ACADIANTIMBER

Q1 2010 Interim Report

President's Letter

To our Shareholders,

We are pleased to announce the operating and financial results for Acadian Timber Corp.'s ("Acadian", formerly Acadian Timber Income Fund) three months ended March 27, 2010 (herein referred to as the "first quarter"). Given the weak market conditions at the beginning of the year, Acadian had a strong first quarter generating free cash flow of $5.0 million or $0.30 per share.

Acadian's principal markets improved throughout the quarter, particularly for spruce-fir sawlogs and hardwood pulpwood. One of Acadian's principal customers, Fraser Papers Inc. ("Fraser") emerged from creditor protection during the first quarter with its two Canadian sawmills, Edmundston pulpmill and Madawaskwa paper mill constituting a new company, to be named Twin Rivers Papers. With the return to normal operating conditions, Fraser was once again an active buyer of spruce-fir sawlogs throughout the quarter and was also very active on its Crown licenses managed by Acadian. Like Fraser, most other regional sawmills operated on two shifts resulting in high operating rates on both Acadian's freehold and Crown license operations. These results are encouraging as they demonstrate the continuing recovery of the North American wood products industry. However, we would note that as Acadian's softwood sawlog fibre supply agreement with Fraser operates on a trailing six month basis, Acadian will not realize the full benefit from these improved market conditions until future quarters.

Acadian generated net sales of $20.4 million on consolidated sales volume of 401 thousand m^3. EBITDA of $5.8 million for the first quarter was $5.0 million, or 46%, lower than Acadian's exceptionally strong first quarter of 2009. EBITDA margin decreased to 28% from 41% in the first quarter of 2009.

As we have highlighted in the past, Acadian experiences significant seasonality in its financial performance. The first quarter of the year is traditionally our strongest, historically generating approximately 45% of annual free cash flow, as harvesting conditions are optimal with the frozen ground offering good access for harvesting equipment. Operating conditions in the first quarter were mixed, with few storms allowing for low road maintenance costs and favourable harvesting conditions; however, warm winter adversely affected road access in the Maine operations during the first quarter resulting in a shortened operating season and low harvest volume.

Operations

Acadian's NB Timberlands had one reportable incident among employees and experienced no reportable incidents among contractors during the quarter. Acadian's Maine Timberlands had no accidents among its employees and one reportable incident among contractors. Both of these injuries were minor and the two individuals have fully recovered.

Softwood sawlogs accounted for 40% of Acadian's net sales and 38% of sales volume during the first quarter. This compares to 47% of net sales and 42% of sales volume for the first quarter of 2009 and reflects a year-over-year decline in the average softwood sawlog selling price of $14.17 per m^3 as well as increased demand for hardwood pulpwood. The adverse impact of the foreign exchange translation of U.S. dollar sales of our Maine operations further contributed to the decline in average selling price.

Markets for hardwood sawlogs have also continued to improve, although the average selling price for hardwood veneer and sawlogs was effectively unchanged year-over-year. The average selling price of hardwood pulpwood was relatively unchanged year-over-year. However, demand for hardwood pulpwood, including wood used for oriented strandboard, is very strong and prices are expected to improve in the coming quarters. Softwood pulpwood continues to be very weak with the average price declining 25% year-over-year and expected to remain low in the short term. Biomass demand and prices remain stable, representing 15% of total sales volume and 6% of total sales during the quarter.

Acadian's weighted average selling price across all products increased 4% in the first quarter as compared to the fourth quarter of 2009; however, this weighted average selling price declined by 14% year-over-year. This lower average selling price reflects the significant decline in softwood sawlog prices, a larger component of hardwood pulpwood in the overall sales mix and the adverse impact of the foreign exchange translation of U.S. dollar sales in our Maine operations.

Variable costs per m^3 in Acadian's NB operations during the quarter were 11% higher than the first quarter of 2009. This increase was attributable to a greater portion of hardwood pulp logs in the mix and longer hauling distances to more distant markets for those logs. These higher variable costs in the NB operations were partially offset by a decrease in variable costs per m^3 in the Maine operations, the result of the depreciation in the U.S. dollar. Variable costs per m^3 in the Maine operations were relatively flat in U.S. dollar terms. As a result, variable costs per m^3 across all of Acadian's operations increased by $1.20 per m^3, or 4%, from the first quarter of 2009.

Outlook

Market signals during Acadian's first quarter have been positive. Increases in operating activity are very apparent among Acadian's customers with most anticipating improved operating rates throughout the summer. Demand for spruce-fir sawlogs has been very strong with the majority of regional mills adding shifts and rebuilding log inventories. Unlike 2009, where most regional mills carried significant log inventories into the second quarter, mills appear to be short two to four weeks of log supply making for a very tight market and offering an encouraging outlook for log sales as operations resume following spring break-up. However, we would note that this optimistic outlook is tempered by our expectation that current strong lumber markets reflect inventory rebuilding and that recovery of underlying demand from new home construction remains 12 to 24 months away.

Acadian is currently benefiting from a very strong market for hardwood pulpwood with shortages of pulp logs placing upward pressure on prices. This strong pulp market is expected to last throughout 2010 as pulp producers in the U.S. South have had difficulty gaining an adequate log supply owing to wet weather and global pulp markets are currently experiencing strong demand with low inventories and supply constraints resulting from disrupted operations in Chile caused by the recent devastating earthquake and related tsunami.

We are encouraged by the increasingly widespread evidence of improving market conditions. As demand continues to improve we will focus on harvesting and merchandizing our products to meet market opportunities while actively seeking to improve prices. Acadian will continue to be focused on maximizing long-term value for shareholders. Our balance sheet remains strong and cash flow is expected to continue to improve leaving Acadian well positioned for the future.

We thank you for your continued support of Acadian Timber Corp. and remain confident that Acadian will demonstrate improving performance going forward.

Reid Carter
President and Chief Executive Officer
April 28, 2010

Management's Discussion and Analysis

INTRODUCTION

Acadian Timber Corp. ("Acadian" or the "Company", formerly Acadian Timber Income 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 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 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.

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 27, 2010, (herein referred to as the "first quarter") compared to the three-month period ended March 28, 2009.

Our financial results are determined in accordance with Canadian generally accepted accounting principles ("GAAP") and are expressed in Canadian dollars unless otherwise noted. External economic and industry factors remain unchanged, unless otherwise noted.

On January 1, 2010, Acadian Timber Income Fund (the "Fund") completed a plan of arrangement which allowed for its conversion from an income trust to a corporation (the "Arrangement"). This discussion and analysis reflects Acadian as a corporation on and subsequent to January 1, 2010 and as Acadian Timber Income Fund prior thereto. All references to "dividends" refer to dividends paid or payable to holders of Acadian common shares on and subsequent to January 1, 2010 and to distributions paid or payable to Fund unitholders prior to the Arrangement. All references to "common shares" refer collectively to Acadian's common shares on and subsequent to January 1, 2010 and to Fund units prior to the Arrangement. All references to "shareholders" refer collectively to holders of Acadian's common shares on and subsequent to January 1, 2010 and to Fund unitholders prior to the Arrangement. All references to "free cash flow" refer to free cash flow generated by Acadian subsequent to January 1, 2010 and to distributable cash from operations generated by the Fund prior to the Arrangement.

This MD&A has been prepared based on information available as at April 28, 2010. Additional information is available on Acadian's website at www.acadiantimber.com and on SEDAR's website at www.sedar.com.

Non-GAAP Measures

Throughout the MD&A, reference is made to earnings before interest, taxes, depletion, 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 GAAP, 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 GAAP, 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, 2009. There have been no changes in our disclosure controls and procedures during the period ended March 27, 2010 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, 2009. There have been no changes in our internal controls over financial reporting during the period ended March 27, 2010 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 millions, except where indicated)	**March 27, 2010**	March 28, 2009
Total		
Sales volume (000s m^3)	**401.0**	427.4
Net sales	**$ 20.4**	$ 26.2
EBITDA	**5.8**	10.8
EBITDA margin	**28%**	41%
Free cash flow	**$ 5.0**	$ 9.5
Net income[1]	**3.4**	11.1
Dividends declared		
Common shareholders	**1.1**	3.1
Class B interest liability of a subsidiary	**—**	0.3
	1.1	3.4
Payout ratio	**22%**	36%
Total assets	**$ 223.5**	$ 234.7
Total debt financing	**77.7**	81.4
Per share (fully diluted)		
Free cash flow	**$ 0.30**	$ 0.57
Dividends declared per share		
Common shareholders	**0.07**	0.21
Class B Interest liability of a subsidiary	**—**	0.07
Net income[1]	**0.20**	0.40
Book value - fully diluted	**6.80**	7.70
Shares outstanding		
Common shareholders	**16,731,216**	16,571,453
Class B Interest of a subsidiary	**—**	—

[1] Net income includes the impact of future income tax recovery, and depreciation and depletion expense, which are non-cash items recorded in each respective period. Net income for the three months ended March 28, 2009 only, included the impact of the revaluation of the Class B Interest Liability of a subsidiary.

Free Cash Flow

Free cash flow for the first quarter ended March 27, 2010 was $5.0 million compared to $9.5 million for the same period in 2009. Based on free cash flow generated to date and existing cash reserves, Acadian is well positioned to meet dividend targets in 2010.

Free cash flow represents cash that is generated from the sale of our timber, from the services provided in the management of Crown licensed timberlands and from the sale of non-timber products. Hardwood and softwood harvest volumes represent the productive capacity of Acadian's operations. Harvest volume, excluding biomass, for the first quarter was 353 thousand m^3, which was within the harvest levels required to maintain the Long Run Sustained Yield ("LRSY") of our timberland estates. Acadian is focused on maximizing long-term value for shareholders, and in doing so will make every effort to maintain a stable financial performance while preserving the long-term value of the business. In order to continue to achieve this objective, Acadian will operate at harvest levels within LRSY and will invest in silviculture to improve the quality and value of future harvests. Although this may cause volatility in our free cash flow annually, we will continue to focus on preserving the long-term value of Acadian.

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

Three Months Ended *(CAD millions)*	**March 27, 2010**	March 28, 2009
Net income[1]	**$ 3.4**	$ 11.1
Add (deduct):		
Interest expense on debt	**0.8**	0.9
Distribution on Class B Interest Liability of a subsidiary	**—**	0.3
Income tax recovery	**(0.5)**	(0.4)
Depreciation and depletion	**2.1**	3.6
Non-cash gain on Class B Interest Liability of a subsidiary	**—**	(4.7)
EBITDA	**5.8**	10.8
Deduct:		
Interest expense on debt	**(0.8)**	(0.9)
Current income tax expense	**—**	(0.4)
Free cash flow	**$ 5.0**	$ 9.5
Dividends declared	**$ 1.1**	$ 3.4

[1] Net income includes the impact of future income tax recovery, and depreciation and depletion expense, which are non-cash items recorded in each respective period. Net income for the three months ended March 28, 2009 only, included the impact of the revaluation of the Class B Interest Liability of a subsidiary.

The following table provides a comparison of dividends declared on common shares during the first quarter of 2010 and during the comparable period in 2009, to the net income and cash flow from operating activities recorded during each of these respective periods. Distributions on the Class B Interest Liability of a subsidiary are included in net income and cash flow from operating activities, as they were recorded as interest expense in accordance with GAAP, and have thus been excluded from this analysis.

Three Months Ended *(CAD millions)*	**March 27, 2010**	March 28, 2009
Net Income[1]	**$ 3.4**	$ 11.1
Cash flow from operating activities	**6.6**	7.2
Actual cash dividends declared on common shares	**1.1**	3.1
Excess of cash flows from operating activities over dividends declared	**5.5**	4.1
Excess of net income over cash dividends declared	**$ 2.3**	$ 8.0

[1] Net income includes the impact of future income tax recovery, and depreciation and depletion expense, which are non-cash items recorded in each respective period. Net income for the three months ended March 28, 2009 only, included the impact of the revaluation of the Class B Interest Liability of a subsidiary.

Net income and cash flow from operating activities were both greater than cash dividends declared to common shareholders during the period ended March 27, 2010 and during the comparable period in 2009. 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 22% for the first quarter as compared to 36% during the first quarter of 2009.

As described in more detail on page 10 of this report, Acadian has borrowings totaling $77.7 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 27, 2010. These covenants are not expected to restrict the ability of the Company to pay dividend to its shareholders. The obligations of these borrowings over the next five years are disclosed on page 13 of this report. Upon maturity, management intends to refinance these debt obligations at fixed or floating interest rates, depending on the best interests of Acadian. In seeking to refinance these debt obligations, there is no assurance that Acadian will be able to refinance these obligations at maturity; or if refinanced, that the terms of the refinancing will be as favourable as the original terms. If unable to refinance these facilities on acceptable terms, or at all, Acadian may need to dispose of a portion of its assets, or otherwise raise funds, to settle their obligations.

All interest payments on the existing debt obligations are incurred in order to sustain the Company's productive capacity and are thus considered in determining the free cash flow of Acadian.

Market Conditions

The current recovery in North American lumber prices positively impacted demand for Acadian's softwood sawlogs, which accounted for 40% of Acadian's net sales and 38% of sales volume during the first quarter. This compares with 47% of Acadian's net sales and 42% of sales volume that resulted from the sale of softwood sawlogs during the first quarter of 2009. Although the Northern American wood products industry has begun to experience a welcome recovery, Acadian's softwood sawlog fibre supply agreement with Fraser Papers Inc. operates on a trailing six month basis and Acadian will only realize the full benefit from this improved market in the future. As such, the average softwood sawlog selling price was $14.17 per m^3 lower in the first quarter of 2010 than during the same period of 2009. The foreign exchange translation of sales by the Maine Timberlands associated with the 16% depreciation of the U.S. dollar as compared to the Canadian dollar also negatively impacted prices.

Markets for hardwood sawlogs continued to improve, although the average selling price for hardwood veneer and sawlogs was effectively unchanged year-over-year. Hardwood sawlogs accounted for 10% of Acadian's net sales and 5% of sales volume during the first quarter, an increase from 5% of Acadian's net sales and 3% of sales volume during the first quarter of 2009. The average selling price of softwood pulpwood decreased 25% compared to the first quarter of 2009, however, was consistent with the prior quarter. Hardwood pulpwood accounted for 31% of Acadian's net sales and 34% of sales volume during the first quarter, an increase from 16% of Acadian's net sales and 20% of sales volume during the first quarter of 2009. The average hardwood pulpwood price was relatively unchanged year-over-year and from the fourth quarter of 2009. However, demand for hardwood pulpwood, including wood used for oriented strandboard, improved significantly over the comparable period in 2009. Biomass represented 6% of net sales and 15% of sales volume during the first quarter while prices remained stable.

Acadian's weighted average selling price across all products increased by 4% in the first quarter compared to the fourth quarter of 2009. However, this weighted average selling price declined 14% year-over-year. This price decrease reflects the significant decline in softwood sawlog prices, a larger component of hardwood pulpwood in the overall sales mix and the adverse impact of the foreign exchange translation of U.S. dollar sales in our Maine operations.

Results from Operations

First quarter 2010 results reflect weaker market conditions for softwood, compared to the especially strong softwood market in the comparable period of 2009. However, this was partially offset by improving demand for hardwood pulp allowing Acadian to increase its harvesting activity in hardwood stands. Harvest activity was also stronger than anticipated on Acadian's Crown licensed lands favourably impacting cash flows. The low number of winter storms and unseasonably warm weather resulted in considerable road maintenance savings although this warm winter weather in Maine adversely impacted road access causing decreased harvest volume.

Acadian generated net sales of $20.4 million on a consolidated sales volume of 401 thousand m^3. EBITDA of $5.8 million for the first quarter was $5.0 million, or 46%, lower than Acadian's first quarter of 2009. EBITDA margin decreased to 28% compared to 41% in the first quarter of 2009.

Class B Interest Liability

On February 3, 2009, an affiliate of Brookfield Asset Management Inc. (collectively "Brookfield") converted all units representing the Class B Liability of a subsidiary into common shares of the company.

Included in net income for the first quarter of 2009, is a non-cash gain related to the Class B Interest Liability of a subsidiary. The settlement obligation of this interest was based on the trading value of Acadian Timber Income Fund's units at the time of settlement, which required the liability to be recorded at its fair value at each balance sheet date with the corresponding gain (loss) arising from a decrease (increase) in Acadian Timber Income Fund's unit price included in the statement of operations. In addition, as this Canadian dollar liability was issued by a self-sustaining U.S. dollar subsidiary of Acadian Timber Income Fund, the obligation was required to be converted to U.S. dollars at each reporting period, with the corresponding gain or loss included in the statement of operations. These items resulted in a $4.7 million gain for the first quarter of 2009 comprised of a $4.1 million mark-to-market gain and an $0.6 million foreign exchange gain.

Income Tax Recovery

Included in net income for the three months ended March 27, 2010 is an income tax recovery of $0.5 million (2009 – $0.4 million), which is comprised of a non-cash future income tax recovery of $0.5 million (2009 - $0.8 million) and a nil (2009 - $0.4 million) current tax expense. The income tax recovery for the first quarter includes $0.5 million related to the impact of conversion from an income trust to corporation.

Segmented Results of Operations

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

Three Months Ended March 27, 2010 (CAD millions)	**NB Timberlands**	**Maine Timberlands**	**Corporate**	**Consolidated**
Sales volumes (000s m^3)	**321.9**	**79.1**	**—**	**401.0**
Net sales	**$ 16.4**	**$ 4.0**	**$ —**	**$ 20.4**
EBITDA	**$ 5.1**	**$ 1.2**	**$ (0.5)**	**$ 5.8**
EBITDA margin	**31%**	**30%**	**—%**	**28%**

Three Months Ended March 28, 2009 (CAD millions)	**NB Timberlands**	**Maine Timberlands**	**Corporate**	**Consolidated**
Sales volumes (000s m^3)	308.5	118.9	—	427.4
Net sales	$ 18.2	$ 8.0	$ —	$ 26.2
EBITDA	$ 7.8	$ 3.3	$ (0.3)	$ 10.8
EBITDA margin	43%	41%	—%	41%

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 NB Timberlands:

	Three Months Ended March 27, 2010			*Three Months Ended March 28, 2009*		
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *(millions)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *(millions)*
Softwood	**134.2**	**122.2**	**$ 6.3**	174.2	151.9	$ 9.1
Hardwood	**140.9**	**141.7**	**7.7**	123.8	93.2	5.1
Biomass	**58.0**	**58.0**	**1.2**	63.4	63.4	1.5
	333.1	**321.9**	**15.2**	361.4	308.5	15.7
Other sales			**1.2**			2.5
Net sales			**$ 16.4**			$ 18.2
EBITDA			**$ 5.1**			$ 7.8
EBITDA margin			**31%**			43%

Softwood, hardwood and biomass shipments were 122 thousand m^3, 142 thousand m^3 and 58 thousand m^3 for the first quarter, respectively. Sales volume in the first quarter was comprised of approximately 39% sawlogs, 43% pulpwood and 18% biomass. This compares to sales volume comprised of 39% sawlogs, 40% pulpwood and 21% biomass in the first quarter of 2009. Increased demand and greater activity from hardwood pulp mills allowed Acadian to increase the volume of hardwood sold during the quarter compared to the same period last year.

Net sales for the first quarter totaled $16.4 million (2009 – $18.2 million) with an average selling price across all products of $47.26 per m^3 which compares to an average selling price of $50.88 per m^3 during the first quarter of 2009. The decrease in average selling price was attributable to a lower value species mix in addition to lower realized softwood prices compared to the strong first quarter of 2009. Other sales decreased $1.3 million, primarily as a result of decreased harvesting activity on the Crown licensed timberlands during the first quarter of 2010 compared to the same period in 2009.

Costs for the first quarter were $11.3 million (2009 – $10.4 million). Variable costs per m^3 were 11% higher than the first quarter of 2009 as a result of a greater portion of hardwood pulp logs in the mix and longer hauling distances to more distant markets for those logs. This increase was partially offset by lower road maintenance as a result of favorable weather conditions.

EBITDA for the first quarter was $5.1 million, compared to $7.8 million during the first quarter of 2009. EBITDA margin declined to 31% from 43% for the first quarter of 2009, primarily as a result of the impact of increased activity in lower margin hardwood stands, longer hauling distances and the decreased contribution of the Crown operations.

During the first quarter, NB Timberlands experienced one recordable incident among employees from which the individual has fully recovered and no recordable incidents among contractors. We are pleased to report that there were no reportable environmental incidents during the first quarter.

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 27, 2010			*Three Months Ended March 28, 2009*		
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *(millions)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *(millions)*
Softwood	**61.0**	**60.6**	**$ 3.1**	108.8	104.9	$ 7.4
Hardwood	**17.3**	**16.2**	**0.7**	9.8	8.6	0.4
Biomass	**2.3**	**2.3**	**0.1**	5.4	5.4	0.1
	80.6	**79.1**	**3.9**	124.0	118.9	7.9
Other sales			**0.1**			0.1
Net sales			**$ 4.0**			$ 8.0
EBITDA			**$ 1.2**			$ 3.3
EBITDA margin			**30%**			41%

Softwood, hardwood and biomass shipments were 61 thousand m^3, 16 thousand m^3 and 2 thousand m^3 for the first quarter, respectively. Sales volume in the first quarter was comprised of approximately 57% sawlogs, 40% pulpwood and 3% biomass. This compares to sales volume comprised of 63% sawlogs, 32% pulpwood and 5% biomass in the first quarter of 2009. Continued challenging market conditions kept operations on our Maine Timberlands at modest levels, consistent with our value preservation strategy. Warm winter weather resulted in challenging road conditions during the first quarter, thereby contributing to lower harvesting activity. Similar to the NB Timberlands' operation, Maine Timberlands benefited from improving hardwood pulp demand.

Net sales for the first quarter totaled $4.0 million (2009 – $8.0 million) with an average selling price across all products of $50.04 per m^3 which compares to an average selling price of $66.76 per m^3 during the first quarter of 2009. The 16% depreciation year-over-year of the U.S. dollar compared to the Canadian dollar, the lower value species mix, and softer prices for softwood sawlogs all contributed to this decrease in average price. The weighted average selling price decreased 13% in U.S. dollar terms year-over-year.

Costs for the first quarter were $2.8 million (2009 – $4.7 million). Lower harvest volumes, in addition to the depreciation of the U.S. dollar, contributed to this decrease. Variable costs per m^3 were relatively flat in U.S. dollar terms as compared to the first quarter of 2009.

EBITDA for the first quarter was $1.2 million, compared to $3.3 million during the first quarter of 2009, and EBITDA margin declined to 30% in the first quarter from 41% during the first quarter of 2009.

During the first quarter, Maine Timberlands experienced no recordable incidents among employees and one recordable incident among contractors from which the individual has fully recovered. We are pleased to report that there were no reportable environmental incidents during the first quarter.

Financial Position

As at March 27, 2010, Acadian's balance sheet consisted of total assets of $223.5 million (December 31, 2009 - $210.2 million), represented primarily by timberlands and logging roads of $186.4 million (December 31, 2009 – $190.0 million) and the balance in cash and working capital of $14.5 million (December 31, 2009 – $14.1 million), future income tax assets of $16.5 million (December 31, 2009 - nil) and intangible assets of $6.1 million (December 31, 2009 – $6.1 million). Timberlands have been recorded at cost as determined through the purchase of these assets on formation of the Company and are depleted and charged to operations in a systematic manner based on the utilization of the timber resources. Silviculture costs have been capitalized as incurred.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Acadian's principal sources of liquidity include cash earned from operations and a $10.0 million revolving credit facility of which $3.2 million was drawn at March 27, 2010. 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

The Company has a $52.0 million bank credit facility consisting of a $42.0 million bank term credit facility and a $10.0 million revolving credit facility. As at March 27, 2010, $3.2 million (December 31, 2009 – $5.5 million) had been drawn on the revolving credit facility. The term facility, which matures on February 27, 2011, is fully drawn, and bears interest based on the 30-day Banker Acceptances rate. Management intends to refinance these facilities and is currently assessing the term and amount of these facilities as well as other financing alternatives, including the fixing of interest rates where appropriate. In seeking to refinance this debt obligation, there is no assurance that Acadian will be able to refinance this obligation at maturity; or if refinanced, that the terms of the refinancing will be as favourable as the original terms of the bank credit facility. If unable to refinance this facility on acceptable terms, or at all, Acadian may need to dispose of a portion of its assets, or otherwise raise funds, to settle the bank term credit facility.

The Company also has 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 Company 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. As at March 27, 2010, Acadian is in compliance with all financial covenants except the debt service coverage ratio on the term loan facility for which a temporary waiver has been granted by the lender.

Outstanding Shares

As at March 27, 2010, 16,731,216 common shares were issued and outstanding, which represents an increase of 159,763 shares from December 31, 2009 resulting from the conversion of Acadian Timber Income Fund to a corporation and the issuance of shares to CellFor on January 1, 2010. 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 27, 2010, 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 2010. Reference should be made to "Forward-looking Statements" on page 16. 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 Income Fund's 2009 Annual Report and Acadian Timber Corp.'s Annual Information Form dated March 26, 2010 available on our website at www.acadiantimber.com or www.sedar.com.

Market signals during Acadian's first quarter have been positive. Increases in operating activity are very apparent among Acadian's customers and most customers are anticipating improved operating rates throughout the summer. Demand for spruce-fir sawlogs has been very strong with most regional mills adding shifts and rebuilding log inventories. Unlike 2009, where most regional mills carried significant log inventories into the second quarter, most mills appear to be short two to four weeks of log supply making for a very tight market and offering an encouraging outlook for log sales as operations resume following spring break-up. However, this optimistic outlook is tempered by our expectation that current strong lumber markets reflect inventory rebuilding and that sustained recovery of underlying demand from new home construction is not expected for another 12 to 24 months.

Acadian is currently benefiting from a very strong market for pulpwood with shortages of pulp logs placing upward pressure on prices. This strong pulp market is expected to last throughout 2010 as pulp producers in the U.S. South have had difficulty gaining an adequate log supply due to wet weather and global pulp markets are currently experiencing strong demand with low inventories and supply constraints resulting from disrupted operations in Chile caused by the recent devastating earthquake and related tsunami.

Markets for hardwood sawlogs and veneer logs have also recovered nicely and improved prices are expected to follow. Biomass demand and prices remain stable with the now suspended U.S. Biomass Crop Assistance Program having little impact on Acadian.

We are encouraged by this increasingly widespread evidence of improving market conditions. As demand continues to recover we will focus on harvesting and merchandizing to meet market opportunities while actively seeking to improve prices.

SUPPLEMENTAL INFORMATION

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

Selected Consolidated Quarterly Information

The table below sets forth selected consolidated quarterly information for the last eight quarters. See "Additional Quarterly Information" section for the segmented quarterly results.

	2010	2009				2008		
(CAD millions, except per share data and where indicated)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales volume (000s m^3)	**401**	343	331	157	427	307	319	213
Net sales	**$ 20.4**	$ 16.7	$ 14.4	$ 6.1	$ 26.2	$ 19.7	$ 17.2	$ 8.3
EBITDA	**$ 5.8**	$ 2.0	$ 1.3	$ (2.0)	$ 10.8	$ 6.9	$ 4.3	$ (1.0)
Free cash flow	**$ 5.0**	$ 1.3	$ (0.3)	$ (2.4)	$ 9.5	$ 5.7	$ 3.3	$ (2.0)
Net income (loss)[1]	**$ 3.4**	$ —	$ (0.2)	$ (1.6)	$ 11.1	$ 15.8	$ 6.8	$ (8.4)
Net income (loss) per share - basic	**$ 0.20**	$ —	$ (0.01)	$ (0.10)	$ 0.75	$ 1.31	$ 0.56	$ (0.70)
Net income (loss) per share - diluted	**$ 0.20**	$ —	$ (0.01)	$ (0.10)	$ 0.40	$ (0.14)	$ 0.11	$ (0.70)

[1] Net income includes the impact of future income tax recovery, and depreciation and depletion expense, which are non-cash items recorded in each respective period. Net income for the three months ended March 28, 2009 only, included the impact of the revaluation of the Class B Interest Liability of a subsidiary.

Critical Accounting Policies and Estimates

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 Company's consolidated financial statements and the uncertainties that could affect the Company's results of operations, financial position and cash flows.

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 shares 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.

Class B Interest Liability of a Subsidiary
The Class B Interest Liability represented preferred interests in the Maine Timberlands. The preferred interests were convertible into shares at the option of the holder and were treated as a liability of the Maine Timberlands for accounting purposes.

The value of the liability was measured at each reporting date to reflect the market price of the shares and the current exchange rates. Changes in value were recorded in the consolidated statement of operations.

Translation of Foreign Currencies
The currency of measurement of the Company's Canadian operations and U.S. operations are 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 the end of the period with the associated gain or loss recorded in the consolidated statement of operations.

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 an other comprehensive gain or loss in the consolidated statement of comprehensive income and as a separate item in shareholders' equity.

Future Accounting Policies

International Financial Reporting Standards

In 2005, the Accounting Standards Board of Canada (AcSB) announced that accounting standards in Canada are to converge with IFRS. In May 2007, the CICA published an updated version of its implementation plan which outlines the key decisions that the CICA will need to make as it implements the Strategic Plan for publicly accountable enterprises that will converge Canadian GAAP with IFRS for fiscal years beginning on or after January 1, 2011. The CICA plans to converge Canadian GAAP with IFRS, with the objective of moving towards the use of a single set of world-wide accounting standards, improving financial reporting and transparency. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies which may significantly impact Acadian's processes and financial results. While we believe the adoption of IFRS will not have a material impact on Acadian's reported free cash flow, it is expected to have a material impact on Acadian's consolidated balance sheets and consolidated statements of operations and deficit.

Acadian has completed the planning phase of the conversion. Existing Canadian GAAP and IFRS differences have been identified, staff have been trained, and business impacts have been determined to be minimal. Management has identified the following significant accounting differences between Canadian GAAP and IFRS:

- In accordance with current Canadian GAAP, our standing timber assets are treated as property, plant and equipment and are, therefore, recorded at cost less accumulated depletion. Under IFRS and in accordance with IAS 41 — Agriculture ("IAS 41"), our standing timber assets are considered biological assets and will be measured at the end of each reporting period at fair value, less estimated point-of-sale costs. Fair value is generally determined based upon the expected future cash flows to be derived from the sale of timber, discounted to the measurement date. Changes in the fair value of standing timber after initial recognition will be recognized in income in the period in which the changes arise. Depending on the change in fair value in each reporting period, income could either be greater or less than under Canadian GAAP;

- Current Canadian GAAP requires the recognition of a depletion charge to income based on volume harvested. IAS 41 replaces this expense with a charge for the fair value of timber harvested. This change would have decreased income in the first quarter;
- Current Canadian GAAP does not permit the recognition of the value of timber growth in a period, but IAS 41 requires that this value be recognized as an increase in fair value. This increase in fair value would have increased income in the first quarter;
- Current Canadian GAAP requires that silviculture expenditures be capitalized and included in the historical cost of standing timber, whereas IFRS does not directly address the issue of subsequent expenditures related to biological assets. As timberlands are carried at fair value at each measurement date, management believes it is appropriate to record silviculture expenditures as a period cost as the capitalization of such costs would be offset by an equivalent fair value adjustment in the accounting period. These amounts are discretionary and can vary significantly each year;
- Current Canadian GAAP requires that the logging roads, bridges and other fixed assets be carried at original cost less accumulated amortization, whereas IFRS allows an entity to make a policy election with respect to the subsequent measurement of these items. Acadian is planning to elect the revaluation method for logging roads and the cost method for bridges and other fixed assets. The use of the revaluation method for roads will eliminate the charge for amortization of these costs. This change would have increased income in the first quarter; and,
- Both Canadian GAAP and IFRS require that inventories are carried at the lower of cost and net realizable value. Net realizable value, under both Canadian GAAP and IFRS, is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Under Canadian GAAP the cost of logs held in inventory includes depletion, while under IFRS depletion will be replaced with a charge for the fair value of timber harvested. This charge, when added to the costs of harvest and delivery, will cause the value of inventory on Acadian's balance sheet to increase as cost, when determined in this manner, is expected to approximate market value. As Acadian's log inventory quantities are typically minimal, this change is not expected to have a significant impact on net income.

In addition to the significant differences noted above, the adoption of IFRS will require the application of IFRS 1 — First-time Adoption of International Reporting Standards ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity apply all IFRS effective at the end of its first IFRS reporting period retrospectively. However, IFRS 1 does require certain mandatory exceptions and limited optional exemptions in specified areas of certain standards from this general requirement. The following are the optional exemptions available under IFRS 1, which we believe are significant to Acadian and that we expect to apply in preparing our first financial statements under IFRS:

- IFRS 1 allows an entity to initially measure an item of property, plant and equipment upon transition to IFRS at fair value. We expect to apply this exemption by measuring the value of land, roads and bridges at fair value;
- IAS 21 — The Effects of Changes in Foreign Exchange Rates, requires an entity to determine the translation differences in accordance with IFRS from the date on which a subsidiary was formed or acquired. IFRS allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from periods prior to the date of transition to IFRS. We expect to apply this allowance by deeming all cumulative translation differences to be zero; and,
- IFRS 1 allows for certain other optional exemptions; however, we do not expect such exemptions to be significant to our adoption of IFRS.

This discussion has been prepared using the standards and interpretations currently issued and expected to be effective at the end of our first IFRS reporting period, which we intend to be March 26, 2011. Certain accounting policies expected to be adopted under IFRS may not be adopted and the application of such policies to certain transactions or circumstances may be modified.

The current International Accounting Standard Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") are considering further modifications to IFRS which may ultimately change our preliminary analysis. Acadian currently expects to report under IFRS, on a comparative basis, starting with the first quarter of 2011.

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. ("Brookfield"), and its affiliates (collectively "Brookfield"). As at March 27, 2010, Brookfield owned 7,513,262 common shares, representing approximately 45% of the outstanding shares of the Company. Acadian is also a related party of Fraser Papers Inc. ("Fraser Papers") 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 Fraser Papers and Brookfield for periods of up to 20 years. In addition, Acadian agreed to administer certain licenses on behalf of Fraser Papers. Total sales to Fraser Papers and Brookfield during the three months ended March 27, 2010 totaled $8.1 million and $0.5 million, respectively, which represented 33% of Acadian's consolidated total sales (2009 – $11.9 million and $1.1 million, respectively, or 43% of total sales). Included in accounts receivable at March 27, 2010 is $2.3 million related to these agreements (March 28, 2009 – $2.2 million).

b) Acadian has entered into an agreement with Brookfield whereby Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided in the three months ended March 27, 2010 totaled $0.6 million (2009 – $0.5 million). All fees have been fully paid in accordance with the services agreement.

c) Payments on the Class B Interest Liability to Brookfield during the three months ended March 27, 2010 totaled nil (2009 – $0.3 million). No amounts have been included in accounts payable and accrued liabilities as at March 27, 2010 as a result of the conversion of all units of Acadian Timber Income Fund representing the Class B Liability of a subsidiary by an affiliate of Brookfield on February 3, 2009.

d) Maine Timberlands rents space in a shared office building from Katahdin Paper Company LLC (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 27, 2010 (2009 – $4 thousand).

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 millions)	Total Available	Total	Less Than One Year	1 to 3 Years	4 to 5 Years	After 5 Years
Debt						
Bank term credit facility[1]	$ 42.0	$ 42.0	$ 42.0	$ —	$ —	$ —
Revolving credit facility	10.0	3.2	3.2	—	—	—
Term loan facility	32.3	32.3	32.3	—	—	—
	$ 84.3	$ 77.5	$ 77.5	$ —	$ —	$ —
Interest expense[2]		$ 3.3	$ 3.3	$ —	$ —	$ —

1. Represents principal of bank term facility, excluding the deferred extension fee incurred in the fourth quarter of 2009;
2. The following assumptions have been made with respect to interest rates for the periods noted in the table above:
   - Bank term debt credit facility variable interest at 4.69% per annum; and,
   - Term loan facility fixed interest at 4.67% with a Canadian to U.S. dollar conversion of 1.0267.

Additional Quarterly Information

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

NB Timberlands

	2010 Q1			2009 Q4			2009 Q3			2009 Q2		
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *(millions)*	Harvest *(000s m^3)*	Sales *(000s m^3)*	Results *(millions)*	Harvest *(000s m^3)*	Sales *(000s m^3)*	Results *(millions)*	Harvest *(000s m^3)*	Sales *(000s m^3)*	Results *(millions)*
Softwood	**134.2**	**122.2**	**$ 6.3**	57.4	68.0	$ 3.8	68.6	67.8	$ 3.5	36.3	41.2	$ 2.5
Hardwood	**140.9**	**141.7**	**7.7**	148.7	143.9	7.6	137.5	125.5	6.4	34.0	70.1	3.0
Biomass	**58.0**	**58.0**	**1.2**	58.8	58.8	1.1	80.2	80.2	1.4	33.0	33.0	0.5
	333.1	**321.9**	**15.2**	264.9	270.7	12.5	286.3	273.5	11.3	103.3	144.3	6.0
Other sales			**1.2**			0.8			0.3			(0.3)
Net sales			**$ 16.4**			$ 13.3			$ 11.6			$ 5.7
EBITDA			**$ 5.1**			$ 2.5			$ 1.3			$ (0.8)
EBITDA margin			**31%**			19%			11%			(14)%

Maine Timberlands

	2010 Q1			2009 Q4			2009 Q3			2009 Q2		
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *(millions)*	Harvest *(000s m^3)*	Sales *(000s m^3)*	Results *(millions)*	Harvest *(000s m^3)*	Sales *(000s m^3)*	Results *(millions)*	Harvest *(000s m^3)*	Sales *(000s m^3)*	Results *(millions)*
Softwood	**61.0**	**60.6**	**$ 3.1**	43.7	43.6	$ 2.1	38.5	40.9	$ 2.1	5.0	6.2	$ 0.1
Hardwood	**17.3**	**16.2**	**0.7**	21.2	21.2	1.1	12.4	12.1	0.5	1.9	2.7	0.2
Biomass	**2.3**	**2.3**	**0.1**	7.5	7.5	0.1	4.1	4.1	0.1	4.1	4.1	—
	80.6	**79.1**	**3.9**	72.4	72.3	3.3	55.0	57.1	2.7	11.0	13.0	0.3
Other sales			**0.1**			0.1			0.1			0.1
Net sales			**$ 4.0**			$ 3.4			$ 2.8			$ 0.4
EBITDA			**$ 1.2**			$ 0.7			$ 0.8			$ (0.6)
EBITDA margin			**30%**			21%			29%			(150)%

Corporate

	2010 Q1			2009 Q4			2009 Q3			2009 Q2		
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *(millions)*	Harvest *(000s m^3)*	Sales *(000s m^3)*	Results *(millions)*	Harvest *(000s m^3)*	Sales *(000s m^3)*	Results *(millions)*	Harvest *(000s m^3)*	Sales *(000s m^3)*	Results *(millions)*
Softwood	**—**	**—**	**$ —**	—	—	$ —	—	—	$ —	—	—	$ —
Hardwood	**—**	**—**	**—**	—	—	—	—	—	—	—	—	—
Biomass	**—**	**—**	**—**	—	—	—	—	—	—	—	—	—
	—	**—**	**—**	—	—	—	—	—	—	—	—	—
Other sales			**—**			—			—			—
Net sales			**$ —**			$ —			$ —			$ —
EBITDA			**$ (0.5)**			$ (1.2)			$ (0.8)			$ (0.6)
EBITDA margin			**n/a**			n/a			n/a			n/a

NB Timberlands

	2009 Q1			2008 Q4			2008 Q3			2008 Q2		
	Harvest *(000s m³)*	Sales *(000s m³)*	Results *(millions)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *(millions)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *(millions)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *(millions)*
Softwood	174.2	151.9	$ 9.1	72.5	73.2	$ 4.4	68.9	64.6	$ 3.8	9.0	20.3	$ 1.2
Hardwood	123.8	93.2	5.1	81.7	78.2	4.6	92.5	111.1	6.3	76.7	92.5	5.6
Biomass	63.4	63.4	1.5	57.4	57.4	1.1	67.8	67.8	1.4	61.9	61.9	0.9
	361.4	308.5	15.7	211.6	208.8	10.1	229.2	243.5	11.5	147.6	174.7	7.7
Other sales			2.5			3.2			1.5			(1.2)
Net sales			$ 18.2			$ 13.3			$ 13.0			$ 6.5
EBITDA			$ 7.8			$ 4.5			$ 2.6			$ (0.8)
EBITDA margin			43%			34%			20%			(12)%

Maine Timberlands

	2009 Q1			2008 Q4			2008 Q3			2008 Q2		
	Harvest *(000s m³)*	Sales *(000s m³)*	Results *(millions)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *(millions)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *(millions)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *(millions)*
Softwood	108.8	104.9	$ 7.4	72.4	72.4	$ 4.8	52.3	52.2	$ 3.0	23.1	23.0	$ 1.1
Hardwood	9.8	8.6	0.4	18.1	18.7	1.4	19.6	19.4	1.1	10.0	11.6	0.5
Biomass	5.4	5.4	0.1	6.7	6.7	0.1	4.4	4.4	—	3.6	3.6	0.1
	124.0	118.9	7.9	97.2	97.8	6.3	76.3	76.0	4.1	36.7	38.2	1.7
Other sales			0.1			0.1			0.1			0.1
Net sales			$ 8.0			$ 6.4			$ 4.2			$ 1.8
EBITDA			$ 3.3			$ 2.5			$ 1.8			$ —
EBITDA margin			41%			39%			43%			0%

Corporate

	2009 Q1			2008 Q4			2008 Q3			2008 Q2		
	Harvest *(000s m³)*	Sales *(000s m³)*	Results *(millions)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *(millions)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *(millions)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *(millions)*
Softwood	**—**	**—**	**$ —**	—	—	$ —	—	—	$ —	—	—	$ —
Hardwood	**—**	**—**	**—**	—	—	—	—	—	—	—	—	—
Biomass	**—**	**—**	**—**	—	—	—	—	—	—	—	—	—
	—	**—**	**—**	—	—	—	—	—	—	—	—	—
Other sales			**—**			—			—			—
Net sales			**$ —**			$ —			$ —			$ —
EBITDA			**$ (0.3)**			$ (0.1)			$ (0.1)			$ (0.2)
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 26, 2010 and the Management Information Circular of Acadian dated March 26, 2010, and other filings of Acadian 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, 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 Balance Sheets

(unaudited)

As at *(CAD millions)*	Note	**March 27, 2010**	December 31, 2009
Assets			
Current assets			
Cash and cash equivalents		**$ 6.1**	$ 2.1
Accounts receivable and other assets	5	**6.3**	6.2
Note receivable	3	**—**	4.0
Inventory		**2.1**	1.8
Future income tax asset	8	**1.6**	—
		16.1	14.1
Intangible assets		**6.1**	6.1
Timberlands, logging roads and fixed assets		**186.4**	190.0
Future income tax asset	8	**14.9**	—
		$ 223.5	$ 210.2
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 6.4**	$ 4.3
Dividends payable to shareholders		**0.8**	—
Debt		**77.7**	—
Deferred credit	8	**1.3**	—
		86.2	4.3
Deferred credit	8	**19.2**	—
Future income tax liability	8	**4.3**	13.9
Long-term debt		**—**	80.7
Shareholders' equity	4	**113.8**	111.3
		$ 223.5	$ 210.2

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Operations and Deficit

(unaudited)

Three Months Ended *(CAD millions)*	Note	**March 27, 2010**	March 28, 2009
Net sales	5	**$ 20.4**	$ 26.2
Operating costs and expenses			
Cost of sales		**12.8**	13.7
Selling, administration and other	5	**1.8**	1.7
Depreciation and depletion		**2.1**	3.6
		16.7	19.0
Operating earnings		**3.7**	7.2
Gain on Class B Interest Liability of a subsidiary		**—**	(4.7)
Interest:			
Interest expense on debt		**0.8**	0.9
Class B Interest Liability of a subsidiary	5	**—**	0.3
Earnings before income taxes		**2.9**	10.7
Income tax recovery (expense)			
Current		**—**	(0.4)
Future		**0.5**	0.8
Net income for the period		**3.4**	11.1
Deficit, beginning of period		**(23.0)**	(20.9)
Shareholders' dividends declared	10	**(1.1)**	(3.1)
Deficit, end of period		**$ (20.7)**	$ (12.9)
Net income per share - basic		**$ 0.20**	$ 0.75
Net income per share - diluted		**$ 0.20**	$ 0.40

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Comprehensive Income

(unaudited)

Three Months Ended (CAD millions)	Note	**March 27, 2010**	March 28, 2009
Net income		**$ 3.4**	$ 11.1
Other comprehensive income (loss)			
Unrealized foreign currency translation gains (losses)		**(0.8)**	0.2
Comprehensive income		**$ 2.6**	$ 11.3

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

(unaudited)

Three Months Ended *(CAD millions)*	Note	**March 27, 2010**	March 28, 2009
Cash provided by (used for):			
Operating activities			
Net income		**$ 3.4**	$ 11.1
Items not affecting cash:			
Future income tax recovery	8	**(0.5)**	(0.8)
Depreciation and depletion		**2.1**	3.6
Gain on Class B Interest Liability of a subsidiary		**—**	(4.7)
		5.0	9.2
Net change in non-cash working capital balances and other		**1.6**	(2.0)
		6.6	7.2
Investing activities			
Additions to timberlands, logging roads and fixed assets		**—**	—
Silviculture expenditures		**—**	—
		—	—
Financing activities			
Repayment of credit facility		**(2.3)**	—
Dividends paid to shareholders	10	**(0.3)**	(3.1)
		(2.6)	(3.1)
Increase in cash and cash equivalents during the period		**4.0**	4.1
Cash and cash equivalents, beginning of period		**2.1**	9.0
Cash and cash equivalents, end of period		**$ 6.1**	$ 13.1

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 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.

The Fund was 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. Each unitholder participated pro rata in any distribution from the Fund. Income tax obligations related to distributions of the Fund were the obligation of the unitholders.

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 110 regional customers.

As at March 27, 2010, affiliates of Brookfield Asset Management Inc. (collectively "Brookfield") owns 7,513,262 common shares representing approximately 45% of the outstanding common shares of the Corporation. Acadian and Fraser Papers Inc. ("Fraser Papers") remain related parties as a result of a common significant shareholder.

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 three-month period ended March 27, 2010 along with the comparative results for the three-month period ended March 28, 2009. These consolidated financial statements include the accounts of Acadian and the entities over which it has control and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") as prescribed by the Canadian Institute of Chartered Accountants ("CICA").

These interim consolidated financial statements present Acadian as a corporation on and subsequent to January 1, 2010 and as Acadian Timber Income Fund prior thereto. All references to "dividends" refer to dividends paid or payable to holders of Acadian common shares on and subsequent to January 1, 2010 and to distributions paid or payable to Fund unitholders prior to the Arrangement. All references to "common shares" refer collectively to Acadian's common shares on and subsequent to January 1, 2010 and to Fund units prior to the Arrangement. All references to "shareholders" refer collectively to holders of Acadian's common shares on and subsequent to January 1, 2010 and to Fund unitholders prior to the Arrangement.

After giving effect to the Arrangement, the consolidated financial statements have been prepared on a continuity of interest basis, which recognizes Acadian as the successor entity to the Fund. The continuity of interest basis requires that the comparative results within these consolidated financial statements are those previously presented by the Fund.

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.

These interim consolidated financial statements have been prepared using accounting policies that are consistent with the policies used in preparing Acadian's most recent annual report. These consolidated financial statements do not include all of the disclosure required under GAAP and should be read in conjunction with the audited consolidated financial statements and notes of Acadian Timber Income Fund for the year ended December 31, 2009.

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 does 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.

NOTE 3. CORPORATE CONVERSION

On January 1, 2010, the Fund 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.

Total consideration paid to CellFor was $5.0 million comprised of 159,763 shares of Acadian, valued at $1.0 million, and the assumption of the loan payable to Acadian for $4.0 million. Coincident with the completion of the plan of Arrangement, the CellFor Loan and the loan payable to Acadian for $4.0 million were settled in full. Subsequent to completion of the Arrangement on January 1, 2010, the Corporation had 16,731,216 shares issued and outstanding, of which 7,513,262 or 45% were owned by Brookfield.

NOTE 4. SHAREHOLDERS' EQUITY

The components of shareholders' equity are as follows:

(CAD millions)	**March 27, 2010**	December 31, 2009
Common shares issued and outstanding	**$ 140.1**	**$ 139.1**
Accumulated other comprehensive loss	**(5.6)**	**(4.8)**
Deficit	**(20.7)**	**(23.0)**
Total	**$ 113.8**	**$ 111.3**

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) reflects unrealized gains (losses) on the translation of the financial statements of the Maine Timberlands. Accumulated other comprehensive income (loss) is:

Three Months Ended *(CAD millions)*	**March 27, 2010**	March 28, 2009
Balance, beginning of period	**$ (4.8)**	$ 1.2
Other comprehensive income (loss)	**(0.8)**	0.2
Balance, end of period	**$ (5.6)**	$ 1.4

The Company issued 159,763 shares on January 1, 2010 as part of the corporate conversion discussed in Note 3. As a result, the number of shares issued and outstanding as at March 27, 2010 increased to 16,731,216 from 16,571,453 at December 31, 2009.

The weighted average number of shares outstanding for basic net income per share is determined by dividing net income by the total number of shares outstanding. The inputs for diluted net income per share for the three months ended March 27, 2010, and the comparable period of 2009, respectively, were calculated as follows:

Reconciliation to net income:

Three Months Ended (CAD millions)	**March 27, 2010**	March 28, 2009
Net income	**$ 3.4**	$ 11.1
Add (deduct)		
Interest expense of Class B Interest Liability of a subsidiary	—	0.3
Gain on Class B Interest Liability of a subsidiary	—	(4.7)
Diluted net income available for shareholders	**$ 3.4**	$ 6.7

Reconciliation of number of shares:

Three Months Ended (thousands)	**March 27, 2010**	March 28, 2009
Weighted average number of shares		
Common shares	**16,731**	14,810
Basic weighted average number of shares	**16,731**	14,810
Conversion of Class B Interest Liability of a subsidiary	—	1,761
Diluted weighted average number of shares	**16,731**	16,571

NOTE 5. RELATED PARTY TRANSACTIONS

All related party transactions are recorded at the exchange amount.

a) Acadian has entered into a number of fibre supply agreements whereby Acadian agreed to provide fibre to Fraser Papers and Brookfield for periods of up to 20 years. In addition, Acadian agreed to administer certain licenses on behalf of Fraser Papers. Total sales to Fraser Papers and Brookfield during the three months ended March 27, 2010 totaled $8.1 million and $0.5 million, respectively, which represented 33% of Acadian's consolidated total sales (2009 – $11.9 million and $1.1 million, respectively, or 43% of total sales). Included in accounts receivable at March 27, 2010 is $2.3 million related to these agreements (March 28, 2009 – $2.2 million).

b) Acadian has entered into an agreement with Brookfield whereby Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided in the three months ended March 27, 2010 totaled $0.6 million (2009 – $0.5 million). All fees have been fully paid in accordance with the services agreement.

c) Payments on the Class B Interest Liability to Brookfield during the three months ended March 27, 2010 totaled nil (2009 – $0.3 million). No amounts have been included in accounts payable and accrued liabilities as at March 27, 2010 as a result of the conversion of all shares representing the Class B Liability of a subsidiary by an affiliate of Brookfield on February 3, 2009.

d) Maine Timberlands rents space in a shared office building from Katahdin Paper Company LLC (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 27, 2010 (2009 – $4 thousand).

NOTE 6. 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 27, 2010 (CAD millions)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	**$ 9.4**	**$ 6.3**	**$ 3.1**	**$ —**
Hardwood	**8.4**	**7.7**	**0.7**	**—**
Other	**2.6**	**2.4**	**0.2**	**—**
Total net sales	**20.4**	**16.4**	**4.0**	**—**
Operating costs	**(14.6)**	**(11.3)**	**(2.8)**	**(0.5)**
Earnings (loss) before under noted	**5.8**	**5.1**	**1.2**	**(0.5)**
Depletion and depreciation	**(2.1)**	**(1.3)**	**(0.8)**	**—**
Operating earnings (loss)	**3.7**	**3.8**	**0.4**	**(0.5)**
Gain on Class B Interest Liability of a subsidiary	**—**			
Interest expense, net	**(0.8)**			
Income tax recovery	**0.5**			
Net income	**$ 3.4**			

As at March 27, 2010 millions				
Timberlands, logging roads, fixed assets and intangible assets	**$ 192.5**	**$ 124.6**	**$ 67.9**	**$ —**
Total assets	**$ 223.5**	**$ 135.9**	**$ 70.2**	**$ 17.4**

Three Months Ended March 28, 2009 (CAD millions)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 16.5	$ 9.1	$ 7.4	$ —
Hardwood	5.5	5.1	0.4	—
Other	4.2	4.0	0.2	—
Total net sales	26.2	18.2	8.0	—
Operating costs	(15.4)	(10.4)	(4.7)	(0.3)
Earnings (loss) before under noted	10.8	7.8	3.3	(0.3)
Depletion and depreciation	(3.6)	(2.0)	(1.6)	—
Operating earnings (loss)	7.2	5.8	1.7	(0.3)
Gain on Class B Interest Liability of a subsidiary	4.7			
Interest expense, net	(1.2)			
Income tax recovery	0.4			
Net income	$ 11.1			

As at March 28, 2009 (CAD millions)				
Timberlands, logging roads, fixed assets and intangible assets	$ 211.7	$ 127.7	$ 84.0	$ —
Total assets	$ 234.7	$ 137.2	$ 88.9	$ 8.6

During the three months ended March 27, 2010 approximately 27% of total sales were originated with customers domiciled in the U.S. and the balance in Canada. During the same period approximately 22% 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 27, 2010, Acadian's top three suppliers accounted for approximately 26%, 15% and 15%, respectively, of the Company's cost of sales.

Acadian sells its products to many forest product companies in North America. For the three-month period ended March 27, 2010, related parties (see Note 5) and the next largest customer accounted for 33% and 11% of total sales, respectively.

NOTE 7. CAPITAL DISCLOSURES

Acadian's capital structure is comprised of shareholders' equity inclusive of comprehensive income (loss), 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 monitors its capital structure to ensure compliance with its financial covenants with debtholders. These financial covenants include funded debt to the sum of funded debt and shareholders' equity ("Capitalization") and interest coverage in respect to the bank term credit facility and debt service coverage in respect to the term loan facility. The financial covenants contained in the bank term credit facility are as follows:

As at *(CAD millions)*	**March 27, 2010**	December 31, 2009
Funded debt	**$ 45.2**	$ 47.5
Capitalization	**132.9**	131.9
Funded debt / Capitalization (maximum 42.5)	**34.0%**	36.0%

Twelve Months Ended *(CAD millions)*	**March 27, 2010**	March 28, 2009
EBITDA	**$ 8.1**	$ 14.1
Interest	**1.4**	1.9
Interest coverage (minimum 3.0)	**5.8**	7.4

The Maine Timberlands' term loan facility requires that a minimum debt service coverage ratio is maintained. This ratio is disclosed below:

Twelve Months Ended *(USD millions)*	**March 27, 2010**	March 28, 2009
EBITDA	**$ 2.1**	$ 6.5
Capital expenditure	**(0.3)**	(0.1)
Cash flow	**1.8**	6.4
Interest for period	**1.5**	1.5
Debt service coverage ratio (minimum 1.25)	**1.2**	4.3

Acadian's debt obligations have restrictive covenants which require the NB Timberlands and Maine Timberlands to maintain certain financial ratios. As at March 27, 2010, Acadian is in compliance with all financial covenants except the debt service coverage ratio for which a temporary waiver has been granted by the lender.

NOTE 8. INCOME TAXES

On January 1, 2010, Acadian converted from a publicly traded income trust to a publicly traded corporation by way of a plan of arrangement with CellFor Inc. for cash and share consideration of $5.0 million. The future income tax asset arising from acquired tax attributes in relation to the Arrangement was determined to be approximately $26.1 million. As a result of the Arrangement, Acadian recorded a deferred credit of $21.1 million relating to the difference between the future income tax asset of $26.1 million and the amount paid to the shareholders of CellFor Inc. The accounting for the deferred credit is in accordance with the CICA's Emerging Issues Committee Abstract 110 — "Accounting for Acquired Future Tax Benefits in Certain Purchase Transactions that are not Business Combinations," the credit is being amortized to income tax expense in proportion to the net reduction in the future income tax asset that gave rise to the deferred credit.

The components of income tax recovery (expense) are as follows:

Three Months Ended (CAD millions)	**March 27, 2010**	March 28, 2009
Current	**$ —**	$ (0.4)
Future	**0.5**	0.8
Income tax recovery	**$ 0.5**	$ 0.4

The future tax liability represents the cumulative amount of tax payable on the differences between the financial reporting and tax bases of the Corporation's assets and liabilities at the rates expected to be effective at the time the differences are anticipated to reverse. The future tax liability relates to differences between financial reporting and tax values of intangible assets and timberlands, logging roads and fixed assets.

The interim income tax recovery (expense) is calculated based on expected quarterly effective tax rates.

Three Months Ended (CAD millions)	**March 27, 2010**	March 28, 2009
Income before income taxes	**$ 2.9**	$ 10.7
Tax expense at statutory rate	**(0.9)**	(3.2)
Income of fund distributed	**—**	0.9
Rate Differential	**—**	0.7
Other income not taxed	**0.3**	0.7
Impact of conversion from trust to corporation	**0.5**	—
Amortization of deferred credit	**0.6**	—
Permanent Differences	**—**	1.3
Income tax recovery	**$ 0.5**	$ 0.4

A reconciliation of the deferred credit is as follows:

Three Months Ended (CAD millions)	**March 27, 2010**	March 28, 2009
Deferred credit, beginning of period	**$ —**	$ —
Deferred credit recorded upon corporate reorganization	**21.1**	—
Amortization during the period	**(0.6)**	—
Deferred credit, end of year	**$ 20.5**	$ —
Less: current portion	**(1.3)**	—
Deferred credit, long term portion	**$ 19.2**	$ —

NOTE 9. 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 $60 thousand (2009 – $72 thousand).

NOTE 10. 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 27, 2010 were $1.1 million (2009 – $3.1 million).

Board and Management

BOARD OF DIRECTORS

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

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

Louis J. Maroun
Former Executive Chairman ING Real Estate Canada

David Mann
Legal Counsel Cox & Palmer

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

MANAGEMENT

Acadian's Manager:
Brookfield Timberlands Management LP

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

Brian Banfill
Chief Financial Officer of Acadian

Marcia McKeague
Vice President, Maine Woodland Operations

Luc Ouellet
Vice President, NB Woodland Operations

Corporate and Shareholder Information

HEAD OFFICE OF THE MANAGER

Brookfield Timberlands Management LP
(wholly-owned subsidiary of Brookfield Asset Management Inc.)
Suite 458, Bentall 5, 550 Burrard Street, Box 51
Vancouver, B.C. V6C 2B5
Please direct your inquiries to:
Robert Lee
Investor Relations and Communications
t. 604.661.9607   f. 604.562.6674
e. rlee@acadiantimber.com

DIRECTOR, TRANSFER AGENT AND REGISTRAR

Shareholder inquiries relating to dividends, address changes and shareholder account information should be directed to Acadian'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: 16,731,216
Targeted 2010 Quarterly Dividend: $0.05 per share
Record Date: Last business day of each quarter
Payment Date: On or about the 15th day of each subsequent month

www.acadiantimber.com

This Interim management's discussion and analysis ("MD&A") contains forward-looking information and other forward-looking statements within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this MD&A such statements may contain such words as "may," "will," "intend," "should," "expect," "believe," "outlook," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the negative of these terms or other similar terminology. Forward-looking information in this MD&A includes, without limitation, statements made in sections entitled "Market Overview," "Free Cash Flow," "Capital Resources" and "Outlook," and other statements regarding management's beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, access to capital, liquidity and trading volumes, dividends, taxes, capital expenditures,, and similar statements concerning anticipated future events, results, achievements, circumstances, performance or expectations that are not historical facts. These statements reflect management's current expectations regarding future events and operating performance, are based on information currently available to management and speak only as of the date of this MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon, and will not necessarily be accurate indications of whether or not such results will be achieved. Factors that could cause actual results to differ materially from the results discussed in the forward-looking statements include, but are not limited to: general economic and market conditions; product demand; concentration of customers; commodity pricing; interest rate and foreign currency fluctuations; seasonality; weather and natural conditions; regulatory, trade or environmental policy changes; changes in Canadian income tax law; economic situation of key customers; and other factors discussed under the heading "Risk Factors" in each of the Annual Information Form of Acadian dated March 26, 2010 and the Management Information Circular of Acadian dated March 26, 2010, and other filings of Acadian 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, 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.

ACADIANTIMBER

Printed in Canada