

2023 ANNUAL REPORT






ACADIANTIMBER

**Acadian Timber Corp.** (“Acadian”, the “Company” or “we”) is one of the largest timberland owners in Eastern Canada and the Northeastern U.S. and has a total of approximately 2.4 million acres of land under management. Acadian owns and manages approximately 761,000 acres of freehold timberlands in New Brunswick (“New Brunswick Timberlands” or “NB Timberlands”) and approximately 300,000 acres of freehold timberlands in Maine (“Maine Timberlands”), and provides timber services relating to approximately 1.3 million acres of Crown licensed timberlands in New Brunswick. Acadian’s timber products include softwood and hardwood sawlogs, pulpwood, and biomass by-products, sold to approximately 90 regional customers. Acadian also develops carbon credits for sale in voluntary carbon credit markets.

**Acadian’s business strategy** is to maximize cash flows from its existing timberland assets through sustainable forest management and other land use activities while growing its business by acquiring assets and actively managing these assets to drive improved performance.

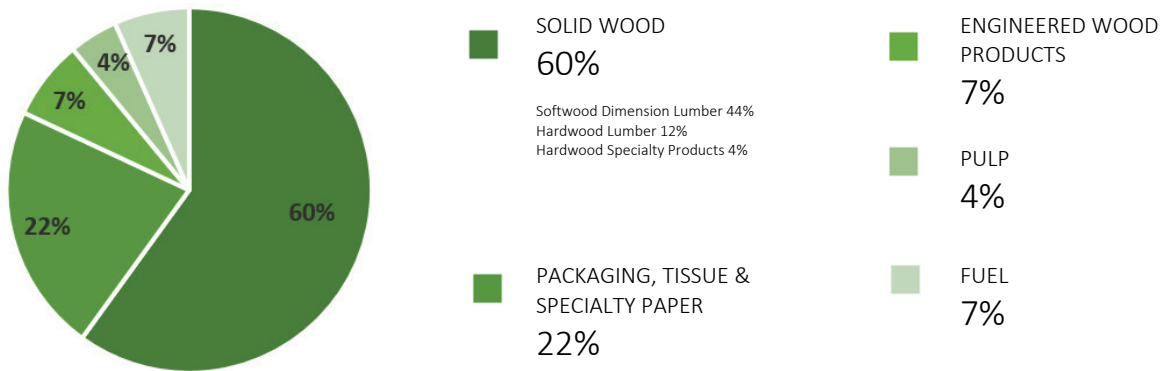
## ACADIAN’S LOCATIONS

| FOREST AREAS                 |   | ACRES            | HECTARES       |
|------------------------------|---|------------------|----------------|
| MAINE TIMBERLANDS            |  | 300,000          | 121,000        |
| NEW BRUNSWICK TIMBERLANDS    |  | 761,000          | 308,000        |
| CROWN LANDS UNDER MANAGEMENT |  | 1,326,000        | 537,000        |
| <b>AREA UNDER MANAGEMENT</b> |   | <b>2,387,000</b> | <b>966,000</b> |



## ACADIAN’S PRODUCT MIX BY END USE\*

Acadian sells a wide variety of timber products to a broad group of customers. Acadian’s greatest exposure is to softwood sawlogs; however, markets for hardwood sawlogs, hardwood and softwood pulpwood, and biomass diversify our sales.



\*Percentage of log sales by value for the year ended December 31, 2023

## 2023 HIGHLIGHTS

- Registered 770,071 carbon credits related to our first carbon credit project
- Effected our first carbon credit sales at \$24.85 U.S. per carbon credit
- Generated sales of \$93.5 million, Adjusted EBITDA<sup>1</sup> of \$20.6 million, Free Cash Flow<sup>1</sup> of \$15.0 million and net income of \$29.4 million in a challenging operating environment
- Declared dividends to shareholders of \$19.8 million, or \$1.16 per share
- Successfully renewed Sustainable Forestry Initiative® certification

## FINANCIAL HIGHLIGHTS

| <i>Years Ended December 31</i><br><i>(CAD thousands, except where indicated)</i> | <b>2023</b>      | <b>2022</b>      | <b>2021</b> |
|--|------------------|------------------|-------------|
| Sales volume (000s m <sup>3</sup> )  | <b>894.2</b>     | <b>917.8</b>     | 1,062.3     |
| Sales  | <b>\$ 93,477</b> | <b>\$ 90,473</b> | \$ 95,729   |
| Adjusted EBITDA <sup>1</sup>   | <b>\$ 20,586</b> | <b>\$ 18,194</b> | \$ 22,487   |
| Free Cash Flow <sup>1</sup>  | <b>\$ 14,999</b> | <b>\$ 12,151</b> | \$ 16,933   |
| Net income   | <b>\$ 29,434</b> | <b>\$ 35,507</b> | \$ 18,684   |

1. Adjusted EBITDA and Free Cash Flow are key performance measures in evaluating Acadian's operations and are important in enhancing investors' understanding of the Company's operating performance. Adjusted EBITDA is indicative of the underlying profitability of Acadian's operating segments and is used to evaluate operational performance. Free Cash Flow is used to evaluate Acadian's ability to generate sustainable cash flows from our operations. Acadian's management defines Adjusted EBITDA as net income before interest, income taxes, fair value adjustments, recovery of or impairment of land and roads and depreciation and amortization. "Free Cash Flow" is defined as Adjusted EBITDA less interest paid, current income tax expense, and capital expenditures plus net proceeds from the sale of timberlands and other fixed assets (proceeds less gains or losses). As these performance measures do not have standardized meanings prescribed by International Financial Reporting Standards, they may not be comparable to similar measures presented by other companies. Please refer to Management's Discussion and Analysis for further details.

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## LETTER TO SHAREHOLDERS

### Overview<sup>1</sup>

Acadian Timber Corp (“Acadian”, the “Company” or “we”) performed well and generated solid results for the year ended December 31, 2023 despite challenges resulting from labour shortages, unfavourable weather conditions, and inflationary pressures.

Demand and pricing for our products remained stable, reflecting the favourable attributes of Northeast regional log markets. Progress was made increasing contractor capacity in New Brunswick, but there is further work required to overcome this challenge in Maine.

### Financial Performance

Sales were \$93.5 million in 2023, compared to \$90.5 million in the prior year. Softwood lumber pricing has returned to more typical historical ranges, and demand for softwood sawlogs remained stable in the regions in which Acadian operates and pricing increased. Demand for softwood pulpwood continued with steady volumes and increased pricing over the prior year.

Weakness in hardwood lumber markets put downward pressure on hardwood sawlog prices, but demand for Acadian’s hardwood sawlogs remained stable. Decreased regional roundwood inventories early in the year led to increased volumes and pricing for hardwood pulpwood compared to the prior year.

Variable costs remain at elevated levels due to inflationary pressures on harvesting and hauling rates. However, Acadian experienced an increase of only 2% compared to 2022, due to the continued efforts of the management team in controlling these costs.

The Company’s Adjusted EBITDA<sup>2</sup> totaled \$20.6 million in 2023, compared to \$18.2 million during 2022. Adjusted EBITDA margin<sup>2</sup> was 22% compared to 20% in the prior year.

During the year, Acadian declared dividends to its shareholders of \$19.8 million, or \$1.16 per share, and generated Free Cash Flow<sup>2</sup> of \$15.0 million.

### Continued Commitment to Safety and the Environment

Acadian’s commitment to health and safety is our top priority as we believe that emphasizing and achieving a good safety record is a leading indicator of success in the broader business. We are pleased with our results for 2023,

which included only one recordable safety incident among employees and none among contractors.

Both the New Brunswick and Maine operations completed their annual surveillance audits under the 2022 Standard of the Sustainable Forest Initiative<sup>®</sup> with no non-conformances; a testament to the sustainability of our operations.

### Carbon Credit Project<sup>1</sup>

On June 8, 2023, 770,071 voluntary carbon credits were registered on the American Carbon Registry and made available for sale under the project name Anew – Katahdin Forestry Project and are recorded as inventory in our December 31, 2023 consolidated financial statements.

Our focus has now turned to the marketing and sale of these credits as well as the registration of future tranches. We completed our first sale in December 2023. While the volume sold was modest at 1,500 credits, the sale demonstrated solid pricing of \$24.85 U.S. per credit.

The total volume of credits expected to be generated from the project over the 10-year crediting period is 1.9 million credits. Actual credit issuances will be adjusted each reporting period based on actual harvesting, natural disturbances, and other factors, as well as periodic updating for inventory and verification activities.

This project has provided valuable experience to the Acadian management team and has formed the foundation for potential further carbon credit developments in the future.

### Subsequent Events<sup>1</sup>

#### *Solar Land Lease Agreement*

On February 6, 2024, Acadian executed an agreement for the option to lease approximately 10,000 acres of its Maine timberlands for the purpose of the development, construction, operation, and maintenance of a solar powered electric generating facility. The agreement includes inspection, development, construction, and commercial operations terms with escalating leasing fees. The incremental cash flows attributable to the inspection and development terms are modest. However, should the project reach the construction term, which is not expected to occur for several years, the incremental cash flows may become material to Acadian.

We are pleased to have entered into our first long-term agreement related to renewable energy. The agreement is appealing from a business perspective. It is also exciting to participate in a project that leverages our timberlands to produce cleaner and greener energy.

### Outlook<sup>1</sup>

While North American interest rates remain elevated and near-term pressure on end use markets persists, inflation has begun to show signs of easing. The consensus forecast for U.S. housing starts is approximately 1.37 million starts in 2024 as compared to 1.40 million in 2023. We remain confident that the stability of the northeastern forestry sector, combined with the long-term demand for new homes and repair and remodel activity, will support the demand for our products.

Although labour markets remain tight, we continued to experience increased contractor availability in New Brunswick as we closed out the year. Management will continue to focus on further increasing our harvesting capacity through 2024. In the short to medium term, inflation is expected to continue to impact our financial results through elevated contractor rates and fuel surcharges, offset by the pricing of primary forest products like sawlogs and pulpwood.

Demand for Acadian's sawlogs is mainly driven by regional supply and demand, meaning that the stable demand experienced during 2023 is expected to continue into 2024. Pricing for softwood sawtimber is expected to remain stable, but pricing for hardwood sawtimber may remain weak, reflecting weakness in hardwood lumber pricing. Demand and pricing for hardwood pulpwood is expected to be steady and softwood pulpwood markets are expected to remain at the improved levels experienced in 2023.

### Looking Ahead<sup>1</sup>

As we enter our busiest season, our priority will remain on actively working with our contractors and finding innovative solutions to meet the delivery demands of our customers.

Through 2024, we will remain focused on merchandizing our products to obtain the highest margins available and making improvements throughout the business to maximize cash flows from our existing timberland assets. We will continue to explore and advance other opportunities to grow, following a disciplined and prudent approach, to deliver long-term value to you, our shareholders.

At Acadian, we have the team, structure, and balance sheet to successfully weather challenging operating or market conditions as they arise, and our incredible timberlands provide a wealth of possibilities.

On behalf of the Board of Directors and management of Acadian, I would like to thank all our shareholders for their ongoing support.



**Adam Sheparsi**  
President and Chief Executive Officer  
February 7, 2024

- 1. This Letter to Shareholders contains forward-looking information within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Please refer to the section entitled "Cautionary Statement Regarding Forward-Looking Information and Statements" in Management's Discussion and Analysis for further details.*
- 2. Adjusted EBITDA, Adjusted EBITDA margin 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. Adjusted EBITDA and Adjusted EBITDA margin are indicative of the underlying profitability of Acadian's operating segments and are used to evaluate operational performance. Free Cash Flow is used to evaluate Acadian's ability to generate sustainable cash flows from our operations. Acadian's management defines Adjusted EBITDA as net income before interest, income taxes, fair value adjustments, recovery of or impairment of land and roads and depreciation and amortization, and "Adjusted EBITDA margin" as Adjusted EBITDA as a percentage of Acadian's sales. Reference is also made to "Free Cash Flow", which Acadian's management defines as Adjusted EBITDA less interest paid, current income tax expense, and capital expenditures plus net proceeds from the sale of timberlands and other fixed assets (proceeds less gains or losses).*





## MARKET OVERVIEW

### **Softwood Sawlogs – 44% of Freehold Sales**

Softwood sawlogs accounted for 44% of Acadian's freehold sales and 41% of freehold sales volume for the year ended December 31, 2023. Although softwood lumber pricing has returned to more typical historical ranges, demand for softwood sawlogs remained stable in the regions in which Acadian operates and pricing increased. Acadian's weighted average selling price per m<sup>3</sup> increased 6% during 2023 due to continued softwood sawlog demand.

### **Hardwood Sawlogs – 13% of Freehold Sales**

Hardwood sawlogs accounted for 13% of Acadian's freehold sales and 7% of freehold sales volume for the year ended December 31, 2023. Weakness in hardwood lumber markets put downward pressure on hardwood sawlog prices, however, demand for Acadian's hardwood sawlogs remained stable. Hardwood sawlog prices decreased 4% during 2023.

### **Hardwood and Softwood Pulpwood– 37% of Freehold Sales**

Hardwood and softwood pulpwood shipments accounted for 29% and 8%, respectively, of Acadian's freehold sales, and 29% and 12% of freehold sales volume, respectively, for the year ended December 31, 2023. Decreased regional roundwood inventories early in the year led to increased volumes and pricing increased 7%. Demand for softwood pulpwood remained stable and prices increased 15% compared to the prior year.

### **Biomass – 6% of Freehold Sales**

Biomass accounted for 6% of Acadian's freehold sales and 11% of sales volume for the year ended December 31, 2023. Volumes increased 18% with lower delivery costs from an improved customer mix resulting in a decrease in pricing of 5%.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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

February 7, 2024

## Introduction

Acadian Timber Corp. ("Acadian", the "Company" or "we") is one of the largest timberland owners in Eastern Canada and the Northeastern U.S. and has a total of approximately 2.4 million acres of land under management. Acadian owns and manages approximately 761,000 acres of freehold timberlands in New Brunswick ("New Brunswick Timberlands" or "NB Timberlands") and approximately 300,000 acres of freehold timberlands in Maine ("Maine Timberlands"), and provides timber services relating to approximately 1.3 million acres of Crown licensed timberlands in New Brunswick. Acadian's timber products include softwood and hardwood sawlogs, pulpwood, and biomass by-products, sold to approximately 90 regional customers. Acadian also develops carbon credits for sale in voluntary carbon credit markets.

Acadian's business strategy is to maximize cash flows from its existing timberland assets through sustainable forest management and other land use activities while growing its business by acquiring assets and actively managing these assets to drive improved performance.

## Basis of Presentation

This management's discussion and analysis ("MD&A") discusses the financial condition and results of operations of the Company for the three months ended December 31, 2023 (herein referred to as the "fourth quarter") and the fiscal year ended December 31, 2023, compared to the fourth quarter and fiscal year ended December 31, 2022. The MD&A is intended to provide an assessment of our performance and should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the fiscal year ended December 31, 2023.

Our consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and are expressed in Canadian dollars ("CAD") unless otherwise stated. This MD&A has been prepared based on information available as at February 7, 2024. Additional information, including the Company's Annual Information Form, is available on Acadian's website at [www.acadiantimber.com](http://www.acadiantimber.com) and on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## Non-IFRS Measures

Throughout this MD&A, reference is made to "Adjusted EBITDA", which Acadian's management defines as net income before interest, income taxes, fair value adjustments, recovery of or impairment of land and roads and depreciation and amortization, and to "Adjusted EBITDA margin", which is Adjusted EBITDA as a percentage of sales. Reference is also made to "Free Cash Flow", which Acadian's management defines as Adjusted EBITDA less interest paid, current income tax expense, and capital expenditures plus net proceeds from the sale of timberlands and other fixed assets (proceeds less gains or losses). Reference made to "Payout Ratio" is defined as dividends declared divided by Free Cash Flow and "Payout Ratio with DRIP" is defined as dividends paid in cash divided by Free Cash Flow. Management believes that Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow, and Payout Ratios are key performance measures in evaluating Acadian's operations and are important in enhancing investors' understanding of the Company's operational performance. Adjusted EBITDA and Adjusted EBITDA margin are indicative of the underlying profitability of Acadian's operating segments and are used to evaluate operational performance. Free Cash Flow is used to evaluate Acadian's ability to generate sustainable cash flows from our operations while Payout Ratios are used to evaluate Acadian's ability to fund its distribution using Free Cash Flow. We have provided reconciliations of net income as determined in accordance with IFRS, to Adjusted EBITDA and Free Cash Flow in the "Adjusted EBITDA and Free Cash Flow" section of this MD&A. Reference is also made to net liquidity which includes cash and funds available under credit facilities less amounts reserved to support the minimum cash balance related to long-term debt.

As these measures do not have a standardized meaning prescribed by IFRS, they may not be comparable to similar measures presented by other companies.

### **Internal Control over Financial Reporting**

Management, which includes the Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in the Canadian Securities Administrators National Instrument 52-109). Internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer and the Chief Financial Officer and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management assessed the design and operation of the Company's internal control over financial reporting as of December 31, 2023, based on the criteria set forth in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2023, Acadian's internal control over financial reporting is effective. Also, management determined that there were no material weaknesses in Acadian's internal control over financial reporting as of December 31, 2023.

### **Disclosure Controls**

Management, including the Chief Executive Officer and Chief Financial Officer, have evaluated the design and operation of our disclosure controls and procedures (as defined in the Canadian Securities Administrators National Instrument 52-109). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of December 31, 2023. No material weaknesses have been determined by management in Acadian's disclosure controls and procedures as of December 31, 2023.



# REVIEW OF ANNUAL OPERATIONS

## Summary of Results for the Years Ended December 31

The table below summarizes operating and financial data for Acadian:

| <i>Years Ended December 31</i><br><i>(CAD thousands, except per share data and where indicated)</i> | <b>2023</b>       | 2022       | 2021       |
|---|-------------------|------------|------------|
| Sales volume (000s m <sup>3</sup> )   | <b>894.2</b>      | 917.8      | 1,062.3    |
| Sales   | \$ <b>93,477</b>  | \$ 90,473  | \$ 95,729  |
| Operating income  | <b>19,566</b>     | 17,865     | 21,757     |
| Net income  | <b>29,434</b>     | 35,507     | 18,684     |
| Total assets  | <b>567,953</b>    | 547,836    | 516,642    |
| Total long-term debt  | <b>105,515</b>    | 107,937    | 100,888    |
| Adjusted EBITDA <sup>1</sup>  | \$ <b>20,586</b>  | \$ 18,194  | \$ 22,487  |
| Adjusted EBITDA margin <sup>1</sup>   | <b>22%</b>        | 20%        | 23%        |
| Free Cash Flow <sup>1</sup>   | \$ <b>14,999</b>  | \$ 12,151  | \$ 16,933  |
| Dividends declared  | <b>19,802</b>     | 19,468     | 19,357     |
| Dividends paid in cash  | <b>14,868</b>     | 16,002     | 19,357     |
| Payout Ratio <sup>1</sup>   | <b>132%</b>       | 160%       | 114%       |
| Payout Ratio with DRIP <sup>1</sup>   | <b>99%</b>        | 132%       | n/a        |
| Per share – basic and diluted   |                   |            |            |
| Net income  | \$ <b>1.72</b>    | \$ 2.11    | \$ 1.12    |
| Free Cash Flow <sup>1</sup>   | <b>0.88</b>       | 0.72       | 1.01       |
| Dividends declared  | <b>1.16</b>       | 1.16       | 1.16       |
| Book value  | <b>18.56</b>      | 17.99      | 17.47      |
| Common shares outstanding <sup>2</sup>  | <b>17,182,558</b> | 16,885,424 | 16,686,916 |
| Weighted average shares outstanding   | <b>17,123,919</b> | 16,791,973 | 16,686,916 |

1. *Non-IFRS Measure. See "Non-IFRS Measures" on page 6 of this report.*

2. *As at February 7, 2024 there were 17,254,798 common shares outstanding.*

Acadian generated sales of \$93.5 million, compared to \$90.5 million in the prior year as a result of increased pricing partially offset by decreased sales volumes. Demand for all products remained stable, however, sales volume, excluding biomass, decreased 5% as a result of challenging operating conditions in Maine, including continued limited contractor availability and unfavourable weather conditions.

Acadian's weighted average selling price, excluding biomass, increased 5%, benefiting from strong softwood sawlog and pulpwood prices, partially offset by decreased hardwood sawlog prices stemming from weakness in hardwood lumber pricing.

Operating costs and expenses were \$73.9 million during 2023, compared to \$72.6 million in the prior year, reflecting higher variable costs and increased investment in silviculture. Weighted average variable costs, excluding biomass, increased 2% over the prior year due to higher contractor rates partially offset by lower fuel prices.

Adjusted EBITDA for the year ended December 31, 2023 was \$20.6 million, compared to \$18.2 million in the prior year, as a result of higher operating income for the reasons discussed above, combined with higher gain on sale of timberlands from the sale of 21 acres of timberlands. Adjusted EBITDA margin was 22% compared to 20% in the prior year. Free Cash Flow was \$15.0 million compared to \$12.2 million in 2022 due to higher Adjusted EBITDA and lower current income tax expense.

Net income for the year ended December 31, 2023 totaled \$29.4 million, or \$1.72 per share, compared to net income of \$35.5 million, or \$2.11 per share, in 2022 with higher operating income offset by lower non-cash fair value adjustments in 2023 compared to 2022.

## Adjusted EBITDA and Free Cash Flow

The following table provides a reconciliation of net income, as determined in accordance with IFRS, to Adjusted EBITDA and Free Cash Flow during each respective period:

| <i>Years Ended December 31</i>                           |             |           |           |
|--|-------------|-----------|-----------|
| <i>(CAD thousands)</i>                                   |             |           |           |
|  | <b>2023</b> | 2022      | 2021      |
| Net income   | \$ 29,434   | \$ 35,507 | \$ 18,684 |
| Add / (deduct):  |             |           |           |
| Interest expense, net                                    | 3,153       | 3,098     | 2,978     |
| Income tax expense                                       | 10,611      | 13,627    | 7,769     |
| Depreciation and amortization                            | 363         | 273       | 261       |
| Fair value adjustments and other                         | (22,975)    | (34,311)  | (6,773)   |
| Unrealized exchange gain on long-term debt               | —           | —         | (432)     |
| Adjusted EBITDA <sup>1</sup>                             | \$ 20,586   | \$ 18,194 | \$ 22,487 |
| Add / (deduct):  |             |           |           |
| Interest paid on debt, net                               | (3,031)     | (2,976)   | (2,843)   |
| Additions to timber, land, roads, and other fixed assets | (619)       | (378)     | (333)     |
| Gain on sale of timberlands and other fixed assets       | (657)       | (56)      | (469)     |
| Proceeds from sale of timberlands and other assets       | 675         | 59        | 519       |
| Current income tax expense                               | (1,955)     | (2,692)   | (2,428)   |
| Free Cash Flow <sup>1</sup>                              | \$ 14,999   | \$ 12,151 | \$ 16,933 |
| Dividends declared                                       | 19,802      | 19,468    | 19,357    |
| Dividends paid in cash                                   | 14,868      | 16,002    | 19,357    |
| Payout Ratio <sup>1</sup>                                | 132%        | 160%      | 114%      |
| Payout Ratio with DRIP <sup>1</sup>                      | 99%         | 132%      | n/a       |

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 6 of this report.

## Dividend Policy of the Company

Acadian declares dividends from its available cash to the extent determined prudent by the Board of Directors. Dividends are paid on or about the 15th day following each dividend record date.

During the first quarter of 2022, Acadian implemented a dividend reinvestment plan ("DRIP") effective with eligible shareholders whereby Canadian resident shareholders may elect to automatically have their dividends reinvested in additional shares issued directly from the treasury of the Company.

Total dividends declared to shareholders during the year ended December 31, 2023 were \$19.8 million, or \$1.16 per share, compared to \$19.5 million and \$1.16 per share in 2022. The Payout Ratio of Acadian, which represents the amount of dividends declared as a percentage of the Free Cash Flow generated, was 132% for 2023, and the Payout Ratio with DRIP, which represents the amount of dividends paid in cash as a percentage of Free Cash Flow generated, was 99%.

Macer Forest Holdings Inc. ("Macer"), which owns approximately 47% (December 31, 2023 – 46%) of the outstanding common shares of Acadian, has to date participated in the DRIP for 50% of dividends payable to it. Macer intends to increase its participation to 100% of dividends payable to it beginning with the next dividend payable on April 15, 2024. The level of future participation is subject to change at any time.

During the year ended December 31, 2023, Acadian issued 297,134 common shares in accordance with the DRIP.

## Operating and Market Conditions

While unfavourable weather conditions impacted operations in Maine throughout the year, operating conditions were favourable in New Brunswick. Some contractor availability challenges persisted, further contributing to a reduction in sales volume, excluding biomass, of 5%, from 824,000 m<sup>3</sup> in 2022 to 783,000 m<sup>3</sup> in 2023. Market conditions remained favourable,

with Acadian benefiting from continued stable regional demand and pricing for its products.

Softwood and hardwood sawlog demand remained steady in the regions in which Acadian operates, despite challenging lumber markets. Pricing for softwood sawlogs increased 6% compared to the prior year while hardwood sawlog pricing decreased 4%. Demand for hardwood and softwood pulpwood was stable with increases in pricing of 15% and 7%, respectively. Overall, the weighted average selling price, excluding biomass, increased 5% over 2022. Solid demand for biomass was experienced during the year with volumes increasing 18% over 2022. Biomass pricing decreased 5% as compared to the prior year due to lower delivery costs from an improved customer mix.

### Segmented Results of Operations

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

| <i>Year Ended December 31, 2023</i>  |                  |                   |                   |                  |
|--------------------------------------|------------------|-------------------|-------------------|------------------|
| <i>(CAD thousands)</i>               | NB Timberlands   | Maine Timberlands | Corporate         | Consolidated     |
| Sales volumes (000s m <sup>3</sup> ) | <b>721.3</b>     | <b>172.9</b>      | —                 | <b>894.2</b>     |
| Sales                                | <b>\$ 77,099</b> | <b>\$ 16,378</b>  | \$ —              | <b>\$ 93,477</b> |
| Adjusted EBITDA <sup>1</sup>         | <b>\$ 20,315</b> | <b>\$ 1,960</b>   | <b>\$ (1,689)</b> | <b>\$ 20,586</b> |
| Adjusted EBITDA margin <sup>1</sup>  | <b>26%</b>       | <b>12%</b>        | n/a               | <b>22%</b>       |

| <i>Year Ended December 31, 2022</i>  |                |                   |            |              |
|--------------------------------------|----------------|-------------------|------------|--------------|
| <i>(CAD thousands)</i>               | NB Timberlands | Maine Timberlands | Corporate  | Consolidated |
| Sales volumes (000s m <sup>3</sup> ) | 697.3          | 220.5             | —          | 917.8        |
| Sales                                | \$ 70,029      | \$ 20,444         | \$ —       | \$ 90,473    |
| Adjusted EBITDA <sup>1</sup>         | \$ 15,693      | \$ 4,154          | \$ (1,653) | \$ 18,194    |
| Adjusted EBITDA margin <sup>1</sup>  | 22%            | 20%               | n/a        | 20%          |

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 6 of this report.

### New Brunswick Timberlands

New Brunswick Timberlands owns and manages approximately 761,000 acres of freehold timberlands and provides harvesting and management services relating to approximately 1.3 million acres of Crown licensed timberlands. All harvesting operations are performed by third-party contractors.

For the year ended December 31, 2023, there were no recordable safety incidents among contractors and one among employees. The individual made full a recovery and returned to work.

New Brunswick Timberlands successfully completed a surveillance audit under the 2022 Sustainable Forestry Initiative® Standard during the year with no non-conformances, which re-affirms our certificate and is a testament to the sustainability of our operations.

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

| <i>Year Ended December 31, 2023</i> |                                |                              |             |                  |
|-------------------------------------|--------------------------------|------------------------------|-------------|------------------|
| <i>(CAD thousands)</i>              | Harvest (000s m <sup>3</sup> ) | Sales (000s m <sup>3</sup> ) | Sales Mix   | Results          |
| Softwood                            | <b>375.8</b>                   | <b>374.1</b>                 | <b>52%</b>  | <b>\$ 27,675</b> |
| Hardwood                            | <b>244.5</b>                   | <b>249.2</b>                 | <b>35%</b>  | <b>23,977</b>    |
| Biomass                             | <b>25.9</b>                    | <b>98.0</b>                  | <b>13%</b>  | <b>3,948</b>     |
|                                     | <b>646.2</b>                   | <b>721.3</b>                 | <b>100%</b> | <b>55,600</b>    |
| Timber services and other sales     |                                |                              |             | <b>21,499</b>    |
| Sales                               |                                |                              |             | <b>\$ 77,099</b> |
| Adjusted EBITDA <sup>2</sup>        |                                |                              |             | <b>\$ 20,315</b> |
| Adjusted EBITDA margin <sup>2</sup> |                                |                              |             | <b>26%</b>       |

| <i>Year Ended December 31, 2022</i><br><i>(CAD thousands)</i> | Harvest (000s m <sup>3</sup> ) | Sales (000s m <sup>3</sup> ) | Sales Mix | Results   |
|---|--------------------------------|------------------------------|-----------|-----------|
| Softwood  | 373.9                          | 381.7                        | 55%       | \$ 25,951 |
| Hardwood  | 236.4                          | 230.5                        | 33%       | 21,060    |
| Biomass   | 85.1                           | 85.1                         | 12%       | 3,685     |
|   | 695.4                          | 697.3                        | 100%      | 50,696    |
| Timber services and other sales                               |                                |                              |           | 19,333    |
| Sales   |                                |                              |           | \$ 70,029 |
| Adjusted EBITDA <sup>1</sup>                                  |                                |                              |           | \$ 15,693 |
| Adjusted EBITDA margin <sup>1</sup>                           |                                |                              |           | 22%       |

1. *Non-IFRS Measure. See "Non-IFRS Measures" on page 6 of this report.*

Sales for New Brunswick Timberlands totaled \$77.1 million, compared to \$70.0 million in 2022 reflecting an increased weighted average selling price and increased timber services activity. Sales volume, excluding biomass, increased 2% primarily due to increased contractor availability. Biomass sales volume increased 15% due to more favourable market conditions.

The weighted average selling price, excluding biomass, for the year was \$82.87 per m<sup>3</sup>, 8% higher year-over-year, as a result of strong prices across all products, except hardwood sawlogs, driven by demand. Hardwood sawlog pricing decreased 3% due to a decline in hardwood lumber markets.

Operating costs and expenses were \$57.6 million during 2023, compared to \$54.5 million in the prior year due to higher contractor costs and higher land management costs. Weighted average variable costs, excluding biomass, increased 1% compared to the prior year due to higher contractor rates offset by lower fuel prices.

Adjusted EBITDA for the year ended December 31, 2023 was \$20.3 million, compared to \$15.7 million in the prior year, while Adjusted EBITDA margin was 26% compared to 22% during the prior year, as a result of higher operating income and gain on sale of timberlands.

### **Maine Timberlands**

Maine Timberlands owns and manages approximately 300,000 acres of freehold timberlands. All harvesting operations are performed by third-party contractors.

For the year ended December 31, 2023, there were no recordable safety incidents among contractors or employees.

Our Maine operations successfully completed a surveillance audit under the 2022 Sustainable Forestry Initiative® Standard during the year with no non-conformances.

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

| <i>Year Ended December 31, 2023</i><br><i>(CAD thousands)</i> | Harvest (000s m <sup>3</sup> ) | Sales (000s m <sup>3</sup> ) | Sales Mix   | Results          |
|---|--------------------------------|------------------------------|-------------|------------------|
| Softwood  | <b>93.2</b>                    | <b>92.1</b>                  | <b>53%</b>  | \$ <b>9,177</b>  |
| Hardwood  | <b>65.7</b>                    | <b>67.9</b>                  | <b>39%</b>  | <b>6,063</b>     |
| Biomass   | <b>12.9</b>                    | <b>12.9</b>                  | <b>8%</b>   | <b>212</b>       |
|   | <b>171.8</b>                   | <b>172.9</b>                 | <b>100%</b> | <b>15,452</b>    |
| Other sales   |                                |                              |             | <b>926</b>       |
| Sales   |                                |                              |             | \$ <b>16,378</b> |
| Adjusted EBITDA <sup>1</sup>                                  |                                |                              |             | \$ <b>1,960</b>  |
| Adjusted EBITDA margin <sup>1</sup>                           |                                |                              |             | <b>12%</b>       |

| <i>Year Ended December 31, 2022</i> |                                |                              |           |           |
|-------------------------------------|--------------------------------|------------------------------|-----------|-----------|
| <i>(CAD thousands)</i>              | Harvest (000s m <sup>3</sup> ) | Sales (000s m <sup>3</sup> ) | Sales Mix | Results   |
| Softwood                            | 151.0                          | 150.8                        | 68%       | \$ 13,921 |
| Hardwood                            | 59.9                           | 60.9                         | 28%       | 5,802     |
| Biomass                             | 8.8                            | 8.8                          | 4%        | 22        |
|                                     | 219.7                          | 220.5                        | 100%      | 19,745    |
| Other sales                         |                                |                              |           | 699       |
| Sales                               |                                |                              |           | \$ 20,444 |
| Adjusted EBITDA <sup>1</sup>        |                                |                              |           | \$ 4,154  |
| Adjusted EBITDA margin <sup>1</sup> |                                |                              |           | 20%       |

1. *Non-IFRS Measure. See "Non-IFRS Measures" on page 6 of this report.*

Sales for Maine Timberlands were \$16.4 million compared to \$20.4 million in 2022. Sales volume, excluding biomass, decreased 24% due primarily to contractor availability and unfavourable weather conditions in the first and third quarters, both of which limited harvesting and hauling activities. The extended shutdown of a major softwood pulpwood customer further reduced sales volumes.

The weighted average selling price, excluding biomass, in Canadian dollar terms was \$95.23 per m<sup>3</sup>, compared to \$93.18 per m<sup>3</sup> in 2022. In U.S dollar terms, the weighted average selling price, excluding biomass, was \$70.51 per m<sup>3</sup>, compared to \$71.82 per m<sup>3</sup> in 2022 with lower prices across all products except for softwood pulpwood. Softwood pulpwood pricing increased 7% due to market conditions, however, volumes were comparatively low.

Operating costs and expenses for 2023 were \$14.6 million, compared to \$16.4 million in 2022 due to lower harvesting activity. Weighted average variable costs, excluding biomass, increased 8% primarily as a result of higher contractor rates, partially offset by lower fuel costs.

Adjusted EBITDA for the year ended December 31, 2023 was \$2.0 million compared to \$4.2 million in the prior year and Adjusted EBITDA margin was 12% compared to 20% during the prior year as a result of lower operating income for the reasons discussed above.

## ANALYSIS OF FOURTH QUARTER RESULTS

### Summary of Fourth Quarter Results

The table below summarizes operating and financial data for Acadian:

| <i>Three Months Ended December 31<br/>(CAD thousands, except where indicated)</i> | <b>2023</b>      | 2022      | 2021      |
|---|------------------|-----------|-----------|
| <b>Total</b>  |                  |           |           |
| Sales volume (000s m <sup>3</sup> )   | <b>231.9</b>     | 230.5     | 290.1     |
| Sales   | <b>\$ 23,815</b> | \$ 23,755 | \$ 25,946 |
| Operating income  | <b>4,312</b>     | 3,937     | 6,166     |
| Net income  | <b>11,593</b>    | 22,002    | 6,541     |
| Adjusted EBITDA <sup>1</sup>  | <b>4,418</b>     | 4,058     | 6,315     |
| Adjusted EBITDA margin <sup>1</sup>   | <b>19%</b>       | 17%       | 24%       |
| Free Cash Flow <sup>1</sup>   | <b>\$ 2,811</b>  | \$ 2,000  | \$ 5,149  |
| Dividends declared  | <b>4,983</b>     | 4,897     | 4,839     |
| Dividends paid in cash  | <b>3,702</b>     | 3,721     | 4,839     |
| Payout Ratio <sup>1</sup>   | <b>177%</b>      | 245%      | 94%       |
| Payout Ratio with DRIP <sup>1</sup>   | <b>132%</b>      | 186%      | n/a       |

1. *Non-IFRS Measure. See "Non-IFRS Measures" on page 6 of this report*

During the fourth quarter, Acadian generated sales of \$23.8 million, consistent with the prior year period. Sales volume, excluding biomass, increased 4% over the prior year. New Brunswick experienced improved contractor availability and increased volumes, however, contractor availability remained a significant challenge in Maine and resulted in decreased volumes.

The weighted average selling price, excluding biomass, decreased 3% year-over-year mainly due to decreased softwood sawlog prices in Maine and decreased hardwood sawlog prices in both regions caused by weak hardwood lumber markets. Biomass pricing increased 4% over the prior year, but sales volume decreased 17% due to limited processing capacity combined with fiber availability as biomass represents a by-product of our harvesting operations.

Operating costs and expenses were \$19.5 million during the fourth quarter, compared to \$19.8 million during the fourth quarter of 2022 as a result of lower weighted average variable costs. Weighted average variable costs, excluding biomass, decreased 3% due to lower hauling and fuel costs, partially offset by higher contractor rates, compared to the prior year period.

Adjusted EBITDA was \$4.4 million during the fourth quarter, compared to \$4.1 million in the prior year period and Adjusted EBITDA margin for the quarter was 19% compared to 17% in the prior year period as a result of lower variable costs. Free Cash Flow was \$2.9 million compared to \$2.0 million in the same period of 2022 due to lower current income tax expense.

Net income for the fourth quarter totaled \$11.6 million, or \$0.68 per share, compared to \$22.0 million, or \$1.30 per share in the same period of 2022. The decrease in net income was largely due to the impact of lower gains on non-cash fair value adjustments in 2023 compared to 2022.



The following tables provide a reconciliation of net income, in accordance with IFRS, to Adjusted EBITDA and Free Cash Flow during each respective period:

| <i>Three Months Ended December 31</i>                    |             |           |          |
|--|-------------|-----------|----------|
| <i>(CAD thousands, except where indicated)</i>           |             |           |          |
|  | <b>2023</b> | 2022      | 2021     |
| Net income   | \$ 11,593   | \$ 22,002 | \$ 6,541 |
| Add / (deduct):  |             |           |          |
| Interest expense, net                                    | 778         | 803       | 748      |
| Income tax expense                                       | 4,795       | 8,300     | 3,155    |
| Depreciation and amortization                            | 101         | 79        | 69       |
| Fair value adjustments and other                         | (12,849)    | (27,126)  | (4,182)  |
| Unrealized exchange gain on long-term debt               | —           | —         | (16)     |
| Adjusted EBITDA <sup>1</sup>                             | \$ 4,418    | \$ 4,058  | \$ 6,315 |
| Add / (deduct):  |             |           |          |
| Interest paid on debt, net                               | (793)       | (772)     | (718)    |
| Additions to timber, land, roads, and other fixed assets | (69)        | (127)     | (28)     |
| Gain on sale of timberlands and other fixed assets       | (5)         | (42)      | (80)     |
| Proceeds from sale of timberlands and other fixed assets | 5           | 45        | 105      |
| Current income tax expense                               | (745)       | (1,162)   | (445)    |
| Free Cash Flow <sup>1</sup>                              | \$ 2,811    | \$ 2,000  | \$ 5,149 |
| Dividends declared                                       | 4,983       | 4,897     | 4,839    |
| Dividends paid in cash                                   | 3,702       | 3,721     | 4,839    |
| Payout Ratio <sup>1</sup>                                | 177%        | 245%      | 94%      |
| Payout Ratio with DRIP <sup>1</sup>                      | 132%        | 186%      | n/a      |

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 6 of this report.

### Segmented Results of Operations

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

| <i>Three Months Ended December 31, 2023</i> |                |                   |           |              |
|---|----------------|-------------------|-----------|--------------|
| <i>(CAD thousands)</i>                      | NB Timberlands | Maine Timberlands | Corporate | Consolidated |
| Sales volumes (000s m <sup>3</sup> )        | 183.7          | 48.2              | —         | 231.9        |
| Sales                                       | \$ 19,788      | \$ 4,027          | \$ —      | \$ 23,815    |
| Adjusted EBITDA <sup>1</sup>                | \$ 4,942       | \$ (124)          | \$ (400)  | \$ 4,418     |
| Adjusted EBITDA margin <sup>1</sup>         | 25%            | (3%)              | n/a       | 19%          |

| <i>Three Months Ended December 31, 2022</i> |                |                   |           |              |
|---|----------------|-------------------|-----------|--------------|
| <i>(CAD thousands)</i>                      | NB Timberlands | Maine Timberlands | Corporate | Consolidated |
| Sales volumes (000s m <sup>3</sup> )        | 178.9          | 51.6              | —         | 230.5        |
| Sales                                       | \$ 18,559      | \$ 5,196          | \$ —      | \$ 23,755    |
| Adjusted EBITDA <sup>1</sup>                | \$ 3,738       | \$ 804            | \$ (484)  | \$ 4,058     |
| Adjusted EBITDA margin <sup>1</sup>         | 20%            | 15%               | n/a       | 17%          |

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 6 of this report.

### **New Brunswick Timberlands**

During the fourth quarter, Acadian's New Brunswick operations experienced no recordable safety incidents among contractors and no recordable incidents among employees.

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

| <i>Three Months Ended December 31, 2023</i> |                                |                              |             |                  |
|---|--------------------------------|------------------------------|-------------|------------------|
| <i>(CAD thousands)</i>                      | Harvest (000s m <sup>3</sup> ) | Sales (000s m <sup>3</sup> ) | Sales Mix   | Results          |
| Softwood                                    | <b>97.0</b>                    | <b>98.9</b>                  | <b>54%</b>  | <b>\$ 7,490</b>  |
| Hardwood                                    | <b>67.2</b>                    | <b>61.3</b>                  | <b>33%</b>  | <b>5,884</b>     |
| Biomass                                     | <b>0.1</b>                     | <b>23.5</b>                  | <b>13%</b>  | <b>982</b>       |
|   | <b>164.3</b>                   | <b>183.7</b>                 | <b>100%</b> | <b>14,356</b>    |
| Timber services and other sales             |                                |                              |             | <b>5,432</b>     |
| Sales                                       |                                |                              |             | <b>\$ 19,788</b> |
| Adjusted EBITDA <sup>1</sup>                |                                |                              |             | <b>\$ 4,942</b>  |
| Adjusted EBITDA margin <sup>1</sup>         |                                |                              |             | <b>25%</b>       |

| <i>Three Months Ended December 31, 2022</i> |                                |                              |           |           |
|---|--------------------------------|------------------------------|-----------|-----------|
| <i>(CAD thousands)</i>                      | Harvest (000s m <sup>3</sup> ) | Sales (000s m <sup>3</sup> ) | Sales Mix | Results   |
| Softwood                                    | 93.8                           | 94.5                         | 53%       | \$ 6,523  |
| Hardwood                                    | 60.8                           | 51.8                         | 29%       | 5,334     |
| Biomass                                     | 32.6                           | 32.6                         | 18%       | 1,313     |
|   | 187.2                          | 178.9                        | 100%      | 13,170    |
| Timber services and other sales             |                                |                              |           | 5,389     |
| Sales                                       |                                |                              |           | \$ 18,559 |
| Adjusted EBITDA <sup>1</sup>                |                                |                              |           | \$ 3,738  |
| Adjusted EBITDA margin <sup>1</sup>         |                                |                              |           | 20%       |

1. *Non-IFRS Measure. See "Non-IFRS Measures" on page 6 of this report.*

Sales for New Brunswick Timberlands were \$19.8 million compared to \$18.6 million during the prior year period. Sales volume, excluding biomass, increased 10%, primarily attributable to increased pulpwood volumes resulting from increased market demand and contractor availability. Biomass sales volume decreased 28% over the prior year quarter due to limited processing capacity combined with fiber availability as biomass represents a by-product of our harvesting operations.

The weighted average selling price, excluding biomass, for the fourth quarter was \$83.50 per m<sup>3</sup>, or 3% higher than the prior year period, as a result of strong pricing across all products, except hardwood sawlogs, which decreased 13% as compared to the prior year period due to weakness in hardwood lumber markets.

Operating costs and expenses were \$14.9 million during the fourth quarter, consistent with the prior year period, with increased volumes offset by lower variable costs. Weighted average variable costs, excluding biomass, decreased 5% reflecting lower hauling and fuel costs, partially offset by higher contractor rates, compared to the prior year period.

Adjusted EBITDA for the quarter was \$4.9 million compared to \$3.8 million during the prior year period and Adjusted EBITDA margin was 25% compared to 20% as a result of higher operating income for the reasons discussed above.

### Maine Timberlands

There were no recordable safety incidents among contractors during the fourth quarter and none among employees.

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

| <i>Three Months Ended December 31, 2023</i> |                                |                              |             |                 |
|---|--------------------------------|------------------------------|-------------|-----------------|
| <i>(CAD thousands)</i>                      | Harvest (000s m <sup>3</sup> ) | Sales (000s m <sup>3</sup> ) | Sales Mix   | Results         |
| Softwood                                    | <b>15.3</b>                    | <b>19.3</b>                  | <b>40%</b>  | <b>\$ 1,690</b> |
| Hardwood                                    | <b>23.4</b>                    | <b>22.5</b>                  | <b>47%</b>  | <b>1,914</b>    |
| Biomass                                     | <b>6.4</b>                     | <b>6.4</b>                   | <b>13%</b>  | <b>152</b>      |
|   | <b>45.1</b>                    | <b>48.2</b>                  | <b>100%</b> | <b>3,756</b>    |
| Other sales                                 |                                |                              |             | <b>271</b>      |
| Sales                                       |                                |                              |             | <b>\$ 4,027</b> |
| Adjusted EBITDA <sup>1</sup>                |                                |                              |             | <b>\$ (124)</b> |
| Adjusted EBITDA margin <sup>1</sup>         |                                |                              |             | <b>(3%)</b>     |

| <i>Three Months Ended December 31, 2022</i> |                                |                              |           |          |
|---|--------------------------------|------------------------------|-----------|----------|
| <i>(CAD thousands)</i>                      | Harvest (000s m <sup>3</sup> ) | Sales (000s m <sup>3</sup> ) | Sales Mix | Results  |
| Softwood                                    | 29.8                           | 29.6                         | 57%       | \$ 3,144 |
| Hardwood                                    | 20.3                           | 18.4                         | 36%       | 1,859    |
| Biomass                                     | 3.6                            | 3.6                          | 7%        | 9        |
|   | 53.7                           | 51.6                         | 100%      | 5,012    |
| Other sales                                 |                                |                              |           | 184      |
| Sales                                       |                                |                              |           | \$ 5,196 |
| Adjusted EBITDA <sup>1</sup>                |                                |                              |           | \$ 804   |
| Adjusted EBITDA margin <sup>1</sup>         |                                |                              |           | 15%      |

1. *Non-IFRS Measure. See "Non-IFRS Measures" on page 6 of this report.*

Sales for Maine Timberlands during the fourth quarter totaled \$4.0 million compared to \$5.2 million in the prior year period. Sales volume, excluding biomass, decreased by 13% compared to the same period of 2022, primarily due to contractor availability which limited harvesting and hauling activities.

The weighted average selling price, excluding biomass, in Canadian dollar terms was \$86.09 per m<sup>3</sup>, or 18% lower than the same period of 2022. In U.S dollar terms, the weighted average selling price, excluding biomass, was \$63.32 per m<sup>3</sup>, compared to \$76.83 per m<sup>3</sup> in 2022 with lower prices across all products due to unfavourable market dynamics.

Operating costs and expenses for the fourth quarter were \$4.2 million, compared to \$4.5 million during the same period in 2022 as a result of lower harvesting activity offset by higher variable costs. Weighted average variable costs, excluding biomass, increased 5% primarily as a result of higher contractor rates and longer hauling distances, partially offset by lower fuel costs.

Adjusted EBITDA for the quarter was \$(0.1) million compared to \$0.8 million during the prior year period and Adjusted EBITDA margin was (3%) compared to 15% in the prior year period.

## **Carbon Credit Project<sup>1</sup>**

On June 8, 2023, 770,071 voluntary carbon credits were registered on the American Carbon Registry and made available for sale under the project name Anew – Katahdin Forestry Project and are recorded as inventory in our December 31, 2023 consolidated financial statements. These carbon credits are associated with our first carbon credit development project on the portion of our Maine Timberlands that is subject to a working forest conservation easement.

Our focus has now turned to the marketing and sale of these credits as well as the registration of future tranches. The first sale was completed in December 2023. While the volume sold was modest at 1,500 credits, the sale demonstrated solid pricing of \$24.85 U.S. per credit.

The total volume of credits expected to be generated from the project over the 10-year crediting period is 1.9 million credits. Actual credit issuances will be adjusted each reporting period based on actual harvesting, natural disturbances, and other factors, as well as periodic updating for inventory and verification activities.

The impact to Acadian's financial results is subject to the successful marketing of the credits and to the timing of, and prices obtained from, contracts negotiated with third parties, which are not yet in place.

## **SUBSEQUENT EVENTS**

### ***Solar Land Lease Agreement<sup>1</sup>***

On February 6, 2024, Acadian executed an agreement for the option to lease approximately 10,000 acres of its Maine timberlands for the purpose of the development, construction, operation, and maintenance of a solar powered electric generating facility.

The agreement includes inspection, development, construction, and commercial operations terms with escalating leasing fees. The future impact to Acadian's financial results will be dependent upon the successful completion of each of the above-noted terms, none of which are certain. The incremental cash flows attributable to the inspection and development terms are modest. However, should the project reach the construction term, which is not expected to occur for several years, the incremental cash flows may become material to Acadian.

At any time during the inspection term or the development term, the tenant has the right to terminate the agreement. The agreement also contains provisions whereby Acadian may terminate if all permits and approvals necessary to construct the facility are not obtained prior to the end of the development period.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Liquidity**

Acadian's principal sources of liquidity include cash earned from operations and existing revolving credit facilities. These sources, combined with existing cash, are expected to allow the Company to meet its short-term and long-term 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, third and fourth quarters 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. Acadian assesses the nature and timing of discretionary payments in an effort to mitigate any impact on the financial

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<sup>1</sup> *The following contains forward-looking information about Acadian Timber Corp.'s outlook for 2024 and beyond. For a description of material factors that could cause actual results to differ materially from the forward-looking information in the following, reference should be made to the section entitled "Cautionary Statement Regarding Forward-Looking Information and Statements".*

condition or results of operations of Acadian. The Company's implementation of a DRIP reduces the cash requirements of dividend distributions.

Management will assess financing alternatives, which may include the issuance of additional shares and debt, when funding requirements such as potential acquisitions and debt maturities present themselves.

Acadian had net liquidity of \$14.8 million as at December 31, 2023, including funds available under the revolving facilities.

## **Capital Resources**

### ***Borrowings***

Acadian has term credit facilities with MetLife Insurance Company with maturity dates ranging from March 6, 2025 to March 6, 2030. These credit facilities include a revolving credit facility of up to U.S. \$10.0 million (the "Revolving Facility") for general corporate purposes and term credit facilities of U.S. \$80.0 million (the "Term Facilities"). The Term Facilities bear interest at rates ranging from 2.7% to 3.0%. Effective April 1, 2023 the Revolving Facility bears interest at floating rates based on the Secured Overnight Financing Rate plus applicable margin, as a result of the decommissioning of LIBOR. Floating interest rates give rise to interest rate risk as income and cash flows may be negatively impacted by fluctuations in interest rates. As at December 31, 2023, Acadian had borrowings of U.S. \$80.0 million under the Term Facilities (December 31, 2022 – U.S. \$80 million) and the Revolving Facility was undrawn.

As security for these facilities, Acadian has granted the lenders a security interest over all of its assets. The facilities are subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness, granting liens or selling assets without the consent of the lenders. The credit facilities are also subject to the maintenance of a maximum loan-to-value ratio and Acadian is in compliance as of December 31, 2023. In addition, U.S. \$1.7 million of the Revolving Facility is reserved to support the minimum cash balance requirement of the Term Facilities.

Acadian has a \$2.0 million Canadian dollar denominated revolving credit facility with a major Canadian bank for general corporate purposes. This facility bears interest at floating rates based on bank prime rates plus applicable margin and is due on demand. As at December 31, 2023 the facility was undrawn.

### ***Outstanding Shares***

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 Company's Board of Directors and are entitled to one vote per share on all matters to be voted on by shareholders at each meeting of shareholders.

As at December 31, 2023 and February 7, 2024, Acadian had 17,182,558 and 17,254,798 common shares outstanding, respectively, and the weighted average common shares outstanding during the year was 17,123,919.

As at December 31, 2023 and February 7, 2024, Macer owned 7,982,801 and 8,049,182 shares, respectively, approximately 46% and 47%, respectively, of the outstanding common shares of Acadian.

Acadian has in place a DRIP as discussed within the section Dividend Policy of the Company of this MD&A. Shares issued under the DRIP are issued directly from the treasury of the Company.

### ***Normal Course Issuer Bid ("NCIB")***

On February 8, 2023, the Company filed a notice of intention with the Toronto Stock Exchange ("TSX") to purchase for cancellation up to 847,944 common shares during the period commencing February 14, 2023 and ending February 13, 2024, representing 5% of the 16,958,881 common shares outstanding as of January 31, 2023.

During the three months and twelve months ended December 31, 2023, the Company did not purchase any of its common shares.

On February 7, 2024, the Company renewed its Normal Course Issuer Bid by filing a notice of intention with the TSX to purchase for cancellation up to 862,739 common shares representing 5% of the 17,254,798 common shares outstanding as of January 31, 2024, subject to regulatory approval. The purchases will be made through the facilities of the TSX and/or any alternative Canadian trading systems to the extent they are eligible. The price that the Company will pay for any such shares

will be the market price at the time of acquisition. The Company believes that repurchasing shares at the prevailing market prices from time to time is a worthwhile use of funds and in the best interests of the Company and its shareholders. Purchases may commence on February 14, 2024 and shall terminate not later than February 13, 2025. Based on average daily trading volume (“ADTV”) of 5,524 over the last six months, daily purchases will be limited to 1,381 common shares (25% of the ADTV of the common shares), other than block purchase exemptions.

## OUTLOOK

*The following contains forward-looking information about Acadian Timber Corp.’s outlook for 2024. Reference should be made to the section entitled “Cautionary Statement Regarding Forward-Looking Information and Statements” for further details. 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 in this document and in our Annual Information Form available on our website at [www.acadiantimber.com](http://www.acadiantimber.com) or [www.sedarplus.ca](http://www.sedarplus.ca).*

While North American interest rates remain elevated and near-term pressure on end use markets persists, inflation has begun to show signs of easing. The consensus forecast for U.S. housing starts is approximately 1.37 million starts in 2024 as compared to 1.40 million in 2023. We remain confident that the stability of the northeastern forestry sector, combined with the long-term demand for new homes and repair and remodel activity, will support the demand for our products.

Although labour markets remain tight, we continued to experience increased contractor availability in New Brunswick as we closed out the year. Management will continue to focus on further increasing our harvesting capacity through 2024. In the short to medium term, inflation is expected to continue to impact our financial results through elevated contractor rates and fuel surcharges, offset by the pricing of primary forest products like sawlogs and pulpwood.

Demand for Acadian’s sawlogs is mainly driven by regional supply and demand, meaning that the stable demand experienced during 2023 is expected to continue into 2024. Pricing for softwood sawtimber is expected to remain stable, but pricing for hardwood sawtimber may remain weak, reflecting weakness in hardwood lumber pricing. Demand for hardwood pulpwood is expected to be steady and softwood pulpwood markets are expected to remain at the improved levels experienced in 2023.

## 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 tables below set forth selected consolidated quarterly information for the last eight quarters. See “Additional Quarterly Information” section for the segmented quarterly results.

| <i>(CAD thousands, except per share data and where indicated)</i> | 2023             |           |           |           | 2022      |           |           |           |
|---|------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|   | Q4               | Q3        | Q2        | Q1        | Q4        | Q3        | Q2        | Q1        |
| Sales volume (000s m <sup>3</sup> )                               | <b>231.9</b>     | 272.9     | 184.2     | 205.2     | 230.5     | 229.4     | 156.7     | 301.2     |
| Sales   | <b>\$ 23,815</b> | \$ 26,593 | \$ 20,707 | \$ 22,362 | \$ 23,755 | \$ 23,594 | \$ 16,493 | \$ 26,631 |
| Adjusted EBITDA <sup>1</sup>                                      | <b>4,418</b>     | 4,916     | 5,651     | 5,601     | 4,058     | 4,480     | 2,747     | 6,909     |
| Free Cash Flow <sup>1</sup>                                       | <b>2,811</b>     | 4,312     | 4,108     | 3,723     | 2,000     | 3,260     | 1,877     | 5,014     |
| Net income  | <b>11,593</b>    | 6,408     | 5,813     | 5,621     | 22,002    | 4,831     | 4,516     | 4,158     |
| Per share – basic and diluted                                     | <b>\$ 0.68</b>   | \$ 0.37   | \$ 0.34   | \$ 0.33   | \$ 1.30   | \$ 0.29   | \$ 0.27   | \$ 0.25   |

1. Non-IFRS Measure. See “Non-IFRS Measures” on page 6 of this report.

Results are impacted by seasonality. Harvest activity is highest during the winter months, when the ground is frozen, providing a solid base for the harvesting and hauling equipment. There is a significant decrease in activity during the spring when the ground thaws. Harvesting activity resumes in the early summer when the ground dries and continues through the fall.



Net income can be significantly impacted by non-cash items such as fluctuations in foreign exchange and the fair value adjustment of the Company's timberlands, which are revalued at each reporting period. During the fourth quarter of 2022, Acadian recorded a fair value adjustment gain on timberlands which increased net income by \$18.8 million.

The following table provides a reconciliation of net income, as determined in accordance with IFRS, to Adjusted EBITDA and Free Cash Flow during each respective period included in the Selected Consolidated Quarterly Information above:

| (CAD thousands)   | 2023      |          |          |          | 2022      |          |          |          |
|---|-----------|----------|----------|----------|-----------|----------|----------|----------|
|   | Q4        | Q3       | Q2       | Q1       | Q4        | Q3       | Q2       | Q1       |
| Net income  | \$ 11,593 | \$ 6,408 | \$ 5,813 | \$ 5,621 | \$ 22,002 | \$ 4,831 | \$ 4,516 | \$ 4,158 |
| Add / (deduct):   |           |          |          |          |           |          |          |          |
| Interest expense, net                                   | 778       | 795      | 771      | 809      | 803       | 795      | 763      | 737      |
| Income tax expense                                      | 4,795     | 1,200    | 2,334    | 2,281    | 8,300     | 1,807    | 1,835    | 1,685    |
| Depreciation and amortization                           | 101       | 106      | 83       | 73       | 79        | 74       | 63       | 57       |
| Fair value adjustments and other                        | (12,849)  | (3,593)  | (3,350)  | (3,183)  | (27,126)  | (3,027)  | (4,430)  | 272      |
| Adjusted EBITDA <sup>1</sup>                            | \$ 4,418  | \$ 4,916 | \$ 5,651 | \$ 5,601 | \$ 4,058  | \$ 4,480 | \$ 2,747 | \$ 6,909 |
| Add / (deduct):   |           |          |          |          |           |          |          |          |
| Interest paid on debt, net                              | (793)     | (764)    | (740)    | (779)    | (772)     | (765)    | (731)    | (708)    |
| Additions to timber, land, roads and other fixed assets | (69)      | (373)    | (146)    | (31)     | (127)     | (148)    | (39)     | (64)     |
| Gain on sale of timberlands and other fixed assets      | (5)       | (77)     | (351)    | (224)    | (42)      | —        | —        | (14)     |
| Proceeds from sale of timberlands and other assets      | 5         | 80       | 360      | 230      | 45        | —        | —        | 14       |
| Current income tax recovery (expense)                   | (745)     | 530      | (666)    | (1,074)  | (1,162)   | (307)    | (100)    | (1,123)  |
| Free Cash Flow <sup>1</sup>                             | \$ 2,811  | \$ 4,312 | \$ 4,108 | \$ 3,723 | \$ 2,000  | \$ 3,260 | \$ 1,877 | \$ 5,014 |

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 6 of this report.

### Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reported period. The critical estimates and judgements applied in preparing Acadian's consolidated financial statements affect the assessment of net recoverable amounts, net realizable values and fair values, determination of functional currency and the selection of accounting policies.

The critical estimates and judgements made in the preparation of Acadian's consolidated financial statements include, among other things, future prices and margins, future sales volumes, future harvest rates and sustainable yields, and discount rates utilized in the valuation of Acadian's timber, roads and land as discussed in Notes 4 and 5 to the consolidated financial statements. In making estimates and judgements, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgements have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making these estimates and judgements in these consolidated financial statements. Actual results could differ from those estimates. For further reference on critical accounting policies, see the material accounting policies contained in Note 2 to the consolidated financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### Related Party Transactions

There were no related party transactions during the year ended December 31, 2023 other than shares issued to Macer in accordance with the DRIP, as described within the section Dividend Policy of the Company of this MD&A.

### Contractual Obligations

The Company has two significant contractual obligations, being the Fibre Supply Agreement and the Crown Lands Services Agreement.

The Fibre Supply Agreement (“FSA”) between the Company and Twin Rivers Paper Company (“Twin Rivers”) was transferred to Groupe Lebel during the first quarter of 2023 as part of the sale of the lumber mill in Plaster Rock, New Brunswick from Twin Rivers to Groupe Lebel. The agreement expires in 2026, subject to a five-year extension at the option of Groupe Lebel.

The provision of timber services under the Crown Lands Services Agreement (“CLSA”) at the direction of Twin Rivers has a term equal to the term of the Crown License, including any renewal terms. See additional disclosure under the heading “Risks Related to the Business and Industry – Significant Contracts”.

The table below summarizes the Company’s long term debt obligations as at December 31, 2023:

| <i>(CAD thousands)</i>                 | Total      | Payments Due by Period       |                             |                             |                          |
|--|------------|------------------------------|-----------------------------|-----------------------------|--------------------------|
|  |            | Less Than One<br>Year (2024) | 1 to 3 Years<br>(2025-2027) | 4 to 5 Years<br>(2028-2029) | After 5 Years<br>(>2029) |
| <b>Term facilities</b>                 |            |                              |                             |                             |                          |
| Tranche due March 6, 2025 <sup>1</sup> | \$ 19,508  | —                            | \$ 19,508                   | —                           | —                        |
| Tranche due March 6, 2025 <sup>1</sup> | 22,815     | —                            | 22,815                      | —                           | —                        |
| Tranche due March 6, 2027 <sup>1</sup> | 42,323     | —                            | —                           | 42,323                      | —                        |
| Tranche due March 6, 2030 <sup>1</sup> | 21,162     | —                            | —                           | —                           | 21,162                   |
|  | \$ 105,808 | \$ —                         | \$ 42,323                   | \$ 42,323                   | \$ 21,162                |
| <b>Interest payments</b>               | \$ 9,011   | \$ 2,977                     | \$ 4,672                    | \$ 1,257                    | \$ 105                   |

1. Represents principal of the U.S. dollar denominated term facilities with a U.S. to Canadian dollar conversion rate of 1.323 and excludes unamortized deferred financing costs.

## RISK FACTORS

*The following information is a summary of certain risk factors and the potential impact these factors could have on the business, assets, financial condition, results of operations, cash flows, and liquidity of Acadian, as well as on the ability of Acadian to pay dividends on its common shares. Additional risks and uncertainties not presently known to Acadian, or that Acadian currently deems immaterial, may also impair the operations of Acadian.*

### Risks Related to the Business and Industry

#### ***Significant Contracts***

The Company has two significant contracts, being the FSA and the CLSA.

The FSA between the Company and Twin Rivers was transferred to Groupe Lebel, an Eastern Canadian lumber manufacturer and North American forest products producer, during the first quarter of 2023 as part of the sale of the lumber mill in Plaster Rock, New Brunswick from Twin Rivers to Groupe Lebel. The agreement expires in 2026, subject to a five-year extension at the option of Groupe Lebel.

Pursuant to the FSA, Groupe Lebel has the right to purchase the majority of the spruce and fir softwood produced each year from the New Brunswick Timberlands. The terms of this agreement permit Groupe Lebel to permanently reduce its purchases by any amount, subject to certain notice periods. Groupe Lebel also has the right to temporarily reduce the volume of fibre that it purchases as a result of market factors, while retaining the right to increase such volumes in the future up to the committed level. These rights may restrict Acadian's ability to find replacement customers given the uncertainty of ongoing supply to which such replacement customers would be subject.

Approximately 12% of Acadian's total sales for the year ended December 31, 2023 (2022 - 10%) were derived from sales made under the FSA.

In addition, a portion of Acadian's revenue is generated from services provided under the CLSA with Twin Rivers. The CLSA has a term equal to the term of the Crown license, including any renewal terms. The Crown license has been assigned to Twin Rivers as the owner/operator of its mills. If under any scenario, the mills were to close, the license would likely revert to the Crown resulting in the termination of the CLSA. Such events could eliminate the revenue earned by Acadian in providing services relating to the CLSA, and thus would result in a reduction of Free Cash Flow and could result in the impairment of intangible assets.

Approximately 8% of Acadian's total sales for the year ended December 31, 2023 (2022 - 7%) were derived from services provided under the CLSA.

#### ***Dependence on and Scarcity of Trained Labour***

Acadian relies significantly on a limited number of entities to cut and haul harvested timber, as well as to conduct road building and silviculture activities. If any of these entities were to stop doing business with Acadian, Acadian's operations could be negatively impacted. In addition, there is a limited supply of trained foresters and trained operators/contractors in the New Brunswick and Maine regions, decreases in which impact Acadian's ability to harvest and deliver products to its customers and which may result in increased costs to Acadian to retain its workforce. The ability of trained contractors to operate across the U.S./Canada border may also depend upon regional and/or political constraints, which would further limit Acadian's ability to obtain skilled labour if such constraints were to materialize.

#### ***Dependence on the Lumber and Pulp and Paper Industries***

Acadian's financial performance depends on the state of the lumber and pulp and paper industries, which may be cyclical. Demand for products from the lumber and pulp and paper industries is correlated with global economic conditions. In periods of economic weakness, reduced spending by consumers and businesses results in decreased demand for such products, resulting in lower product prices and possibly manufacturing downtime.

The demand for logs and wood products is particularly affected by the level of new residential construction activity, repair and remodeling activity and, to a lesser extent, other industrial uses. Decreases in the level of residential construction activity

generally reduce demand for logs and wood products, resulting in lower revenues, profits, and cash flows for lumber mills who are important customers to Acadian. This, in turn, may result in lower net sales, profits and cash flows for Acadian.

In addition to impacting Acadian's sales, profits and cash flows, weakness in the market prices of its timber products may also have an effect on Acadian's ability to attract additional capital, its cost of that capital, and the value of its timberland assets.

### ***Trade Restriction***

A portion of the products manufactured by Acadian's customers in Canada using timber from its New Brunswick and Maine timberlands are exported to the United States for sale. Since 2006, Canadian softwood lumber exports to the United States have been subjected to export duties that were imposed under the Softwood Lumber Agreement between Canada and the United States (the "SLA"). However, Acadian customers were not adversely impacted by the 2006 SLA, as export measures did not apply on shipments of softwood lumber originating in the Atlantic provinces or the mills along the U.S./Canada border in the province of Quebec provided the shipment was covered by a Certificate of Origin.

On October 12, 2015, the 2006 SLA expired. The SLA provided a standstill period of one year following the expiry of the SLA during which no trade actions could be imposed for the importation of softwood lumber from Canada to the U.S. In December 2016, the United States Department of Commerce announced its decision to initiate countervailing and anti-dumping investigations into imports of certain Canadian softwood lumber products. At the end of 2017, the U.S. Department of Commerce announced countervailing duties and antidumping rates for most Canadian producers. In response, Canada launched initiatives under NAFTA and with the WTO to review the new U.S. duties on softwood lumber imports.

In July 2023, the U.S. Department of Commerce issued the final results of its reviews with combined duties averaging 7.97%. Canada challenged the final results. In October 2023, a NAFTA dispute panel ruled that certain elements of the decisions made by the U.S. Department of Commerce were inconsistent with U.S. law and require additional explanations. In November 2023, the U.S. International Trade Commission voted to maintain the anti-dumping and countervailing duty orders on softwood lumber from Canada. As such, the United States will continue to impose AD and CVD duties on Canadian softwood lumber products.

It is unclear if and when any changes will occur. Strength in lumber markets, combined with supply side factors are broadly expected to continue to support a pass through of duties to the market. Should Acadian's customers not be able to pass through these duties, the price of Acadian's harvested timber may be adversely impacted.

### ***Lack of Control Over Government Set Land Management Service Fees, Fair Market Values and Allowable Annual Cut***

Acadian's revenue from operations in respect of the NB Crown Lands is generated from the harvesting service fees negotiated with wood users and land management service ("LMS") fees set by the Government of the Province of New Brunswick (the "Province"). Acadian has little control over the revenues from LMS fees as the Province dictates the LMS fees that Acadian receives. There is a risk that Acadian's overhead expenses incurred to provide services relating to the NB Crown Lands may not be fully recovered through the LMS fees set by the Province.

The Province periodically establishes the fair market values to be paid for the right to harvest timber on Crown Lands. Fair market values are established for each product and species harvested. Charges levied on timber harvested from Crown Lands are based on the amount of timber cut and the fair market value then in effect. A reduction in the fair market value charged on Crown Lands could make Acadian's timber harvested from the New Brunswick Timberlands less competitive.

The Allowable Annual Cut ("AAC") on Crown Lands for New Brunswick is determined by the Minister of Natural Resources and Energy Development of New Brunswick and reflects timber conditions, regional and local economic and social interests, and environmental considerations. A significant increase in the AAC on Crown Lands in any given year could have a negative impact on Acadian's ability to market its timber harvested from the New Brunswick Timberlands, particularly its spruce and fir sawlogs, which could have an adverse effect on Acadian's operating results.

### ***Fuel and Energy Costs***

Acadian relies almost exclusively on land transportation for delivering its timber and is therefore exposed to fluctuations in fuel cost. An increase in fuel cost may result in lower earnings and cash flows. In addition, many of Acadian's customers are high-energy consumers and, as a result, are themselves vulnerable to energy cost increases. If energy costs increase significantly, Acadian's customers may not be able to compete effectively and may have to reduce current operating volumes or close mills.

### ***Limitations on Ability to Harvest***

Weather conditions, timber growth cycles, property access limitations, availability of contract loggers and haulers and regulatory requirements associated with the protection of wildlife and water resources may restrict Acadian's harvesting, as may other factors, including damage by fire, insect infestation, disease, prolonged drought, windstorms, flooding and other weather conditions, and natural and man-made disasters. Changes in global climate conditions could intensify one or more of these factors. Although damage from such causes usually is localized and affects only a limited percentage of standing timber, there can be no assurance that any damage affecting Acadian's timberlands will in fact be so limited. There can be no assurance that Acadian will achieve harvest levels in the future necessary to maintain or increase revenues, earnings and cash flows.

### ***Insect Infestations – Spruce Budworm***

Eastern Spruce budworm (*Choristoneura fumiferana*) is an insect that exists at endemic levels in the forest. However, every 30-40 years, the insect's population has the potential to reach epidemic levels and cause extensive defoliation of balsam fir and spruce that may lead to tree mortality after several years of occurrence. While management has taken steps to monitor regional trends in spruce budworm activity and is prepared to adjust harvesting to mitigate potential losses of commercial timber, there can be no assurances that future harvest levels of the affected species will be achievable. While spruce budworm outbreaks are widespread in Quebec, the Early Intervention Strategy started in New Brunswick in 2014 has resulted in no material impact to Acadian Timber lands to date.

### ***Restrictions Imposed by Forestry and Environmental Regulations***

While a significant portion of Acadian's timberlands are comprised of freehold timberlands and as such are subject to less regulation than the NB Crown Lands, provincial, state, and federal government regulations relating to forestry practices and sale of logs may result in increased costs for Acadian and accordingly, impact its financial results and operations. In addition, forestry and environmental regulations may restrict timber harvesting and may otherwise restrict the ability of Acadian to conduct its business. Although Acadian believes that it is in material compliance with these requirements, there can be no assurance that it will not incur significant costs, civil and criminal penalties and liabilities, including those relating to claims for damages to property or natural resources, resulting from its operations.

Laws, regulations and related judicial decisions and administrative interpretations affecting Acadian's business are subject to change and new laws and regulations that may affect its business are frequently enacted. Some of these laws and regulations could impose significant costs, penalties, and liabilities on Acadian for violations or existing conditions whether or not Acadian caused or knew about them. Acadian is subject to laws and regulations which relate to, among other things: the protection of timberlands, the protection of endangered species, air and water quality, and timber harvesting practices.

Regions with frequent policy changes add volatility to revenue streams and depress timberland values. Historically, New Brunswick has had relatively stable forestry regulations. Forest regulations in Maine have experienced volatility in the past but has shown a consistent trend towards stabilization.

In connection with a variety of Acadian's operations, the Company may be required to make regulatory filings. Any of the government agencies could delay the review of or reject any of Acadian's filings which could result in a delay or restriction in harvesting, replanting, thinning, insect control or fire control.

### ***Disease Outbreak***

An outbreak or escalation of a contagious disease may adversely affect Acadian's business. A local, regional, national or international outbreak or escalation of a contagious disease, including the COVID-19 coronavirus, Middle East Respiratory

Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness, or fear of the foregoing, could interrupt the businesses of Acadian's customers, cause labour shortages, interrupt services from third parties upon which Acadian relies, increase operating costs, result in governmental regulation adversely impacting its business, and otherwise have an adverse effect on its business, financial condition and results of operations.

### ***Highly Competitive Industry***

Timberland companies operate in a highly competitive business environment in which companies compete, to a large degree, on the basis of price and also on the basis of service and ability to provide a steady supply of products over the long-term.

In Acadian's markets, there are many suppliers of softwood and hardwood logs. In addition, Acadian may also be subject to increased competition from worldwide suppliers importing forest products, and/or subject to increased competition from a variety of substitute products.

Acadian's competitive position is also influenced by a number of other factors including: the availability, quality, and cost of labour; the cost of energy; the ability to attract and maintain long-term customer relationships; the quality of products and customer service; and foreign currency fluctuations.

### ***Currency Risk***

All of the sales from Maine Timberlands and a portion of the sales from New Brunswick Timberlands, representing a significant portion of gross revenues earned, are in U.S. dollars. In addition, all expenses incurred in respect of Maine Timberlands and a nominal amount of the expenses of New Brunswick Timberlands are in U.S. dollars and all of Acadian's debt financing and all interest payable thereon is in U.S. dollars. As a result, Acadian's cost competitiveness could be impacted by unfavourable fluctuations in currency exchange rates. In addition, the apparent historical correlation between currency rates and timber prices in regions within close proximity to the U.S./Canada border may weaken over time thereby undermining any hedge relating to Maine Timberlands. Acadian's customers are also susceptible to currency value fluctuations which may negatively impact the sawmills and pulp and paper mills to which Acadian sells its fibre, and accordingly the quantity of fibre sales to such customers could decline.

### ***Forest Management***

Although management believes it follows best practices with regard to forest sustainability and general forest management, there can be no assurance that the established harvest levels of NB Timberlands and Maine Timberlands and management's forest management planning, including silviculture, will have the intended result of ensuring that Acadian's asset base remains stable or appreciates over time. If management's estimates of merchantable inventory are incorrect or the annual harvest is too high, harvesting levels of Acadian's timberlands may result in depletion of Acadian's timber assets.

### ***Geographic Concentration***

Acadian's timberlands are located exclusively in Maine and New Brunswick. Accordingly, if the level of production from forests in this region substantially declines or demand in the region were to decline for any reason, including closure of pulp, paper or lumber manufacturing operations in the region, such changes could have a material adverse effect on Acadian's overall harvest levels and its financial results.

### ***Insurance***

Acadian's business is subject to risks from fire, insect infestation, disease, drought, severe weather, unforeseen equipment breakdowns, and other events, including events of force majeure, which could result in material damages to Acadian. As is common in the forest products industry, Acadian does not maintain insurance coverage for damage to its timberlands, but Acadian is insured against most other conventional business risks.

### ***Seasonality***

Acadian's operations are subject to seasonal variations and, as a result, Acadian's operating results vary from quarter to quarter. Harvesting activity can be compromised by inaccessibility to some sites during wet seasons resulting in decreased harvest levels. Results of one quarter will not be indicative of results that may be achieved in other quarters or for the full year.



### ***Non-Timber Income***

New Brunswick Timberlands and Maine Timberlands have several sources of non-timber income including sales of carbon credits, various land leases for recreational and commercial use, and a recreational access permit program. Most of these revenues are not subject to long-term agreements and as a result, any decrease in the activities that lead to those revenues could impact Acadian.

### ***Protection of Threatened or Endangered Species and Waterways***

Federal, state, and provincial laws and regulations protecting threatened or endangered species, waterways and wetlands or other environmental values may limit or prevent timber harvesting, road building and other activities of Acadian. The size of the area subject to restriction will vary depending on the protected species at issue, the time of year, and other factors, but can range from less than one to several thousand acres. As Acadian gains additional information regarding the presence of threatened or endangered species on its timberlands, or if regulations become more restrictive, the amount of its timberlands subject to harvest restrictions could increase.

### ***Climate-related Legislation or Regulation***

There are several international, federal, provincial and state-level proposals addressing domestic and global climate issues. Generally, such proposals could impose regulation or taxation on the production of carbon dioxide and other “greenhouse gases” in an attempt to reduce emissions to the atmosphere and provide tax and other incentives to produce and use more “clean energy”. Any future legislative and regulatory activity in this area could affect Acadian and its operations.

### ***Physical Risks Related to Climate Change***

Acadian’s timberlands may be adversely affected by changes in global climate conditions, including increases in average temperatures, that may increase risks of severe weather events, such as prolonged drought or flooding. Climate change could exacerbate current risks including damage by fire, insect infestation and disease which could in turn impact the health, growth rate and species mix of Acadian’s timber.

### ***Cybersecurity***

Acadian relies on information technology to carry out its operational activities, maintain its business records, collect and store sensitive data, including intellectual property, other proprietary and personally identifiable information. A security failure of that technology could impact Acadian’s ability to operate its businesses effectively, adversely affect its reported financial results, impact its reputation, and expose it to potential liability or litigation.

Some systems are internally managed, and some are maintained by third-party service providers. Acadian and its service providers employ what are believed to be reasonably adequate security measures, but notwithstanding these efforts, systems could be compromised as a result of a cyber incident, natural disaster, hardware or software corruption, failure or error, telecommunications system failure, service provider error or failure, intentional or unintentional personnel actions or other disruption. If by any cause systems or information resources were compromised, or if data were destroyed, misappropriated or inappropriately disclosed Acadian could suffer significant loss or incur significant liability, including: damage to reputation; loss of customer confidence or goodwill; and significant expenditures of time and money to address and remediate resulting damages to affected individuals or business partners, or to defend Acadian in resulting litigation or other legal proceedings, by affected individuals, business partners or regulators.

### ***Loss of Key Management and Inability to Attract and Retain Key Staff***

Acadian’s success depends, to a significant extent, upon its ability to attract, retain, and develop senior management, operations management, and other key personnel. Its financial condition or results of operations could be significantly adversely affected if Acadian were to fail to recruit, retain, and develop such personnel, or if there were to occur any significant increase in the cost of providing such personnel with competitive total compensation and benefits.

### ***Land Claims<sup>1</sup>***

Land claims could adversely affect Acadian's ability to harvest timber. Canadian courts have recognized that Aboriginal people may possess rights at law in respect of land used or occupied by their ancestors where treaties have not been concluded to deal with these rights. In Canada, Aboriginal groups have made claims in respect of land governed by Canadian authorities as well as land owned by private land owners, which could affect a portion of the land covered by Twin Rivers' Crown licenses as well as the land owned by Acadian. Any settlements in respect of these claims could lower the volume of timber managed by Acadian and could increase the cost to harvest timber on such lands.

On November 30, 2021, the Wolastoqey Nation (made up of six Maliseet First Nations) filed an Action in the Court of Queen's Bench of New Brunswick naming the Province of New Brunswick and the Attorney General of Canada and several other forestry and other companies operating in New Brunswick as defendants. Acadian's subsidiaries Acadian Timber Limited Partnership by its General Partner, Acadian Timber GP Inc., and Acadian Timber GP Inc. are among the defendants in this Action. The Action seeks, in part, a declaration of Aboriginal title to the land currently owned by the defendants in New Brunswick, including Acadian. Acadian has filed a Notice of Intent to Defend and a Motion to Dismiss the case. It could be many years before any court decision is rendered if the Action proceeds to court. The outcome of the claim is not determinable at this early stage. Although Acadian does not currently expect the claim to materially affect its business, no assurances can be given that the claim could not have a material effect on its financial position, results or operations. Should such claim be resolved by government or the courts in favour of the Wolastoqey Nation, it could materially adversely affect the business of Acadian.

### ***Litigation***

Acadian is subject to litigation risks. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which Acadian is or may become subject could have a material effect on its financial position, results of operations or Acadian's operations.

### ***Undetected Environmental Liabilities***

Acadian may currently own or may acquire properties subject to environmental and other liabilities, such as obligations to clean up or pay for the cleanup of contamination. While timberlands do not generally carry as high of a risk of environmental contamination as industrial properties, the cost of cleanup of contaminated properties could increase Acadian's operating costs.

### ***Ability to Identify and Complete Investment Opportunities***

Acadian's growth strategy is to acquire high-quality timberland investments with the objective of achieving appropriate risk-adjusted returns on its invested capital over the long-term. However, there is no certainty that Acadian will be able to find and complete sufficient investment opportunities that meet its investment criteria. Acadian's investment criteria considers, among other things, the financial, operating, governance and strategic merits of a proposed acquisition. Competition for assets is significant and competition from other well-capitalized investors or companies may significantly increase the purchase price or prevent Acadian from completing an acquisition.

### **Risks Related to the Structure of the Company**

#### ***Payment of Dividends***

As a corporation, the Company's dividend policy will be at the discretion of the Company's Board of Directors. Future dividends, if any, will depend on the operations and assets of the Company and its subsidiaries, and will be subject to various factors, including, without limitation, the Company's financial performance, fluctuations in its working capital, the

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<sup>1</sup> *The following contains forward-looking information. For a description of material factors that could cause actual results to differ materially from the forward-looking information in the following, reference should be made to the section entitled "Cautionary Statement Regarding Forward-Looking Information and Statements".*

sustainability of its margins, its capital expenditure requirements, obligations under its credit facilities, provisions of applicable law and other factors that the Board of Directors may deem relevant from time to time. Accordingly, the payment of dividends by the Company and the level thereof will be uncertain.

#### ***Dividends Depend on Performance of Subsidiaries***

Although the Company intends to pay dividends on its Common Shares in accordance with the dividend policy adopted by its Board of Directors, there can be no assurance regarding the amounts of income to be generated by the Company's subsidiaries or ultimately distributed to the Company from its operating subsidiaries. The ability of the Company to make dividend payments, and the actual amount paid, is currently entirely dependent on the operations and assets of its wholly owned subsidiary, Acadian Timber Limited Partnership ("the Partnership") and is subject to various factors including each of its financial performance, its obligations under applicable credit facilities, fluctuations in its working capital, the sustainability of its margin and its capital expenditure requirements. Moreover, the Partnership's ability to make cash distributions is, in turn, currently dependent on New Brunswick Timberlands and Maine Timberlands making cash distributions. The ability of these entities to make dividend payments, cash distributions or other payments or advances is subject to applicable laws and regulations.

#### ***Market Price of Common Shares***

The market price of the Common Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of Acadian, divergence in financial results from expectations, changes in the business prospects for Acadian, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time-to-time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Common Shares. The Company is unable to predict whether substantial amounts of Common Shares will be sold in the open market. Any sales of substantial amounts of Common Shares in the public market, or the perception that such sales might occur, could materially and adversely affect the market price of the Common Shares and the ability of the Company to raise capital.

#### ***Dilution of Existing Shareholders***

The Company is permitted to issue an unlimited number of Common Shares pursuant to its Articles and may do so, subject to compliance with the rules and regulations of the TSX and other applicable securities regulations, for that consideration and on those terms and conditions as shall be established by the Company's Board of Directors without the approval of any Shareholders. The Shareholders will have no pre-emptive rights in connection with such further issuances.

#### ***Leverage and Restrictive Covenants in Agreements Relating to Indebtedness***

The ability of the Company and its subsidiaries to pay dividends or make other payments or advances is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of those entities (including the credit facilities). The degree to which the Company is leveraged could have important consequences to the Shareholders including: the Company's ability to obtain additional financing for working capital, capital expenditures or acquisitions; a significant portion of the Company's cash flow from operations may be dedicated to the payment of the principal and interest on its indebtedness, thereby reducing funds available for future operations; certain borrowings may be at variable rates of interest, which exposes the Company to the risk of increased interest rates; and the Company may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures.

The terms of the credit facilities include numerous restrictive covenants that limit the discretion of the Company's management with respect to certain business matters. These covenants place significant restrictions on, among other things, the ability of the Company and its subsidiaries to create liens or other encumbrances, or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the terms of the credit facilities include financial covenants that require the Company to meet certain financial ratio tests. A failure by the Company to comply with the obligations relating to the credit facilities could result in a default which, if not cured or waived, could result in a termination of dividends by the Company and require accelerated repayment of the relevant indebtedness. If the repayment of indebtedness under the credit facilities were to be accelerated, there can be no assurance that the assets of the Company would be sufficient to repay in full that indebtedness. There can be no

assurance that the credit facilities will be able to be refinanced or refinanced on acceptable terms or that future borrowings or equity financings will be available to the Company, or available on acceptable terms, in an amount sufficient to fund the Company's needs. This could, in turn, have a material adverse effect on the business, financial condition and results of operations of the Company and could therefore affect the ability of the Company to pay dividends on its Common Shares.

## Cautionary Statement Regarding Forward-Looking Information and Statements

*This MD&A contains forward-looking information and 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. Forward-looking information is included in this MD&A and includes statements made in the sections entitled "Carbon Credit Project", "Subsequent Events", "Outlook" and "Aboriginal Claims" and without limitation other statements regarding management's beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, growth strategy and prospects, access to capital, liquidity and trading volumes, dividends, taxes, capital expenditures, projected costs, market trends and similar statements concerning anticipated future events, results, achievements, circumstances, performance or expectations that are not historical facts. 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. Actual results may vary. These forward-looking statements include, but are not limited to:*

- Expectations regarding the number and timing of carbon credits that will be successfully registered and available for sale. Actual credit issuances will be adjusted each reporting period based on actual harvesting, natural disturbances and other factors, as well as periodic updating for inventory and verification activities.*
- Expectations regarding advancement through the terms of the solar land lease agreement and the resulting potential financial impact to Acadian, which may be impacted by the lessee's ability to obtain the necessary regulatory permits and approvals for the solar project, as well as to obtain third party financing. At any time during the inspection term or the development term, the tenant has the right to terminate the agreement which would terminate the lease fees paid to Acadian.*
- Expectations regarding product demand, pricing and end use markets, including expectations for U.S. housing starts, which may be impacted by changes in interest rates, U.S. population demographics and the inventory of homes for sale. Expectations regarding product demand and pricing are based on anticipated market conditions, anticipated regional inventory levels of key customers, and the economic situation of key customers. Estimates for U.S. housing starts are based on forecasts published by major financial institutions.*
- Expectations regarding future contractor availability, which may be impacted by regional supply of trained contractors and changes in the demographics of the available workforce.*
- Expectations regarding the outcome of ongoing litigation, which may be impacted by negotiations and actions taken by the Province of New Brunswick or the Attorney General of Canada, judicial decisions in this matter or other matters that may create precedent.*

*Other risks and factors are discussed under the heading "Risk Factors" in this MD&A and in the Annual Information Form dated March 25, 2023 and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are made as of the date of this MD&A based on information currently available to management and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this MD&A. Acadian assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as may be required by applicable law.*

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Acadian Timber Corp.:

The accompanying consolidated financial statements of Acadian Timber Corp. (the "Company") and all information in this annual report are the responsibility of management and have been reviewed and approved by the Company's Board of Directors. These consolidated financial statements and related notes have been prepared by management in conformity with International Financial Reporting Standards and necessarily include amounts based on management's informed judgements and estimates. Financial information included elsewhere in this annual report is consistent with that contained in the consolidated financial statements.

To assist management in fulfilling its responsibilities, a system of internal accounting controls has been established to provide reasonable assurance that the consolidated financial statements are accurate and reliable and that assets are safeguarded. Management believes that this system of internal controls is designed and operating effectively for the year ended December 31, 2023.

PricewaterhouseCoopers LLP, appointed by the shareholders, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express an opinion on the consolidated financial statements. Their report is set out on the following page.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls, and is ultimately responsible for reviewing and approving the consolidated financial statements and management's discussion and analysis. The Audit Committee is composed of four independent directors who are not employees of the Company. The Audit Committee meets regularly with management and PricewaterhouseCoopers LLP to review their activities and to discuss internal control, accounting, auditing and financial matters. PricewaterhouseCoopers LLP have full and direct access to the Audit Committee and meet periodically both with and without the presence of management to discuss their audit and related findings.

The Audit Committee recommends the appointment of the external auditors. The Audit Committee also meets quarterly to review interim and annual consolidated financial statements and related materials and reports its findings to the Board of Directors for its consideration in approving the consolidated interim and annual consolidated financial statements for public dissemination.



Adam Sheparsi  
*President and Chief Executive Officer*



Susan Wood  
*Chief Financial Officer*

February 7, 2024



## Independent auditor's report

To the Shareholders of Acadian Timber Corp.

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Acadian Timber Corp. and its subsidiaries (together, the Company) as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

### What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2023 and 2022;
- the consolidated statements of net income for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP  
Cogswell Tower, 2000 Barrington Street, Suite 1101, Halifax, Nova Scotia, Canada B3J 3K1  
T: +1 902 491 7400, F: +1 902 422 1166, ca\_halifax\_main\_fax@pwc.com

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key audit matter

### How our audit addressed the key audit matter

#### Valuation of timber and land under timber

*Refer to note 2 – Material accounting policies, note 4 – Timber and note 5 – Land, roads and other fixed assets to the consolidated financial statements.*

As at December 31, 2023, the Company had timber and land under timber of \$442.8 million and \$77.0 million, respectively. The Company measures timber at fair value. The fair value of timber is determined by deducting the fair values of land under timber, roads and bridges from the fair value of the freehold timberlands, which include all the above assets plus the timber. The fair value of the freehold timberlands is determined by management with assistance from a licensed independent third-party appraiser (management's expert) using a weighted combination of two methods, the discounted cash flow and comparative sales methods. Significant assumptions used in (i) the discounted 30-year cash flow models included the discount rates and the net timber values per m<sup>3</sup> of timber sold; and (ii) the comparative sales method included the adjusted benchmark sale prices per hectare. All of these significant assumptions are subject to management judgment. Land under timber is measured using the revaluation method and is not depreciated. The fair value of land under timber is based on soil expectation value analysis using discounted cash flow models, which measures the net present value of bare land if used in perpetual timber production. Significant assumptions used in the discounted cash flow models included the

Our approach to addressing the matter included the following procedures, among others:

- Tested how management determined the fair values of timber and land under timber, which included the following:
  - Gained an understanding of the valuation process.
  - Professionals with specialized skill and knowledge in the field of timberland valuations assisted with the following:
    - Evaluating the appropriateness of the methods, the discounted cash flow models and the comparative sales valuations used to determine each of the fair values of the freehold timberlands and land under timber.
    - Evaluating the reasonableness of the significant assumptions used in the discounted 30-year cash flow models related to the fair values of the freehold timberlands, which included the discount rates and the net timber values per m<sup>3</sup> of timber sold by considering, as relevant, the Company's Forest Management Plan, current and past performance of the Company and external industry data.
    - Evaluating the reasonableness of the significant assumptions used in the comparative sales valuations related to the fair values of the freehold timberlands, which included the





### Key audit matter

discount rates and stumpage values per m<sup>3</sup> of timber sold. Valuations are completed annually by management with assistance from management's expert, concurrently with the aforementioned valuation of the freehold timberlands.

We considered this a key audit matter due to (i) the significance of the timber and land under timber balances; and (ii) the judgments made by management in determining each of the fair values of the freehold timberlands and land under timber and the significant assumptions used, which resulted in complexity and increased audit effort to evaluate the appropriateness of the methods and the reasonableness of the significant assumptions used by management. In addition, the audit effort involved the use of professionals with specialized skill and knowledge in the field of timberland valuations.

### How our audit addressed the key audit matter

adjusted benchmark sale prices per hectare, by considering external market data and recent comparable sales.

- o Evaluating the reasonableness of the significant assumptions related to the fair values of the land under timber, which included the discount rates and the stumpage values per m<sup>3</sup> of timber sold by considering, as relevant, the Company's Forest Management Plan, current and past performance of the Company and external industry data.
- Tested the underlying data used in the discounted cash flow models and the comparative sales valuations.
- Tested the disclosures made in the consolidated financial statements, particularly with regard to the sensitivity of the significant assumptions used.

### Other information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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## **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Donald M. Flinn.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants

Halifax, Nova Scotia  
February 7, 2024

## CONSOLIDATED BALANCE SHEETS

| <i>As at December 31</i>                    |      |                   |            |
|---|------|-------------------|------------|
| <i>(CAD thousands)</i>                      | Note | 2023              | 2022       |
| <b>Assets</b>                               |      |                   |            |
| Current assets                              |      |                   |            |
| Cash  |      | \$ 1,831          | \$ 6,230   |
| Accounts receivable and other assets        |      | 9,301             | 8,265      |
| Current income taxes receivable             |      | 1,668             | —          |
| Inventories                                 | 3    | 15,329            | 1,850      |
|   |      | <b>28,129</b>     | 16,345     |
| Timber                                      | 4    | 442,830           | 437,365    |
| Land, roads, and other fixed assets         | 5    | 90,854            | 87,986     |
| Intangible asset                            |      | 6,140             | 6,140      |
| Total assets                                |      | <b>\$ 567,953</b> | \$ 547,836 |
| <b>Liabilities and shareholders' equity</b> |      |                   |            |
| Current liabilities                         |      |                   |            |
| Accounts payable and accrued liabilities    |      | \$ 9,370          | \$ 11,206  |
| Current income taxes payable                |      | —                 | 20         |
| Dividends payable to shareholders           |      | 4,983             | 4,897      |
|   |      | <b>14,353</b>     | 16,123     |
| Long-term debt                              | 6    | 105,515           | 107,937    |
| Deferred income tax liabilities, net        | 12   | 129,103           | 120,053    |
| Total liabilities                           |      | <b>248,971</b>    | 244,113    |
| Shareholders' equity                        | 7    | 318,982           | 303,723    |
| Total liabilities and shareholders' equity  |      | <b>\$ 567,953</b> | \$ 547,836 |

See accompanying notes to consolidated financial statements.



Malcolm Cockwell  
Director



Bruce Robertson  
Director

## CONSOLIDATED STATEMENTS OF NET INCOME

| <i>For the Years Ended December 31</i>             |      |             |                 |           |
|--|------|-------------|-----------------|-----------|
| <i>(CAD thousands, except per share data)</i>      | Note | <b>2023</b> |                 | 2022      |
| Sales  |      | \$          | <b>93,477</b>   | \$ 90,473 |
| Operating costs and expenses                       |      |             |                 |           |
| Cost of sales                                      |      |             | <b>63,895</b>   | 62,894    |
| Selling, administration and other                  |      |             | <b>8,127</b>    | 8,066     |
| Silviculture                                       |      |             | <b>1,526</b>    | 1,375     |
| Depreciation and amortization                      |      |             | <b>363</b>      | 273       |
|  |      |             | <b>73,911</b>   | 72,608    |
| Operating income                                   |      |             | <b>19,566</b>   | 17,865    |
| Interest expense, net                              |      |             | <b>(3,153)</b>  | (3,098)   |
| Other items  |      |             |                 |           |
| Fair value adjustments and other                   |      |             | <b>22,975</b>   | 34,311    |
| Gain on sale of timberlands and other fixed assets |      |             | <b>657</b>      | 56        |
| Income before income taxes                         |      |             | <b>40,045</b>   | 49,134    |
| Income tax expense                                 | 12   |             | <b>(10,611)</b> | (13,627)  |
| Net income   |      |             | <b>29,434</b>   | 35,507    |
| Net income per share – basic and diluted           | 8    | \$          | <b>1.72</b>     | \$ 2.11   |

*See accompanying notes to consolidated financial statements.*

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| <i>For the Years Ended December 31</i>   |      |                  |             |
|--|------|------------------|-------------|
| <i>(CAD thousands)</i>   | Note | <b>2023</b>      | <b>2022</b> |
| Net income   |      | \$ <b>29,434</b> | \$ 35,507   |
| Other comprehensive income / (loss)  |      |                  |             |
| Items that may be reclassified subsequently to net income:   |      |                  |             |
| Gain / (loss) on revaluation of land and roads, net of deferred income tax expense of \$1,027 (2022 – deferred income tax recovery of \$4,088) |      | <b>2,522</b>     | (10,293)    |
| Unrealized foreign currency translation (loss) / gain, net of deferred income tax expense of \$369 (2022 – \$nil)                              | 11   | <b>(1,748)</b>   | 3,121       |
|  |      | <b>774</b>       | (7,172)     |
| Comprehensive income   |      | \$ <b>30,208</b> | \$ 28,335   |

*See accompanying notes to consolidated financial statements.*

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| <i>For the Years Ended December 31</i><br><i>(CAD thousands)</i> | Note | Common<br>Share Capital | Retained<br>Earnings | Revaluation<br>Surplus | Currency<br>Translation | Shareholders'<br>Equity |
|--|------|-------------------------|----------------------|------------------------|-------------------------|-------------------------|
| Balances as at December 31, 2021                                 |      | \$ 139,394              | \$ 85,953            | \$ 41,638              | \$ 24,500               | \$ 291,485              |
| Changes during the year  |      |                         |                      |                        |                         |                         |
| Net income   |      | —                       | 35,507               | —                      | —                       | 35,507                  |
| Other comprehensive income / (loss)                              |      | —                       | —                    | (10,293)               | 3,121                   | (7,172)                 |
| Shareholders' dividends declared                                 | 13   | —                       | (19,468)             | —                      | —                       | (19,468)                |
| Common shares issued - DRIP                                      | 7    | 3,371                   | —                    | —                      | —                       | 3,371                   |
| Balances as at December 31, 2022                                 |      | \$ 142,765              | \$ 101,992           | \$ 31,345              | \$ 27,621               | \$ 303,723              |
| Changes during the year  |      |                         |                      |                        |                         |                         |
| Net income   |      | —                       | 29,434               | —                      | —                       | 29,434                  |
| Other comprehensive income / (loss)                              |      | —                       | —                    | 2,522                  | (1,748)                 | 774                     |
| Shareholders' dividends declared                                 | 13   | —                       | (19,802)             | —                      | —                       | (19,802)                |
| Common shares issued - DRIP                                      | 7    | 4,853                   | —                    | —                      | —                       | 4,853                   |
| <b>Balances as at December 31, 2023</b>                          |      | <b>\$ 147,618</b>       | <b>\$ 111,624</b>    | <b>\$ 33,867</b>       | <b>\$ 25,873</b>        | <b>\$ 318,982</b>       |

*See accompanying notes to consolidated financial statements.*

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| <i>For the Years Ended December 31</i>                    |                 |                 |
|---|-----------------|-----------------|
| <i>(CAD thousands)</i>                                    | <b>2023</b>     | 2022            |
| Cash provided by (used for):                              |                 |                 |
| <b>Operating activities</b>                               |                 |                 |
| Net income  | \$ 29,434       | \$ 35,507       |
| Adjustments to net income:                                |                 |                 |
| Income tax expense  | 10,611          | 13,627          |
| Depreciation and amortization                             | 363             | 273             |
| Fair value adjustments and other                          | (22,975)        | (34,311)        |
| Gain on sale of timberlands and other fixed assets        | (657)           | (56)            |
| Income taxes paid   | (3,679)         | (2,502)         |
| Net change in non-cash working capital balances and other | (2,684)         | 2,697           |
|   | <b>10,413</b>   | 15,235          |
| <b>Financing activities</b>                               |                 |                 |
| Dividends paid to shareholders                            | (14,868)        | (16,002)        |
| <b>Investing activities</b>                               |                 |                 |
| Additions to timber, land, roads, and other fixed assets  | (619)           | (378)           |
| Proceeds from sale of timberlands and other fixed assets  | 675             | 59              |
|   | 56              | (319)           |
| Decrease in cash during the year                          | (4,399)         | (1,086)         |
| Cash, beginning of year                                   | 6,230           | 7,316           |
| <b>Cash, end of year</b>                                  | <b>\$ 1,831</b> | <b>\$ 6,230</b> |

*See accompanying notes to consolidated financial statements.*

Details of net change in non-cash working capital balances and other:

| <i>For the Years Ended December 31</i>   |                   |                 |
|--|-------------------|-----------------|
| <i>(CAD thousands)</i>                   | <b>2023</b>       | 2022            |
| Accounts receivable and other assets     | \$ (1,036)        | \$ 121          |
| Inventories                              | 514               | (400)           |
| Accounts payable and accrued liabilities | (1,836)           | 2,406           |
| Other                                    | (326)             | 570             |
|  | <b>\$ (2,684)</b> | <b>\$ 2,697</b> |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022 (All figures in Canadian dollars unless otherwise stated)

## 1. GENERAL

Acadian Timber Corp. (the “Company”) is governed by the *Canada Business Corporations Act* pursuant to articles of arrangement dated January 1, 2010. The Company is a reporting issuer and its common shares are publicly traded on the Toronto Stock Exchange under the stock symbol “ADN”. The principal and head office of the Company is located at 365 Canada Road, Edmundston, New Brunswick, E3V 1W2.

The Company and all of its consolidated subsidiaries (collectively “Acadian”) own and manage approximately 761,000 acres (December 31, 2023 – 761,000 acres) of freehold timberlands in New Brunswick (“NB Timberlands”) and approximately 300,000 acres of freehold timberlands in Maine (“Maine Timberlands”) and provide timber services relating to approximately 1.3 million acres of Crown licensed timberlands in New Brunswick. Acadian’s timber products include softwood and hardwood sawlogs, pulpwood and biomass by-products sold to approximately 90 regional customers. Acadian also develops carbon credits for sale in voluntary carbon credit markets.

As at December 31, 2023, Macer Forest Holdings Inc. owns 7,982,801 shares representing approximately 46% of the outstanding shares of the Company.

## 2. MATERIAL ACCOUNTING POLICIES

### Statement of Compliance

These consolidated financial statements present the financial performance of Acadian for the year ended December 31, 2023, along with the comparative results for the year ended December 31, 2022. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and were authorized for issuance by the Board of Directors on February 7, 2024.

### Basis of Presentation

The consolidated financial statements have been prepared on the basis of historical cost, except for timber, land, roads on freehold land and liabilities related to share-based compensation, which are carried at fair value. Cost is based on the fair values of the consideration given in exchange for assets. The reporting currency of the Company is the Canadian dollar. All currency amounts in these consolidated financial statements are presented in Canadian dollars (“CAD”) and rounded to the nearest thousand, unless otherwise stated.

### Cash and Cash Equivalents

Cash relates to cash in banks. Cash equivalents, if applicable, relate to short-term deposits with an original maturity of less than ninety days.

### Inventory

Inventory consists primarily of logs and registered voluntary carbon credits, which are measured at the lower of average cost and net realizable value.

### Log inventory

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

### Carbon credit inventory

The value of carbon credits expected to be developed is initially recorded at fair value as part of the timber asset in accordance with IAS 41 Agriculture. Once registered on a carbon registry system and made available for sale, the amount attributable to the carbon credits initially recorded within the timber asset is reclassified to inventory.

## Timber

Timber is carried at fair value. The fair value of timber is determined by deducting the fair value of land under timber, roads and bridges from the total fair value of the freehold timberlands. The fair value of the freehold timberlands is reassessed on an annual basis with the assistance of licensed independent third-party appraisers using a combination of the discounted cash flow and comparative sales value methods. Gains or losses arising from changes in fair value of timber are recognized in net income.

Timber that has been processed into logs and on which the volume has been accurately determined is included in log inventory and is measured at the lower of average cost and net realizable value.

## Land, Roads and Other Fixed Assets

Land under timber and roads on freehold land are measured using the revaluation method. They are carried at the revalued amounts and are not depreciated. The fair values are determined annually with the assistance of licensed independent third-party appraisers. Where the carrying amount of an asset is increased as a result of a revaluation, the increase is recognized in income to the extent the increase reverses a previously recognized impairment recorded through income, with the remainder of the increase recognized in other comprehensive income ("OCI") and accumulated in revaluation surplus. Where the carrying amount of an asset is decreased, the decrease is recognized in OCI to the extent of any balance existing in revaluation surplus in respect of the asset, with the remainder of the decrease recognized in income as an impairment loss.

Buildings, equipment, pavement, software and certain bridges are measured at cost less accumulated depreciation. Bridges that are nine metres or greater in length, constructed of steel and/or concrete and located on permanent roads are measured at cost less accumulated depreciation. All other bridges are expensed as constructed.

Depreciation on fixed assets is calculated on a straight-line basis so as to write down the net cost of each asset over its expected useful life to its estimated residual value using the following estimates of useful life:

|           |                |
|-----------|----------------|
| Bridges   | 20 to 35 years |
| Buildings | 20 years       |
| Equipment | 3 to 10 years  |
| Pavement  | 8 years        |
| Software  | 5 years        |

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognized on a prospective basis.

## Impairment of Long-lived Assets

Long-lived assets, other than timber, are assessed at each consolidated balance sheet date for indications of impairment or reversal of a previously recognized impairment. If any such indication exists, the recoverable amount of the asset is estimated and compared to its carrying amount.

The recoverable amount is the higher of the estimated fair value less costs to dispose or value in use of the asset. In assessing value in use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. The projections of future cash flows take into account the relevant operating plans and management's best estimate of the most probable set of conditions anticipated to prevail.

An impairment loss is recognized if the recoverable amount of the asset is estimated to be less than the carrying amount. The impairment loss is recognized in net income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is recognized first as a decrease to revaluation surplus.

**Intangible Asset**

Acadian recognizes an intangible asset for the Crown Lands Services Agreement between NB Timberlands and Twin Rivers Paper Company (“Twin Rivers”). Under this agreement, NB Timberlands has agreed to provide various services relating to the Crown Lands in consideration for a fee from Twin Rivers. The Crown Lands Services Agreement has a term equal to the term of the Crown licenses, including any renewal terms, which is considered indeterminable as at December 31, 2023. The Crown Lands Services Agreement is classified as an indefinite-life intangible asset and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that this asset may be impaired. During the year, no additions, disposals, impairments or reversal of impairments were recorded against the Company’s intangible asset balance.

**Revenue Recognition**

Sales are net of discounts and rebates to customers, if any. Revenue is recognized when control passes to the customer, which is when timber is delivered to the customer and actual quantities delivered are determined. Sales are governed primarily by contractual terms with customers.

Pursuant to the Crown Lands Services Agreement, Acadian provides various services relating to Crown Lands in consideration for fees. These fees are recognized over time as the services are performed. Acadian also provides certain silviculture services for which the revenue is recognized as services are performed.

**Share-based Compensation**

The Company issues share-based compensation to members of the Board of Directors comprised of deferred stock units, which are cash-settled. The fair value of units granted to Directors is recognized as an expense in the period the units are granted.

The Company issues shared-based compensation to certain employees comprised of restricted stock units or deferred stock units, which are cash-settled. The fair value of units granted to employees is recognized over the vesting period.

The Company remeasures the fair value of the liability related to share-based compensation at the end of each reporting period with any changes in fair value recognized as an expense. Fair value is determined with reference to the market value of a common share of the Company.

**Translation of Foreign Currencies**

The Canadian dollar is the presentation currency of the Company. The functional currency of Acadian’s Canadian and U.S. subsidiaries is the Canadian dollar and U.S. dollar, respectively. Assets and liabilities of the U.S. subsidiaries are translated at the rate of exchange prevailing at the reporting date and revenue and expenses at the average rates during the year. Gains or losses on translation of these items are included as a component of shareholders’ equity.

NB Timberlands enters into sales transactions denominated in U.S. dollars. The gain or loss on translation of the related revenue and accounts receivable is recorded in net income in the period incurred.

The carrying value of Acadian’s U.S. dollar denominated debt is subject to exchange rate fluctuations and has been designated as a hedging instrument in the hedging relationship described within Financial Instruments.

**Financial Instruments**

A financial asset or financial liability is recognized when the Company becomes party to the contractual provisions of the instrument and is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs directly attributable to its acquisition or issue.

Financial assets are subsequently measured at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”). Cash and accounts receivable and other assets have been classified as measured at amortized cost using the effective interest method. No financial assets have been classified as measured at FVOCI or FVPTL.

Financial liabilities are subsequently measured at amortized cost or FVTPL. Accounts payable and accrued liabilities, dividends payable to shareholders and long-term debt have been measured at amortized cost.

The Company has not elected to designate any financial assets or liabilities as measured at FVTPL.

Financial assets are derecognized when the contractual rights to the cash flows expire or it transfers the rights to receive the contractual cash flows. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled, or expire, or the terms and cash flows are modified to be substantially different.

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Loss allowances for expected credit losses are recognized on financial assets measured at amortized cost. Loss allowances on accounts receivable and other assets are measured based on the expected credit loss model, which takes into account current economic conditions, historical information and forward-looking information.

### **Hedge Accounting**

Acadian has designated a hedging relationship between part of the net investment in its Maine subsidiary and its U.S. dollar-denominated debt. At inception of designated hedging relationships, Acadian documents the risk management objective and strategy for undertaking the hedge. Acadian also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

When a financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in foreign exchange gains and losses is recognized in OCI and presented in Currency Translation within equity. Any ineffective portion of the changes in foreign exchange gains and losses is recognized immediately in profit or loss. The amount recognized in OCI is fully or partially reclassified to profit or loss as a reclassification adjustment on disposal or partial disposal of the foreign operation.

### **Fair Value Hierarchy Levels**

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

All assets and liabilities of Acadian that are carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The following table provides the fair value measurement hierarchy of the grouped assets as at December 31, 2023:

|   | <b>Date of Valuation</b> | <b>Note</b> | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
|---|--------------------------|-------------|----------------|----------------|----------------|
| <b>Assets and liabilities measured at fair value:</b> |                          |             |                |                |                |
| Timber  | December 31, 2023        | 4           |                |                | ✓              |
| Freehold land and roads                               | December 31, 2023        | 5           |                |                | ✓              |
| Liabilities related to share-based compensation       | December 31, 2023        | 14          | ✓              |                |                |

### **Income Taxes**

Deferred income tax assets and liabilities are determined based on differences between the carrying amounts and the tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The carrying amounts of the deferred income tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the deferred income tax assets will be recovered.

### **Critical Judgments and Estimates**

The preparation of consolidated financial statements requires management to make critical judgments, estimates and assumptions that affect the carrying amounts of certain assets and liabilities, disclosure of contingent assets and liabilities

and the reported amounts of revenue and expenses recorded during the periods. The critical estimates and judgments applied in preparing Acadian’s consolidated financial statements affect the assessment of net recoverable amounts, net realizable values and fair values, determination of functional currency and the selection of accounting policies.

The critical estimates and judgments made in the preparation of Acadian’s consolidated financial statements include, among others, future prices and margins, future sales volumes, future harvest rates and sustainable yields, and discount rates utilized in the valuation of Acadian’s timber, land and roads. In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgments have been applied in a manner consistent with prior periods. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### **Adoption of New Accounting Standards**

#### ***Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)***

The amendments require the disclosure of ‘material’, rather than ‘significant’, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the consolidated financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

Although adoption of the amendments did not result in any changes to accounting policies, they impacted the accounting policy information disclosed in the financial statements. Management reviewed the accounting policies and made updates to the information disclosed in Note 2 Material Accounting Policies (2022 – Significant Accounting Policies) in certain instances in line with the amendments.

#### ***Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors re: Definition of Accounting Estimates***

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The adoption of these amendments did not have a material impact on the consolidated financial statements.

### **Future Accounting Standards**

#### ***Amendments to IAS 1 Classification of Liabilities as Current or Non-current and Amendments to IAS 1 Presentation of Financial Statements re: Non-current Liabilities with Covenants***

The amendments clarify the requirements on determining whether a liability is current or non-current and require new disclosures for non-current liabilities that are subject to future covenants. The amendments are effective for reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The adoption of these amendments will not have a material impact on the consolidated financial statements.

## **3. INVENTORIES**

| <i>As at<br/>(CAD thousands)</i> | <b>December 31, 2023</b> | December 31, 2022 |
|----------------------------------|--------------------------|-------------------|
| Carbon credits                   | \$ <b>13,993</b>         | \$ —              |
| Log inventory                    | <b>1,336</b>             | 1,850             |
| Total                            | \$ <b>15,329</b>         | \$ 1,850          |

During the year, 770,071 carbon credits were registered on a carbon registry system and made available for sale, and 1,500 credits were sold.

#### 4. TIMBER

Acadian's freehold timberlands are classified as a growing forest, and include timber, land under timber, roads and bridges. Timber is recorded at fair value less costs of disposal at each reporting date. The underlying land is considered a component of land, roads and other fixed assets accounted for under the revaluation method.

Timber is measured at fair value. During the year, adjustments are made to standing timber assets to reflect the change in fair value due to gains arising from growth and reductions arising from harvest as well as transfers of registered carbon credits to inventory. Average selling price less costs of harvesting and selling is applied to expected volume growth to calculate gains arising from growth, and to the harvested volume to calculate reductions arising from harvest. Once registered on a carbon registry system and made available for sale, the amount attributable to the carbon credits initially recorded within the timber asset determined by reference to the annual appraisal of the timberlands is reclassified to inventory.

On an annual basis, the fair value of standing timber assets is reassessed with the assistance of licensed independent third-party appraisers. Fair value adjustments are recognized in net income.

The following table presents the change in the carrying value of timber:

| <i>(CAD thousands)</i>                            |                   |
|---|-------------------|
| <b>Balance as at December 31, 2021</b>            | <b>\$ 394,063</b> |
| Disposals   | (1)               |
| Gains arising from growth                         | 34,705            |
| Reduction arising from harvest                    | (24,080)          |
| Gain from fair value adjustment and other changes | 23,253            |
| Foreign exchange                                  | 9,425             |
| <b>Balance as at December 31, 2022</b>            | <b>\$ 437,365</b> |
| Disposals   | (1)               |
| Transfer to carbon credit inventory               | (14,113)          |
| Gains arising from growth                         | 36,968            |
| Reduction arising from harvest                    | (22,675)          |
| Gain from fair value adjustment and other changes | 9,048             |
| Foreign exchange                                  | (3,762)           |
| <b>Balance as at December 31, 2023</b>            | <b>\$ 442,830</b> |

Appraisals by licensed independent third-party appraisers are completed annually for NB Timberlands and Maine Timberlands to assist in reassessing the fair value less costs of disposal of the timber. The most recent appraisal was effective as at December 31, 2023. The appraisers use a combination of the discounted cash flow and sales comparison approaches to arrive at the estimated value. As at December 31, 2023, the weighting between the two methods used by the appraisers was 70% discounted cash flow approach and 30% sales comparison approach for both the NB Timberlands and Maine Timberlands (2022 – 70% and 30%, respectively).

The discounted cash flow approach relies on the determination of the net present value of expected pre-tax cash flows from the harvest and sale of timber and the development and sale of carbon credits from established carbon credit projects. The expected cash flows are calculated based on the following assumptions:

##### **Timber**

- Annual growth is determined by multiplying the timber inventory by the annual growth rate;
- Annual harvest volumes are based on annual growth and reflect the long-term management plans for timber;
- Unit net timber revenue is based on the appraiser's analysis of historical timber prices from regional surveys, net timber prices from other private properties in the region, and prices received by Acadian over recent years. No price appreciation is assumed

for the Maine Timberlands or New Brunswick Timberlands (2022 – Maine Timberlands: modest price appreciation; New Brunswick Timberlands: no price appreciation);

- d. As the discounted cash flow model uses net timber revenue, specific assumptions of harvesting and delivery costs are not required. Net timber revenue is reduced by management costs reflecting the appraiser's understanding of the costs for an investor managing a property of this size, and actual historical costs incurred by Acadian; and
- e. Cash flow estimates were made for 30 years. A terminal value equal to the final year's cash flow divided by the discount rate is added to the final year of the model.

**Carbon credits**

- a. Carbon volumes to be developed related to ongoing projects are determined by a third-party developer in the context of an Improved Forest Management project under the American Carbon Registry's Improved Forest Management Methodology for Quantifying GHG Removals and Emission Reductions through Increased Forest Carbon Sequestration on Non-Federal U.S. Forestlands;
- b. Carbon volumes to be developed relating to future potential projects are estimated using data derived from current projects as described above, adjusted for differences in the potential project areas;
- c. Carbon volumes to be developed are based on annual growth and reflect the long-term management plans for timber;
- d. Net carbon credit revenue is based on the appraiser's analysis of carbon credit prices (\$/tCO<sub>2</sub>e) estimated by the third-party developer and prices from other private regional carbon sequestration projects;
- e. Net revenue is net of the share of revenue retained by the third-party developer and projects costs;
- f. Annual carbon credit sales volumes are based on the annual carbon credits expected to be developed and assumes all credits registered are sold in the same reporting period; and
- g. Cash flow estimates reflect a 10-year development and sales period with costs related to 40-year reporting and verifying commitments for the project included.

The valuation models assume the continuation of existing practices with respect to silviculture and harvesting.

A pre-tax discount rate of 5.26% (2022 – 5.26%) was applied to the estimated future cash flows for NB Timberlands in arriving at net present values as at December 31, 2023. A discount rate of 4.33% (2022 – 4.33%) was applied to the estimated future cash flows for Maine Timberlands in arriving at net present values as at December 31, 2023. The discount rate is derived by estimating the weighted average cost of capital of the typical prospective purchaser, deducting an assumed long-term background inflation rate and adjusting for specific risk attributes of each of NB Timberlands and Maine Timberlands.

Because carbon credit sales are inherently riskier and more uncertain than timber production, a 500-basis-point premium is added to the equity portion of the weighted average cost of capital calculation and the weighted average cost of capital formula is adjusted to weigh the equity rate 100%, resulting in a nominal discount rate of 11.55% for the net cash flows from carbon credit sales. The reasonableness of the rate was then tested against rates extracted from recent comparable sales transactions.

Acadian's freehold timberlands are measured at fair value on a recurring basis. Management has classified the valuation of these assets under Level 3 of the fair value hierarchy and there were no transfers made between Levels 1 and 3 or Levels 2 and 3 during the years ended December 31, 2023 and 2022.

## Sensitivity to Changes in Assumptions

The following table provides a description of the significant assumptions included in the valuation of the freehold timberlands:

| Valuation Technique  | Significant Assumption                             | Range (weighted average)   | Sensitivity of the Assumption on Fair Value  |
|----------------------|--|----------------------------|--|
| Discounted cash flow | Discount rate                                      | 4.33% - 5.26% (4.91%)      | 0.25% increase / (decrease) in the discount rate would result in (decrease) / increase in fair value of (\$8.2 million) / \$8.9 million                  |
| Discounted cash flow | Net timber value per m <sup>3</sup> of timber sold | \$5.63 - \$96.84 (\$33.88) | 5% increase / (decrease) in the net timber value per m <sup>3</sup> of timber sold would result in increase / (decrease) in fair value of \$21.4 million |
| Sales comparison     | Adjusted benchmark sales price per hectare         | \$166 - \$3,360 (\$1,301)  | 5% increase / (decrease) in the adjusted benchmark sales price per hectare would result in increase / (decrease) in fair value of \$8.4 million          |

## 5. LAND, ROADS AND OTHER FIXED ASSETS

| (CAD thousands)  | Land             | Roads           | Bridges and Pavement | Other             | Total             |
|--|------------------|-----------------|----------------------|-------------------|-------------------|
| <b>Cost</b>  |                  |                 |                      |                   |                   |
| Balance as at December 31, 2021  | \$ 85,958        | \$ 9,210        | \$ 5,582             | \$ 2,535          | \$ 103,285        |
| Additions  | —                | —               | 135                  | 243               | 378               |
| Disposals  | —                | —               | —                    | (17)              | (17)              |
| Foreign exchange   | 2,600            | 368             | 199                  | 65                | 3,232             |
| Revaluations <sup>1</sup>  | (14,258)         | (123)           | —                    | —                 | (14,381)          |
| <b>Balance as at December 31, 2022</b>   | <b>\$ 74,300</b> | <b>\$ 9,455</b> | <b>\$ 5,916</b>      | <b>\$ 2,826</b>   | <b>\$ 92,497</b>  |
| Additions  | —                | —               | 140                  | 479               | 619               |
| Disposals  | (2)              | —               | —                    | (23)              | (25)              |
| Foreign exchange   | (765)            | (132)           | (74)                 | (23)              | (994)             |
| Revaluations <sup>1</sup>  | 3,445            | 103             | —                    | —                 | 3,548             |
| <b>Balance as at December 31, 2023</b>   | <b>\$ 76,978</b> | <b>\$ 9,426</b> | <b>\$ 5,982</b>      | <b>\$ 3,259</b>   | <b>\$ 95,645</b>  |
| <b>Accumulated Depreciation</b>  |                  |                 |                      |                   |                   |
| Balance as at December 31, 2021  | \$ —             | \$ —            | \$ (2,441)           | \$ (1,661)        | \$ (4,102)        |
| Depreciation for the year  | —                | —               | (149)                | (129)             | (278)             |
| Disposals  | —                | —               | —                    | 17                | 17                |
| Foreign exchange   | —                | —               | (122)                | (26)              | (148)             |
| <b>Balance as at December 31, 2022</b>   | <b>\$ —</b>      | <b>\$ —</b>     | <b>\$ (2,712)</b>    | <b>\$ (1,799)</b> | <b>\$ (4,511)</b> |
| Depreciation for the year  | —                | —               | (150)                | (213)             | (363)             |
| Disposals  | —                | —               | —                    | 23                | 23                |
| Foreign exchange   | —                | —               | 47                   | 13                | 60                |
| <b>Balance as at December 31, 2023</b>   | <b>\$ —</b>      | <b>\$ —</b>     | <b>\$ (2,815)</b>    | <b>\$ (1,976)</b> | <b>\$ (4,791)</b> |
| <b>Carrying Amounts</b>  |                  |                 |                      |                   |                   |
| As at December 31, 2022  | \$ 74,300        | \$ 9,455        | \$ 3,204             | \$ 1,027          | \$ 87,986         |
| <b>As at December 31, 2023</b>   | <b>\$ 76,978</b> | <b>\$ 9,426</b> | <b>\$ 3,167</b>      | <b>\$ 1,283</b>   | <b>\$ 90,854</b>  |
| 1. The current year revaluation impact recorded in OCI, net of tax, is \$ 2.5 million (2022 - \$ (10.3) million) |                  |                 |                      |                   |                   |



Acadian’s freehold land and roads on freehold land are accounted for under the revaluation method. These assets are carried at their revalued amounts and are not depreciated.

The freehold land and roads on freehold land are measured under Level 3 of the fair value hierarchy. The most recent date of revaluation of these assets is December 31, 2023. There were no transfers made between Levels 1 and 3 or Levels 2 and 3 during the years ended December 31, 2023 and 2022. Valuations are completed annually with the assistance of a licensed independent third-party appraiser who uses a discounted cash flow approach to establish the fair values.

The fair value of land is based on soil expectation value analysis using a discounted cash flow approach. The valuation procedure measures the net present value of bare land if used in perpetual timber production.

The fair value of roads on freehold land is determined using a discounted cash flow approach. The valuation procedure estimates the avoided cost of future road construction, spreading the estimated current construction cost of the existing inventory of capital roads into the future. Expected future cash flows are higher to the extent that existing roads can service future timber harvests.

### Sensitivity to Changes in Assumptions

The following table provides a description of the significant assumptions to the valuation of Acadian’s land and roads on freehold land:

|       | <b>Valuation Technique</b> | <b>Significant Assumption</b>                    | <b>Range (weighted average)</b> | <b>Sensitivity of the Input on Fair Value</b>   |
|-------|----------------------------|--|---------------------------------|---|
| Land  | Discounted cash flow       | Discount rate                                    | 4.33% - 5.26% (4.91%)           | 0.25% increase / (decrease) in the discount rate would result in (decrease) / increase in fair value of (\$12.1 million) / \$14.3 million             |
| Land  | Discounted cash flow       | Stumpage value per m <sup>3</sup> of timber sold | \$5.63 - \$96.84 (\$33.88)      | 5% increase / (decrease) in the stumpage value per m <sup>3</sup> of timber sold would result in increase / (decrease) in fair value of \$4.7 million |
| Roads | Discounted cash flow       | Discount rate                                    | 4.33% - 5.26% (4.91%)           | 0.25% increase / (decrease) in the discount rate would result in (decrease) / increase in fair value of \$0.2 million                                 |
| Roads | Discounted cash flow       | Construction cost per km                         | \$9,477 - \$33,800 (\$16,597)   | 5% increase / (decrease) in the construction cost per km would result in increase / (decrease) in fair value of \$0.5 million                         |

## 6. LONG-TERM DEBT

As at December 31, debt consisted of the following:

| <i>(CAD thousands)</i>       | <b>2023</b>       | 2022              |
|------------------------------|-------------------|-------------------|
| Term facilities              | \$ 105,808        | \$ 108,352        |
| Less:                        |                   |                   |
| Deferred debt issuance costs | <b>(293)</b>      | (415)             |
| <b>Total</b>                 | <b>\$ 105,515</b> | <b>\$ 107,937</b> |

Acadian has term credit facilities with MetLife Insurance Company, with maturity dates ranging from March 6, 2025 to March 6, 2030. These credit facilities include a revolving credit facility of up to U.S. \$10.0 million (the “Revolving Facility” for general corporate purposes and term credit facilities of U.S. \$80 million (the “Term Facilities”). The Term Facilities bear interest at rates ranging from 2.7% to 3.0%. The Revolving Facility bears interest at floating rates based on 90-day LIBOR plus applicable margin. Upon the decommissioning of LIBOR, interest is anticipated to be based on the Secured Overnight Financing Rate.

Floating interest rates give rise to interest rate risk as net income and cash flows may be negatively impacted by fluctuations in interest rates. There are no scheduled repayments of principal required prior to the maturity dates of the Term Facilities.

As at December 31, 2023, Acadian had borrowed U.S. \$80 million (2022 – U.S. \$80.0 million) under the Term Facilities and U.S. \$nil (2022 – U.S. \$nil) under the Revolving Facility. U.S. \$1.7 million of the Revolving Facility is reserved to support the minimum cash balance requirement of the Term Facilities. As security for these facilities, Acadian granted the lenders a security interest over all of its assets. The facilities are subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness and granting liens or selling assets without the consent of the lenders. The credit facilities are also subject to the maintenance of a maximum loan-to-value ratio. Acadian is in compliance with all covenants as at December 31, 2023.

Acadian has a \$2.0 million Canadian dollar denominated revolving credit facility with a major Canadian bank for general corporate purposes. This facility bears interest at floating rates based on bank prime rates plus applicable margin and is due on demand. No amounts were drawn on this facility at December 31, 2023 or December 31, 2022.

The fair value of the Term Facilities as at December 31, 2023 is \$100.5 million (2022 – \$99.1 million). The fair value of debt is determined using the discounted cash flow approach and is measured under Level 2 of the fair value hierarchy. Future cash flows are estimated based on the terms under the Term Facilities and discounted at a rate reflecting appropriate market fundamentals relating to the debt.

## 7. SHAREHOLDERS' EQUITY

Acadian is authorized to issue an unlimited number of common shares. The common shares have no stated par value.

Acadian has in place a dividend reinvestment plan ("DRIP") whereby Canadian resident shareholders may elect to automatically have their dividends reinvested in additional shares. Shares issued under the DRIP are issued directly from the treasury of the Company at a price equal to the volume-weighted average trading price of the Company's shares on the TSX for the five trading days immediately preceding the relevant dividend payment date, which is typically on or about the 15th of April, July, October and January. During the year, Acadian issued 297,134 common shares in accordance with the DRIP.

On February 8, 2023, the Corporation renewed its Normal Course Issuer Bid ("NCIB") by filing a notice of intention with the TSX to purchase for cancellation up to 847,944 common shares during the period commencing February 14, 2023 and ending February 13, 2024, representing 5% of the 16,958,881 common shares outstanding as of January 31, 2023. The previous NCIB expired February 13, 2023. During the year ended December 31, 2023, the Company did not purchase any of its common shares.

The Company's issued and outstanding common shares are as follows:

|  | Number of Shares  | Share Capital<br>(CAD thousands) |
|--|-------------------|----------------------------------|
| Balance as at December 31, 2021        | 16,686,916        | \$ 139,394                       |
| Common shares issued – DRIP            | 198,508           | 3,371                            |
| Balance as at December 31, 2022        | 16,885,424        | \$ 142,765                       |
| Common shares issued – DRIP            | 297,134           | 4,853                            |
| <b>Balance as at December 31, 2023</b> | <b>17,182,558</b> | <b>\$ 147,618</b>                |

## 8. NET INCOME PER SHARE

Basic net income per share is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the period. There are no dilutive potential shares.

| <i>For the Years Ended December 31</i>                       | <b>2023</b>       | 2022       |
|--|-------------------|------------|
| Weighted average number of common shares – basic and diluted | <b>17,123,919</b> | 16,791,973 |

## 9. SEGMENTED INFORMATION

Acadian's presentation of reportable segments is based on how management has organized the business in making operating and capital allocation decisions and assessing performance. Acadian has two operating segments: NB Timberlands and Maine Timberlands. The material accounting policies followed for the segments are consistent with those described in Note 2.

Adjusted EBITDA is used to evaluate the operational performance of reportable segments. Adjusted EBITDA is defined as net income before interest, income taxes, fair value adjustments, recovery of or impairment of land and roads, and depreciation and amortization.

Sales, Adjusted EBITDA and assets by reportable segment are as follows:

| <i>For the Year Ended December 31, 2023</i><br><i>(CAD thousands)</i> | Total     | NB<br>Timberlands | Maine<br>Timberlands |
|---|-----------|-------------------|----------------------|
| Sales   |           |                   |                      |
| Softwood  | \$ 36,852 | \$ 27,675         | \$ 9,177             |
| Hardwood  | 30,040    | 23,977            | 6,063                |
| Biomass   | 4,160     | 3,948             | 212                  |
| Timber services and other sales                                       | 22,425    | 21,499            | 926                  |
| Total sales   | 93,477    | 77,099            | 16,378               |
| Operating costs and expenses  |           |                   |                      |
| Cost of sales   | 63,895    | 51,569            | 12,326               |
| Selling, administration and other                                     | 6,438     | 4,483             | 1,955                |
| Silviculture  | 1,526     | 1,286             | 240                  |
| Depreciation and amortization   | 346       | 222               | 124                  |
|   | 72,205    | 57,560            | 14,645               |
|   | 21,272    | 19,539            | 1,733                |
| Corporate and other expenses  | (1,706)   |                   |                      |
| Operating income  | 19,566    |                   |                      |
| Interest expense, net   | (3,153)   |                   |                      |
| Fair value adjustments and other                                      | 22,975    |                   |                      |
| Gain on sale of timberlands and other fixed assets                    | 657       |                   |                      |
| Income before income taxes  | \$ 40,045 |                   |                      |

| <i>For the year ended December 31, 2023</i><br><i>(CAD thousands)</i> | NB<br>Timberlands | Maine<br>Timberlands |
|---|-------------------|----------------------|
| Operating income  | \$ 19,539         | \$ 1,733             |
| Add: Depreciation and amortization                                    | 222               | 124                  |
| Add: Gain on sale of timberlands and other fixed assets               | 554               | 103                  |
| Adjusted EBITDA   | \$ 20,315         | \$ 1,960             |

| <i>As at December 31, 2023</i><br><i>(CAD thousands)</i> | NB<br>Timberlands | Maine<br>Timberlands |
|--|-------------------|----------------------|
| Non-current assets                                       | \$ 351,149        | \$ 188,616           |
| Total assets   | \$ 361,695        | \$ 204,264           |

| <i>For the Year Ended December 31, 2022</i>        |                  |                   |                      |
|--|------------------|-------------------|----------------------|
| <i>(CAD thousands)</i>                             | Total            | NB<br>Timberlands | Maine<br>Timberlands |
| <b>Sales</b>                                       |                  |                   |                      |
| Softwood   | \$ 39,872        | \$ 25,951         | \$ 13,921            |
| Hardwood   | 26,862           | 21,060            | 5,802                |
| Biomass  | 3,707            | 3,685             | 22                   |
| Timber services and other sales                    | 20,032           | 19,333            | 699                  |
| <b>Total sales</b>                                 | <b>90,473</b>    | <b>70,029</b>     | <b>20,444</b>        |
| <b>Operating costs and expenses</b>                |                  |                   |                      |
| Cost of sales                                      | 62,894           | 48,762            | 14,132               |
| Selling, administration and other                  | 6,413            | 4,422             | 1,991                |
| Silviculture                                       | 1,375            | 1,172             | 203                  |
| Depreciation and amortization                      | 265              | 167               | 98                   |
|  | 70,947           | 54,523            | 16,424               |
|  | 19,526           | 15,506            | 4,020                |
| Corporate and other expenses                       | (1,661)          |                   |                      |
| Operating income                                   | 17,865           |                   |                      |
| Interest expense, net                              | (3,098)          |                   |                      |
| Fair value adjustments and other                   | 34,311           |                   |                      |
| Gain on sale of timberlands and other fixed assets | 56               |                   |                      |
| <b>Income before income taxes</b>                  | <b>\$ 49,134</b> |                   |                      |

| <i>For the year ended December 31, 2022</i>             |  |                   |                      |
|---|--|-------------------|----------------------|
| <i>(CAD thousands)</i>                                  |  | NB<br>Timberlands | Maine<br>Timberlands |
| Operating income  |  | \$ 15,506         | \$ 4,020             |
| Add: Depreciation and amortization                      |  | 167               | 98                   |
| Add: Gain on sale of timberlands and other fixed assets |  | 20                | 36                   |
| <b>Adjusted EBITDA</b>                                  |  | <b>\$ 15,693</b>  | <b>\$ 4,154</b>      |

| <i>As at December 31, 2022</i> |  |                   |                      |
|--------------------------------|--|-------------------|----------------------|
| <i>(CAD thousands)</i>         |  | NB<br>Timberlands | Maine<br>Timberlands |
| Non-current assets             |  | \$ 332,408        | \$ 199,007           |
| <b>Total assets</b>            |  | <b>\$ 346,062</b> | <b>\$ 200,917</b>    |

During the year ended December 31, 2023, approximately 32% of consolidated total sales were originated with customers domiciled in the U.S. (2022 – 34% of consolidated total sales) with the remaining balance in Canada. During the same period, approximately 25% of consolidated total sales were denominated in U.S. dollars (2022 – 34% of consolidated total sales).

Acadian sells its products to many forest product companies in North America. For the year ended December 31, 2023, sales to its largest and next largest customers accounted for 20% and 12%, respectively (2022 – 21% and 8%, respectively).

## 10. CAPITAL MANAGEMENT

Acadian's capital structure consists of shareholders' equity, inclusive of accumulated other comprehensive income, and the Term Facilities. As at December 31, 2023, the recorded values of these items in Acadian's consolidated financial statements totaled \$424.5 million (2022 – \$411.1 million).

Acadian's corporate finance objective is to utilize prudent levels of leverage to lower its 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 reevaluate Acadian's leverage ratios.

Acadian monitors its capital structure to ensure compliance with its financial covenants with debtholders.

## 11. FINANCIAL INSTRUMENTS

### Financial Risk Management

Acadian is exposed to various risks as a result of holding financial instruments. These risks have been categorized as foreign currency risk, interest rate risk, other price risk, credit risk and liquidity risk.

### Foreign Currency Risk

Changes in foreign exchange rates will impact the carrying value of financial instruments denominated in currencies other than the Canadian dollar. Acadian's most significant foreign currency risk exposure arises from its U.S. dollar-denominated debt and its investment in its Maine subsidiary, which has a U.S. dollar functional currency. Acadian has designated a hedging relationship between part of the net investment in its Maine subsidiary and its U.S. dollar-denominated debt, which mitigates the foreign currency risk arising from the subsidiary's net assets. The long-term debt is designated as a hedging instrument for the changes in the value of the net investment that is attributable to changes in the Canadian dollar/U.S. dollar spot rate.

To assess hedge effectiveness, Acadian determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate (the offset method). Acadian's policy is to hedge the net investment only to the extent of the debt principal.

There was no ineffectiveness to be recorded from the hedge during the year. The change in the carrying amount of long-term debt as a result of foreign currency movements during the period, as recognized in OCI, and the change in the hedged item, was \$(2.5) million for the twelve months ended December 31, 2023 (2022 – \$6.9 million). Deferred income tax expense of \$0.3 million (2022 - \$nil) resulting from the unrealized foreign exchange gain on long-term debt has also been recognized in OCI.

During the year ended December 31, 2023, a \$0.01 appreciation (depreciation) in the U.S. to Canadian dollar foreign exchange rate, all else being equal, would not have a significant impact on net income (2022 – no significant impact) and would increase (decrease) OCI by approximately \$1.2 million (2022 – \$1.2 million).

The objective of Acadian's foreign exchange risk management activities is to minimize foreign currency exposures that would have an impact on its operating performance. All of the NB Timberlands expenses and a significant proportion of its revenue are incurred in Canadian dollars. As such, the foreign currency risk associated with the translation of NB Timberlands revenue and accounts receivable denominated in U.S. dollars is considered immaterial. Acadian continues to monitor the impact of all foreign exchange exposure, and will consider alternatives, as required, to ensure that this risk is maintained at prudent levels.

### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Acadian's interest rate risk exposure arises due to its credit facilities (Note 6).

As at December 31, 2023, Acadian is exposed to interest rate risk from its floating interest rate Revolving Facility, to the extent funds are drawn. For the year ended December 31, 2023, \$nil was drawn from the Revolving Facility (2022 – \$nil). A change in interest rates would have no impact on the fixed interest rate Term Facilities.

**Other Price Risk**

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads. Acadian is exposed to commodity price risk as its financial performance is dependent on the sale prices of its products and the costs incurred in harvesting its timber. The markets for timber are cyclical and are influenced by a variety of factors beyond Acadian's control. Among other things, the market prices for timber can be affected by changes in regional and global demand, global supply and economic conditions, including increased competition from a variety of substitute products. Additionally, Acadian's operating expenses can be impacted by fuel cost increases.

Acadian relies almost exclusively on land transportation and is susceptible to fuel cost increases. Accordingly, commodity price variations may impact Acadian's sales, costs of sales, cash flows and net income. Furthermore, weakness in the market prices of its timber products will also have an effect on Acadian's ability to attract additional capital, the cost of that capital and the value of its timberland assets.

To manage these risks, Acadian monitors market developments in all commodity prices to which it is materially exposed. Given the nature of Acadian's operations, during periods of decreased selling prices and increased costs, Acadian will adjust harvest levels and manage variable expenditures in an effort to preserve the long-term value of Acadian's timberlands.

**Credit Risk**

Credit risk is the risk of loss due to the failure of a borrower or counterparty to fulfill its contractual obligations. Credit risk arises from cash held with banks and financial institutions, as well as credit exposures to customers, including outstanding accounts receivable. The maximum exposure is equal to the carrying value of the financial assets as at the consolidated balance sheet dates.

The objective of managing counterparty credit risk is to prevent losses in financial assets. Cash is invested with counterparties meeting minimum credit quality requirements. With respect to outstanding accounts receivable, NB Timberlands and Maine Timberlands each assess the credit quality of the counterparties, including customers, taking into account their financial position, past experience, and other factors. In cases where the credit quality of a customer does not meet Acadian's credit requirements, a cash deposit is received before any timber is harvested and sold. Upon evaluating all accounts receivable balances as at December 31, 2023, Acadian recorded an allowance of \$nil against outstanding receivables (2022 – \$nil). Pursuant to their respective terms, all outstanding trade accounts receivable are current or less than 31 days overdue as at December 31, 2023, with the exception of approximately \$0.1 million (2022 – \$31 thousand).

**Liquidity Risk**

Liquidity risk is the risk that Acadian cannot meet a demand for cash or fund an obligation as it comes due. Acadian's objective in managing liquidity risk is to maintain sufficient reserves in order to meet operational and investing requirements at any point in time, and to maintain debt financing at levels that will allow Acadian to attract additional capital at reasonable cost. Acadian's principal sources of liquidity include cash earned from operations and the Revolving Facility of which \$nil was drawn as at December 31, 2023 (2022 – \$nil). U.S. \$1.7 million of this facility is reserved to support the minimum cash balance requirement of the Term Facilities. These sources, combined with existing cash, are expected to allow Acadian to meet its short term and long-term operating, debt service, capital expenditure and dividend requirements.

Additionally, Acadian assesses the nature and timing of discretionary payments in an effort to mitigate any impact on the financial condition or results of operations of Acadian. As at December 31, 2023 and 2022, the accounts payable and accrued liabilities and dividends payable of Acadian are due in less than 30 days.

The following tables detail the contractual maturities for Acadian's financial liabilities. The tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which Acadian can be required to pay.

| <i>December 31, 2023</i><br><i>(CAD thousands)</i> | Total            | Less Than One<br>Year (2024) | 1 to 3 Years<br>(2025-2027) | 4 to 5 Years<br>(2028-2029) | After 5 Years<br>(>2029) |
|--|------------------|------------------------------|-----------------------------|-----------------------------|--------------------------|
| Accounts payable and accrued liabilities           | \$ 9,227         | \$ 9,227                     | \$ —                        | \$ —                        | \$ —                     |
| Dividends payable to shareholders                  | 4,983            | 4,983                        | —                           | —                           | —                        |
| Long-term debt <sup>1</sup>                        |                  |                              |                             |                             |                          |
| Tranche D  | 19,508           | —                            | 19,508                      | —                           | —                        |
| Tranche E  | 22,815           | —                            | 22,815                      | —                           | —                        |
| Tranche F  | 42,323           | —                            | —                           | 42,323                      | —                        |
| Tranche G  | 21,162           | —                            | —                           | —                           | 21,162                   |
|  | <b>\$120,018</b> | <b>\$ 14,210</b>             | <b>\$ 42,323</b>            | <b>\$ 42,323</b>            | <b>\$ 21,162</b>         |
| Interest payments                                  | \$ 9,011         | \$ 2,977                     | \$ 4,672                    | \$ 1,257                    | \$ 105                   |

1. Represents principal of a U.S. dollar denominated revolving facility with a U.S. to Canadian dollar conversion rate of 1.3226.

| <i>December 31, 2022</i><br><i>(CAD thousands)</i> | Total            | Less Than One<br>Year (2023) | 1 to 3 Years<br>(2024-2026) | 4 to 5 Years<br>(2027-2028) | After 5 Years<br>(>2028) |
|--|------------------|------------------------------|-----------------------------|-----------------------------|--------------------------|
| Accounts payable and accrued liabilities           | \$ 11,206        | \$ 11,206                    | \$ —                        | \$ —                        | \$ —                     |
| Current income taxes payable                       | 20               | 20                           | —                           | —                           | —                        |
| Dividends payable to shareholders                  | 4,897            | 4,897                        | —                           | —                           | —                        |
| Long-term debt <sup>1</sup>                        |                  |                              |                             |                             |                          |
| Tranche D  | 19,978           | —                            | 19,978                      | —                           | —                        |
| Tranche E  | 23,363           | —                            | 23,363                      | —                           | —                        |
| Tranche F  | 43,341           | —                            | —                           | 43,341                      | —                        |
| Tranche G  | 21,670           | —                            | —                           | —                           | 21,670                   |
|  | <b>\$124,475</b> | <b>\$ 16,123</b>             | <b>\$ 43,341</b>            | <b>\$ 43,341</b>            | <b>\$ 21,670</b>         |
| Interest payments                                  | \$ 12,278        | \$ 3,049                     | \$ 6,986                    | \$ 1,492                    | \$ 751                   |

1. Represents principal of a U.S. dollar denominated revolving facility with a U.S. to Canadian dollar conversion rate of 1.3544.

### Fair Value of Financial Instruments

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Cash, accounts receivable and other assets and current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

As at December 31, 2023 and 2022, there were no financial assets and financial liabilities, other than liabilities related to share-based compensation, that were measured at fair value on a recurring basis.

## 12. INCOME TAXES

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

| <i>For the Years Ended December 31</i><br><i>(CAD thousands)</i> | 2023             | 2022             |
|--|------------------|------------------|
| Current income tax expense                                       | \$ 1,955         | \$ 2,692         |
| Deferred income tax expense                                      |                  |                  |
| Origination and reversal of temporary differences                | 9,025            | 10,935           |
| Benefit arising from unrecognized tax asset                      | (369)            | —                |
| Total income tax expense   | <b>\$ 10,611</b> | <b>\$ 13,627</b> |

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

| <i>For the Years Ended December 31</i>      |                  |                  |
|---|------------------|------------------|
| <i>(CAD thousands)</i>                      | <b>2023</b>      | 2022             |
| Income taxes at statutory rate              | \$ 11,613        | \$ 14,249        |
| Foreign tax rate differential               | (73)             | (288)            |
| Benefit arising from unrecognized tax asset | (369)            | —                |
| Changes related to prior years              | (566)            | (334)            |
| Other                                       | 6                | —                |
| <b>Total income tax expense</b>             | <b>\$ 10,611</b> | <b>\$ 13,627</b> |

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The deferred tax expenses relate to the following:

| <i>For the Years Ended December 31</i> |                 |                  |
|--|-----------------|------------------|
| <i>(CAD thousands)</i>                 | <b>2023</b>     | 2022             |
| Timber                                 | \$ 7,746        | \$ 10,785        |
| Roads and other fixed assets           | 4               | (108)            |
| Investment tax credits                 | 1,631           | 701              |
| Other                                  | (725)           | (443)            |
| <b>Deferred income tax expense</b>     | <b>\$ 8,656</b> | <b>\$ 10,935</b> |

Significant components of Acadian's deferred tax assets and liabilities are as follows:

| <i>For the Years Ended December 31</i>            |                     |                     |
|---|---------------------|---------------------|
| <i>(CAD thousands)</i>                            | <b>2023</b>         | 2022                |
| Land  | \$ (19,547)         | \$ (18,760)         |
| Timber  | (105,038)           | (101,996)           |
| Roads and other fixed assets                      | (2,937)             | (2,947)             |
| Intangible asset                                  | (1,781)             | (1,781)             |
| Investment tax credits                            | 2,724               | 4,355               |
| Other   | (2,524)             | 1,076               |
| <b>Total deferred income tax liabilities, net</b> | <b>\$ (129,103)</b> | <b>\$ (120,053)</b> |

### **13. DIVIDENDS TO SHAREHOLDERS**

Acadian pays quarterly dividends to the extent determined prudent by the Board of Directors. Total dividends declared for the year ended December 31, 2023 were \$19.8 million or \$1.16 per share (2022 – \$19.5 million or \$1.16 per share).

### **SHARED-BASED COMPENSATION**

#### **Board of Directors plan**

Members of the Board of Directors may elect to receive all or any portion of their fees in Deferred Stock Units ("DSUs") under the Directors Deferred Stock Unit Plan in lieu of cash. Additional DSUs are received as dividend equivalents. The number of DSUs received is determined by the market value of a common share of the Company as of the director's fee or the dividend payment date, based on a 5-day volume weighted average price. DSUs cannot be redeemed until the holder is no longer a Director of the Company and can only be redeemed for cash. The redemption value of a DSU equals the market value of a common share of the Company at the time of redemption.

During the year ended December 31, 2023, the Company granted 14,170 DSUs (2022 – 13,247) and \$0.3 million (2022 - \$0.2 million) has been recognized as an expense in respect of the Director DSUs.



### Employee plans

The Company has a long-term incentive program for executive officers and members of senior management which utilizes a Restricted Stock Unit Plan and an Executive Deferred Stock Unit Plan, which provide for the granting of rights to participants to receive, on a deferred basis, cash payments equal to the fair market value of the shares of the Company. Long-term incentive awards granted as Restricted Stock Units (“RSUs”) vest after a three-year period. RSUs are paid out in cash following the vesting period at an amount calculated with reference to the market value of a common share of the Company.

Executive officers are eligible to receive long-term incentive awards as DSUs. DSUs are subject to a three-year vesting period and are paid out in cash only when the participant ceases to be an employee of the Company, at an amount calculated with reference to the market value of a common share of the Company.

During the year ended December 31, 2023, the Company granted 5,703 RSUs and 10,167 DSUs and \$0.2 million (2022 - \$0.1 million) has been recognized as an expense in respect of the employee plans.

### 14. COMPENSATION OF KEY MANAGEMENT PERSONNEL

| <i>For the Years Ended December 31</i> |    |              |          |
|--|----|--------------|----------|
| <i>(CAD thousands)</i>                 |    | <b>2023</b>  | 2022     |
| Salaries                               | \$ | <b>744</b>   | \$ 710   |
| Incentives                             |    | <b>265</b>   | 311      |
| Short-term benefits                    |    | <b>47</b>    | 41       |
| Total compensation                     | \$ | <b>1,056</b> | \$ 1,062 |

### 15. LITIGATION AND CLAIMS

On November 30, 2021, the Wolastoqey Nation (made up of six Maliseet First Nations) filed an Action in the Court of Queen’s Bench of New Brunswick naming the Province of New Brunswick and the Attorney General of Canada and several other forestry and other companies operating in New Brunswick as defendants. Acadian’s subsidiaries Acadian Timber Limited Partnership by its General Partner, Acadian Timber GP Inc., and Acadian Timber GP Inc. are among the defendants in this Action. The Action seeks, in part, a declaration of Aboriginal title to the land currently owned by the defendants in New Brunswick, including Acadian. Acadian has filed a Notice of Intent to Defend and a Motion to Dismiss the case. The outcome of the claim is not determinable at this time.

### 16. SUBSEQUENT EVENTS

On February 7, 2024, the Corporation renewed its Normal Course Issuer Bid (“NCIB”) by filing a notice of intention with the TSX to purchase for cancellation up to 862,739 common shares during the period commencing February 14, 2024 and ending February 13, 2025, representing 5% of the 17,254,798 common shares outstanding as of January 31, 2024.

On February 6, 2024, Acadian executed an agreement for the option to lease approximately 10,000 acres of its Maine timberlands for the purpose of the development, construction, operation, and maintenance of a solar powered electric generating facility. The agreement includes inspection, development, construction, and commercial operations with escalating leasing fees.

## CORPORATE GOVERNANCE

Acadian Timber Corp. (the “Company”) and its Board of Directors are committed to working together to achieve strong and effective corporate governance, with the objective of promoting the long-term interests of the Company and the enhancement of value for all shareholders. We continue to review and improve our corporate governance policies and practices in relation to evolving legislation, guidelines and best practices. Our Board of Directors is of the view that our corporate governance policies and practices and our disclosure in this regard are comprehensive and consistent with the guidelines established by Canadian securities regulators.

Our Statement of Corporate Governance Practices is set out in full in the Management Information Circular distributed each year to all Acadian shareholders along with the Notice of our Annual Meeting. This Statement is also available on our website, [www.acadiantimber.com](http://www.acadiantimber.com).

## BOARD AND MANAGEMENT

### BOARD OF DIRECTORS

Malcolm Cockwell  
*Managing Director*  
*Haliburton Forest*

Bruce Robertson  
*Vice President*  
*The Woodbridge Company*  
*Limited*

Karen Oldfield  
*Interim President and CEO*  
*Nova Scotia Health*

Heather Fitzpatrick  
*President and CEO*  
*Halmont Properties Corporation*

Erika Reilly  
*Corporate Director*

Adam Shepanski  
*President and*  
*Chief Executive Officer*  
*Acadian Timber Corp.*

### MANAGEMENT

Adam Shepanski  
*President and*  
*Chief Executive Officer*  
*Acadian Timber Corp.*

Susan Wood  
*Chief Financial Officer*  
*Acadian Timber Corp.*

## CORPORATE AND SHAREHOLDER INFORMATION

### HEAD OFFICE

365 Canada Road  
Edmundston, N.B. E3V 1W2

Please direct your inquiries to:  
Susan Wood  
Chief Financial Officer  
t. 506-737-2345  
e. [ir@acadiantimber.com](mailto:ir@acadiantimber.com)

### TRANSFER AGENT AND REGISTRAR

Shareholder inquiries relating to dividends, address changes and shareholder account information should be directed to the Company's transfer agent:

TSX Trust Company  
P.O. Box 700, Station B  
Montreal, QC H3B 3K3  
t. 1-800-387-0825 (toll free in North America)  
f. 1-888-249-6189  
e. [shareholderinquiries@tmx.com](mailto:shareholderinquiries@tmx.com)  
[www.tsxtrust.com](http://www.tsxtrust.com)

### SHARE INFORMATION

Toronto Stock Exchange: ADN  
Fully Diluted Shares Outstanding (December 31, 2023): 17,182,558  
Targeted 2024 Quarterly Dividend: \$0.29 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](http://www.acadiantimber.com)

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