,696**	7,522	—
		$ 281,659	$ 282,358	$ 274,649
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable and accrued liabilities		**$ 6,757**	$ 4,483	$ 4,275
Dividends payable to shareholders		**3,451**	837	—
Debt	5	**—**	73,752	—
		10,208	79,072	4,275
Long-term debt	5	**69,956**	—	80,739
Deferred income tax liability	10	**18,759**	18,952	34,553
Shareholders' equity	6	**182,736**	184,334	155,082
		$ 281,659	$ 282,358	$ 274,649

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Changes in Equity

(unaudited)

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	$ 47,083	$ (1,021)	$ (2,929)	$ 1,134	$ 184,334
Changes in period						
Net income						
Income prior to items noted below	—	5,788	—	—	—	5,788
Depreciation and amortization	—	(137)	—	—	—	(137)
Fair value adjustments	—	(1,633)	—	—	—	(1,633)
Deferred income taxes	—	(1,084)	—	—	—	(1,084)
	—	2,934	—	—	—	2,934
Other comprehensive income						
Currency translation	—	—	—	(1,249)	—	(1,249)
Fair value loss on derivative assets	—	—	—	—	(284)	(284)
Deferred income taxes	—	—	—	313	139	452
Other comprehensive income	—	—	—	(936)	(145)	(1,081)
Shareholders' dividends declared	—	(3,451)	—	—	—	(3,451)
Balances as at March 26, 2011	$ 140,067	$ 46,566	$ (1,021)	$ (3,865)	$ 989	$ 182,736

See accompanying notes to interim consolidated financial statements.

Three months ended March 27, 2010 (CAD thousands)	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Cash Flow Hedges	Shareholders' Equity
Balance as at January 1, 2010	$ 139,067	$ 16,015	$ —	$ —	$ —	$ 155,082
Changes in period						
Common share issuances	1,000	—	—	—	—	1,000
Net income						
Income prior to items noted below	—	26,066	—	—	—	26,066
Depreciation and amortization	—	(120)	—	—	—	(120)
Fair value adjustments		12				12
Deferred income taxes	—	(878)	—	—	—	(878)
	1,000	25,080	—	—	—	26,080
Other comprehensive income						
Currency translation	—	—	—	(1,914)	—	(1,914)
Deferred income taxes	—	—	—	481	—	481
Other comprehensive income	—	—	—	(1,433)	—	(1,433)
Shareholders' dividends declared	—	(1,115)	—	—	—	(1,115)
Balances as at March 27, 2010	$ 140,067	$ 39,980	$ —	$ (1,433)	$ —	$ 178,614

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

(unaudited)

Three Months Ended (CAD thousands)	Note	**March 26, 2011**	March 27, 2010
Cash provided by (used for):			
Operating activities			
Net income		**$ 2,934**	$ 25,080
Adjustments to net income:			
Deferred income tax	10	**1,084**	878
Depreciation and amortization	4	**137**	120
Fair value adjustments	13	**1,633**	(12)
Exchange loss on long term debt		**537**	—
Interest expense, net		**940**	759
Interest paid		**(205)**	(759)
Gain on sale of timberlands	4	**(1)**	(2)
Gain on corporate conversion	3	**—**	(21,086)
		7,059	4,978
Net change in non-cash working capital balances and other		**1,986**	1,615
		9,045	6,593
Financing activities			
Borrowings, net of repayments	5	**(3,031)**	(2,300)
Deferred financing costs	5	**(1,205)**	—
Dividends paid to shareholders	12	**(837)**	(279)
		(5,073)	(2,579)
Investing activities			
Additions to timber, property, plant and equipment	4	**(8)**	(1)
Proceeds from sale of timberlands		**1**	2
		(7)	1
Increase in cash and cash equivalents during the period		**3,965**	4,015
Cash and cash equivalents, beginning of period		**7,333**	2,053
Cash and cash equivalents, end of period		**$ 11,298**	$ 6,068

See accompanying notes to interim consolidated financial statements.

Notes to the Interim 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 TSX 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.

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

On January 1, 2010, Acadian Timber Income Fund (the "Fund") converted to Acadian Timber Corp. pursuant to a plan of arrangement under the Canada Business Corporations Act (the "Arrangement") with CellFor Inc. ("CellFor") which allowed for the conversion of the Fund from an income trust to a corporation. Prior to the conversion, the consolidated financial statements included the accounts of the Fund and its subsidiaries. The conversion is described further in Note 3.

Acadian owns and manages approximately 765,000 acres of freehold timberlands in New Brunswick ("NB Timberlands"), approximately 310,000 acres of freehold timberlands in Maine ("Maine Timberlands") and provides management services relating to approximately 1.3 million acres of Crown licensed timberlands. Acadian also owns and operates a forest nursery in Second Falls, New Brunswick. Acadian's products include softwood and hardwood sawlogs, pulpwood and biomass by-products, sold to over 100 regional customers.

As at March 26, 2011, affiliates of Brookfield Asset Management Inc. (collectively "Brookfield") own 7,513,262 common shares representing approximately 45% of the outstanding common shares of the Corporation. Acadian and Twin Rivers Paper Company ("Twin Rivers") are related parties as a result of a common significant shareholder.

On April 29, 2010 Fraser Papers Inc. ("Fraser") completed the sale of its specialty papers business including Crown timber harvest rights, two Canadian sawmills, the Edmundston pulpmill and the Madawaska paper mill along with fibre supply agreements between Fraser and Acadian to Twin Rivers. References in this report to Twin Rivers include references to transactions and relationships with Fraser prior to the sale of these assets.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed interim financial statements present the results of operations and cash flows of Acadian for the three month period ended March 26, 2011 along with the comparative results for the corresponding period ended March 27, 2010. These condensed interim financial statements include the accounts of Acadian and the entities over which it has control and have been prepared in accordance with IAS 34 'Interim Financial Reporting' using accounting policies consistent with the International Financial Reporting Standards ("IFRS"). These are Acadian's first condensed interim financial statements for part of the period covered by the first annual financial statements to be presented in accordance with IFRS for the year ending December 31, 2011.

The preparation of these financial statements is based on accounting policies and practices in accordance with IFRS. The standards that will be effective for annual financial statements for the year ending December 31, 2011 are subject to change and may be affected by additional interpretation(s). Accordingly, the accounting policies will be finalized when the first annual IFRS financial statements are prepared for the year ending December 31, 2011.

The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements. They have also been applied in preparing an opening IFRS balance sheet at January 1, 2010 as required by IFRS 1, First Time Adoption of International Financial Reporting Standards. The impact of the transition from Canadian generally accepted accounting principles ("GAAP") to IFRS is disclosed in Note 15.

These financial statements were authorized for issuance by the Board of Directors on May 2, 2011.

Basis of Presentation
The functional and reporting currency of the Corporation is the Canadian dollar. All currency amounts in these financial statements are in Canadian dollars ("CAD") unless otherwise stated.

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

Seasonality

Due to the seasonal nature of Acadian's timberland operations, the first, third and fourth quarters of the fiscal year typically account for, and are expected in the future to account for, a greater portion of revenue and net income, individually, than the second quarter of each fiscal year. This seasonal pattern may cause Acadian's revenue and net income to vary significantly from quarter to quarter.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash in the bank and short-term deposits with a remaining term to maturity at the time of purchase of less than ninety days. Cash equivalents were $nil as at March 26, 2011 (December 31, 2010 – $nil), with a weighted average effective interest rate of nil (December 31, 2010 – nil).

Inventories and Manufacturing Costs

Inventories consist primarily of logs, seedlings and supplies. Logs are recorded at the lower of average cost and net realizable value. Seedlings and supplies are valued at the lower of average cost and replacement cost.

Log inventory has been segregated into specie groupings and by category of sawlogs and pulp. Cost for each grouping of harvested logs consists of a 12 month rolling average, calculated one month in arrears, of costs to harvest and deliver logs to the yard, convert them into separate products as applicable and transport the end products to the point of sale, plus a charge for the fair value of timber harvested.

Manufacturing costs include predominantly cutting, harvesting and transportation costs, but also includes costs for reforestation, access roads and passages and land management.

Timber

Timber is stated at fair value less estimated costs of harvesting and selling. The fair value of standing timber is determined by deducting the fair value of higher and better use ("HBU") land, timberland, roads and bridges from the total value of the timberlands business. The value of the timberlands business and the fair value of higher and better use (HBU) land, timberland, roads and bridges are updated annually by licensed independent third party appraisers using a combination of the discounted cash flow and comparative sales value methods.

Quarterly valuations are determined by reducing the value of the timber by the fair value of the timber harvested in the period and adding back the fair value of the estimated timber growth in the period. As well, management reviews the underlying appraisal assumptions to determine if there has been a material change that would require a fair value adjustment based on changes in assumptions.

The fair value of timber harvested is charged to inventory when logs are measured and transferred to fair value adjustments when logs are sold. A distinct value is calculated for each harvest product group based on average market price less average cost of harvest and delivery.

The fair value of timber growth is credited to fair value adjustments based on a periodic growth rate. The value of growth is determined for each product grouping based on trend average market prices less average cost of harvest and delivery.

Property, Plant and Equipment

Buildings, pavement and equipment are carried at cost less accumulated depreciation. Buildings, pavement and equipment are depreciated on a straight-line basis at rates based on the following economic lives:

Buildings	20 years
Pavement	8 years
Equipment	10 years
Computers and software	2 to 3 years

Roads are carried at their revalued amounts and are not depreciated. New permanent road construction is capitalized and revalued as part of the annual appraisal process.

Bridges that are 9 metres or greater in length and located on permanent roads are carried at cost less depreciation. These bridges are depreciated over a 35 year life to a residual value of 25%. All other bridges are expensed as constructed.

Land is carried at the revalued amount and is not depreciated. Land value is updated annually as part of the annual appraisal process. Land includes core timberlands and HBU land that is currently utilized for growing timber.

Reforestation
Reforestation expenditures are treated as a period cost and are expensed.

Investment property
Investment property includes property that is held to earn rentals and/or for capital appreciation. Investment property is not depreciated. Betterments to investment property are capitalized and included as part of the specific project or parcel of land until sold.

HBU land is transferred to investment property when specific boundaries have been determined and timber has been harvested or will be sold with the property.

Impairment
All assets are assessed at each balance sheet date for indications of impairment or reversal of a previously recognized impairment. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the group of assets is expected to generate. Impairment losses are recognized in profit or loss for the period. The projections of future cash flows take into account the relevant operating plans and management's best estimate of the most probable set of conditions anticipated to prevail.

Revenue Recognition
Net sales are net of discounts and rebates to customers. Revenue is recognized when the risks and rewards of ownership pass to the purchaser, which is generally when timber is delivered to the purchaser and actual quantities delivered are determined. Sales are governed primarily by contract and in some cases by standard industry terms.

Harvesting, transportation and other services are performed under contract for Crown licensees and sub-licensees on Crown Lands. Acadian does not take title to the timber it cuts on Crown Lands and all costs incurred with respect to Crown Lands are recovered from Crown licensees or sub-licensees. Revenue from services performed for these licensees and sub-licensees consist of management fees. Management fee revenues are recognized net of the costs to perform these services upon the delivery of the timber.

Intangible Assets
Intangible assets represent the Crown Lands Services Agreement between NB Timberlands and Twin Rivers whereby NB Timberlands has agreed to provide various services relating to the Crown Lands in consideration for a fee from Twin Rivers per cubic metre of fibre harvested from these lands. The Crown Lands Services Agreement has a term equal to the term of the Crown Licenses, including any renewal terms, which is considered indeterminable as at March 26, 2011, and thus the carrying value of this contract is not being amortized. Management tests the carrying value of this asset for impairment annually, or more frequently if events or changes in circumstances indicate that this asset may be impaired.

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

The assets and liabilities of Acadian's U.S. operations are translated using exchange rates prevailing at the end of the period and income and expenses are translated at average exchange rates during the period. Gains or losses on translation are not included in the consolidated statement of net income, but are presented as a separate item in shareholders' equity.

NB Timberlands enters into sales transactions denominated in U.S. dollars and the related revenues and accounts receivables are subject to exchange rate fluctuations. As a result, Acadian's earnings may be adversely affected by exchange rate fluctuations.

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

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

Income Taxes
Acadian follows the liability method of tax allocation, whereby deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

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

Cash Flow Hedges
As a qualifying cash flow hedge, the derivative asset was recorded as an asset at its fair value. The effective portion of the gain on the derivative was designated as a cash flow hedge and is reported in other comprehensive income. Amounts in accumulated other comprehensive income are reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

Critical Judgements and Estimates
The preparation of financial statements requires management to make critical judgements, estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses recorded during the reporting period. The critical estimates and judgements utilized 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 business. 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 financial statements. Actual results could differ from those estimates.

Future Accounting Policies

Financial Instruments
IFRS 9 Financial instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based 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 new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The company is currently evaluating the impact of IFRS 9 on its financial statements.

IFRS 7 Financial Instruments: Disclosures

In October 2010, the IASB amended IFRS 7 to enhance the disclosure about transfers of financial assets. This improvement is to assist users in understanding the possible effects of any risks that remain in an entity after the asset has been transferred. In addition, if disproportionate amounts are transferred near year end, additional disclosures would be required. The effective date of the amendment is July 1, 2011. The Company has determined that the adoption of this amendment will not have a material impact on the consolidated financial statements.

IAS 12 Income Taxes

In December 2010, the IASB amended IAS 12 for the recovery of underlying assets and the impact on deferred taxes. The amendments provide a solution to the problem of assessing whether recovery would be through use or through sale when the asset is measured at fair value under IAS 40 Investment Property, by adding the presumption that the recovery would normally be through sale. The amendment also incorporates the remaining guidance in SIC-21 Income Taxes – Recovery of Revalued Non-depreciable Assets, as SIC-21 has been withdrawn. The effective date of amendment is January 1, 2012.

The Company is in the process of reviewing the amendment to determine the possible impact on the consolidated financial statements.

NOTE 3. CORPORATE CONVERSION

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

Pursuant to the plan of Arrangement, CellFor transferred all of its assets (other than the Retained Assets) to a new subsidiary ("New Cellfor") and all of Cellfor's liabilities (other than the liability relating to the CellFor loan) were repaid, settled or assumed by New Cellfor.

All of the securities of New Cellfor were distributed to the CellFor security holders. New CellFor has agreed to indemnify Acadian for losses or damages that may have resulted from the activities of CellFor prior to the conversion.

The transaction resulted in an one time gain from corporate conversion of $21.1 million recorded in the three month period ended March 27, 2010.

NOTE 4. PROPERTY, PLANT AND EQUIPMENT

(CAD thousands)	Land (Revaluation)	Roads (Revaluation)	Bridges and Pavement (Cost)	Other (Cost)	Total
Cost					
Balance as at January 1, 2010	$ 24,015	$ 6,407	$ 4,462	$ 1,391	$ 36,275
Additions	—	—	78	403	481
Disposals	(6)	—	—	—	(6)
Foreign exchange	(210)	(145)	(172)	(8)	(535)
Revaluations	(1,121)	(87)	—	—	(1,208)
Balance as at December 31, 2010	22,678	6,175	4,368	1,786	35,007
Additions	—	—	—	8	8
Foreign exchange	(172)	(47)	(53)	(5)	(277)
Balance as at March 26, 2011	$ 22,506	$ 6,128	$ 4,315	$ 1,789	$ 34,738
Accumulated Depreciation					
Balance as at January 1, 2010	$ —	$ —	$ —	$ —	$ —
Depreciation for the year	—	(7)	(342)	(150)	(499)
Balance as at December 31, 2010	—	(7)	(342)	(150)	(499)
Depreciation for the period	—	(1)	(28)	(108)	(137)
Balance as at March 26, 2011	$ —	$ (8)	$ (370)	$ (258)	$ (636)
Carrying Amounts					
As at January 1, 2010	$ 24,015	$ 6,407	$ 4,462	$ 1,391	$ 36,275
As at December 31, 2010	$ 22,678	$ 6,168	$ 4,026	$ 1,636	$ 34,508
As at March 26, 2011	$ 22,506	$ 6,120	$ 3,945	$ 1,531	$ 34,102

NOTE 5. DEBT

Debt consisted of the following:

As at (CAD thousands)	March 26, 2011	December 31, 2010
Term credit facility, due March 2016	$ 71,141	$ —
Bank term credit facility, repaid in February 2011	—	41,960
Term loan facility, repaid in February 2011	—	31,792
Less: Deferred debt issuance costs	(1,185)	—
Total	$ 69,956	$ 73,752

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 The 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 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 26, 2011, Acadian has borrowed US$72.5 million under the Term Facility and US$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 26, 2011.

At December 31, 2010, Acadian had a term credit facility of up to $42.0 million and a revolving credit facility of up to $10.0 million. As at December 31, 2010, Acadian has borrowed $42.0 million under the term facility and $nil under the revolving facility. The full principle of this loan was repaid as scheduled on February 28, 2011 and the revolving credit facility was wound up.

The Maine Timberlands had a term loan facility of up to US$31.5 million which was fully drawn as at December 31, 2010. The full principle of this loan and the US$0.4 million of deferred financing costs payable upon maturity of the facility were repaid as scheduled on February 28, 2011.

NOTE 6. SHAREHOLDERS' EQUITY

The components of shareholders' equity are as follows:

As at (CAD thousands)	March 26, 2011	December 31, 2010
Common shares issued and outstanding	$ 140,067	$ 140,067
Accumulated other comprehensive loss	(3,897)	(2,816)
Retained earnings	46,566	47,083
Total	$ 182,736	$ 184,334

The Corporation issued 159,763 shares on January 1, 2010 as part of the corporate conversion discussed in Note 3.

For the three months ended March 26, 2011 and the comparable period of 2010, there were no dilutive instruments outstanding.

NOTE 7. 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 26, 2011, 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 have been provided below.

a) Acadian has entered into a number of 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. Total sales to Twin Rivers and Brookfield during the three months ended March 26, 2011 totaled $8.9 million and $0.7 million, respectively, which represented 35% of Acadian's consolidated total sales (2010 – $8.1 million and $0.5 million, respectively, or 33% of total sales). Included in accounts receivable at March 26, 2011 is $3.5 million related to these agreements (March 27, 2010 – $2.3 million).

b) Maine Timberlands rents space in a shared office building from a wholly-owned subsidiary of Brookfield, which also provides certain administrative services to Maine Timberlands. Total costs paid for these services were $4 thousand during the three-month period ended March 26, 2011 (2010 – $4 thousand).

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 26, 2011 totaled $0.6 million (2010 – $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 the 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 which upon maturity, Acadian assumed the settlement proceeds of. As at December 31, 2010, the derivative asset related to this agreement was valued at $1.6 million and was settled on February 1, 2011 for proceeds of $1.3 million.

NOTE 8. SEGMENTED INFORMATION

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

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 and other	2,844	2,742	102	—
Total net sales	21,756	17,931	3,825	—
Operating costs	(14,492)	(11,577)	(2,596)	(319)
Operating earnings (loss)	7,264	6,354	1,229	(319)
Gain on sale of timberlands	1	1	—	—
Depreciation and amortization	(137)	(59)	(78)	—
Fair value adjustments	(1,633)	(1,668)	35	—
Earnings (loss) before the 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, property, plant and equipment, investment property 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

Three Months Ended March 27, 2010 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 9,452	$ 6,320	$ 3,132	$ —
Hardwood	8,469	7,713	756	—
Biomass and other	2,537	2,398	139	—
Total net sales	20,458	16,431	4,027	—
Operating costs	(14,721)	(11,355)	(2,863)	(503)
Operating earnings (loss)	5,737	5,076	1,164	(503)
Gain on sale of timberlands	2	—	2	—
Depreciation and amortization	(120)	(35)	(85)	—
Fair value adjustments	12	145	(133)	—
Earnings (loss) before under noted	5,631	5,186	948	(503)
Gain on corporate conversion	21,086			
Interest expense, net	(759)			
Income tax recovery	(878)			
Net income	$ 25,080			

As at March 27, 2010 (CAD thousands)				
Timber, property, plant and equipment, investment property and intangible assets	$ 257,248	$ 151,104	$ 106,144	$ —
Total assets	$ 282,930	$ 163,104	$ 108,488	$ 11,338
Total liabilities	$ 104,256	$ 4,070	$ 52,607	$ 47,579

During the three months ended March 26, 2011 approximately 21% of total sales were originated with customers domiciled in the U.S. and the balance in Canada. During the same period in 2010 approximately 27% of total sales were denominated in U.S. dollars.

Acadian outsources much of its harvesting, transportation and other services which comprise the majority of the Company's cost of sales. For the three-month period ended March 26, 2011, Acadian's top three suppliers accounted for approximately 16%, 13% and 12%, respectively, of Acadian's total harvesting and delivery costs.

Acadian sells its products to many forest product companies in North America. For the three-month period ended March 26, 2011, related parties (see Note 7) and the next largest customer accounted for 35% and 9% of total sales, respectively.

NOTE 9. CAPITAL DISCLOSURES

Acadian's capital structure is comprised of shareholders' equity inclusive of comprehensive income, and loan facilities, which include current portions.

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

Acadian's debt obligations have restrictive covenants which require Acadian to maintain certain financial ratios. As at March 26, 2011, Acadian is in compliance with all financial covenants.

NOTE 10. INCOME TAXES

The major components of income tax expense for the year ended December 31, 2010 are set below:

Year Ended December 31, 2010 (CAD thousands)	
Deferred income tax expense / (recovery)	
Origination and reversal of temporary differences	$ 4,897
Benefit arising from previously unrecognized tax assets	(848)
Change of tax rates and imposition of new legislation	(221)
Total deferred income tax	3,828

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

Year Ended (CAD thousands)	December 31, 2010
Deferred income tax expense	
Income tax at statutory rate	$ 11,426
Permanent differences	213
Rate adjustments	(220)
Tax assets not benefited	(843)
Temporary differences	(625)
Changes in tax structure	(465)
Reversal of deferred credit	(6,220)
Other	562
Total deferred income tax	3,828

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

Year Ended (CAD thousands)	March 26, 2011	Effective Rate
Deferred income tax expense		
Income tax at statutory rate	$ 1,307	33%
Foreign tax rate differential	(562)	-14%
Permanent differences	222	6%
Rate adjustments	(15)	-1%
Tax assets not benefited	57	1%
Other	75	2%
Total deferred income tax	$ 1,084	27%

The following chart details the expiry date, if applicable, of the recognized deferred tax assets related to Scientific Research and Experimental Development credits and net operating losses.

(Millions)	March 26, 2011
2018	$ 193
2019	38
2020	638
2021	1,139
2022	1,696
2023	1,652
2024	1,323
2025	549
2026 – 2029	7,446
Total	14,674

As at (CAD thousands)	March 26, 2011	December 31, 2010	January 1, 2010
Deferred income tax asset	$ 6,696	$ 7,522	—
Deferred income tax liability	(18,759)	(18,952)	(34,553)
Total net deferred income tax liability	$ (12,063)	$ (11,430)	$ (34,553)

Deferred income tax liabilities as at December 31, 2010 and January 1, 2010 relates to the following:

As at (CAD thousands)	December 31, 2010	January 1, 2010
Land	(5,147)	(4,848)
Timber	(27,149)	(25,867)
Property, plant and equipment	(2,479)	(2,472)
Intangibles	(1,412)	(1,412)
Scientific Research and Experimental Development and Input Tax Credits	23,571	—
Disallowed interest	1,098	—
Net operating losses	89	—
Other	(1)	46
Net deferred income tax liabilities	$ (11,430)	$ (34,553)

NOTE 11. EMPLOYEE BENEFIT PLANS

NB Timberlands and Maine Timberlands each have defined contribution plans covering substantially all employees. During the first quarter, contributions recorded as expenses amounted to $62 thousand (2010 – $60 thousand).

NOTE 12. 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 26, 2011 were $3.4 million (2010 – $1.1 million) or $0.21 per share (2010 – $0.07 per share).

NOTE 13. TIMBER

As at (CAD thousands)	
Fair Value at January 1, 2010	**$ 216,751**
Gains arising from growth	19,597
Decrease arising from harvest	(18,347)
Gain from fair value price changes	3,022
Foreign exchange	(4,842)
Balance at December 31, 2010	**$ 216,181**
Gains arising from growth	4,840
Decrease arising from harvest	(6,465)
Gain from fair value price changes	—
Foreign Exchange	(1,509)
Balance at March 26, 2011	**$ 213,047**

NOTE 14. INVESTMENT PROPERTY

For the three months ended March 26, 2011 and the 12 months ended December 31, 2010, there have been no changes to the fair value of investment property.

NOTE 15. TRANSITION TO IFRS

IFRS 1, First Time Adoption of International Financial Reporting Standards sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the transitional balance sheet date with all adjustments to assets and liabilities taken to shareholders' equity unless certain exemptions are applied.

Acadian has applied the following exemptions to its opening balance sheet dated January 1, 2010:

a) Elected exemptions from full retrospective application

In preparing these financial statements in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"), Acadian has applied certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions applied are described below.

i) Fair value or revaluation as deemed cost
Acadian has elected to measure certain items of property, plant and equipment at fair value as at January 1, 2010 or revaluation amounts and use that amount as deemed cost as at January 1, 2010.

ii) Cumulative translation differences
The Company has elected to set the previously accumulated cumulative translation account, which was included in accumulated other comprehensive income, to zero at January 1, 2010 and the amount was absorbed into retained earnings. This exemption has been applied to all subsidiaries.

b) Mandatory exceptions to retrospective application

In preparing these financial statements in accordance with IFRS 1 Acadian has applied certain mandatory exceptions from full retrospective application of IFRS. The mandatory exceptions applied from full retrospective application of IFRS are described below.

i) Estimates
Hindsight was not used to create or revise estimates and accordingly the estimates previously made by Acadian under Canadian GAAP are consistent with their application under IFRS as at January 1 and December 31, 2010.

In order to allow the users of these financial statements to better understand the changes under IFRS, Acadian's Canadian GAAP statement of net income, statement of equity, comprehensive income, balance sheet, and statement of cash flows for the year ended December 31, 2010 have been reconciled to IFRS. Key sources of differences are identified below:

ii) Inventories
Logs are valued at the lower of average cost, including fair value of harvest, and net realizable value. Upon adoption of IFRS, inventory value increased by $0.6 at January 1, 2010 and $0.2 at December 31, 2010 resulting in a fair value change of $0.4. Under GAAP guidelines, logs were valued at the lower of average cost and net realizable value, but did not include a charge for the fair value of timber harvested.

iii) Buildings, pavement and equipment
Under IAS 16, items of property, plant and equipment are initially measured at cost, but the provisions of IFRS 1 First time adoption of International Financial Reporting Standards (“IFRS 1”) allow for the measurement at a deemed cost upon initial adoption. The choices are the cost model and the revaluation model. Acadian elected the cost model for buildings, pavement and equipment with the December 31, 2009 net book value becoming the original cost.

iv) Land
Land was valued at deemed cost (fair value) upon adoption with revaluation being the ongoing method of valuation. Historical cost was the method of valuation under GAAP guidelines.

v) Roads
Roads were valued at deemed cost (fair value) upon adoption with revaluation being the ongoing method of valuation. Historical cost less amortization was the basis of valuation under GAAP guidelines.

vi) Bridges
Bridges on freehold lands that are 9 metres or greater in length and located on permanent roads were valued at deemed cost (fair value) upon adoption. The net book value of bridges on freehold lands that did not meet this description was written off. All bridges on crown lands were valued at deemed cost (historical net book value) upon adoption. Cost is the ongoing method of valuation. Under GAAP, bridges were carried as part of the road cost and were amortized with the road or charged directly to expense.

vii) Timber
The applicable IFRS Standard for determining the value of standing timber and cost of trees harvested is IAS 41 Agriculture. Upon adoption and on an ongoing basis, timber is valued at fair value less estimated cost to sell. Under GAAP, timber was valued at historical cost less accumulated depletion.

viii) Investment property
The applicable IFRS Standard for investment property and the method of valuation is IAS 40 Investment Property. Upon adoption and on an ongoing basis, investment property is valued at fair value. Under GAAP, investment property was valued at historical cost.

ix) Deferred income tax asset, liability and deferred credit
The deferred income tax asset and liabilities were adjusted for the tax impact of the change in temporary differences resulting from the effect of the IFRS adjustments on asset values.

IAS 12 does not support the Canadian GAAP approach of recognizing a deferred credit for the excess of the value of deferred tax assets over their cost. As a result, upon adoption of IFRS, the excess value was recorded as income in the period the Arrangement was completed (see Note 3).

x) Revaluation surplus
Any revaluation increase arising from the revaluation of permanent roads and any land being utilized for growing timber is recognized in other comprehensive income and accumulated in equity except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on revaluation of such assets is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Under GAAP guidelines, historical cost was the applicable measure and no revaluation reserve was required.

xi) Depreciation, amortization and depletion
Under IFRS guidelines the historical approaches to depreciation, amortization and depletion are no longer applicable and were reversed.

xii) Fair value adjustments
Details of fair value adjustments recorded to the statement of net income are:

As at *(CAD thousands)*	March 27, 2010
Inventory	$ (146)
Timber harvested	4,770
Timber growth	(4,636)
Valuation change	—
	$ (12)

As at *(CAD thousands)*	December 31, 2010
Inventory	322
Timber harvested	18,347
Timber growth	(19,597)
Valuation change	(3,022)
	$ (3,950)

xiii) Reforestation
Upon adoption of IFRS, Acadian elected to expense reforestation.

xiv) Gain on sale of assets
Under IFRS guidelines investment property is carried at fair value. Dispositions are at cost under the GAAP historical cost approach. The disposition gain was adjusted to reflect fair value accounting.

xv) The presentation of the cash flow statement in accordance with IFRS differs from the presentation of the cash flow statement in accordance with Canadian GAAP.

Reconciliation of the balance sheet as at January 1, 2010:

(CAD thousands)	Canadian GAAP	Note	Effect of Transition	IFRS
Assets				
Current assets				
Cash and cash equivalents	$ 2,053		$ —	$ 2,053
Accounts receivable and other assets	6,265		—	6,265
Note receivable	4,001		—	4,001
Inventory	1,737	ii	552	2,289
	14,056		552	14,608
Timber	165,854	vii	50,897	216,751
Property, plant and equipment	23,233	iii,iv,v,vi	13,042	36,275
Investment property	875	viii	—	875
Intangible assets	6,140		—	6,140
	$ 210,158		$ 64,491	$ 274,649
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable and accrued liabilities	$ 4,275		$ —	$ 4,275
	4,275		—	4,275
Deferred income tax liability	13,815	ix	20,738	34,553
Long-term debt	80,739		—	80,739
Shareholders' equity	111,329		43,753	155,082
	$ 210,158		$ 64,491	$ 274,649

Reconciliation of the statement of net income for the three months ended March 27, 2010:

(CAD thousands)	Canadian GAAP	Note	Effect of Transition	IFRS
Net sales	$ 20,446		$ 12	$ 20,458
Operating costs and expenses				
Cost of sales	12,814	xii	29	12,843
Selling, administration and other	1,878		—	1,878
Depreciation, amortization and depletion	2,032	xi	(1,912)	120
	16,724		(1,883)	14,841
Operating earnings	3,722		1,895	5,617
Interest expense, net	(759)		—	(759)
Other items				
Gain on sale of timberlands	2		—	2
Fair value adjustments	—	xii	12	12
Gain on corporate conversion	—	ix	21,086	21,086
Earnings before income tax	2,965		22,993	25,958
Current income tax expense	(34)		34	—
Deferred income tax recovery (expense)	508	ix	(1,386)	(878)
Net income for the period	$ 3,439		$ 21,641	$ 25,080
Net income per share – basic	$ 0.20		$ 1.30	$ 1.50
Net income per share – diluted	$ 0.20		$ 1.30	$ 1.50

Reconciliation of the statements of comprehensive income and shareholders' equity for the three months ended March 27, 2010:

(CAD thousands)	Canadian GAAP	Note	Effect of Transition	IFRS
Net income	$ 3,439		$ 21,641	$ 25,080
Other comprehensive income (loss)				
Unrealized foreign currency translation loss	(812)		(621)	(1,433)
Other comprehensive loss	(812)		(621)	(1,433)
Comprehensive income	$ 2,627		$ 21,020	$ 23,647
Accumulated other comprehensive loss, beginning of period	(4,804)		4,804	—
Other comprehensive loss	(812)		(621)	(1,433)
Accumulated other comprehensive loss, end of period	$ (5,616)		$ 4,183	$ (1,433)

(CAD thousands)	Canadian GAAP	Note	Effect of Transition	IFRS
Shareholders' equity, beginning of period	$111,329		$ 43,753	$155,082
Issuance of shares	1,000		—	1,000
Net income (loss)	3,439		21,641	25,080
Dividends declared	(1,115)		—	(1,115)
	114,653		65,394	180,047
Other comprehensive loss	(812)		(621)	(1,433)
Shareholders' equity, end of period	$113,841		$ 64,773	$178,614

Reconciliation of statement of cash flows for the three months ended March 27, 2010:

(CAD thousands)	Canadian GAAP	Note	Effect of Transition	IFRS
Operating activities				
Net income for the period	$ 3,439		$ 21,641	$ 25,080
Adjustments to net income				
Depreciation	2,032	xi	(1,912)	120
Fair value adjustments	—	xii	(12)	(12)
Gain on corporate conversion	—	ix	(21,086)	(21,086)
Gain on sale of timberlands	(2)			(2)
Current tax expense	34		(34)	—
Deferred income tax recovery	(508)	ix	1,386	878
	4,495		(17)	4,978
Net change in non-cash working capital balances and other	1,598	ii	17	1,615
	6,593		—	6,593
Investing activities				
Additions to timber, property, plant and equipment	(1)		—	(1)
Proceeds from sale of timberlands	2		—	2
Reforestation expenditures	—		—	—
	1		—	1
Financing activities				
Dividends paid to shareholders	(279)		—	(279)
Repayment of revolving credit facility	(2,300)		—	(2,300)
	(2,579)		—	(2,579)
Increase in cash and cash equivalents during the year	4,015		—	4,015
Cash and cash equivalents, beginning of year	2,053		—	2,053
Cash and cash equivalents, end of year	$ 6,068		$ —	$ 6,068

Reconciliation of the balance sheet as at December 31, 2010:

(CAD thousands	Canadian GAAP	Note	Effect of Transition	IFRS
Assets				
Current assets				
Cash and cash equivalents	$ 7,333		$ —	$ 7,333
Accounts receivable and other assets	7,252		—	7,252
Inventory	759	ii	231	990
Derivative asset	1,557		—	1,557
Deferred income tax asset	1,958		(1,958)	—
	18,859		(1,727)	17,132
Timber	157,088	vii	59,093	216,181
Property, plant and equipment	22,576	iii,iv,v,vi	11,932	34,508
Investment property	875	viii	—	875
Intangible assets	6,140		—	6,140
Deferred income tax asset	12,382	ix	(4,860)	7,522
	$ 217,920		$ 64,438	$ 282,358
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable and accrued liabilities	$ 4,483		$ —	$ 4,483
Dividends payable to shareholders	837		—	837
Debt	73,752		—	73,752
Deferred credit	1,576	ix	(1,576)	—
	80,648		(1,576)	79,072
Deferred credit	17,206	ix	(17,206)	—
Deferred income tax liability	3,162	ix	15,790	18,952
Shareholders' equity	116,904		67,430	184,334
	$ 217,920		$ 64,438	$ 282,358

Reconciliation of the income statement for the year ended December 31, 2010:

(CAD thousands)	Canadian GAAP	Note	Effect of Transition	IFRS
Net sales	$ 71,016		$ (20)	$ 70,996
Operating costs and expenses				
Cost of sales	46,030		13	46,043
Selling, administration and other	7,026		—	7,026
Depreciation, amortization and depletion	6,618	xi	(6,119)	499
	59,674		(6,106)	53,568
Operating earnings	11,342		6,086	17,428
Interest expense, net	(3,791)		—	(3,791)
Other items				
Gain on sale of timberlands	40		—	40
Fair value adjustments	—	xii	3,950	3,950
Reforestation	—	xiii	(192)	(192)
Gain on corporate conversion	—	ix	21,086	21,086
Earnings before income tax recovery	7,591		30,930	38,521
Deferred income tax recovery (expense)	1,183	ix	(5,011)	(3,828)
Net income for the period	$ 8,774		$ 25,919	$ 34,693
Net income per share – basic	$ 0.53		$ 1.54	$ 2.07
Net income per share – diluted	$ 0.53		$ 1.54	$ 2.07

Reconciliation of the statements of comprehensive income and shareholders' equity for the year ended December 31, 2010:

(CAD thousands)	Canadian GAAP	Note	Effect of Transition	IFRS
Net income	$ 8,774		$ 25,919	$ 34,693
Other comprehensive income (loss)				
Unrealized foreign currency translation losses	(1,708)		(1,221)	(2,929)
Fair value gains on derivatives designated as cash flow hedges	1,134		—	1,134
Revaluation surplus	—	x	(1,021)	(1,021)
Other comprehensive loss	(574)		(2,242)	(2,816)
Comprehensive income	$ 8,200		$ 23,677	$ 31,877
Accumulated other comprehensive loss, beginning of period	(4,804)		4,804	—
Other comprehensive loss	(574)		(2,242)	(2,816)
Accumulated other comprehensive loss, end of period	$ (5,378)		$ 2,562	$ (2,816)

(CAD thousands)	Canadian GAAP	Note	Effect of Transition	IFRS
Shareholders' equity, beginning of period	$111,329		$ 43,753	$155,082
Issuance of shares	1,000		—	1,000
Net income	8,774		25,919	34,693
Dividends	(3,625)		—	(3,625)
	117,478		69,672	187,150
Other comprehensive loss	(574)		(2,242)	(2,816)
Shareholders' equity, end of period	$116,904		$ 67,430	$184,334

Reconciliation of statement of cash flows for the year ended December 31, 2010:

(CAD thousands)	Canadian GAAP	Note	Effect of Transition	IFRS
Operating activities				
Net income for the period	$ 8,774		$ 25,919	$ 34,693
Adjustments to net income				
Depreciation	6,618	xi	(6,119)	499
Fair value adjustments	—	xii	(3,950)	(3,950)
Gain on corporate conversion	—	ix	(21,086)	(21,086)
Gain on sale of timberlands	(40)		—	(40)
Deferred income tax expense (recovery)	(1,183)	ix	5,011	3,828
	14,169		(225)	13,944
Net change in non-cash working capital balances and other	60	ii	27	87
	14,229		(198)	14,031
Investing activities				
Proceeds from sale of timberlands	40		—	40
Additions to timber, property, plant and equipment	(430)		—	(430)
Reforestation expenditures	(198)	xiii	198	—
	(588)		198	(390)
Financing activities				
Dividends paid to shareholders	(2,789)		—	(2,789)
Deferred financing costs	(72)		—	(72)
Repayment of revolving credit facility	(5,500)		—	(5,500)
	(8,361)		—	(8,361)
Increase in cash and cash equivalents during the year	5,280		—	5,280
Cash and cash equivalents, beginning of year	2,053		—	2,053
Cash and cash equivalents, end of year	$ 7,333		$ —	$ 7,333

NOTE 16. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The renumeration of directors and other key personnel of the company are as follows:

Three Months Ended (CAD thousands)	**March 26, 2011**	March 27, 2010
Salaries, incentives and short-term benefits	**$436**	$419

Board and Management

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. 604.562.6674
e. rlee@acadiantimber.com

TRUSTEE, 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, P.O. Box 7010,
Adelaide Street Postal Station, Toronto, Ontario M5C 2W9
t.   416-643-5500 or 800-387-0825 (toll free in North America)
f.   416-643-5501   www.cibcmellon.com

SHARE INFORMATION

Toronto Stock Exchange: ADN
Fully Diluted Shares Outstanding (March 26, 2011): 16,731,216
Targeted 2011 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

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