ACADIANTIMBER

Q3 2014 Interim Report

Letter to Shareholders

Overview

Acadian Timber Corp.'s ("Acadian") operations performed well for the three-month period ending September 27, 2014 (the "third quarter"). Favourable operating conditions along with solid demand for all our products resulted in significantly higher net sales and Adjusted EBITDA[1] than in the same period of the prior year.

Results of Operations

Acadian generated net sales of $21.6 million during the third quarter, $2.8 million more than the same period in 2013 reflecting a 7% increase in sales volume and a 9% increase in the weighted average log price. On a year-to-date basis, net sales are 4% higher than in the same period last year with a 7% decline in sales volume more than offset by a 10% increase in the weighted average log price.

Adjusted EBITDA[1] for the third quarter was $5.7 million, up $1.9 million from $3.8 million during the comparable period of the prior year. Adjusted EBITDA margin in the third quarter of 2014 was 26%, up 6% from the same period in 2013. On a year-to-date basis, Adjusted EBITDA has improved 26% from the prior year to $14.3 million and the Adjusted EBITDA margin is up 4%.

Acadian's operations experienced one recordable incident involving employees during the third quarter and four recordable incidents among our contractors. We are pleased to report that, in late September, the Maine operations successfully completed a surveillance audit under the Sustainable Forest Initiative® with an impressive finding of no non-conformances or opportunities for improvement.

Our balance sheet continues to be solid with $78 million of net liquidity as at September 27, 2014, including funds available under Acadian's revolving credit facility and our stand-by equity commitment with Brookfield Asset Management Inc.

Outlook[2]

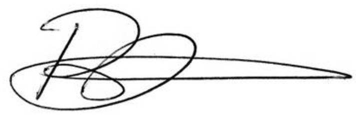
The U.S. market is showing broad improvement in economic conditions including strong real GDP and consumer spending growth with the unemployment rate now below six percent. This strength has had little impact on the housing market to date however, with new and existing home sales remaining disappointing. Household formations are still lagging and most new households are still choosing to rent rather than buy. We believe the market is steadily improving with consumers' net wealth steadily improving and fewer homeowners in distress as indicated by the steady decline over the past few years in delinquency rates, foreclosures and the share of mortgages in a negative equity position. This is expected to support continued increases in housing starts through 2016 and this optimism, along with supply-side challenges and continued strong exports, should keep North American lumber prices well above historical norms encouraging Acadian's key solid wood customers to continue to operate at full capacity. As such, we expect to see ongoing strong demand for softwood sawlogs in the region.

Markets for hardwood sawlogs have been positive and are expected to remain stable and demand and pricing for hardwood pulpwood continues to be very favourable. While Acadian has been successful in selling its softwood pulpwood production, this market is expected to be increasingly challenged due to the recent closure of several regional mills. Biomass sales have begun to improve as the logistical challenges previously constraining exports from our New Brunswick operations have been relieved.

Business Development

We continue to actively pursue business development opportunities in support of Acadian's growth strategy in the U.S., Australasia and South America. We are witnessing increased transaction activity in all of these markets and worked on several opportunities in the United States, Brazil, Chile and New Zealand during the third quarter. Our goal is to build a balanced portfolio between current cash flow and capital appreciation with the ultimate focus being on our long-term total return target of 10-12%. Acadian's shareholders can be confident that we will stay focused and disciplined in our search for growth.

In conclusion, we look forward to reporting on continued strong operating activity as we enter into the fourth quarter of 2014 and are pleased that Acadian continues to have a solid balance sheet, healthy and diverse markets and a strong operating team. We thank you for your continued support of Acadian Timber Corp.



Reid Carter
President and Chief Executive Officer
October 27, 2014

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1. Adjusted EBITDA is a key performance measure in evaluating Acadian's operations and is important in enhancing investors' understanding of Acadian's operating performance. Acadian's management defines Adjusted EBITDA as earnings before interest, taxes, fair value adjustments, recovery of or impairment of land and roads, unrealized exchange gain/loss on debt, depreciation and amortization. As this performance measure does not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"), it may not be comparable to similar measures presented by other companies. Please refer to Management's Discussion and Analysis for further details.
2. This section 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 "Forward-Looking Statements" in Management's Discussion and Analysis for further details.

Management’s Discussion and Analysis

INTRODUCTION

Acadian Timber Corp. (“Acadian” or the “Company”) is a leading supplier of primary forest products in Eastern Canada and the Northeastern U.S. With a total of 2.4 million acres of land under management, Acadian is the second largest timberland operator in New Brunswick and Maine.

Acadian owns and manages approximately 761,000 acres of freehold timberlands in New Brunswick (“NB Timberlands”), approximately 301,000 acres of freehold timberlands in Maine (“Maine Timberlands”) and provides management services relating to approximately 1.3 million acres of Crown licensed timberlands in New Brunswick. Acadian also owns and operates a forest nursery in Second Falls, New Brunswick. Acadian’s products include softwood and hardwood sawlogs, pulpwood and biomass byproducts, sold to approximately 90 regional customers.

Acadian’s business strategy is to maximize cash flows from its existing timberland assets while growing our business by acquiring assets on a value basis and utilizing our operations-oriented approach 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-month period ended September 27, 2014 (herein referred to as the “third quarter”) and the nine-month period ended September 27, 2014 compared to the three- and nine-month periods ended September 28, 2013, and should be read in conjunction with the interim consolidated financial statements and notes thereto included at page 16 of this interim report.

Our third quarter financial results are determined in accordance with IAS 34 “*Interim Financial Reporting*” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and are expressed in Canadian dollars unless otherwise noted. External economic and industry factors remain unchanged since the previous annual report, unless otherwise noted. This MD&A has been prepared based on information available as at October 27, 2014. Additional information is available on Acadian’s website at *www.acadiantimber.com* and on SEDAR’s website at *www.sedar.com*.

Non-IFRS Measures

Throughout the MD&A, reference is made to “Adjusted EBITDA,” which Acadian’s management defines as earnings before interest, taxes, fair value adjustments, recovery of or impairment of land and roads, unrealized exchange gain/loss on debt, depreciation and amortization and to “Free Cash Flow” which Acadian’s management defines as Adjusted EBITDA less interest paid, current income tax expense, additions to, and gains from the sale of, fixed assets plus losses on, and proceeds from, the sale of fixed assets. Management believes that Adjusted EBITDA and Free Cash Flow are key performance measures in evaluating Acadian’s operations and are important in enhancing investors’ understanding of the Company’s operating performance. As Adjusted EBITDA and Free Cash Flow do not have a standardized meaning prescribed by IFRS, they may not be comparable to similar measures presented by other companies. As a result, we have provided reconciliations of net income as determined in accordance with IFRS, to Adjusted EBITDA and Free Cash Flow in the “Adjusted EBITDA and Free Cash Flow” section of this MD&A.

Assessment and Changes in Disclosure Controls and Internal Controls

Management has evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures as at December 31, 2013. There have been no changes in our disclosure controls and procedures during the period ended September 27, 2014 that have materially affected, or are reasonably likely to materially affect, our disclosure controls and procedures.

Management has also evaluated the design and effectiveness of our internal controls over financial reporting in accordance with Multilateral Instrument 52-109 using the COSO framework as at December 31, 2013. There have been no changes in our internal controls over financial reporting during the period ended September 27, 2014 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

REVIEW OF OPERATIONS

Summary of Third Quarter Results

The table below summarizes operating and financial data for Acadian:

(CAD thousands, except where indicated)	Three Months Ended **September 27, 2014**	Three Months Ended September 28, 2013	Nine Months Ended **September 27, 2014**	Nine Months Ended September 28, 2013
Sales volume (000s m³)	**367.7**	343.2	**946.8**	1,012.9
Net sales	**$ 21,583**	$ 18,759	**$ 54,855**	$ 52,619
Operating earnings	**5,545**	3,642	**13,807**	10,823
Net income / (loss)	**(557)**	3,394	**4,878**	3,828
Total assets	**308,307**	295,203	**308,307**	295,203
Total debt financing	**81,172**	75,779	**81,172**	75,779
Adjusted EBITDA[1]	**$ 5,699**	$ 3,789	**$ 14,331**	$ 11,341
Adjusted EBITDA margin[1]	**26%**	20%	**26%**	22%
Free Cash Flow[1]	**$ 4,669**	$ 2,812	**$ 11,321**	$ 8,497
Dividends declared	**3,451**	3,451	**10,353**	10,353
Payout ratio	**74%**	123%	**91%**	122%
Per share - basic and diluted				
Net income / (loss)	**$ (0.03)**	$ 0.20	**$ 0.29**	$ 0.23
Free Cash Flow[1]	**0.28**	0.17	**0.68**	0.51
Dividends declared	**0.21**	0.21	**0.62**	0.62
Book value	**10.85**	10.80	**10.85**	10.80
Common shares outstanding	**16,731,216**	16,731,216	**16,731,216**	16,731,216

1. Non-IFRS Measure. See "Reconciliation of net income, in accordance with IFRS, to Adjusted EBITDA and Free Cash Flow".

Acadian generated net sales of $21.6 million on sales volumes of 368 thousand m³ for the three months ended September 27, 2014 (the "third quarter"), compared with net sales of $18.8 million on sales volumes of 343 thousand m³ during the same period last year. The 15% increase in net sales year-over-year reflects a 7% increase in sales volume and a 9% increase in the weighted average log selling price with the majority of the increase in this sales volume and selling price occurring in Acadian's higher margin spruce-fir sawlog sort. For the nine months ended September 27, 2014, Acadian generated net sales of $54.9 million on sales volume of 947 thousand m³ as compared to net sales of $52.6 million on sales volume of 1,013 thousand m³ in the comparable period of 2013. The impact of the 7% reduction in year-to-date sales volume was more than off-set by the 10% year-over-year improvement in the weighted average log price.

Operating earnings for the period, at $5.5 million, increased $1.9 million year-over-year reflecting increased sales volumes and margin improvements stemming from a higher value product mix and stronger pricing. For the nine months ended September 27, 2014, the stronger log prices brought operating earnings up to $13.8 million from $10.8 million in the prior year. Acadian's net loss for the third quarter was $0.6 million, or $0.03 per share. This is a decrease of $4.0 million or $0.23 per share from the same period in 2013, however the majority of the difference is related to non-cash items including a larger fair value adjustment due to the higher harvest volume and a difference of $5.4 million in the unrealized exchange loss on long-term debt compared to the same period of the prior year. For the nine months ended September 27, 2014, net income was $4.9 million, or $0.29 per share, an increase of $1.1 million, or $0.06 per share, over the same period in 2013 despite a $1.4 million increase in unrealized exchange loss on long-term debt and a $0.5 million negative fair value adjustment compared to a $0.9 million positive adjustment in the prior year.

Adjusted EBITDA and Free Cash Flow

Adjusted EBITDA for the third quarter was $5.7 million, compared to $3.8 million during the comparable period in 2013 with the increase reflecting the sales volume and log price improvements discussed above. Adjusted EBITDA margin in the third quarter was 26%, up from 20% in the same period in 2013. For the nine months ended September 27, 2014, adjusted EBITDA is $14.3 million, $3.0 million higher than the same period last year reflecting improved sales prices for the majority of our products.

Free Cash Flow was $4.7 million during the third quarter, an increase of $1.9 million from the same period in 2013. Free cash flow for the nine months ended September 27, 2014 is $11.3 million, as compared to $8.5 million during the same period last year. The increased Free Cash Flow reflects the improvements noted above partially offset by an increase in cash taxes.

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:

	Three Months Ended		Nine Months Ended	
(CAD thousands)	**September 27, 2014**	September 28, 2013	**September 27, 2014**	September 28, 2013
Net income / (loss)	**$ (557)**	$ 3,394	**$ 4,878**	$ 3,828
Add / (deduct):				
Interest expense, net	**801**	756	**2,371**	2,268
Current income tax expense	**101**	—	**370**	—
Deferred income tax expense	**294**	702	**1,636**	2,952
Depreciation and amortization	**137**	147	**409**	431
Fair value adjustments	**1,110**	334	**505**	(909)
Unrealized exchange / (gain) loss on long-term debt	**3,813**	(1,544)	**4,162**	2,771
Adjusted EBITDA[1]	**5,699**	3,789	**14,331**	11,341
Add / (deduct):				
Interest paid on debt, net	**(807)**	(760)	**(2,386)**	(2,282)
Additions to timber, land, roads and other fixed assets	**(122)**	(217)	**(255)**	(562)
Gain on sale of timberlands	**(17)**	—	**(115)**	(87)
Proceeds on sale of timberlands	**17**	—	**116**	87
Current income tax expense	**(101)**	—	**(370)**	—
Free Cash Flow[1]	**$ 4,669**	$ 2,812	**$ 11,321**	$ 8,497
Dividends declared	**$ 3,451**	$ 3,451	**$ 10,353**	$ 10,353
Payout ratio	**74%**	123%	**91%**	122%

1. Non-IFRS Measure. See “Non-IFRS Measures” on page 3 of this interim report.

Dividend Policy of the Company

Acadian declares dividends from its available cash to the extent determined prudent by the Board of Directors. These dividends represent cash received from the Company’s indirect interest in the Maine and NB Timberlands, less estimated cash amounts required for expenses and other obligations of Acadian, cash redemptions of shares and any tax liability. Dividends are paid on or about the 15th day following each dividend declaration date.

In determining the appropriate level of dividends, our Board of Directors considers the historic and forecast quarterly Free Cash Flow of Acadian. Given the seasonality of Acadian’s operations, the Company’s performance may vary significantly on a quarter by quarter basis.

Total dividends declared to shareholders during the three months ended September 27, 2014 were $3.5 million, or $0.21 per share, unchanged from the prior year. The payout ratio of the Company, which represents the amount of dividends declared as a percentage of the Free Cash Flow generated, for the year-to-date period ended September 27, 2014 was 91% compared to 122% in the same period of the prior year.

Based on Free Cash Flow generated to date, Acadian’s revolving credit facility and existing cash reserves, Acadian remains well positioned to meet dividend targets through the remainder of 2014 and well into 2015.

Operating and Market Conditions

Acadian’s operations ran well during the third quarter. Weather conditions were typical for the summer season and improved demand for softwood resulted in a 7% increase in total sales volume compared to the same period in the prior year.

Acadian's softwood sawlog sales volume for the third quarter increased 14% from the same period in 2013, while sales volumes for hardwood sawlogs and pulpwood increased by 3% and 6%, respectively, and biomass volumes were almost unchanged.

Acadian's weighted average log selling price for the third quarter increased 9% year-over-year due to higher softwood and hardwood sawlog and hardwood pulpwood prices, a stronger U.S. dollar and a higher value sales mix. Stronger softwood sawlog markets, which represented 39% of net sales, resulted in an 11% increase in softwood sawlog prices relative to the third quarter of 2013. These higher prices were partially offset by higher costs associated with sales to more distant markets. Prices for hardwood sawlogs and pulpwood in both the New Brunswick and Maine operations improved with selling prices for hardwood sawlogs and pulpwood each increasing by 9% over the same period last year.

Softwood pulpwood pricing has remained stable, however, the number of groundwood pulp customers operating in the region continues to decline. Biomass margins fell 20% year-over-year with the majority of the change coming from the New Brunswick operations where a smaller proportion of the volume was sold to higher margin export markets than in the prior year.

Income Tax Expense

Included in net income for the three and nine months ended September 27, 2014 is a current income tax expense of $0.1 million and $0.4 million, respectively (2013 – $nil and $nil, respectively) and deferred income tax expense of $0.3 million and $1.6 million, respectively (2013 – $0.7 million and $3.0 million, respectively).

Segmented Results of Operations

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

Three Months Ended September 27, 2014 (CAD thousands)	**NB Timberlands**	**Maine Timberlands**	**Corporate**	**Consolidated**
Sales volumes (000s m^3)	**290.7**	**77.0**	**—**	**367.7**
Net sales	**$ 16,288**	**$ 5,295**	**$ —**	**$ 21,583**
Adjusted EBITDA[1]	**$ 4,510**	**$ 1,526**	**$ (337)**	**$ 5,699**
Adjusted EBITDA margin[1]	**28%**	**29%**	**n/a**	**26%**

Three Months Ended September 28, 2013 (CAD thousands)	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m^3)	254.1	89.1	—	343.2
Net sales	$ 13,648	$ 5,111	$ —	$ 18,759
Adjusted EBITDA[1]	$ 2,701	$ 1,456	$ (368)	$ 3,789
Adjusted EBITDA margin[1]	20%	28%	n/a	20%

Nine Months Ended September 27, 2014 (CAD thousands)	**NB Timberlands**	**Maine Timberlands**	**Corporate**	**Consolidated**
Sales volumes (000s m^3)	**717.5**	**229.3**	**—**	**946.8**
Net sales	**$ 40,024**	**$ 14,831**	**$ —**	**$ 54,855**
Adjusted EBITDA[1]	**$ 10,620**	**$ 4,388**	**$ (677)**	**$ 14,331**
Adjusted EBITDA margin[1]	**27%**	**30%**	**n/a**	**26%**

Nine Months Ended September 28, 2013 (CAD thousands)	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m^3)	771.2	241.7	—	1,012.9
Net sales	$ 39,309	$ 13,310	$ —	$ 52,619
Adjusted EBITDA[1]	$ 8,636	$ 3,699	$ (994)	$ 11,341
Adjusted EBITDA margin[1]	22%	28%	n/a	22%

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 3 of this interim report.

NB Timberlands

NB Timberlands owns and manages approximately 761,000 acres of freehold timberlands, provides management services relating to approximately 1.3 million acres of Crown licensed timberlands and owns a forest nursery. Approximately 80% of harvest operations are performed by third-party contractors and approximately 20% by NB Timberlands employees.

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

	Three Months Ended September 27, 2014			Three Months Ended September 28, 2013		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**107.6**	**109.2**	**6,281**	87.7	90.5	$ 4,632
Hardwood	**108.7**	**112.3**	**7,354**	106.3	103.3	6,213
Biomass	**69.2**	**69.2**	**1,544**	60.3	60.3	1,364
	285.5	**290.7**	**15,179**	254.3	254.1	12,209
Other sales			**1,109**			1,439
Net sales			**$ 16,288**			$ 13,648
Adjusted EBITDA[1]			**$ 4,510**			$ 2,701
Adjusted EBITDA margin[1]			**28%**			20%

	Nine Months Ended September 27, 2014			Nine Months Ended September 28, 2013		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**273.7**	**276.9**	**$ 15,405**	301.1	301.9	$ 15,743
Hardwood	**294.6**	**302.1**	**20,027**	290.7	295.9	18,075
Biomass	**138.5**	**138.5**	**2,853**	173.4	173.4	3,382
	706.8	**717.5**	**38,285**	765.2	771.2	37,200
Other sales			**1,739**			2,109
Net sales			**$ 40,024**			$ 39,309
Adjusted EBITDA[1]			**$ 10,620**			$ 8,636
Adjusted EBITDA margin[1]			**27%**			22%

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 3 of this interim report.

Acadian's NB Timberlands had a very strong quarter with softwood, hardwood and biomass shipments of 109 thousand m³, 112 thousand m³ and 69 thousand m³, respectively, during the third quarter representing a 14% year-over-year increase in sales volume. Approximately 36% of sales volume was sold as sawlogs, 40% as pulpwood and 24% as biomass in the third quarter. This compares to 33% sold as sawlogs, 43% as pulpwood and 24% as biomass in the third quarter of 2013.

Net sales for the third quarter totaled $16.3 million compared to $13.6 million for the same period last year reflecting more favourable operating and market conditions. The weighted average log selling price was $61.55 per m³ in the third quarter of 2014, a 10% increase from $55.94 per m³ in the same period of 2013 as a result of improved selling prices for most products and a higher proportion of sawlogs in the sales mix. Net sales for the nine months ended September 27, 2014 were $40.0 million, an increase of $0.7 million over the same period in 2013, with lower sales volumes more than offset by improved pricing.

Costs for the third quarter were $11.8 million, compared to $10.9 million in the same period in 2013, due to higher harvest volumes of primary products. Variable costs per m³ were unchanged from the prior year. For the nine months ended September 27, 2014, costs were $29.4 million, $1.3 million lower than during the same period of 2013, due to lower harvest volumes.

Adjusted EBITDA for the third quarter was $4.5 million, compared to $2.7 million in the third quarter of 2013 reflecting higher sales volumes and improved prices. The improved prices along with unchanged average per unit variable costs increased Adjusted EBITDA margin to 28% from 20% in the prior year. For the nine months ended September 27, 2014, Adjusted EBITDA was $10.6 million, an increase of $2.0 million over the same period of 2013 with the decrease in harvest volume more than offset by improved year-to-date prices.

There was one recordable safety incident among employees and two recordable incidents among our contractors during the third quarter of 2014.

Maine Timberlands

Maine Timberlands owns and manages approximately 301,000 acres of freehold timberlands. All harvesting operations are performed by third-party contractors.

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

	Three Months Ended September 27, 2014			Three Months Ended September 28, 2013		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**48.9**	**48.7**	**$ 3,343**	51.4	51.3	$ 3,168
Hardwood	**24.8**	**24.6**	**1,788**	25.6	26.0	1,754
Biomass	**3.7**	**3.7**	**25**	11.8	11.8	65
	77.4	**77.0**	**5,156**	88.8	89.1	4,987
Other sales			**139**			124
Net sales			**$ 5,295**			$ 5,111
Adjusted EBITDA[1]			**$ 1,526**			$ 1,456
Adjusted EBITDA margin[1]			**29%**			28%

	Nine Months Ended September 27, 2014			Nine Months Ended September 28, 2013		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**138.1**	**137.6**	**$ 9,049**	146.0	145.6	$ 8,385
Hardwood	**70.0**	**71.6**	**5,308**	61.2	68.0	4,412
Biomass	**20.1**	**20.1**	**138**	28.1	28.1	190
	228.2	**229.3**	**14,495**	235.3	241.7	12,987
Other sales			**336**			323
Net sales			**$ 14,831**			$ 13,310
Adjusted EBITDA[1]			**$ 4,388**			$ 3,699
Adjusted EBITDA margin[1]			**30%**			28%

1. Non-IFRS Measure. See “Non-IFRS Measures” on page 3 of this interim report.

Softwood, hardwood and biomass shipments were 49 thousand m³, 25 thousand m³, and 4 thousand m³, respectively, during the third quarter. This represents a year-over-year decrease in total sales volume of 14%, however, the year-over-year decrease in primary product volumes was only 5%. Approximately 55% of sales volume was sold as sawlogs, 40% as pulpwood and 5% as biomass during the third quarter. This compares to 51% sold as sawlogs, 36% as pulpwood and 13% as biomass in the third quarter of 2013.

Net sales for the third quarter totaled $5.3 million compared to $5.1 million for the same period last year. The modest improvement was the result of improved pricing across all products as well as the positive impact of the stronger U.S. dollar, partially offset by lower sales volume. The weighted average log selling price was $69.95 per m³ in the third quarter of 2014, a 10% increase from $63.59 per m³ in the same period of 2013 in Canadian dollar terms. The weighted average log selling price in U.S. dollar terms increased 5% year-over-year. Net sales for the nine months ended September 27, 2014 were $14.8 million, an increase of $1.5 million over the same period in 2013, due to improved U.S. dollar pricing for most products as well as the positive impact of the stronger U.S. dollar.

Costs for the third quarter were $3.8 million, compared to $3.7 million in the same period in 2013 with the impact of lower sales volumes more than offset by increased road construction and maintenance activity and a 4% increase in Canadian dollar-based variable costs per unit. Variable costs per m³ in U.S. dollar terms decreased 1%. For the nine months ended September 27, 2014, costs were $10.4 million, $0.8 million higher than the same period of 2013 with the impact of modestly lower harvest volumes more than offset by the impact of the stronger U.S. dollar on variable per unit costs.

Adjusted EBITDA for the third quarter was $1.5 million, in line with the same period in 2013, while improved log prices increased Adjusted EBITDA margin to 29% from 28% in the prior year. For the nine months ended September 27, 2014, Adjusted EBITDA was $4.4 million, an increase of $0.7 million over the same period in 2013 with a 2% year-over-year improvement in Adjusted EBITDA margin responsible for the majority of the change.

There were no recordable safety incidents among employees and two recordable safety incidents among contractors during the third quarter of 2014.

Financial Position

As at September 27, 2014, Acadian's balance sheet consisted of total assets of $308.3 million (December 31, 2013 – $296.2 million), represented primarily by timber, land, roads and other fixed assets of $278.3 million (December 31, 2013 – $272.4 million) with the balance in cash and current assets of $23.9 million (December 31, 2013 – $17.6 million), and intangible assets of $6.1 million (December 31, 2013 – $6.1 million). Timber has been recorded at fair value as determined through independent third party appraisal at December 31, 2013 and adjusted for growth estimates and harvest during the first nine months of the year. Reforestation costs have been expensed as incurred.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Acadian's principal sources of liquidity include cash earned from operations and a US$10.0 million revolving credit facility of which US$2.2 million is reserved to support the minimum cash balance requirement of Acadian's term credit facility. These sources, combined with existing cash and cash equivalents, are expected to allow the Company to meet its operating, debt service, capital expenditure and dividend requirements. As indicated previously, due to the seasonal nature of our business, it is typical that cash reserves are generated in the first quarter of the year and are then drawn down during periods such as the second quarter when harvesting conditions are not ideal. This remains unchanged from the prior year.

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.

Capital Resources

Borrowings

In February 2011, Acadian refinanced its Canadian and U.S. dollar denominated loan facilities through the entering into of a first mortgage loan agreement with Metropolitan Life Insurance Company which will mature on March 1, 2016. This agreement established a revolving credit facility of up to US$10.0 million (the "Revolving Facility") for general corporate purposes and a term credit facility in an amount up to US$72.5 million (the "Term Facility"). The Term Facility bears interest at a fixed rate of 3.97%. The Revolving Facility bears interest at floating rates based on 30 or 90 day LIBOR plus applicable margin.

As at September 27, 2014, Acadian has borrowings of US$72.5 million under the Term Facility and the Revolving Facility was undrawn.

As collateral 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 subject to the maintenance of a maximum ratio of loan-to-appraised value and Acadian is in compliance as of September 27, 2014. In addition, US$2.2 million of the Revolving Facility is reserved to support the minimum cash balance requirement of the Term Facility.

Stand-by Equity Commitment

On August 12, 2013, Acadian arranged a stand-by equity commitment with Brookfield Asset Management Inc. in an aggregate amount of US$50 million for a 2-year duration subject to regulatory approval. The equity commitment is structured so that Acadian may call on the equity commitment in exchange for the issuance of a number of common shares that corresponds to the amount of the equity commitment called, divided by the volume-weighted average of the trading price for Acadian's common shares on the Toronto Stock Exchange for a period of up to twenty trading days immediately preceding the date of the call, as approved by the Toronto Stock Exchange. All issuances of shares pursuant to the equity commitment will be subject to meeting Toronto Stock Exchange and other applicable regulatory requirements (if any).

As at September 27, 2014, no amounts have been drawn on the equity commitment.

Outstanding Shares

As at September 27, 2014, 16,731,216 common shares were issued and outstanding. The Company is authorized to issue an unlimited number of shares of the same class with equal rights and privileges. Shareholders are entitled to receive dividends as and when declared by the Directors of the Company and are entitled to one vote per share on all matters to be voted on by shareholders at each meeting of shareholders.

As at September 27, 2014, affiliates of Brookfield Asset Management Inc. (collectively "Brookfield") owned 7,513,262 common shares. Brookfield's ownership interest is 45% of the outstanding common shares of Acadian.

MARKET OUTLOOK

The following contains forward-looking statements about Acadian Timber Corp.'s market outlook for the remainder of 2014 and into 2015. Reference should be made to "Forward-Looking Statements" on page 15. For a description of material factors that could cause actual results to differ materially from the forward-looking statements in the following, please see the Risk Factors section of Acadian's most recent Annual Report and Annual Information Form available on our website at www.acadiantimber.com or www.sedar.com.

The U.S. market is showing broad improvement in economic conditions including strong real GDP and consumer spending growth with the unemployment rate now below six percent. This strength has had little impact on the housing market to date however, with new and existing home sales remaining disappointing. Household formations are still lagging and most new households are still choosing to rent rather than buy. We believe the market is steadily improving with consumers' net wealth steadily improving and fewer homeowners in distress as indicated by the steady decline over the past few years in delinquency rates, foreclosures and the share of mortgages in a negative equity position. This is expected to support continued increases in housing starts through 2016 and this optimism, along with supply-side challenges and continued strong exports, should keep North American lumber prices well above historical norms encouraging Acadian's key solid wood customers to continue to operate at full capacity. As such, we expect to see ongoing strong demand for softwood sawlogs in the region.

Markets for hardwood sawlogs have been positive and are expected to remain stable and demand and pricing for hardwood pulpwood continues to be very favourable. While Acadian has been successful in selling its softwood pulpwood production, this market is expected to be increasingly challenged due to the recent closure of several regional mills. Biomass sales have begun to improve as the reduction of logistical challenges previously constraining exports from our NB Timberlands have been relieved.

SUPPLEMENTAL INFORMATION

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

Selected Consolidated Quarterly Information

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

	2014			2013				2012
(CAD thousands, except per share data and where indicated)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales volume (000s m³)	**368**	229	350	370	343	330	339	327
Net sales	**$ 21,583**	$ 12,029	$ 21,243	$ 21,764	$ 18,759	$ 15,608	$ 18,252	$ 18,410
Adjusted EBITDA[1]	**5,699**	1,935	6,697	6,139	3,789	2,897	4,655	5,145
Free Cash Flow[1]	**4,669**	1,052	5,600	5,304	2,812	1,774	3,911	4,368
Net income / (loss)	**(557)**	4,738	697	3,420	3,394	(857)	1,291	3,791
Per share - basic and diluted	**$ (0.03)**	$ 0.28	$ 0.04	$ 0.20	$ 0.20	$ (0.05)	$ 0.08	$ 0.23

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 3 of this interim 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 financial statements affect the assessment of net recoverable amounts, net realizable values and fair values, depreciation rates and useful lives, determination of functional currency and the selection of accounting policies.

The critical estimates and judgements made in the preparation of Acadian's financial statements include, among other things, future prices and margins, future sales volumes, future harvest rates and sustainable yields, and discount rates utilized in the valuation of Acadian's timber, roads and land. In making estimates and judgements, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgements have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making these estimates and judgements in these consolidated financial statements. Actual results could differ from those estimates. For further reference on critical accounting policies, see our significant accounting policies contained in Note 2 of Acadian's 2013 annual report.

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

Related Party Transactions

In the normal course of operations, the Company enters into various transactions on market terms with related parties which have been measured at exchange value and recognized in the consolidated financial statements. The Company has one significant related party, Brookfield Asset Management Inc., and its affiliates (collectively "Brookfield"). As at September 27, 2014, Brookfield owned 7,513,262 common shares, representing approximately 45% of the outstanding shares of the Company. Acadian is also a related party of Katahdin Timberlands LLC as a result of their common significant shareholder and was a related party of Twin Rivers Paper Company ("Twin Rivers") prior to Brookfield completing the sale of its interest in Twin Rivers on June 10, 2013. References in this report to Twin Rivers refer to transactions and relationships with Brookfield prior to the sale of this interest.

A summary of the significant related party transactions is provided below.

a) Upon inception, Acadian became party to fibre supply agreements whereby Acadian agreed to provide fibre to Twin Rivers for periods of up to 20 years. In addition, Acadian agreed to administer certain licenses on behalf of Twin Rivers. Total sales to Twin Rivers in 2013 prior to the sale of Brookfield's interest in Twin Rivers on June 10, 2013 totaled $6.1 million, which represented 33% of Acadian's total sales for the first half of 2013.

b) Upon inception, Acadian entered into an agreement with Brookfield whereby Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided in the three and nine months ended September 27, 2014 totaled $0.6 million (2013 – $0.6 million) and $1.7 million (2013 – $1.7 million), respectively. As at September 27, 2014, fees of $0.6 million (2013 – $nil) remain outstanding.

c) Maine Timberlands sold 0.70 acres of land for the three months ended September 27, 2014 and 4.83 acres of land for the nine months ended September 27, 2014 for net proceeds of $16 thousand and $113 thousand, respectively, to Katahdin Timberlands LLC (2013 – $nil and 1.67 acres for $87 thousand, respectively).

Further to the related party transactions noted above, the total net payable to related parties as at September 27, 2014 is $554 thousand (December 31, 2013 net receivable from related parties – $65 thousand).

Contractual Obligations

The Company has no material capital or operating lease obligations, however, it has two significant contractual obligations related to the supply of fibre to Twin Rivers for periods up to 20 years and the provision of management services under a Crown License Agreement at the direction of Twin Rivers.

A summary of the Company's debt obligations is as follows:

		Payments Due by Period				
(CAD thousands)	Total Available	Total	Less Than One Year	1 to 3 Years	3 to 5 Years	After 5 Years
Debt						
Term facility[1]	$ 81,172	$ 81,172	$ —	$ 81,172	$ —	$ —
Revolving facility	11,196	—	—	—	—	—
	$ 92,368	$ 81,172	$ —	$ 81,172	$ —	$ —
Interest payments[2]		$ 5,346	$ 3,223	$ 2,123	$ —	$ —

1. Represents principal of a U.S. dollar denominated term loan with a Canadian to U.S. dollar conversion of 1.1196, excluding the unamortized deferred financing costs.
2. Interest payment was determined assuming a fixed interest rate at 3.97% with a Canadian to U.S. dollar conversion of 1.1196.

Additional Quarterly Information

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

NB Timberlands

	2014 Q3			2014 Q2			2014 Q1			2013 Q4		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m³)	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	(000s m³)	(000s m³)	($000s)
Softwood	**107.6**	**109.2**	**$ 6,281**	45.5	67.6	$ 3,745	120.6	100.1	$ 5,379	121.7	119.9	$ 6,681
Hardwood	**108.7**	**112.3**	**7,354**	62.0	74.1	4,914	123.9	115.7	7,759	115.9	110.0	7,142
Biomass	**69.2**	**69.2**	**1,544**	40.0	40.0	663	29.3	29.3	646	52.3	52.3	1,658
	285.5	**290.7**	**15,179**	147.5	181.7	9,322	273.8	245.1	13,784	289.9	282.2	15,481
Other sales			**1,109**			(32)			662			1,241
Net sales			**$ 16,288**			$ 9,290			$ 14,446			$ 16,722
Adjusted EBITDA[1]			**$ 4,510**			$ 1,652			$ 4,458			$ 5,047
Adjusted EBITDA margin[1]			**28%**			18%			31%			30%

Maine Timberlands

	2014 Q3			2014 Q2			2014 Q1			2013 Q4		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m³)	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*
Softwood	**48.9**	**48.7**	**$ 3,343**	17.6	17.6	$ 1,030	71.6	71.3	$ 4,676	54.4	54.4	$ 3,228
Hardwood	**24.8**	**24.6**	**1,788**	12.7	19.9	1,529	32.5	27.1	1,991	26.5	26.1	1,698
Biomass	**3.7**	**3.7**	**25**	9.7	9.7	52	6.7	6.7	61	7.0	7.0	42
	77.4	**77.0**	**5,156**	40.0	47.2	2,611	110.8	105.1	6,728	87.9	87.5	4,968
Other sales			**139**			128			69			74
Net sales			**$ 5,295**			$ 2,739			$ 6,797			$ 5,042
Adjusted EBITDA[1]			**$ 1,526**			$ 385			$ 2,477			$ 1,577
Adjusted EBITDA margin[1]			**29%**			14%			36%			31%

Corporate

	2014 Q3	2014 Q2	2014 Q1	2013 Q4
	Results	Results	Results	Results
	($000s)	*($000s)*	*($000s)*	*($000s)*
Net sales	**$ —**	$ —	$ —	$ —
Adjusted EBITDA[1]	**$ (337)**	$ (102)	$ (238)	$ (485)

1. Non-IFRS Measure. See “Non-IFRS Measures” on page 3 of this interim report.

NB Timberlands

	2013 Q3			2013 Q2			2013 Q1			2012 Q4		
	Harvest	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**
	(000s m³)	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*
Softwood	87.7	90.5	$ 4,632	57.4	124.4	$ 6,538	156.0	87.0	$ 4,573	96.9	96.5	$ 4,855
Hardwood	106.3	103.3	6,213	89.8	95.6	5,807	94.6	97.0	6,055	104.8	102.2	6,276
Biomass	60.3	60.3	1,364	68.2	68.2	1,199	44.9	44.9	819	39.0	39.0	932
	254.3	254.1	12,209	215.4	288.2	13,544	295.5	228.9	11,447	240.7	237.7	12,063
Other sales			1,439			(36)			706			1,680
Net sales			$ 13,648			$ 13,508			$ 12,153			$ 13,743
Adjusted EBITDA[1]			$ 2,701			$ 2,943			$ 2,992			$ 4,012
Adjusted EBITDA margin[1]			20%			22%			25%			29%

Maine Timberlands

	2013 Q3			2013 Q2			2013 Q1			2012 Q4		
	Harvest	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**
	(000s m³)	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*
Softwood	51.4	51.3	$ 3,168	18.1	18.1	$ 875	76.5	76.2	$ 4,342	57.9	57.7	$ 3,164
Hardwood	25.6	26.0	1,754	9.9	15.6	1,051	25.7	26.4	1,607	28.5	24.1	1,382
Biomass	11.8	11.8	65	8.6	8.6	44	7.7	7.7	81	7.6	7.6	58
	88.8	89.1	4,987	36.6	42.3	1,970	109.9	110.3	6,030	94.0	89.4	4,604
Other sales			124			130			69			63
Net sales			$ 5,111			$ 2,100			$ 6,099			$ 4,667
Adjusted EBITDA[1]			$ 1,456			$ 215			$ 2,028			$ 1,376
Adjusted EBITDA margin[1]			28%			10%			33%			29%

Corporate

	2013 Q3	2013 Q2	2013 Q1	2012 Q4
	Results	**Results**	**Results**	**Results**
	($000s)	*($000s)*	*($000s)*	*($000s)*
Net sales	$ —	$ —	$ —	$ —
Adjusted EBITDA[1]	$ (368)	$ (261)	$ (365)	$ (243)

1. Non-IFRS Measure. See “Non-IFRS Measures” on page 3 of this interim report.

Forward-Looking Statements

This management discussion and analysis ("MD&A") 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 the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, such statements may contain such words as "may," "will," "intend," "should," "expect," "believe," "outlook," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the negative of these terms or other similar terminology. Forward-looking information in this MD&A includes statements made in sections entitled "Dividend Policy of the Company," "Operating and Market Conditions," "Liquidity and Capital Resources" and "Market Outlook" 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. These statements, which reflect management's current expectations regarding future events and operating performance, are based on information currently available to management and speak only as of the date of this MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon, and will not necessarily be accurate indications of whether or not such results will be achieved. Factors that could cause actual results to differ materially from the results discussed in the forward-looking statements include, but are not limited to: general economic and market conditions; product demand; concentration of customers; commodity pricing; interest rate and foreign currency fluctuations; seasonality; weather and natural conditions; regulatory, trade or environmental policy changes; changes in Canadian income tax law; economic situation of key customers; Brookfield's ability to source and secure potential investment opportunities; the availability of potential acquisitions that suit Acadian's growth profile; and other risks and factors discussed under the heading "Risk Factors" in each of the Annual Information Form dated March 28, 2014 and the Management Information Circular dated May 13, 2014, and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: anticipated financial performance; anticipated market conditions; business prospects; the economic situation of key customers; strategies; regulatory developments; exchange rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services and the ability to obtain financing on acceptable terms. 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, 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.

Interim Consolidated Statements of Net Income

(unaudited)

(CAD thousands)	Note	Three Months Ended September 27, 2014	Three Months Ended September 28, 2013	Nine Months Ended September 27 2014	Nine Months Ended September 28, 2013
Net sales		**$ 21,583**	$ 18,759	**$ 54,855**	$ 52,619
Operating costs and expenses					
Cost of sales		**13,987**	12,657	**35,846**	35,767
Selling, administration and other		**1,532**	1,778	**4,346**	4,924
Reforestation		**382**	535	**447**	674
Depreciation and amortization		**137**	147	**409**	431
		16,038	15,117	**41,048**	41,796
Operating earnings		**5,545**	3,642	**13,807**	10,823
Interest expense, net		**(801)**	(756)	**(2,371)**	(2,268)
Other items					
Fair value adjustments		**(1,110)**	(334)	**(505)**	909
Unrealized exchange gain / (loss) on long-term debt		**(3,813)**	1,544	**(4,162)**	(2,771)
Gain on sale of timberlands	5	**17**	—	**115**	87
Earnings before income taxes		**(162)**	4,096	**6,884**	6,780
Current income tax expense	7	**(101)**	—	**(370)**	—
Deferred income tax expense	7	**(294)**	(702)	**(1,636)**	(2,952)
Net income / (loss)		**$ (557)**	$ 3,394	**$ 4,878**	$ 3,828
Net income / (loss) per share - basic and diluted		**$ (0.03)**	$ 0.20	**$ 0.29**	$ 0.23

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Comprehensive Income

(unaudited)

	Three Months Ended		Nine Months Ended	
(CAD thousands)	**September 27, 2014**	September 28, 2013	**September 27, 2014**	September 28, 2013
Net income / (loss)	**$ (557)**	$ 3,394	**$ 4,878**	$ 3,828
Other comprehensive income / (loss)				
Items that may be reclassified subsequently to net income:				
Unrealized foreign currency translation	**4,551**	(1,558)	**4,970**	3,322
Amortization of derivatives designated as cash flow hedges	**(47)**	(47)	**(141)**	(142)
Comprehensive income	**$ 3,947**	$ 1,789	**$ 9,707**	$ 7,008

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Balance Sheets

(unaudited)

As at *(CAD thousands)*	Note	**September 27, 2014**	December 31, 2013
Assets			
Current assets			
Cash and cash equivalents		**$ 12,899**	$ 8,564
Accounts receivable and other assets	5	**10,223**	7,673
Inventory		**725**	1,380
		23,847	17,617
Timber	10	**245,406**	240,143
Land, roads and other fixed assets		**32,914**	32,268
Intangible assets		**6,140**	6,140
		$ 308,307	$ 296,168
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	5	**$ 12,902**	$ 7,680
Dividends payable to shareholders	9	**3,451**	3,451
		$ 16,353	11,131
Long-term debt	3	**80,835**	76,496
Deferred income tax liability	7	**29,572**	26,348
Shareholders' equity	4	**181,547**	182,193
		$ 308,307	$ 296,168

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Changes in Equity

(unaudited)

Nine Months Ended September 27, 2014 (CAD thousands)	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Cash Flow Hedges	Shareholders' Equity
Balance as at December 31, 2013	$ 140,067	$ 37,020	$ 1,383	$ 3,294	$ 429	$ 182,193
Changes in period						
Net income	—	4,878	—	—	—	4,878
Other comprehensive income / (loss)	—	—	—	4,970	(141)	4,829
Shareholders' dividends declared	—	(10,353)	—	—	—	(10,353)
Balance as at September 27, 2014	$ 140,067	$ 31,545	$ 1,383	$ 8,264	$ 288	$ 181,547

See accompanying notes to interim consolidated financial statements.

Nine Months Ended September 28, 2013 (CAD thousands)	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Cash Flow Hedges	Shareholders' Equity
Balance as at December 31, 2012	$ 140,067	$ 43,576	$ 2,598	$ (2,857)	$ 618	$ 184,002
Changes in period						
Net income	—	3,828	—	—	—	3,828
Other comprehensive income / (loss)	—	—	—	3,322	(142)	3,180
Shareholders' dividends declared	—	(10,353)	—	—	—	(10,353)
Balance as at September 28, 2013	$ 140,067	$ 37,051	$ 2,598	$ 465	$ 476	$ 180,657

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

(unaudited)

(CAD thousands)	Note	Three Months Ended September 27, 2014	Three Months Ended September 28, 2013	Nine Months Ended September 27, 2014	Nine Months Ended September 28, 2013
Cash provided by / (used for):					
Operating activities					
Net income / (loss)		**$ (557)**	$ 3,394	**$ 4,878**	$ 3,828
Adjustments to net income / (loss):					
Deferred income tax expense	7	**294**	702	**1,636**	2,952
Depreciation and amortization		**137**	147	**409**	431
Fair value adjustments		**1,110**	334	**505**	(909)
Unrealized exchange / (gain) loss on long-term debt		**3,813**	(1,544)	**4,162**	2,771
Interest expense, net		**801**	756	**2,371**	2,268
Interest paid, net		**(807)**	(760)	**(2,386)**	(2,282)
Gain on sale of timberlands		**(17)**	—	**(115)**	(87)
Net change in non-cash working capital balances and other		**3,759**	2,040	**3,367**	2,570
		8,533	5,069	**14,827**	11,542
Financing activities					
Borrowings		**—**	1,649	**—**	1,649
Dividends paid to shareholders	9	**(3,451)**	(3,451)	**(10,353)**	(10,353)
		(3,451)	(1,802)	**(10,353)**	(8,704)
Investing activities					
Additions to timber, land, roads and other fixed assets		**(122)**	(217)	**(255)**	(562)
Proceeds from sale of timberlands		**17**	—	**116**	87
		(105)	(217)	**(139)**	(475)
Increase in cash and cash equivalents during the period		**4,977**	3,050	**4,335**	2,363
Cash and cash equivalents, beginning of period		**7,922**	5,449	**8,564**	6,136
Cash and cash equivalents, end of period		**$12,899**	$ 8,499	**$12,899**	$ 8,499

See accompanying notes to interim consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

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

NOTE 1. GENERAL

Acadian Timber Corp. (the "Corporation") is governed by the Canada Business Corporation Act pursuant to articles of arrangement dated January 1, 2010. The Corporation is a reporting issuer and its common shares are publicly traded on the Toronto Stock Exchange under the stock symbol "ADN". The principal and head office of the Corporation is located at Suite 1800-1055 West Georgia Street, P.O. Box 11179, Royal Centre, Vancouver, British Columbia, V6E 3R5.

The Corporation and all of its consolidated operations, collectively "Acadian", owns and manages approximately 761,000 acres of freehold timberlands in New Brunswick ("NB Timberlands"), approximately 301,000 acres of freehold timberlands in Maine ("Maine Timberlands") and provides management services relating to approximately 1.3 million acres of Crown licensed timberlands in New Brunswick. Acadian also owns and operates a forest nursery in Second Falls, New Brunswick. Acadian's products include softwood and hardwood sawlogs, pulpwood and biomass by-products, sold to approximately 90 regional customers.

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

The ultimate parent of the Corporation is Brookfield Asset Management Inc. As at September 27, 2014, affiliates of Brookfield Asset Management Inc. (collectively "Brookfield") own 7,513,262 common shares representing approximately 45% of the outstanding common shares of the Company.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and using the accounting policies adopted and disclosed in Note 2 of Acadian's 2013 annual report. These interim condensed consolidated financial statements should be read in conjunction with the Acadian's 2013 annual report.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of Acadian on October 27, 2014.

Future Accounting Policies

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9, Financial Instruments, as issued in 2014, introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity's own credit risk for liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has not yet begun the process of evaluating the impact of this standard on its unaudited interim condensed consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014, which will replace IAS 11, "Construction Contracts", IAS 18, "Revenue Recognition", IFRIC 13, "Customer Loyalty Programmes", IFRIC 15, "Agreements for the Construction of Real Estate", IFRIC 18, "Transfers of Assets from Customers", and SIC-31, "Revenue – Barter Transactions Involving Advertising Services". IFRS 15 provides a single, principles based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, "Consolidated Financial Statements" and IFRS 11, "Joint Arrangements". In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some nonfinancial assets that are not an output of the entity's ordinary activities. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted. Acadian is in the process of assessing the impact of the new standard on its consolidated financial statements.

NOTE 3. DEBT

Debt consisted of the following:

As at (CAD thousands)	**September 27, 2014**	December 31, 2013
Term facility, due March 2016	**$ 81,172**	$ 77,013
Less: Deferred debt issuance costs	**(337)**	(517)
Total	**$ 80,835**	$ 76,496

In February 2011, Acadian refinanced its Canadian and U.S. dollar denominated loan facilities through the entering into of a first mortgage loan agreement with Metropolitan Life Insurance Company which will mature on March 1, 2016. This agreement established a revolving credit facility of up to US$10.0 million (the "Revolving Facility") for general corporate purposes and a term credit facility of US$72.5 million (the "Term Facility"). The Term Facility bears interest at a fixed rate of 3.97%. The Revolving Facility bears interest at floating rates based on 30 or 90 day LIBOR plus applicable margin.

As at September 27, 2014 and December 31, 2013, Acadian had borrowed US$72.5 million under the Term Facility and $nil under the Revolving Facility.

As collateral 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 subject to the maintenance of a maximum ratio of loan-to-appraised value and Acadian was in compliance as of September 27, 2014 and December 31, 2013. In addition, US$2.2 million is reserved under the Revolving Facility to support the minimum cash balance requirement of the Term Facility.

The fair value of the Term Facility as at September 27, 2014 is US$75.5 million (December 31, 2013 - US$75.6 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 Facility and discounted at a rate reflecting appropriate market fundamentals relating to the debt.

NOTE 4. SHAREHOLDERS' EQUITY

Acadian is authorized to issue an unlimited number of common shares. The common shares have no stated par value. Common shares outstanding as at September 27, 2014 and December 31, 2013 were 16,731,216.

NOTE 5. RELATED PARTY TRANSACTIONS

In the normal course of operations, the Company enters into various transactions on market terms with related parties which have been measured at exchange value and recognized in the consolidated financial statements. The Company's only significant related party is Brookfield. Acadian is also a related party of Katahdin Timberlands LLC as a result of their common significant shareholder and was a related party of Twin Rivers Paper Company ("Twin Rivers") prior to Brookfield completing the sale of its interest in Twin Rivers on June 10, 2013. References in this report to Twin Rivers refer to transactions and relationships with Brookfield prior to the sale of this interest.

A summary of the significant related party transactions is provided below.

a) Upon inception, Acadian became party to fibre supply agreements whereby Acadian agreed to provide fibre to Twin Rivers for periods of up to 20 years. In addition, Acadian agreed to administer certain licenses on behalf of Twin Rivers. Total sales to Twin Rivers in 2013 prior to the sale of Brookfield's interest in Twin Rivers on June 10, 2013 totaled $6.1 million, which represented 33% of Acadian's total sales for the first half of 2013.

b) Upon inception, Acadian entered into an agreement with Brookfield whereby Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided in the three and nine months ended September 27, 2014 totaled $0.6 million (2013 – $0.6 million) and $1.7 million (2013 – $1.7 million), respectively. As at September 27, 2014, fees of $0.6 million (2013 – $nil) remain outstanding.

c) Maine Timberlands sold 0.70 acres of land for the three months ended September 27, 2014 and 4.83 acres of land for the nine months ended September 27, 2014 for net proceeds of $16 thousand and $113 thousand, respectively, to Katahdin Timberlands LLC (2013 – $nil and 1.67 acres for $87 thousand, respectively).

Further to the related party transactions noted above, the total net payable to related parties as at September 27, 2014 is $554 thousand (December 31, 2013 net receivable from related parties – $65 thousand).

NOTE 6. SEGMENTED INFORMATION

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

Three Months Ended September 27, 2014 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 9,624	$ 6,281	$ 3,343	$ —
Hardwood	9,142	7,354	1,788	—
Biomass	1,569	1,544	25	—
Other	1,248	1,109	139	—
Total net sales	21,583	16,288	5,295	—
Operating costs	(15,519)	(11,435)	(3,747)	(337)
Reforestation	(382)	(343)	(39)	—
Depreciation and amortization	(137)	(50)	(87)	—
Operating earnings / (loss)	5,545	4,460	1,422	(337)
Gain on sale of timberlands	17	—	17	—
Fair value adjustments	(1,110)	(662)	(448)	—
Earnings / (loss) before the under noted	4,452	3,798	991	(337)
Unrealized exchange loss on long-term debt	(3,813)			
Interest expense, net	(801)			
Current income tax expense	(101)			
Deferred income tax expense	(294)			
Net loss	$ (557)			

As at September 27, 2014 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	$284,460	$161,102	$123,358	$ —
Total assets	308,307	175,893	125,423	6,991
Total liabilities	$126,760	$ 10,683	$ 24,705	$ 91,372

Three Months Ended September 28, 2013 *(CAD thousands)*	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 7,800	$ 4,632	$ 3,168	$ —
Hardwood	7,967	6,213	1,754	—
Biomass	1,429	1,364	65	—
Other	1,563	1,439	124	—
Total net sales	18,759	13,648	5,111	—
Operating costs	(14,435)	(10,448)	(3,619)	(368)
Reforestation	(535)	(499)	(36)	—
Depreciation and amortization	(147)	(64)	(83)	—
Operating earnings / (loss)	3,642	2,637	1,373	(368)
Gain on sale of timberlands	—	—	—	—
Fair value adjustments	(334)	114	(448)	—
Earnings / (loss) before the under noted	3,308	2,751	925	(368)
Unrealized exchange gain on long-term debt	1,544			
Interest expense, net	(756)			
Current income tax expense	—			
Deferred income tax expense	(702)			
Net income	$ 3,394			

As at September 28, 2013 *(CAD thousands)*	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	$275,725	$158,879	$116,846	$ —
Total assets	295,203	171,198	120,390	3,615
Total liabilities	$114,546	$ 8,154	$ 23,672	$ 82,720

Nine Months Ended September 27, 2014 *(CAD thousands)*	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	**$ 24,454**	**$ 15,405**	**$ 9,049**	**$ —**
Hardwood	**25,335**	**20,027**	**5,308**	**—**
Biomass	**2,991**	**2,853**	**138**	**—**
Other	**2,075**	**1,739**	**336**	**—**
Total net sales	**54,855**	**40,024**	**14,831**	**—**
Operating costs	**(40,192)**	**(29,022)**	**(10,493)**	**(677)**
Reforestation	**(447)**	**(384)**	**(63)**	**—**
Depreciation and amortization	**(409)**	**(148)**	**(261)**	**—**
Operating earnings / (loss)	**13,807**	**10,470**	**4,014**	**(677)**
Gain on sale of timberlands	**115**	**2**	**113**	**—**
Fair value adjustments	**(505)**	**53**	**(558)**	**—**
Earnings / (loss) before the under noted	**13,417**	**10,525**	**3,569**	**(677)**
Unrealized exchange loss on long-term debt	**(4,162)**			
Interest expense, net	**(2,371)**			
Current income tax expense	**(370)**			
Deferred income tax expense	**(1,636)**			
Net income	**$ 4,878**			

Nine Months Ended September 28, 2013 *(CAD thousands)*	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 24,128	$ 15,743	$ 8,385	$ —
Hardwood	22,487	18,075	4,412	—
Biomass	3,572	3,382	190	—
Other	2,432	2,109	323	—
Total net sales	52,619	39,309	13,310	—
Operating costs	(40,691)	(30,059)	(9,637)	(994)
Reforestation	(674)	(614)	(60)	—
Depreciation and amortization	(431)	(193)	(238)	—
Operating earnings / (loss)	10,823	8,443	3,375	(994)
Gain on sale of timberlands	87	—	87	—
Fair value adjustments	909	546	363	—
Earnings / (loss) before the under noted	11,819	8,989	3,825	(994)
Unrealized exchange loss on long-term debt	(2,771)			
Interest expense, net	(2,268)			
Current income tax expense	—			
Deferred income tax expense	(2,952)			
Net income	$ 3,828			

During the three months ended September 27, 2014 approximately 28% of total sales were originated with customers domiciled in the U.S. and the balance in Canada (2013 – 29%). During the same period, approximately 21% of total sales (2013 – 18%) were denominated in U.S. dollars.

Acadian outsources much of its harvesting, transportation and other services which comprise the majority of Acadian's cost of sales. For the three months ended September 27, 2014, Acadian's top three suppliers accounted for approximately 16%, 15% and 9%, respectively, of Acadian's total harvesting and delivery costs (2013 – 15%, 13% and 10%, respectively).

Acadian sells its products to many forest product companies in North America. For the three-month period ended September 27, 2014, sales to the largest and next largest customer accounted for 30% and 6%, respectively (2013 – 25% and 7%, respectively).

NOTE 7. INCOME TAXES

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

Nine Months Ended (CAD thousands)	**September 27, 2014**	September 28, 2013
Income tax expense		
Income tax at statutory rate	**$ 1,859**	$ 1,763
Foreign tax rate differential	**465**	535
Permanent differences	**(421)**	(677)
Rate adjustment	**—**	1,142
Benefit of previously unrecognized tax attributes	**159**	102
Other	**(56)**	87
Total income tax expense	**$ 2,006**	$ 2,952

As at (CAD thousands)	**September 27, 2014**	December 31, 2013
Deferred income tax asset	**$ —**	$ —
Deferred income tax liability	**(29,572)**	(26,348)
Total net deferred income tax liability	**$ (29,572)**	$ (26,348)

NOTE 8. EMPLOYEE BENEFIT PLANS

NB Timberlands and Maine Timberlands each have defined contribution pension plans covering substantially all employees. During the three and nine months ended September 27, 2014, contributions recorded as expenses amounted to $69 thousand (2013 – $76 thousand) and $201 thousand (2013 – $213 thousand), respectively.

NOTE 9. DIVIDENDS TO SHAREHOLDERS

Acadian pays quarterly dividends to the extent determined prudent by the Board of Directors.

Total dividends declared for the three months ended September 27, 2014 were $3.5 million (2013 – $3.5 million) or $0.21 per share (2013 – $0.21 per share). For the nine months ended September 27, 2014, total dividends were $10.4 million (2013 – $10.4 million) or $0.62 per share (2013 – $0.62 per share).

NOTE 10. TIMBER

(CAD thousands)	
Fair Value at December 31, 2012	**$ 230,686**
Gains arising from growth	**21,130**
Decrease arising from harvest	**(21,006)**
Gain from fair value price changes	**2,544**
Foreign exchange	**6,789**
Balance at December 31, 2013	**$ 240,143**
Gains arising from growth	**16,376**
Decrease arising from harvest	**(16,670)**
Foreign exchange	**5,557**
Balance at September 27, 2014	**$ 245,406**

Board and Management

BOARD OF DIRECTORS

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

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

David Mann
Legal Counsel
Cox & Palmer

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

Saul Shulman
Chief Executive Officer
MLG Management Inc.

MANAGEMENT

Acadian Timber Corp.'s
Manager:
Brookfield Timberlands
Management LP

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

Brian Banfill
Chief Operating Officer
of Acadian and Senior Vice
President of the Manager

Erika Reilly
Chief Financial Officer
of Acadian and Senior Vice
President of the Manager

Marcia McKeague
Vice President,
Maine Woodland
Operations

Luc Ouellet
Vice President,
NB Woodland Operations

Corporate and Shareholder Information

HEAD OFFICE OF THE MANAGER

Brookfield Timberlands Management LP
(wholly-owned subsidiary of Brookfield Asset Management Inc.)
Suite 1800 – 1055 West Georgia Street, PO Box 11179, Royal Centre
Vancouver, B.C. V6E 3R5
Please direct your inquiries to:
Robert Lee
Investor Relations and Communications
t. 604.661.9607 f. 604.687.3419
e. rlee@acadiantimber.com

TRANSFER AGENT AND REGISTRAR

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

CST Trust Company
P.O. Box 700 Postal Station B
Montreal, QC H3B 3K3
t. 1-800-387-0825 (toll free in North America)
f. 1-888-249-6189
e. inquiries@canstockta.com
www.canstockta.com

SHARE INFORMATION

Toronto Stock Exchange: ADN
Fully Diluted Shares Outstanding (September 27, 2014): 16,731,216
Targeted 2014 Quarterly Dividend: $0.20625 per share
Record Date: Last business day of each quarter
Payment Date: On or about the 15th day of each subsequent month

www.acadiantimber.com

This management discussion and analysis ("MD&A") 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 the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, such statements may contain such words as "may," "will," "intend," "should," "expect," "believe," "outlook," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the negative of these terms or other similar terminology. Forward-looking information in this MD&A includes statements made in sections entitled "Dividend Policy of the Company," "Operating and Market Conditions," "Liquidity and Capital Resources" and "Market Outlook" 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. These statements, which reflect management's current expectations regarding future events and operating performance, are based on information currently available to management and speak only as of the date of this MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon, and will not necessarily be accurate indications of whether or not such results will be achieved. Factors that could cause actual results to differ materially from the results discussed in the forward-looking statements include, but are not limited to: general economic and market conditions; product demand; concentration of customers; commodity pricing; interest rate and foreign currency fluctuations; seasonality; weather and natural conditions; regulatory, trade or environmental policy changes; changes in Canadian income tax law; economic situation of key customers; Brookfield's ability to source and secure potential investment opportunities; the availability of potential acquisitions that suit Acadian's growth profile; and other risks and factors discussed under the heading "Risk Factors" in each of the Annual Information Form dated March 28, 2014 and the Management Information Circular dated May 13, 2014, and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: anticipated financial performance; anticipated market conditions; business prospects; the economic situation of key customers; strategies; regulatory developments; exchange rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services and the ability to obtain financing on acceptable terms. 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, 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.

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