ACADIANTIMBER

Q1 2006 Interim Report

President's Letter to Unitholders,

We are pleased to announce strong operating results for Acadian Timber Income Fund's ("Acadian") first two-month reporting period ended March 31, 2006 (herein referred to as the "first quarter"). Following Acadian's successful initial public offering on January 31, 2006, the Fund exceeded its operating plan for both February and March, and is well positioned to meet our distributable cash flow needs for the balance of the year.

For the first quarter of 2006, Acadian generated cash available for distribution of $6.3 million or $0.38 per unit and declared distributions of $2.3 million or $0.14 per unit.

Consolidated log sale volumes totalled 341 thousand m^3 during the first quarter, an increase of 2% compared to 335 thousand m^3 for the same period in 2005. Net sales were $19.7 million, an increase of 9% compared to $18.0 million in the same period last year, and EBITDA increased 15% to $6.9 million. These results reflect better than expected pricing for softwood and hardwood sawlogs and pulpwood and strong sales volumes.

We are pleased with our financial performance in our first two-month reporting period as a public income fund and look forward to continued strong results; however, it is worth noting that our business is seasonal. The first quarter of the year is traditionally our strongest as harvesting conditions are optimum, and the second quarter of the year is typically the weakest due to operating challenges associated with spring break-up. Over the last two years, on average, 43% of Acadian's annual EBITDA is generated in the first quarter, while only 8% is generated in the second quarter and the remaining is spread evenly over the third and fourth quarters, respectively.

New Brunswick Timberlands Operating Highlights

Our New Brunswick Timberlands operations delivered strong operating results during the period as a result of ideal weather conditions. Softwood, hardwood and biomass sales were 113 thousand m^3, 101 thousand m^3 and 56 thousand m^3, respectively, consistent with the comparable period last year.

Net sales were $15.1 million, an increase of 9% compared to $13.8 million during the same period last year, largely reflecting an improved log sales mix.

EBITDA for the period was $5.0 million, an increase of 19% compared to the same period last year. We achieved an EBITDA margin of 33%, above the EBITDA margin for the comparable period last year.

The safety performance of the New Brunswick Timberlands was exceptionally strong with no reportable incidents among employees and contractors.

Maine Timberlands Operating Highlights

Our Maine Timberlands achieved solid operating results with softwood, hardwood and biomass sales of 56 thousand m^3, 12 thousand m^3 and 3 thousand m^3, respectively. This represents an increase of 7% and 27% for softwood and hardwood, and 257% for biomass compared to the same period last year.

Net sales were $4.6 million, an increase of 10% compared to $4.2 million during the same period last year, primarily the result of strong sales volumes.

EBITDA for the first quarter was $2.1 million, an increase of 17% compared to the same period last year. We achieved an EBITDA margin of 46%, exceeding the EBITDA margin for the comparable period last year.

These positive results were achieved despite the operating challenges presented by an unusually mild winter. In addition, the Maine Timberlands operation was able to successfully manage limited trucking capacity in Maine to ensure it did not represent a constraint on its ability to deliver product.

The safety performance of the Maine Timberlands was strong with no reportable incidents.

Market Conditions

Sawlog markets were very positive in the first quarter of 2006 in spite of an 18% decline in benchmark lumber prices from the same period in 2005. Prices increased only very modestly compared to the fourth quarter of 2005; however, lumber mills responded to the improved lumber prices and lack of supply in 2005 and built their inventory more aggressively during the first quarter. Prices for hardwood and softwood pulpwood in the Northeastern U.S. and Eastern Canada were 7% to 9% higher than the same period in 2005 and were flat relative to prices in the fourth quarter of 2005.

Acadian's broader operating region experienced several capacity changes during the first quarter of 2006. The St. Anne Nackawic hardwood pulp mill restarted operations, Georgia-Pacific's Old Town, Maine pulp and tissue mill was closed pending its sale, and Fraser Papers announced the closure of its Berlin, New Hampshire pulp mill. While St. Anne Nackawic mill historically consumed approximately 8% of Acadian's hardwood pulp production and the Old Town mill represented slightly less than 2% of Acadian's sales in 2005 during these periods of capacity changes, markets for Acadian's hardwood pulp have remained relatively unaffected.

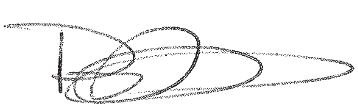
Positive Outlook

Acadian's business outlook remains positive and demand for our softwood sawlogs remains strong. Acadian sells most of its timber on six month and one-year contracts and both the Maine and New Brunswick operations have now largely finalized contract pricing with most of their major customers. Contract prices have increased slightly over Q4 2005 and Q1 2006, particularly for softwood sawlogs. Spruce-fir sawtimber, pine sawlogs and hemlock pulpwood have increased in price, while spruce-fir pulpwood, hardwood pulpwood and hardwood sawlogs have remained stable compared to pricing realized at the end of 2005. The term of the contracts now in place together with the fact that prices for sales to Fraser Papers are on a six month trailing basis, provide us with confidence in forecasting sales for the remainder of the year.

Hardwood pulpwood, which represents approximately 25% of sales and less than 5% of annual EBITDA, is expected to come under increasing pressure as a result of the recent mill closures in Maine and New Hampshire. However, a recent hardwood pulpwood contract with a regional customer should moderate this expected price decline. We remain confident that we can access alternative markets for hardwood pulpwood at comparable pricing and believe that incremental improvements in merchandizing higher value sawtimber should allow for a modest increase in sales realizations.

We are making solid progress in transitioning from Fraser Papers with the separation of offices, accounting and information services now underway. We expect to have our payroll, benefits and information systems largely independent of Fraser Papers by the end of the year.

With a strong operating team, solid position within our product sectors and a positive operating environment, we are excited about the positive outlook for Acadian's business and our ability to deliver stable distributions to our unitholders. We look forward to building a strong track record of performance.



Reid Carter
President and Chief Executive Officer

May 4, 2006

Management's Discussion and Analysis

INTRODUCTION

Acadian Timber Income Fund ("Acadian" or the "Fund") 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 311,000 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 110 regional customers.

Acadian's business strategy is to maximize cash flows from its timberland assets, while enhancing the value of these assets over time and growing its business by acquiring complementary timberland assets in regions in which it operates.

Basis of Presentation

This section of our interim report presents management's discussion and analysis of our financial results ("MD&A") 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 first two-month period, since our inception on January 31, 2006 (herein referred to as the "first quarter"), and the comparable period in the prior year, as well as our financial position and future prospects. Proforma financial information for the periods prior to the inception of the Fund are derived from the proforma consolidated financial statements contained in the Fund's Prospectus dated January 23, 2006 (the "Prospectus").

Our financial results are determined in accordance with Canadian generally accepted accounting principles ("GAAP") and are expressed in Canadian dollars unless otherwise noted.

Throughout the MD&A reference is made to earnings before interest, taxes, depletion, depreciation and amortization ("EBITDA") and cash available for distribution. Management believes that EBITDA and cash available for distribution are key performance measures in evaluating the Fund's operations and are important in enhancing investors' understanding of the Fund's operating performance. As EBITDA and cash available for distribution do not have a standardized meaning prescribed by GAAP they may not be comparable to similar measures presented by other comparable companies. As a result, we have provided reconciliations of net income and cash flow from operations before changes in working capital, as determined in accordance with GAAP, to EBITDA and cash available for distribution in the "Review of Operations" section of this MD&A.

This MD&A has been prepared based on information available as at May 4, 2006. Additional information, including the Fund's Prospectus is available on Acadian's website at *www.acadiantimber.com* and on SEDAR's web site at *www.sedar.com*.

REVIEW OF OPERATIONS

Summary of First Quarter Results

The table below summarizes operating and financial data for Acadian:

	Two-Months Ended	
millions, except per unit data and where indicated	March 31 2006	March 31 2005[1]
Total		
Sales volume (000's m^3)	341.0	334.8
Net sales	$ 19.7	$ 18.0
Net income	4.5	n/a
EBITDA	6.9	6.0
EBITDA margin	35%	33%
Cash available for distribution	$ 6.3	$ n/a
Distributions declared		
Class A unitholders	1.1	
Class B LP unitholders	0.6	
Class B Interest of a subsidiary	0.6	
	2.3	
Payout ratio	37%	
Total assets	$ 249.9	
Total long-term debt	79.2	
Per Unit (fully diluted)		
Net income	$ 0.27	
Cash available for distribution per unit	0.38	
Distribution declared per unit		
Class A unitholders	0.14	
Class B LP unitholders	0.14	
Class B interest of a subsidiary	0.14	
Book value	15.08	
Units outstanding		
Class A unitholders	8,450,643	
Class B LP unitholders	3,613,780	
Class B Interest of a subsidiary	4,507,030	

1 *Prepared on a proforma basis, see Basis of Presentation.*

Acadian had strong operating and financial results for its first quarter of 2006. Strong pricing, together with higher volumes, resulted in an increase in net sales of 9% and EBITDA of 15%, compared to the same period last year. Acadian generated $6.3 million in cash available for distribution or $0.38 per unit, and declared distributions of $2.3 million or $0.14 per unit, consistent with the monthly distributions anticipated at the initial public offering ("IPO"). The current payout ratio of 37%, although less than the expected annualized payout ratio of 95%, is consistent with expectations based on the seasonality of the business.

The first quarter of the year is traditionally Acadian's strongest as harvesting conditions are optimal with the frozen ground offering ideal access for harvesting equipment. Over the last two years, on average, Acadian has generated approximately 43% of annual EBITDA during the first quarter, while only 8% is generated during the second quarter, and the balance spread evenly over the third and fourth quarters. The first quarter of 2006 was no exception to this and exceeded management's expectations, as NB Timberlands experienced optimum weather conditions for harvesting and trucking. The Maine Timberlands experienced an unusually mild winter, but were able to overcome more frequent delays and movement of equipment to produce to expectations while keeping costs slightly below expectations.

Cash Available for Distribution

Acadian generated cash available for distribution of $6.3 million for its first quarter of 2006 and is well positioned to meet distributable cash flow targets for the balance of the year. Distributions declared to Class A and B LP unitholders were $1.7 million and to Class B Interest holders were $0.6 million. These distributions were in line with monthly distributions anticipated at the IPO and were $0.071 and $0.06875 per unit as at February 28, 2006 and March 31, 2006, respectively. The declared distributions represent an annualized yield of 8.25% based on the initial distribution price of $10 per unit.

The following table provides a reconciliation of net income and cash flow from operations before changes in working capital, as determined in accordance with GAAP, to EBITDA and cash available for distribution:

millions	Two-Months Ended March 31 2006
Net income	$ 4.5
Add (deduct):	
Non-cash gain on Class B Interest Liability of a subsidiary	(0.9)
Depreciation and depletion	2.1
Interest expense on long-term debt	0.6
Distribution on Class B Interest Liability of a subsidiary	0.6
EBITDA	6.9
Add (deduct):	
Interest expense on long-term debt	(0.6)
Silviculture and capital expenditures	—
Cash available for distribution	$ 6.3
Cash flow from operating activities before non-cash working capital balances	$ 5.7
Add (deduct):	
Distribution on Class B Interest Liability of a subsidiary	0.6
Silviculture and capital expenditures	—
Cash available for distribution	$ 6.3
Distributions declared	$ 2.3

Results of Operations

Consolidated log sales volumes were 341 thousand m^3 during the the first quarter of 2006, up from 335 thousand m^3 for the same period last year, which combined with better than expected pricing for softwood and hardwood sawlogs and pulpwood, resulted in net sales of $19.7 million compared to $18.0 million in the same period last year.

Cost of sales and selling, general and administrative expenses were $12.8 million, an increase of 6% compared to $12.1 million in the same period last year. This increase was primarily due to the increase in sales volume, reflecting the variable cost nature of the business, and to a lesser extent increased fuel costs and minor restructuring expenses. Depreciation and depletion charges were $2.1 million for the first quarter of 2006.

EBITDA increased 15% to $6.9 million as compared to the same period last year. Acadian's EBITDA margin was 35% and compares favorably to the 33% EBITDA margin achieved in the same period last year. Net income was $4.5 million or $0.27 per unit on a diluted basis for the quarter ended March 31, 2006.

Included in net income for the first quarter of 2006, is a non-cash gain related to the Class B Interest Liability of a subsidiary. The settlement obligation of this interest is based on the trading value of Acadian's units at the time of settlement, which requires the liability to be recorded at its fair value at each balance sheet date with the corresponding gain or loss included in the statement of operations. In addition, as this Canadian dollar liability has been issued by a self-sustaining US dollar subsidiary of the Fund, the obligation is required to be converted to US dollars at each reporting period, with the corresponding gain or loss included in the statement of operations. For the quarter ended March 31, 2006, these items resulted in a $0.9 million gain.

Market Conditions

Sawlog markets were very positive in the first quarter of 2006 in spite of an 18% decline in benchmark lumber prices from the same period in 2005. Prices increased only very modestly compared to the fourth quarter of 2005; however lumber mills responded to the improved lumber prices and lack of supply in 2005 and built their inventory more aggressively during the first quarter. Prices for hardwood and softwood pulpwood in the Northeastern U.S. and Eastern Canada were 7% to 9% higher than the same period in 2005 and were flat relative to prices in the fourth quarter of 2005.

Acadian's broader operating region experienced several capacity changes during the first quarter of 2006. The St. Anne Nackawic hardwood pulp mill restarted operations, Georgia-Pacific's Old Town, Maine pulp and tissue mill was closed pending its sale, and Fraser Papers announced the closure of its Berlin, New Hampshire pulp mill. While St. Anne Nackawic mill historically consumed approximately 8% of Acadian's hardwood pulp production and the Old Town mill represented slightly less than 2% of Acadian's sales in 2005 during these periods of capacity changes, markets for Acadian's hardwood pulp have remained relatively unaffected.

Segmented Results of Operations

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

	Two-Months Ended March 31, 2006			
millions	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volume (000's m^3)	270.1	70.9	—	341.0
Net sales	$ 15.1	$ 4.6	$ —	$ 19.7
EBITDA	$ 5.0	$ 2.1	$ (0.2)	$ 6.9
EBITDA margin	33%	46%	—%	35%

	Two-Months Ended March 31, 2005[1]			
millions	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volume (000's m^3)	271.8	63.0	—	334.8
Net sales	$ 13.8	$ 4.2	—	$ 18.0
EBITDA	$ 4.2	$ 1.8	—	$ 6.0
EBITDA margin	30%	43%	—%	33%

1 *Prepared on a proforma basis, see Basis of Presentation.*

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. Harvesting is performed by approximately an equal proportion of NB Timberlands employees and third-party contractors.

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

	Two-Months Ended March 31, 2006			Two-Months Ended March 31, 2005[1]		
	Harvest	Sales	Results	Harvest	Sales	Results
	(000's m³)	*(000's m³)*	*(millions)*	*(000's m³)*	*(000's m³)*	*(millions)*
Softwood	83.1	113.1	$ 7.3	107.8	113.7	$ 7.0
Hardwood	97.7	100.8	5.6	125.1	98.1	5.1
Biomass	56.2	56.2	1.0	59.9	60.0	1.2
	237.0	270.1	13.9	292.8	271.8	13.3
Other sales			1.2			0.5
Net sales			$ 15.1			$ 13.8
EBITDA			$ 5.0			$ 4.2
EBITDA margin			33%			30%

1 *Prepared on a proforma basis, see Basis of Presentation.*

The NB Timberlands operations delivered strong first quarter operating results in part due to excellent weather conditions for harvesting and trucking operations. Softwood, hardwood and biomass sales were 113 thousand m^3, 101 thousand m^3 and 56 thousand m^3, respectively, consistent with the comparable period last year. Approximately 41% of sales volume was sold as sawlogs, 38% as pulpwood and 21% as biomass.

Net sales were $15.1 million, an increase of 9% compared to $13.8 million during the same period last year, reflecting both strong sales volumes and an improved log sales mix.

Cost of sales and selling, general and administrative expenses were $10.1 million, a 5% increase compared to the same period last year. This increase was attributable to higher harvesting costs and increased fuel costs.

EBITDA for the quarter ended March 31, 2006, was $5.0 million, an increase of 19% compared to the same period last year. NB Timberlands' EBITDA margin was 33%, exceeding the EBITDA margin of 30% for the comparable period last year. The safety performance of NB Timberlands was strong with no reportable incidents among employees and contractors.

Maine Timberlands

Maine Timberlands owns and operates 311,000 acres of freehold timberlands and is operated exclusively by third-party contractors.

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

	Two-Months Ended March 31, 2006			Two-Months Ended March 31, 2005[1]		
	Harvest	Sales	Results	Harvest	Sales	Results
	(000's m³)	*(000's m³)*	*(millions)*	*(000's m³)*	*(000's m³)*	*(millions)*
Softwood	56.3	56.3	3.8	52.8	52.8	$ 3.6
Hardwood	12.1	12.1	0.8	9.5	9.5	0.6
Biomass	2.5	2.5	—	0.7	0.7	—
	70.9	70.9	4.6	63.0	63.0	$ 4.2
Other sales			—			—
Net sales			$ 4.6			$ 4.2
EBITDA			$ 2.1			$ 1.8
EBITDA margin			46%			43%

1 *Prepared on a proforma basis, see Basis of Presentation.*

The Maine Timberlands achieved very strong operating results with softwood, hardwood and biomass shipments of 56 thousand m^3, 12 thousand m^3 and 3 thousand m^3, respectively. This represents an increase of 7% and 27% for softwood and hardwood and 257% for biomass over the same period last year. Approximately 63% of sales volume was sold as sawlogs, 33% as pulpwood and 4% as biomass.

Net sales were $4.6 million, an increase of 10% compared to $4.2 million during the same period last year, primarily the result of strong sales volumes.

Cost of sales and selling, general and administrative expenses were $2.5 million, an increase of 4% compared to the same period last year. The increase was attributable primarily to higher harvest volumes and, to a lesser extent, increased fuel costs.

EBITDA for the quarter ended March 31, 2006 was $2.1 million, an increase of 17% compared to the same period last year. Maine Timberlands EBITDA margin was 46%, exceeding its EBITDA margin of 43% for the comparable period last year. The Maine Timberlands safety performance was strong with no reportable incidents.

These positive results were achieved despite the operating challenges presented by an unusually mild winter. In addition, the Maine Timberlands operation was able to successfully manage limited trucking capacity in Maine to ensure it did not represent a constraint on its ability to deliver product.

Financial Position

Acadian's balance sheet consists of total assets of $250 million, represented primarily by timberlands and logging roads of $229 million and the balance in cash and working capital of $21 million. Timberlands have been recorded at cost as determined through the purchase of these assets on formation of the Fund and are depleted and charged to operations in a systematic manner based on the utilization of the timber resources. Silviculture costs are capitalized as they are incurred. These assets were funded through the proceeds from the issuance of units of the Fund and borrowings which are described in more detail in the following section.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Acadian's principal sources of liquidity include cash generated from operations which amounted to $6.3 million in the first quarter of 2006 and a $5 million operating credit facility which is currently undrawn. These sources, combined with existing cash and cash equivalents and net working capital generated by the Fund since inception, will allow the Fund to meet its operating, debt service, capital expenditure and distribution requirements for the foreseeable future. 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 drawn down during periods when harvesting conditions are not ideal, in order to meet these ongoing obligations, as required.

The Fund expects to make monthly distributions of its available cash to the extent determined prudent by the Trustees. It is expected that this will represent 95% of cash available for distribution after providing for silviculture and other capital expenditures and is estimated to be approximately $13.7 million annually based on historical performance of the underlying businesses.

Silviculture and capital expenditures for the period ended March 31, 2006 were $nil million and are in line with management's estimate of annual silviculture and capital expenditures of $1.3 million, which is expected to be incurred mainly during the second and third quarter of this year.

Management will continue to assess financing alternatives which may include the issuance of additional Fund units and debt when funding requirements such as potential acquisitions, presents themselves.

Capital Resources

Borrowings

The Fund has a $47 million bank credit facility consisting of a $42 million bank term credit facility and a $5 million revolving credit facility. The term facility, which matures on January 30, 2009, is fully drawn, and bears interest based at the 30-day Banker Acceptances rate. Management will continue to assess the term and amount of these facilities as well as alternative financing options, including the fixing of the interest rates where appropriate. The Fund also has secured a term loan facility of US$31.5 million. This facility bears interest at 4.67%, payable quarterly and expires on February 27, 2011. The Fund has granted the lenders a security interest over its assets. Both facilities contain certain restrictive covenants relating to debt incurrence, sale of assets, and maintenance of certain financial ratios all of which are in compliance as at March 31, 2006.

Outstanding Units

As at March 31, 2006, 8,450,643 Class A units were issued and outstanding. The Fund's capital structure remains unchanged from its launch on January 31, 2006. The Fund is authorized to issue an unlimited number of units of the same class with equal rights and privileges. Unitholders are entitled to receive distributions as and when declared by the Trustees of the Fund and are entitled to one vote per unit on all matters to be voted on by unitholders at each meeting of unitholders.

On closing of the Offering, the Fund issued 3,613,780 exchangeable Class B LP units to Fraser Papers as part of the consideration for the acquisition of the NB Timberland assets and 4,507,030 convertible Class B Interest Liability of a subsidiary to Brookfield Asset Management Inc. ("Brookfield") as part of the consideration for the acquisition of the Maine Timberlands. These interests are convertible into units of the Fund at the option of the holders on a one-for-one basis and represent approximately 22% and 27%, respectively of the issued and outstanding units on a fully-diluted basis.

The Class B Interest Liability of a subsidiary entitle the holder to require the settlement of the liability in units, or at the sole election of Acadian, cash equal to the fair value of those units on the date of conversion. As the settlement of these interests is either cash or something other than the equity of the subsidiary, they are considered liabilities for accounting purposes. Holders of these interests are entitled to receive, as and when declared by Acadian, a fixed cumulative preferential cash distribution at a rate equal to the US dollar equivalent on the date of such distribution of the lesser of (i) $0.075625, being 110% of the initial monthly distribution per unit, and (ii) the then most recently announced distribution per unit.

A summary of the Fund units on a diluted basis is as follows:

	As at March 31, 2006	
	Number	Percentage
Class A units outstanding	8,450,643	51%
Class B LP units outstanding	3,613,780	22%
Class B Interest Liability of a subsidiary outstanding	4,507,030	27%
	16,571,453	100%

OUTLOOK

Acadian's business outlook is positive. Demand for softwood sawlogs remains very strong. Acadian sells most of its timber on six month and one-year contracts and both the Maine and New Brunswick operations have now largely finalized contract pricing with most of their major customers. Contract prices have increased slightly over Q4 2005 and Q1 2006, particularly for softwood sawlogs. Spruce-fir sawtimber, pine sawlogs and hemlock pulpwood have increased in price, while spruce-fir pulpwood, hardwood pulpwood and hardwood sawlogs have remained stable compared to pricing realized at the end of 2005. The term of the contracts now in place, together with the fact prices for sales to Fraser Papers are on a six month trailing basis, provide a relatively confident basis for forecasting sales for the remainder of the year. Hardwood pulpwood, which represents approximately 25% of sales and less than 5% of annual EBITDA, is expected to come under increasing pressure as a result of the recent closure of mills in Maine and New Hampshire. However, a recent hardwood pulpwood contract with a regional customer is expected to moderate this expected price decline. Management remains confident that it can access alternative markets for hardwood pulpwood at comparable pricing. Management also believes that incremental improvements in merchandizing higher value sawtimber should allow for a modest increase in sales realizations.

SUPPLEMENTAL INFORMATION

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

Selected Consolidated Quarterly Information

The table below sets forth selected consolidated quarterly information for the last eight quarters:

	2006[1]	Proforma 2005[2]				Proforma 2004[2]		
millions	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales volume (000's m^3)	341	399	426	277	391	381	384	278
Net sales	$ 19.7	$ 22.5	$ 19.1	$ 13.5	$ 26.4	$ 22.0	$ 21.5	$ 16.2
EBITDA[3]	$ 6.9	$ 6.6	$ 4.8	$ 1.3	$ 9.1	$ 5.5	$ 5.1	$ 2.5
Distributable cash	$ 6.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a

1 *Q1 2006 results are for the two-month period ended March 31, 2006.*

2 *Prepared on a proforma basis, see Basis of Presentation.*

3 *EBITDA for the quarters prior to Q1 2006 comprise Proforma Adjusted EBITDA as detailed in the Fund's Prospectus. EBITDA and Proforma Adjusted EBITDA are not recognized measures under GAAP and do not have the standardized meanings prescribed by GAAP. EBITDA and Proforma Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See the Fund Prospectus "Reconciliation of Earnings to Adjusted EBITDA and Proforma Adjusted EBITDA and this MD&A "Cash available for distribution" for a reconciliation of EBITDA to net income.*

Critical Accounting Policies and Estimates

Acadian's accounting policies are described in Note 2 of the interim consolidated financial statements. The preparation of financial statements in accordance with GAAP 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 Fund's consolidated financial statements and the uncertainties that could affect the Fund's results of operations, financial position and cash flows.

Purchase Price Allocation

The allocation of the Fund's purchase price to timberlands, logging roads, fixed assets equipment, and contracts are subject to management's estimates. These estimates are subject to change during the year as management refines the underlying calculations and analysis. In addition, the portion of the purchase price allocated to working capital is subject to working capital price adjustment which has been estimated and may change upon the final settlement which is expected to occur later in the second quarter.

Accounting for Timberlands and Logging Roads

Acadian's timberlands and logging roads are recorded at cost less accumulated depletion. Depletion is recorded in a systematic manner based on the utilization of the timber resources. Depletion amounts are charged to operations based on a pro rata calculation of units of timber harvested and relative values of timber present, and is applied against the historical cost of timberlands. Main logging roads and their associated bridges are depreciated on a straight-line basis over their estimated useful lives of twenty years.

Taxation of Fund Distributions

Management estimates approximately 35% of the Fund's targeted distributions for 2006 will represent a return of capital.

Related Party Transactions

In the normal course of operations, the Fund 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 Fund has two significant related parties, Brookfield Asset Management Inc., and affiliates (collectively "Brookfield") and Fraser Papers Inc. Brookfield owns approximately 27% of the outstanding units of the Fund on a fully diluted basis through its ownership of the Class B Interest Liability of a subsidiary. Fraser Papers owns approximately 22% of the outstanding units of the Fund on a fully diluted basis through its ownership of the Class B LP units. A summary of the significant related party transactions have been provided below. More detailed information regarding these relationships can be found in the Fund's prospectus dated January 23, 2006.

a) Concurrent with the Offering, Acadian entered into a number of fibre supply agreements whereby Acadian has agreed to provide fibre to Fraser Papers and Brookfield for periods of up to 20 years. In addition, Acadian has agreed to administer certain licenses on behalf of Fraser Papers. Total net sales to Fraser Papers and Brookfield during the period amounted to $7.0 million and $0.8 million, respectively which represented 40% of consolidated net sales. Included in accounts receivable at March 31, 2006 is $0.5 million related to these agreements.

b) Concurrent with the Offering, Acadian entered into an agreement with Brookfield whereby, Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided in the quarter amounted to $0.3 million and have been fully paid in accordance with the services agreement.

c) Distributions paid or declared to Fraser Papers during the period totalled $0.6 million.

d) Payments on the Class B Interest Liability to Brookfield totalled $0.6 million.

e) Fraser Papers continues to provide certain administrative services to Acadian under a transitional services agreement. No amounts have been charged for these services.

f) Included in accounts payable and accrued liabilities as at March 31, 2006 is $1.8 million related to a working capital adjustment due to Fraser Papers as part of the acquisition of the NB Timberlands.

Risks and Uncertainties

The Fund is exposed to a number of risks in the ordinary course of business that have the potential to affect the operating performance of Acadian. These risks are detailed in the Funds prospectus dated January 23, 2006. Following is a summary of the critical risks that may affect Acadian's business:

Concentrations and Commodity Risks

Acadian sells a significant portion of its harvest to Fraser Papers. Sales and profitability may be materially affected should Fraser Papers reduce the volumes of timber purchased (see Related Party Transactions).

Acadian sells its products to lumber, and pulp and paper companies in the region it operates. Depressed commodity prices of lumber, and pulp and paper may cause these companies to temporarily or permanently shut-down their mills. Lumber demand and prices are driven by new housing construction as well as repair and remodeling activity. Paper and pulp prices may be affected by cyclical trends in demand. Prices and demand for lumber, paper and pulp may be affected by substitute wood and non-wood products as well as electronic media.

Additionally, due to significant freight costs, forestry companies are constrained to sales within a certain region. A significant increase in fuel costs may have an impact on sales volumes and significantly limit the sales region. In addition, Woodlands' customers are high energy consumers and as such are vulnerable to energy cost increases.

Acadian's NB Timberlands operations rely on its unionized employees and independent contractors to perform harvesting and hauling activities. Labour disruptions or significant changes in the availability of contractors may impact Acadian's ability to harvest its timberlands.

Seasonality, Weather and Natural Conditions

Acadian's operations are subject to seasonal variations. The majority of the harvesting activity occurs during the summer months when the ground is dry or the winter months, when the frozen ground provides a good base for the heavy equipment. Muddy and soft grounds lead to a significant decrease in activity during spring. Operating results, therefore, vary from quarter to quarter, depending on these seasonal factors.

Harvesting activity and volumes may also be limited by timber growth cycles or damaged by fire, insect infestation, disease, prolonged drought and other natural or man-made disasters.

Regulatory Changes

Regulatory requirements with respect to harvesting practices, allowable harvesting volumes, environmental protection and safety, protection of wildlife and water resources, trade protection laws, housing construction regulations, and others, may impose restrictions on harvesting volumes, and may result in decreased demand for Woodlands' products.

Crown Lands Management

Fraser Papers currently holds a license from the Government of the Province of New Brunswick in respect of the Crown Lands. Fraser Papers has signed a management agreement with the Fund under which the Fund manages these licenses at Fraser Papers' direction for which it earns management fees (see Related Party Transactions). A loss of the Crown license by Fraser Papers would result in the loss of management fee revenues.

The Government of New Brunswick periodically stipulates the sales prices that can be charged for timber volumes generated from the Crown Lands. These prices are updated every year with reference to inflation and are subject to revision once every five years. In addition, the Government also stipulates the level of royalties it collects based on volumes harvested. Consequently significant changes in sales prices or royalty rates could result in less competitive prices for the volumes sourced from the Crown Lands and decreased management fees earned by the Fund. In addition, significant short-term changes in costs associated with servicing the Crown Lands contract may have a material effect on the profitability of the Crown Lands management operations.

During the first two-month period ended March 31, 2006, none of these risks materially impacted Acadian's operations.

Contractual Obligations

The Fund 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 Fund's debt obligations is as follows:

		Payments Due by Period				
millions	Total Available	Total	Less Than One Year	1 to 3 Years	4 to 5 Years	After 5 Years
Long-term debt						
Bank term credit facility	$ 42.0	$ 42.0	$ —	$ 42.0	$ —	$ —
Revolving credit facility	5.0	—	—	—	—	—
Class B Interests	45.1	45.1	—	—	—	45.1
Term loan facility	37.2	37.2	—	—	37.2	—
	$ 129.3	$ 124.3	$ —	$ 42.0	$ 37.2	$ 45.1
Interest expense (i)(ii)		$ 14.9	$ 4.0	$ 7.6	$ 3.3	$ —

The following assumptions have been made with respect to interest rates for the periods noted in the table above:

(i) Bank term debt credit facility variable interest at 5.5% per annum;

(ii) Term loan facility fixed interest at 4.67% with a Canadian to US dollar conversion of 0.87.

Forward-Looking Statements

This Interim Report contains forward-looking information and other "forward-looking" statements that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Fund, 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 prospectus, such statements use such words as "may," "will," "intend," "should," "expect," "believe," "outlook," "building," "remain," "anticipate," "estimate," "potential," "continue" or the negative of these terms or other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this prospectus. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, 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, including, but not limited to: concentration of customers; commodity pricing; seasonality weather and natural conditions; regulatory changes; and other risks and factors discussed under Risk and Uncertainties in this Interim Report and Acadian's Final Prospectus. Although the forward-looking statements contained in this Interim Report are based upon what management believes are reasonable assumptions, the Fund cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this Interim Report, and the Fund assumes no obligation to update or revise them to reflect new events or circumstances.

Interim Consolidated Balance Sheet

(unaudited)

As at March 31 *CAD millions*	Note		2006
Assets			
Current assets			
Cash and cash equivalents		$	15.2
Accounts receivable and other assets	9		2.9
Inventory			2.8
			20.9
Timberlands, logging roads and fixed assets	5		229.0
		$	249.9
Liabilities and unitholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	9	$	10.0
Distributions payable to unitholders			0.8
			10.8
Long-term debt	6		79.2
Class B Interest Liability of a subsidiary	7		45.1
Unitholders' equity	8		114.8
		$	249.9

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statement of Operations and Retained Earnings

(unaudited)

For the two months ended March 31 *CAD millions*	Note		2006
Net sales		$	19.7
Operating costs and expenses			
Cost of sales			12.1
Selling, administration and other			0.7
Depreciation and depletion			2.1
			14.9
Operating earnings			4.8
Gain on Class B Interest Liability of a subsidiary	7		(0.9)
Interest expense			
Long-term debt			0.6
Class B Interest Liability of a subsidiary			0.6
Earnings before income taxes			4.5
Income taxes			—
Net income for the period			4.5
Retained earnings, beginning of period			—
Unitholders' distributions			(1.7)
Retained earnings, end of period		$	2.8
Net income per unit – basic		$	0.37
Net income per unit – diluted		$	0.27

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statement of Cash Flows
(unaudited)

For the two months ended March 31 *CAD millions*	Note	2006
Cash provided by (used for):		
Operating activities		
Net income		$ 4.5
Items not affecting cash:		
Depreciation and depletion		2.1
Gain on Class B Interest Liability of a subsidiary	7	(0.9)
		5.7
Net change in non-cash working capital balances		5.9
		11.6
Investing activities		
Purchase of New Brunswick Timberlands	3	(106.8)
Purchase of Maine Timberlands	4	(7.7)
		(114.5)
Financing activities		
Proceeds on issuance of units, gross	1	84.5
Proceeds from long-term debt		42.0
Offering costs paid	8	(7.5)
Distributions paid to unitholders		(0.9)
		118.1
Change in cash and cash equivalents during the period		15.2
Cash and cash equivalents, beginning of period		—
Cash and cash equivalents, end of period		**$ 15.2**

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

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

The Fund is an unincorporated open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated December 15, 2005, as amended. The Fund qualifies as a "mutual fund trust" for the purposes of the Income Tax Act (Canada). The authorized equity of the Fund consists of an unlimited number of fund units ("Units"). Unitholders are entitled to receive distributions as and when declared by the trustees of the Fund (the "Trustees") and are entitled to one vote per Unit on all matters to be voted on by Unitholders at each meeting of Unitholders.

The Fund was inactive until January 31, 2006, when it completed an initial public offering (the "Offering") through the sale of 8,450,643 Units to the public for gross proceeds of $84.5 million, which after offering costs of $8.6 million ,resulted in net proceeds of $75.9 million

Concurrent with the Offering, Acadian borrowed $42.0 million under a term credit facility and arranged a revolving credit facility of up to $5.0 million with a Canadian chartered bank. These borrowings, along with proceeds of the Offering and the issuance of additional securities to Fraser Papers Inc. (see Notes 3 and 6), were used to indirectly acquire certain timberlands located in New Brunswick (the "NB Timberlands"). The Fund also indirectly acquired all the common membership interests of Katahdin Forest Management LLC (the "Maine Timberlands"), which owns certain timberlands located in Maine, USA. These acquisitions are more fully described in Notes 3 and 4.

As part of the transactions described above, Brookfield Asset Management Inc. (together with its subsidiaries "Brookfield") and Fraser Papers Inc. (together with its subsidiaries "Fraser Papers") each have a significant ownership interest in Acadian.

These interim consolidated financial statements present the results of operations of the Fund from the close of the Offering on January 31, 2006 to March 31, 2006. The Fund had no active operations prior to January 31, 2006 and, accordingly, no comparative figures are presented.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These interim consolidated financial statements present the results of operations and cash flows of Acadian for the period from January 31, 2006 to March 31, 2006. These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") as prescribed by the Canadian Institute of Chartered Accountants. Not all of the disclosures required by GAAP are presented and, accordingly, these financial statements should be read in conjunction with the financial statements included in the Fund's final prospectus dated January 23, 2006. The results reported in these consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

Seasonality

Due to the seasonal nature of Acadian's timberland operations, the first 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 than do the second and third quarters of each fiscal year. This seasonal pattern may cause Acadian's revenue and net income to vary significantly from quarter to quarter.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses during a period. Significant estimates include the determination of the carrying value of assets, and estimating the useful lives of timberlands, logging roads and fixed assets. Actual results could differ from those estimates.

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 and cash equivalents are recorded at cost, which approximates their fair value.

Inventories and Cost of Sales

Inventories consist primarily of timber and seedlings and are recorded at the lower of average cost and net realizable value. Cost of sales includes predominantly cutting, harvesting and transportation costs as well as costs for access roads and passages.

Timberlands and Logging Roads

Timberlands and logging roads are recorded at cost less accumulated depletion. Depletion is recorded in a systematic manner based on the utilization of the timber resources. Depletion amounts are charged to operations based on a pro rata calculation of units of timber harvested and relative values of timber present, and is applied against the historical cost of timberlands. Main logging roads and their associated bridges are depreciated on a straight-line basis over their estimated useful lives of twenty years.

Silviculture costs are capitalized to timberlands.

Fixed Assets

Fixed assets consist of buildings and operating equipment. These assets are recorded at cost and are depreciated on a straight-line basis over their useful lives, which currently is 20 years for buildings and 10 years for specialty equipment.

Deferred Financing Costs

Deferred financing costs are amortized on a straight-line basis over the term of the underlying issuance of debt.

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 by standard industry terms and in some cases by contract.

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 licencees and sub-licencees consist of management fees. Management fee revenues are recognized net of the costs to perform these services upon the delivery of the timber.

Class B Interest Liability of a Subsidiary

The Class B Interest Liability represents preferred interests in the Maine Timberlands. The preferred interests are convertible into Units at the option of the holder and are treated as a liability of the Maine Timberlands for accounting purposes.

The value of the liability is measured at each reporting date to reflect the market price of the Units and the current exchange rates. Changes in value are recorded in the statement of operations.

Class B LP Units

The Class B LP units represent units in a subsidiary of the Fund and are exchangeable into Units at any time. The Class B LP units have been treated as a component of Unitholders' Equity for accounting purposes and as part of the number of Units outstanding for the calculation of basic earnings per Unit.

Translation of Foreign Currencies

Monetary assets and liabilities of domestic operations denominated in United Sates dollars are translated at the exchange rate prevailing at the end of the period and revenues and expenses are translated at average exchange rates during the period.

The accounts of self sustaining operations in the United States 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 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 Unitholders' equity.

Financial Instruments

The fair values of financial instruments approximate their book value except where disclosed in these notes.

Income Taxes

The Fund follows the liability method of tax allocation, whereby future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Under the terms of the Income Tax Act (Canada), Acadian, excluding its corporate subsidiaries, is not subject to income taxes to the extent that its taxable income in a year is paid or payable to a Unitholder. Accordingly, no provision for current income taxes for the Fund is made. In addition, the Fund is not required to apply the recommendations of the Canadian Institute of Chartered Accountants Handbook ("CICA"), section 3465, as the Fund is contractually committed to distribute to its Unitholders all or virtually all of its taxable income and taxable capital gains that would otherwise be taxable in the Fund. The Fund intends to continue to meet the requirements under the Income Tax Act applicable to such trusts, and there is no indication that the Fund will fail to meet those requirements.

Certain of the Fund's wholly-owned subsidiaries are subject to corporate income taxes and CICA section 3465.

NOTE 3. ACQUISITION OF THE NB TIMBERLANDS

Concurrent with the Offering, Acadian acquired the NB Timberlands from Fraser Papers. The net assets were acquired for total consideration of $144.7 million, comprising $106.8 million in cash consisting of $108.4 million in cash less $1.6 million in cash assumed, plus 3,613,780 Class B LP units in a subsidiary of the Fund ("Fraser Units") with a fair value of $10 per unit and a $1.8 million purchase price adjustment. As at March 31, 2006, this adjustment is included as an unpaid item in accounts payable and accrued liabilities. The Fraser Units are substantially equivalent to Units of the Fund. The acquisition was accounted for using the purchase method. The preliminary allocation of the purchase price to the fair value of the assets acquired and liabilities assumed is as follows:

Current assets less accounts payable and accrued liabilities (excluding cash)	$	4.3
Buildings and equipment		1.2
Timberlands and logging roads		139.2
Total, net of cash acquired	$	144.7

The preliminary allocation of the purchase price is based on internal management valuations and anticipated tax basis elections. The purchase price allocation may change upon final determination of the fair value of assets acquired and liabilities assumed. The impact to depletion and depreciation expense of any final adjustments may be material and will be recorded on a prospective basis.

NOTE 4. ACQUISITION OF THE MAINE TIMBERLANDS

Concurrent with Offering, Acadian acquired all of the common membership interests of the Maine Timberlands from Brookfield. These interests were acquired for cash consideration of $9.3 million less $1.6 million of cash acquired on acquisition. The acquisition was accounted for using the purchase method. The preliminary allocation of the purchase price to the fair value of the assets acquired and liabilities assumed is as follows:

Current assets less account payable and accrued liabilities (excluding cash)	$	0.1
Timberlands and logging roads		89.9
Term loan facility (Note 6)		(37.2)
Class B Interest Liability (Note 7)		(45.1)
Total	$	7.7

The preliminary allocation of the purchase price is based on internal management valuations and anticipated tax basis elections. The purchase price allocation may change upon final determination of the fair value of assets acquired and liabilities assumed. The impact to depletion and depreciation expense of any final adjustments may be material and will be recorded on a prospective basis.

NOTE 5. TIMBERLANDS, LOGGING ROADS AND FIXED ASSETS

		Cost		Accumulated Depletion and Depreciation		Net Book Value
Timberlands	$	221.9	$	(2.0)	$	219.9
Logging roads		8.0		(0.1)		7.9
Building and equipment		1.2		—		1.2
	$	231.1	$	(2.1)	$	229.0

NOTE 6. LONG TERM DEBT

At March 31, 2006, long term debt consisted of the following:

Bank term credit facility, repayable in January 2009	$	42.0
Term loan facility, repayable in February 2011		37.2
	$	79.2

Concurrent with the Offering, Acadian secured a term credit facility for up to $42.0 million and a revolving credit facility of up to $5.0 million. The term credit facility expires on January 30, 2009 and bears interest at floating rates which for the two months ended March 31, 2006 was based on 30-day Banker Acceptance rates. For the two month period ended March 31, 2006. The revolving credit facility bears interest at 30-day Banker Acceptance rates, has a period of 364 days and has customary extension features. At March 31, 2006, Acadian has borrowed $42.0 million under term facility and nil under the revolving security. As security for these facilities, Acadian has granted the lenders a security interest over the assets of the NB Timberlands. These facilities have certain restrictive covenants relating to debt incurrence and the sale of assets and require Acadian to maintain certain financial ratios. As at March 31, 2006, Acadian was in compliance with all covenants.

The Maine Timberlands secured a term loan facility for up to US$31.5 million which is fully drawn at March 31, 2006. The carrying amount of the facility includes US$0.4 million of deferred financing costs payable upon maturity of the facility. The facility bears interest at 4.67% and expires on February 27 2011. As security for this facility, Maine Timberlands has granted the lenders a security interest over its assets. The facility has certain restrictive covenants relating to debt incurrence and the sale of assets and requires Maine Timberlands to maintain certain financial ratios. As at March 31, 2006, Maine Timberlands was in compliance with all covenants. The amount payable under this facility totalled $37.2 million at March 31, 2006.

NOTE 7. CLASS B INTEREST LIABILITY OF A SUBSIDIARY

The Class B Interest Liability represents 4,507,030 preferred interests in the Maine Timberlands which are convertible into Units of the Fund. The distributions are entitled to a fixed monthly cumulative preferential dividend equal to the lesser of $0.076525 and the most recently announced distribution per Unit of the Fund. These interests are convertible at the option of the holder on a one for one basis into units of the Fund. During the period, distributions on the Class B Interests were $0.14 per preferred interest, the same as distribution on Units of the Fund.

The Class B Interest Liability is a Canadian dollar liability of the Maine Timberlands. As the currency of measurement of the Maine timberlands is the US dollar, the liability is marked to market at each balance sheet date based on the change on the value of the units of the Fund and the US to Canadian dollar exchange rate with the change recorded in income for the period. For the two months ended March 31, 2006, the revaluation of this interest resulted in a gain of $0.9 million.

NOTE 8. UNITHOLDERS' EQUITY

The components of Unitholders' equity as at March 31, 2006 are as follows:

Units issued and outstanding – 8,450,643 Units	$	78.4
Class B LP units issued and outstanding – 3,613,780 Fraser Units		33.6
Cumulative translation adjustment		—
Retained earnings		2.8
	$	114.8

The Fund issued one Unit upon its formation and 8,450,643 Units at $10 per unit on January 31, 2006 for gross proceeds of $84.5 million and net proceeds of $78.4 million after the allocation of $6.1 million of costs of the Offering.

Acadian issued 3,613,780 Fraser Units on January 31, 2006 as part of the consideration for the purchase of the NB Timberlands (see Note 3). The carrying amount has been reduced by the allocation of $2.5 million of the costs of the Offering resulting in a carrying value of $33.6 million. The Fraser Units are convertible on a one for one basis into Units at the option of the holder. The Fraser units are entitled to distributions and voting rights equivalent to the Fund units.

Immediately prior to the Offering, the Maine Timberlands issued preferred interests to companies controlled by Brookfield (the "Class B Interest Liability") that had a value of $45.1 million at the time of the Offering. The Class B Interest Liability is convertible on a one for one basis into Units. See Notes 4 and 7 for further information with respect to the Class B Interest Liability.

The Fund incurred $8.6 million in costs associated with the offering comprised of underwriting costs of $4.9 million and $3.7 million of other costs. These costs have been allocated $6.1 million against Units and $2.5 million to the Fraser Units. As at March 31, 2006, $1.1 million of these costs have yet to be paid and are included in accounts payable and accrued liabilities.

As at March 31, 2006 the Fund had 8,450,643 Units issued and outstanding. Assuming the full conversion of the Fraser Units and the Class B Interest Liability described above, at March 31, 2006 the Fund would have 16,571,453 Units outstanding.

The weighted average number of shares outstanding for basic net income per Unit is determined by dividing net income by the total number of Units and Fraser Units outstanding. Diluted net income per Unit for the two month period ended March 31, 2006 was calculated as follows:

Reconciliation to net income:

millions		
Net income	$	4.5
Add (deduct)		
Interest expense of Class B Interest Liability of a subsidiary		0.6
Gain on Class B Interest Liability of a subsidiary		(0.9)
	$	4.2

Reconciliation of number of shares:

thousands	
Weighted average number of Units	
Units	8,450
Fraser units	3,614
Basic weighted average number of Units	12,064
Conversion of Class B Interest Liability of a subsidiary	4,507
Diluted weighted average number of Units	16,571

NOTE 9. RELATED PARTY TRANSACTIONS

All related party transactions are recorded at the exchange amount.

a) Concurrent with the Offering, Acadian entered into a number of fibre supply agreements whereby Acadian has agreed to provide fibre to Fraser Papers and Brookfield for periods of up to 20 years. In addition, Acadian has agreed to administer certain licenses on behalf of Fraser Papers. Total net sales to Fraser Papers and Brookfield during the period amounted to $7.0 million and $0.8 million, respectively, which represented 40% of consolidated net sales. Included in accounts receivable at March 31, 2006 is $0.5 million related to these agreements.

b) Concurrent with the Offering, Acadian entered into an agreement with Brookfield whereby, Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided in the quarter amounted to $0.3 million and have been fully paid in accordance with the services agreement.

c) Distributions paid or declared to Fraser Papers during the period totalled $0.6 million.

d) Payments on the Class B Interest Liability to Brookfield totalled $0.6 million.

e) Fraser Papers continues to provide certain administrative services to Acadian under a transitional services agreement. No amounts have been charged for these services.

f) Included in accounts payable and accrued liabilities as at March 31, 2006 is $1.8 million related to a working capital adjustment due to Fraser Papers as part of the acquisition of the NB Timberlands (see Note 3).

NOTE 10. SEGMENTED INFORMATION

The Fund'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 Fund has two reporting segments, the Maine Timberlands and the NB Timberlands. Net sales, net income and assets by reportable segments are as follows:

	Total	Maine Timberlands	NB Timberlands	Corporate and Other
Net sales				
Softwood	$ 11.1	$ 3.8	$ 7.3	$ —
Hardwood	6.4	0.7	5.7	
Other	2.2	0.1	2.1	
Total net sales	19.7	4.6	15.1	
Operating costs	(12.8)	(2.5)	(10.1)	(0.2)
Earnings before under noted	6.9	2.1	5.0	(0.2)
Depletion and depreciation	(2.1)	(0.8)	(1.3)	—
Operating earnings	4.8	1.3	3.7	(0.2)
Gain on Class B Interest Liability of a subsidiary	0.9	—	—	0.9
Interest expense	(1.2)	—	—	(1.2)
Net income	$ 4.5	$ 1.3	$ 3.7	$ (0.5)
Capital assets	229.0	90.0	139.0	—
Total assets	$ 249.9	$ 93.6	$ 150.6	$ 5.7

During the two months ended March 31, 2006 approximately 40% of net sales were originated with customers domiciled in the US and the balance in Canada. During the same period approximately 34% of the Fund's net sales were denominated in US dollars.

Acadian outsources much of its harvesting, transportation and other services which comprise the majority of the Fund's cost of sales. For the two month period ended March 31, 2006, three of the Fund's suppliers accounted for approximately 17%, 12% and 10%, respectively, of the Fund's cost of sales.

Acadian sells its products to many forest product companies in North America. For the two month period ended March 31, 2006, related parties (see Note 9) and one customer accounted for 40% and 10% of net sales, respectively.

Board and Management

Corporate and Unitholder Information

www.acadiantimber.com

HEAD OFFICE OF THE MANAGER

Brookfield Timberlands Management LP
(wholly-owned subsidiary of Brookfield Asset Management Inc.)
BCE Place, 181 Bay Street, Suite 200
Toronto, Ontario M5J 2T3

Please direct your inquiries to:
Katherine C. Vyse
SVP, Investor Relations and Communications
t. 416-369-8246
f. 416-365-9542
e. kvyse@acadiantimber.com

TRUSTEE, TRANSFER AGENT AND REGISTRAR

Unitholder inquiries relating to distributions, address changes and unitholder account information should be directed to the Fund's transfer agent:

CIBC Mellon Trust Company
P.O. Box 7010, Adelaide Street Postal Station
Toronto, Ontario M5C 2W9
t. 416-643-5500 or
1-800-387-0825 (toll free throughout North America)
f. 416-643-5501
www.cibcmellon.com

UNIT INFORMATION

Toronto Stock Exchange:	ADN.UN
Units outstanding (March 31, 2006):	16,571,453
Targetted 2006 Monthly Distribution:	$0.06875 per unit (annual yield 8.25%)
Record Date:	Last business day of each month
Payment Date:	On or about the 15th day of each subsequent month