

# Q3 2017 Interim Report

## Letter to Shareholders

### Overview

Acadian Timber Corp (“Acadian” or the “Company”) reported another strong quarter of results for the three-month period ended September 30, 2017 (the “third quarter”), benefiting from strong seasonal demand, favourable operating conditions, and higher and better use land sales in Maine. In the quarter, we generated Adjusted EBITDA<sup>1</sup> of \$6.7 million compared to \$5.2 million in the prior year period driven by the impact of stronger log sales volumes, partially offset by higher operating costs from increased average haul distances.

Total shareholder dividends during the first nine months of 2017 were \$0.825 per share or \$13.8 million, representing a 10% increase over the same period of 2016. Acadian’s payout ratio for the nine-month period was 94%, which is in line with our long-term target of 95%.

### Results of Operations

Acadian’s operations had two minor recordable safety incidents during the quarter among employees and contractors.

For the third quarter, Acadian generated net sales of \$22.2 million compared to \$19.3 million in the prior year period primarily due to a 20% increase in log sales volumes. Total log sales volumes benefited from a 14% increase in softwood sawlog sales volumes and a 29% increase in hardwood pulpwood sales volumes resulting from favourable summer harvest conditions and strong seasonal demand. The weighted average log selling price remained relatively consistent with the prior year period due to a favourable change in mix, offset by the impact of foreign exchange. Adjusted EBITDA margin increased to 30% from 27% in the prior year period as the benefits from higher log sales volumes and strong sales of higher and better use (HBU) land in Maine were partially offset by higher operating costs due to longer average haul distances.

Our balance sheet continues to be solid, with \$93.1 million of net liquidity as at September 30, 2017, including funds available under the Company’s Revolving Facility and a stand-by equity commitment from Brookfield Asset Management Inc.

### Outlook<sup>2</sup>

Acadian’s key markets include softwood sawtimber, hardwood sawtimber and hardwood pulpwood. Northeast North American softwood dimension sawmills represent over one third of Acadian’s end-use market and are the primary market for our softwood sawtimber. Sluggish wage growth, tight construction labour markets and Fed rate hikes remain as headwinds, however, the underlying fundamental driver of pent-up household formation continues to strengthen. While economic forecasters have continued to revise their outlook for U.S. housing starts mainly reflecting near term supply side headwinds, they continue to call for steady growth, with year-over-year forecast growth averaging approximately 7% for 2018 and 6% for 2019, up from about 3% in 2017. Residential home improvements are also expected to remain strong. Over the longer term, pent up demand continues to build suggesting a continued and extended ramp up in housing construction. Demand growth expectations for North American sawtimber remain in the 3-4% per year range for the next several years to support expanding domestic construction needs.

Aside from improving U.S. housing markets, a number of additional factors including a strengthening Canadian dollar, wildfires in the BC Interior, and severe hurricane activity in the Caribbean and US South, have helped push lumber prices to multi-year highs, with average year to date third quarter 2017 benchmark prices sitting 25% above year-ago levels. We anticipate robust lumber pricing will continue to support continued stable sawtimber pricing across our markets well into next year.

The U.S. Department of Commerce announced during the third quarter of 2017 that it had postponed the final determinations in the ongoing antidumping (ADD) and countervailing duty (CVD) investigations of Canadian lumber imports from September 6 to no later than November 14. With this delay, the so-called ‘gap period’ (which started on August 25) is expected to extend for four months until final duties come back in early January 2018 following the final injury determination. For most of the ‘gap period’, Canadian lumber imports to the U.S. will only face 7% preliminary ADDs. For a short window around year-end, Canadian producers will face zero duties on lumber shipments to the U.S. as the preliminary ADDs will also expire by then. Strength in lumber markets, combined with supply side factors is broadly expected to continue to support a pass

through of duties to the market through to the end of year.

Canada and the U.S. could not agree on a softwood lumber deal before the North American Free Trade (NAFTA) negotiations began in mid-August. As widely anticipated, NAFTA discussions appear to have now positioned a new softwood lumber agreement as a second priority for negotiators. A quota-based softwood lumber deal may still be actionable, but the two sides remain at odds on the actual quota level in addition to a “hot market clause” which would provide Canada additional market access in the event American suppliers can’t meet domestic needs. Additionally, the traditional treatment of Atlantic lumber producers and Quebec border mills in any settlement remains an objective for Canadian negotiators.

Hardwood sawtimber markets remain strong and stable and are unaffected by U.S. trade initiatives. We remain encouraged that hardwood pulpwood markets remain historically strong, and that Acadian continues to be a preferred partner for hardwood fibre supply to this important market segment. Acadian’s domestic biomass markets remain oversupplied reflecting both weak paper sector demand and challenging wood biomass generation markets due to the combination of low natural gas prices and declining subsidies. The anticipated recovery in export biomass shipments from our New Brunswick operations has been delayed until at least the second half of 2018.

As always, Acadian management remains vigilant in pursuing cost efficiencies across the business, in addition to remaining highly focused on the sustainable management of our timberland estate. With a strong balance sheet, and highly capable operating team, we remain well positioned to meet our quarterly distributable cash commitments for the foreseeable future. On behalf of the board and management of Acadian, I would like to thank all our shareholders for their ongoing support.



Mark Bishop  
President and Chief Executive Officer  
October 25, 2017

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1. 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 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 and Adjusted EBITDA margin as Adjusted EBITDA as a percentage of its total revenue. 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 fixed assets (selling price less gains or losses included in Adjusted EBITDA). As these performance measures do not have standardized meanings prescribed by International Financial Reporting Standards (“IFRS”), they 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 300,000 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 100 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 30, 2017 (herein referred to as the "third quarter") and the nine-month period ended September 30, 2017 compared to the three- and nine-month periods ended September 24, 2016, and should be read in conjunction with the interim condensed consolidated financial statements and notes thereto included at page 15 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 25, 2017. Additional information is available on Acadian's website at [www.acadiantimber.com](http://www.acadiantimber.com) and on SEDAR's website at [www.sedar.com](http://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 "Adjusted EBITDA margin", which is Adjusted EBITDA as a percentage of its total revenue. 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 fixed assets (selling price less gains or losses included in Adjusted EBITDA). Management believes that 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. As these measures 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, 2016. There have been no changes in our disclosure controls and procedures during the period ended September 30, 2017 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 2013 as at December 31, 2016. There have been no changes in our internal controls over financial reporting during the period ended September 30, 2017 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:

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 24, 2016	September 30, 2017	September 24, 2016
<i>(CAD thousands, except where indicated)</i>				
Sales volume (000s m <sup>3</sup> )	<b>381.0</b>	351.7	<b>954.4</b>	862.2
Net sales	<b>\$ 22,161</b>	\$ 19,342	<b>\$ 57,863</b>	\$ 54,445
Net income	<b>9,702</b>	2,779	<b>18,471</b>	12,951
Adjusted EBITDA <sup>1</sup>	<b>\$ 6,687</b>	\$ 5,153	<b>\$ 17,339</b>	\$ 15,498
Free Cash Flow <sup>1</sup>	<b>\$ 5,302</b>	\$ 4,195	<b>\$ 14,724</b>	\$ 13,108
Dividends declared	<b>4,601</b>	4,182	<b>13,803</b>	12,548
Payout ratio	<b>87%</b>	100%	<b>94%</b>	96%
Per share – basic and diluted				
Net income	<b>\$ 0.58</b>	\$ 0.17	<b>\$ 1.10</b>	\$ 0.77
Free Cash Flow <sup>1</sup>	<b>0.32</b>	0.25	<b>0.88</b>	0.78
Dividends declared	<b>0.27</b>	0.25	<b>0.83</b>	0.75
Book value	<b>15.74</b>	15.56	<b>15.74</b>	15.56
Common shares outstanding	<b>16,731,216</b>	16,731,216	<b>16,731,216</b>	16,731,216

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

In the third quarter, Acadian generated net sales of \$22.2 million compared to \$19.3 million in the prior year period primarily due to a 20% increase in log sales volumes. Total log sales volumes benefited from a 14% increase in softwood sawlog sales volumes and a 29% increase in hardwood pulpwood sales volumes resulting from favourable summer harvest conditions and strong seasonal demand. The weighted average log selling price remained relatively consistent with the prior year period due to a favourable change in mix, offset by the impact of foreign exchange.

Adjusted EBITDA margin increased to 30% from 27% in the prior year period as the benefits of higher log sales volumes and stronger sales of higher and better use (HBU) land in Maine were partially offset by higher operating costs due to longer average haul distances.

Net income for the third quarter totaled \$9.7 million, or \$0.58 per share, compared to \$2.8 million, or \$0.17 per share, respectively, for the same period in 2016. The increase is primarily due to higher Adjusted EBITDA as described above and favourable foreign exchange revaluation of long-term debt.

During the first nine months of 2017, Acadian's net sales were \$57.9 million, reflecting an improvement over the prior year period of \$54.4 million primarily attributed to a 15% increase in log sales volumes from favourable harvest conditions throughout the year, particularly for spruce and fir stands. This positive impact was partially offset by a 3% decrease in the weighted average log selling price driven by weaker sawlog and pulpwood pricing. Adjusted EBITDA improved to \$17.3 million from \$15.5 million during this period while the Adjusted EBITDA margin improved to 30% from 28% benefiting from the aforementioned sales volume increase as well as higher HBU land sales in Maine. For the nine months ended September 30, 2017, net income improved to \$18.5 million, or \$1.10 per share, representing an increase of \$5.5 million over the prior year period primarily due to higher Adjusted EBITDA as described above and favourable foreign exchange revaluation of U.S. dollar denominated long-term debt.

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	
	September 30, 2017	September 24, 2016	September 30, 2017	September 24, 2016
<i>(CAD thousands)</i>				
Net income	\$ 9,702	\$ 2,779	\$ 18,471	\$ 12,951
Add / (deduct):				
Interest expense, net	698	733	2,189	2,186
Current income tax expense	549	7	816	8
Deferred income tax expense	1,190	922	3,704	7,351
Depreciation and amortization	78	124	233	371
Fair value adjustments	269	(333)	(1,020)	(2,236)
Unrealized exchange (gain) / loss on long-term debt	(5,799)	921	(7,054)	(5,133)
Adjusted EBITDA <sup>1</sup>	\$ 6,687	\$ 5,153	\$ 17,339	\$ 15,498
Add / (deduct):				
Interest paid on debt, net	(671)	(708)	(2,109)	(2,107)
Additions to timber, land, roads and other fixed assets	(185)	(245)	(349)	(279)
Gain on sale of timberlands	(362)	(81)	(1,817)	(174)
Proceeds on sale of timberlands	382	83	2,476	178
Current income tax expense	(549)	(7)	(816)	(8)
Free Cash Flow <sup>1</sup>	\$ 5,302	\$ 4,195	\$ 14,724	\$ 13,108
Dividends declared	\$ 4,601	\$ 4,182	\$ 13,803	\$ 12,548
Payout ratio	87%	100%	94%	96%

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 Acadian's indirect interest in the Maine Timberlands and New Brunswick 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.

Total dividends declared to shareholders during the three months ended September 30, 2017 were \$4.6 million, or \$0.275 per share, an increase from \$4.2 million or \$0.25 per share in the same period of 2016. The Company's payout ratio for the first nine months of 2017, which represents the amount of dividends declared as a percentage of the Free Cash Flow generated, was 94% which is in-line with our long term target of 95%.

### Operating and Market Conditions

Acadian's operations continued to perform well during the third quarter. Drier than usual summer weather resulted in favourable harvest conditions, particularly for hardwood stands, and operations continued to benefit from solid markets in New Brunswick. Excluding biomass, harvest volumes of 304 thousand m<sup>3</sup> for the quarter were up 16% year-over-year. The selling prices for most of our products decreased marginally compared to the prior year period largely due to foreign exchange. However, Acadian's weighted average log selling price remained in-line with the prior year period as higher hardwood sawlog and pulpwood sales offset the impact of foreign exchange.

In New Brunswick, sales volumes increased 15%, benefiting from favourable harvest conditions with weighted average log prices remaining in-line with prior year as the impact of a 3% increase in softwood sawlog prices from continued strong demand, was offset by a 5% decrease in hardwood pulpwood prices reflecting seasonally higher consumer inventories. In Maine, sales volumes increased 38%, reflecting both favourable harvest conditions and an increase in regional market share. The weighted average log selling price was in-line with the prior year period in U.S. dollar terms due to higher relative

hardwood sawlog sales, offset by a 3% decline in softwood sawlog prices resulting from a change in product mix.

Strong demand for biomass products in the local markets has recently tapered, with sales volumes decreasing 22% year-over-year. A 33% biomass margin reduction reflects the lack of biomass exports in the third quarter.

Acadian has benefited from favourable harvest conditions during the first nine months of 2017 resulting in harvest volumes of 767 thousand m<sup>3</sup> which are 12% higher year-over-year excluding biomass. Harvest activities for the fourth quarter will reflect Acadian's goal of harvesting within its allowable annual cut in accordance with the Company's Sustainable Forestry Initiative® certification.

### Segmented Results of Operations

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

<i>Three Months Ended September 30, 2017</i> <i>(CAD thousands)</i>				
	<b>NB Timberlands</b>	<b>Maine Timberlands</b>	<b>Corporate</b>	<b>Consolidated</b>
Sales volumes (000s m <sup>3</sup> )	<b>288.6</b>	<b>92.4</b>	—	<b>381.0</b>
Net sales	<b>\$ 15,547</b>	<b>\$ 6,614</b>	<b>\$ —</b>	<b>\$ 22,161</b>
Adjusted EBITDA <sup>1</sup>	<b>\$ 5,454</b>	<b>\$ 1,551</b>	<b>\$ (318)</b>	<b>\$ 6,687</b>
Adjusted EBITDA margin <sup>1</sup>	<b>35%</b>	<b>23%</b>	n/a	<b>30%</b>

<i>Three Months Ended September 24, 2016</i> <i>(CAD thousands)</i>				
	<b>NB Timberlands</b>	<b>Maine Timberlands</b>	<b>Corporate</b>	<b>Consolidated</b>
Sales volumes (000s m <sup>3</sup> )	282.7	69.0	—	351.7
Net sales	\$ 14,328	\$ 5,014	\$ —	\$ 19,342
Adjusted EBITDA <sup>1</sup>	\$ 4,608	\$ 749	\$ (204)	\$ 5,153
Adjusted EBITDA margin <sup>1</sup>	32%	15%	n/a	27%

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

<i>Nine Months Ended September 30, 2017</i> <i>(CAD thousands)</i>				
	<b>NB Timberlands</b>	<b>Maine Timberlands</b>	<b>Corporate</b>	<b>Consolidated</b>
Sales volumes (000s m <sup>3</sup> )	<b>725.9</b>	<b>228.5</b>	—	<b>954.4</b>
Net sales	<b>\$ 41,644</b>	<b>\$ 16,219</b>	<b>\$ —</b>	<b>\$ 57,863</b>
Adjusted EBITDA <sup>1</sup>	<b>\$ 13,610</b>	<b>\$ 4,616</b>	<b>\$ (887)</b>	<b>\$ 17,339</b>
Adjusted EBITDA margin <sup>1</sup>	<b>33%</b>	<b>28%</b>	n/a	<b>30%</b>

<i>Nine Months Ended September 24, 2016</i> <i>(CAD thousands)</i>				
	<b>NB Timberlands</b>	<b>Maine Timberlands</b>	<b>Corporate</b>	<b>Consolidated</b>
Sales volumes (000s m <sup>3</sup> )	669.4	192.8	—	862.2
Net sales	\$ 39,999	\$ 14,446	\$ —	\$ 54,445
Adjusted EBITDA <sup>1</sup>	\$ 13,453	\$ 2,863	\$ (818)	\$ 15,498
Adjusted EBITDA margin <sup>1</sup>	34%	20%	n/a	28%

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

### New Brunswick Timberlands

New Brunswick 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 New Brunswick Timberlands employees.

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

	Three Months Ended September 30, 2017				Three Months Ended September 24, 2016			
	Harvest (000s m <sup>3</sup> )	Sales (000s m <sup>3</sup> )	Sales Mix	Results (\$000s)	Harvest (000s m <sup>3</sup> )	Sales (000s m <sup>3</sup> )	Sales Mix	Results (\$000s)
Softwood	113.0	115.2	40%	\$ 6,265	97.4	99.2	35%	\$ 5,258
Hardwood	99.5	103.2	36%	7,396	98.5	91.2	32%	6,663
Biomass	70.2	70.2	24%	863	92.3	92.3	33%	1,660
	<b>282.7</b>	<b>288.6</b>	<b>100%</b>	<b>14,524</b>	288.2	282.7	100%	13,581
Other sales				1,023				747
Net sales				\$ 15,547				\$ 14,328
Adjusted EBITDA <sup>1</sup>				\$ 5,454				\$ 4,608
Adjusted EBITDA margin <sup>1</sup>				35%				32%

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

	Nine Months Ended September 30, 2017				Nine Months Ended September 24, 2016			
	Harvest (000s m <sup>3</sup> )	Sales (000s m <sup>3</sup> )	Sales Mix	Results (\$000s)	Harvest (000s m <sup>3</sup> )	Sales (000s m <sup>3</sup> )	Sales Mix	Results (\$000s)
Softwood	276.1	281.1	39%	\$ 15,561	243.8	245.2	37%	\$ 13,205
Hardwood	276.8	290.0	40%	22,184	257.6	257.8	38%	20,697
Biomass	154.8	154.8	21%	2,611	166.4	166.4	25%	4,559
	<b>707.7</b>	<b>725.9</b>	<b>100%</b>	<b>40,356</b>	667.8	669.4	100%	38,461
Other sales				1,288				1,538
Net sales				\$ 41,644				\$ 39,999
Adjusted EBITDA <sup>1</sup>				\$ 13,610				\$ 13,453
Adjusted EBITDA margin <sup>1</sup>				33%				34%

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

### Three months ended September 30, 2017:

Net sales totaled \$15.5 million compared to \$14.3 million for the same period last year. Excluding biomass, log sales volumes increased 15% to 218 thousand m<sup>3</sup> from 190 thousand m<sup>3</sup> in the prior year period, largely driven by continued strength of softwood sawlog and hardwood pulpwood sales reflecting favourable harvest conditions.

The weighted average log selling price for the quarter of \$62.55 per m<sup>3</sup> was in-line with prior year of \$62.65 per m<sup>3</sup> as a 3% increase in softwood sawlog prices from continued strong demand, was offset by a 5% decrease in hardwood pulpwood prices reflecting seasonally higher consumer inventories.

Strong local demand for biomass products has recently tapered, with sales volumes decreasing 24% year-over-year. Overall, the gross margin earned on our biomass products decreased 32% compared to the third quarter of 2016 reflecting limited export markets for products.

Adjusted EBITDA and costs for the quarter were \$5.5 million and \$10.1 million, respectively, compared to \$4.6 million and \$9.7 million, respectively, in the third quarter of 2016 primarily due to the aforementioned increase in log sales volumes which was partially offset by a marginal increase in variable costs per m<sup>3</sup> due to longer average haul distances. As a result, Adjusted EBITDA margin for the quarter increased to 35% from 32% in the prior year.



*Nine months ended September 30, 2017:*

Net sales of \$41.6 million, which increased \$1.6 million compared to the same period last year, benefited from a 14% increase in log sales volumes which was partially offset by the impact of marginally lower selling prices. Costs of \$28.0 million were \$1.5 million higher than the prior year due to the aforementioned increase in sales volumes, as variable costs per m<sup>3</sup> remained flat while operating costs were impacted by timing of maintenance activities. As a result, Adjusted EBITDA was \$13.6 million, an increase of \$0.2 million compared to the prior year period, while Adjusted EBITDA margin decreased to 33% from 34%. As New Brunswick Timberlands remains disciplined in managing harvest levels consistent with its forest management plan, full year 2017 sales volumes are expected to be consistent with the prior year.

*Safety*

There were two minor recordable safety incidents among employees and contractors during the third quarter of 2017.

*Maine Timberlands*

Maine Timberlands owns and manages approximately 300,000 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 30, 2017				Three Months Ended September 24, 2016			
	Harvest (000s m <sup>3</sup> )	Sales (000s m <sup>3</sup> )	Sales Mix	Results (\$000s)	Harvest (000s m <sup>3</sup> )	Sales (000s m <sup>3</sup> )	Sales Mix	Results (\$000s)
Softwood	35.0	34.9	38%	\$ 2,592	36.3	36.2	53%	\$ 2,878
Hardwood	56.8	50.2	54%	3,799	29.7	25.6	37%	1,977
Biomass	7.3	7.3	8%	11	7.2	7.2	10%	23
	<b>99.1</b>	<b>92.4</b>	<b>100%</b>	<b>6,402</b>	73.2	69.0	100%	4,878
Other sales				212				136
Net sales				\$ 6,614				\$ 5,014
Adjusted EBITDA <sup>1</sup>				\$ 1,551				\$ 749
Adjusted EBITDA margin <sup>1</sup>				23%				15%

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

	Nine Months Ended September 30, 2017				Nine Months Ended September 24, 2016			
	Harvest (000s m <sup>3</sup> )	Sales (000s m <sup>3</sup> )	Sales Mix	Results (\$000s)	Harvest (000s m <sup>3</sup> )	Sales (000s m <sup>3</sup> )	Sales Mix	Results (\$000s)
Softwood	114.4	114.0	50%	\$ 8,498	113.3	112.7	58%	\$ 8,796
Hardwood	100.0	95.4	42%	7,235	68.1	64.8	34%	5,259
Biomass	19.1	19.1	8%	29	15.3	15.3	8%	76
	<b>233.5</b>	<b>228.5</b>	<b>100%</b>	<b>15,762</b>	196.7	192.8	100%	14,131
Other sales				457				315
Net sales				\$ 16,219				\$ 14,446
Adjusted EBITDA <sup>1</sup>				\$ 4,616				\$ 2,863
Adjusted EBITDA margin <sup>1</sup>				28%				20%

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

*Three months ended September 30, 2017:*

Net sales totaled \$6.6 million compared to \$5.0 million during the prior year period, benefiting from a meaningful year over year increase in hardwood log sales volumes which increased from 26 thousand m<sup>3</sup> to 50 thousand m<sup>3</sup>. This increase was driven primarily by favourable harvest conditions relative to the same quarter of 2016 and an increase in regional market share. We believe that Acadian has been able to capture additional market share, in part, because it has built up a strong track record of reliability over time, and also due to its Sustainable Forestry Initiative® certification, which is a requirement of certain customers.



The weighted average log selling price in Canadian dollar terms was \$75.07 per m<sup>3</sup>, compared to \$78.56 per m<sup>3</sup> in the same period of 2016. The weighted average log selling price in U.S. dollar terms was relatively consistent with the prior year period as the impact of higher relative hardwood sawlog sales was offset by a 3% decline in softwood sawlog prices resulting from a change in product mix.

Costs for the third quarter were \$5.4 million, compared to \$4.3 million during the same period in 2016, due to the aforementioned increase in sales volumes, while variable costs per m<sup>3</sup> remained flat compared to the prior year period. Adjusted EBITDA for the quarter was \$1.6 million, compared to \$0.7 million in the prior year period while Adjusted EBITDA margin increased to 23% from 15% due primarily to the aforementioned sales increase as well as the benefit of HBU land sales.

#### *Nine months ended September 30, 2017:*

Net sales were \$16.2 million, or \$1.8 million higher than the first nine months of 2016, primarily due to a 18% increase in log sales volumes reflecting favourable harvest conditions, while weighted average log selling prices decreased 5% due to foreign exchange and impact of high customer inventories earlier in the year.

Costs were \$13.4 million or \$1.7 million higher than the same period of 2016 largely due to higher sales volumes and longer average haul distances. Adjusted EBITDA was \$4.6 million, an increase of \$1.7 million compared to the same period last year, while Adjusted EBITDA margin increased to 28% from 20% primarily driven by the benefit of HBU land sales.

#### *Safety*

There were no recordable safety incidents among employees or contractors during the third quarter of 2017.

#### *Freehold Timberlands*

Maine Timberlands invested \$0.5 million during the first nine months of 2017 on approximately 1,200 acres of freehold timberlands to eliminate third party common and undivided ownership interests which will strengthen our regional operating position.

#### **Financial Position**

Our financial position continues to be solid with \$93.1 million of net liquidity as at September 30, 2017, including funds available under the Company's Revolving Facility and a stand-by equity commitment from Brookfield.

As at September 30, 2017, Acadian's balance sheet consisted of total assets of \$451.7 million (December 31, 2016 – \$454.6 million), represented primarily by timber, land, roads and other fixed assets of \$410.7 million (December 31, 2016 – \$419.7 million), with the balance in cash and current assets of \$34.8 million (December 31, 2016 – \$28.8 million), and intangible assets of \$6.1 million (December 31, 2016 – \$6.1 million). The balance sheet also reflects the acquisition of Katahdin Timberlands LLC on January 1, 2017 for \$1.3 million, a related company owned by Brookfield that leased and held parcels of land complementary to Acadian's Maine operation. Timber has been recorded at fair value as determined through independent third party appraisal at December 31, 2016 and adjusted for growth estimates and harvest during the first nine months of the year. Reforestation costs have been expensed as incurred.

#### **MARKET OUTLOOK**

*The following contains forward-looking statements about Acadian Timber Corp.'s market outlook for the remainder of 2017. Reference should be made to "Forward-Looking Statements" on page 14. 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](http://www.acadiantimber.com) or [www.sedar.com](http://www.sedar.com).*

Acadian's key markets include softwood sawtimber, hardwood sawtimber and hardwood pulpwood. Northeast North American softwood dimension sawmills represent over one third of Acadian's end-use market and are the primary market for our softwood sawtimber. Sluggish wage growth, tight construction labour markets and Fed rate hikes remain as headwinds, however, the underlying fundamental driver of pent-up household formation continues to strengthen. While economic

forecasters have continued to revise their outlook for US housing starts mainly reflecting near term supply side headwinds, they continue to call for steady growth, with year-over-year forecast growth averaging approximately 7% for 2018 and 6% for 2019, up from about 3% in 2017. Residential home improvements are also expected to remain strong. Over the longer term, pent up demand continues to build suggesting a continued and extending ramp up in housing construction. Demand growth expectations for North American sawtimber remain in the 3-4% per year range for the next several years to support expanding domestic construction needs.

Aside from improving U.S. housing markets, a number of additional factors including a strengthening Canadian dollar, wildfires in the BC Interior, and severe hurricane activity in the Caribbean and US South, have helped push lumber prices to multi-year highs, with average year to date 2017 benchmark prices sitting 25% above year-ago levels. We anticipate robust lumber pricing will continue to support continued stable sawtimber pricing across our markets well into next year.

The U.S. Department of Commerce announced during the third quarter that it had postponed the final determinations in the ongoing antidumping (ADD) and countervailing duty (CVD) investigations of Canadian lumber imports from September 6 to no later than November 14. With this delay, the so-called ‘gap period’ (which started on August 25) is expected to extend for four months until final duties come back in early January 2018 following the final injury determination. For most of the ‘gap period’, Canadian lumber imports will only face 7% preliminary ADDs. For a short window around year-end, Canadian producers will face zero duties on lumber shipments to the U.S. as the preliminary ADDs will also expire by then. Strength in lumber markets, combined with supply side factors is broadly expected to continue to support a pass through of duties to the market through to the end of year.

Canada and the U.S. could not agree on a softwood lumber deal before the North American Free Trade (NAFTA) negotiations began in mid-August. As widely anticipated, NAFTA discussions appear to have now positioned a new softwood lumber agreement as a second priority for negotiators. A quota-based softwood lumber deal may still be actionable, but the two sides remain at odds on the actual quota level in addition to a “hot market clause” which would provide Canada additional market access in the event American suppliers can’t meet domestic needs. Additionally, the traditional treatment of Atlantic lumber producers and Quebec border mills in any settlement remains an objective for Canadian negotiators.

Hardwood sawtimber markets remain strong and stable and are unaffected by U.S. trade initiatives. We remain encouraged that hardwood pulpwood markets remain historically strong, and that Acadian continues to be a preferred partner for hardwood fibre supply to this important market segment. Acadian’s domestic biomass markets remain oversupplied reflecting both weak paper sector demand and challenging wood biomass generation markets due to the combination of low natural gas prices and declining subsidies. The anticipated recovery in export biomass shipments from our New Brunswick operations has been delayed until at least the second half of 2018.

## 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 eight quarters. See “Additional Quarterly Information” section for the segmented quarterly results.

	2017			2016				2015
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<i>(CAD thousands, except per share data and where indicated)</i>								
Sales volume (000s m <sup>3</sup> )	<b>381</b>	217	356	351	352	209	302	311
Net sales	<b>\$ 22,161</b>	\$ 12,630	\$ 23,072	\$ 22,723	\$ 19,342	\$ 13,656	\$ 21,447	\$ 21,735
Adjusted EBITDA <sup>1</sup>	<b>6,687</b>	2,622	8,030	7,049	5,153	3,301	7,044	7,412
Free Cash Flow <sup>1</sup>	<b>5,302</b>	2,034	7,388	6,276	4,195	2,743	6,170	6,388
Net income	<b>9,702</b>	4,011	4,758	3,121	2,779	5,830	4,342	13,765
Per share – basic and diluted	<b>\$ 0.58</b>	\$ 0.24	\$ 0.28	\$ 0.18	\$ 0.17	\$ 0.35	\$ 0.26	\$ 0.82

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 2016 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 interim condensed consolidated financial statements. The Company has one significant related party, Brookfield Asset Management Inc., and its affiliates (collectively "Brookfield"). As at October 25, 2017, Brookfield owned 7,513,262 common shares, representing approximately 45% of the Company's outstanding shares. A summary of the significant related party transactions is provided below.

- a) 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 30, 2017 totaled \$0.6 million (2016 – \$0.6 million) and \$1.8 million (2016 – \$1.8 million), respectively. As at September 30, 2017, fees of \$nil (2016 – \$nil) remain outstanding.
- b) On January 1, 2017, Acadian acquired a 100% equity interest in Katahdin Timberlands LLC, a related company owned by Brookfield. Refer to Note 11 for further details.

Further to the related party transactions noted above, the total net receivable due from related parties as at September 30, 2017 is \$42 thousand (December 31, 2016 net receivable due from related parties – \$49 thousand) and net payables due to related parties is \$nil (December 31, 2016 net payable due to related parties is \$nil). Acadian also has a U.S. \$50 million stand-by-equity commitment with Brookfield. At the beginning of the quarter, Brookfield agreed to extend the stand-by equity commitment, which was set to expire in July 2017, for an additional two years to July 2019.

## 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 Paper Company ("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:

(CAD thousands)	Payments Due by Period							
	Total Available	Payments Due	Less Than One Year (2017)	1 to 3 Years (2018-2020)	3 to 5 Years (2021-2023)	After 5 Years (>2023)		
<b>Debt</b>								
Term facility <sup>1</sup>	\$ 90,411	\$ 90,411	\$ —	\$ 90,411	\$ —	\$ —	\$ —	\$ —
Revolving facility	12,470	—	—	—	—	—	—	—
	\$ 102,881	\$ 90,411	\$ —	\$ 90,411	\$ —	\$ —	\$ —	\$ —
Interest payments <sup>2</sup>		\$ 8,164	\$ 2,041	\$ 6,123	\$ —	\$ —	\$ —	\$ —

1. Represents principal of a U.S. dollar denominated term loan with a U.S. to Canadian dollar conversion of 1.2470 excluding the unamortized deferred financing costs.

2. Interest payments are determined assuming a fixed interest rate at 3.01% with a U.S. to Canadian dollar conversion of 1.2470

### Additional Quarterly Information

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

#### NB Timberlands

	2017 Q3			2017 Q2			2017 Q1			2016 Q4		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)
Softwood	113.0	115.2	\$ 6,265	27.8	39.4	\$ 2,038	135.3	126.5	\$ 7,258	117.6	113.5	\$ 6,189
Hardwood	99.5	103.2	7,396	62.0	92.1	7,186	115.3	94.7	7,602	115.4	104.7	8,251
Biomass	70.2	70.2	863	39.3	39.3	783	45.3	45.3	965	51.7	51.7	980
	282.7	288.6	14,524	129.1	170.8	10,007	295.9	266.5	15,825	284.7	269.9	15,420
Other sales			1,023			(223)			488			1,114
Net sales			\$ 15,547			\$ 9,784			\$ 16,313			\$ 16,534
Adjusted EBITDA <sup>1</sup>			\$ 5,454			\$ 2,028			\$ 6,128			\$ 5,867
Adjusted EBITDA margin <sup>1</sup>			35%			21%			38%			35%

#### Maine Timberlands

	2017 Q3			2017 Q2			2017 Q1			2016 Q4		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)
Softwood	35.0	34.9	\$ 2,592	16.6	16.5	\$ 1,155	62.8	62.6	\$ 4,751	52.8	52.7	\$ 4,037
Hardwood	56.8	50.2	3,799	13.8	19.5	1,544	29.4	25.7	1,892	25.9	26.6	2,094
Biomass	7.3	7.3	11	10.6	10.6	16	1.2	1.2	2	2.0	2.0	4
	99.1	92.4	6,402	41.0	46.6	2,715	93.4	89.5	6,645	80.7	81.3	6,135
Other sales			212			131			114			54
Net sales			\$ 6,614			\$ 2,846			\$ 6,759			\$ 6,189
Adjusted EBITDA <sup>1</sup>			\$ 1,551			\$ 909			\$ 2,156			\$ 1,393
Adjusted EBITDA margin <sup>1</sup>			23%			32%			32%			23%

#### Corporate

	2017 Q3		2017 Q2		2017 Q1		2016 Q4	
		Results (\$000s)		Results (\$000s)		Results (\$000s)		Results (\$000s)
Net sales		\$ —		\$ —		\$ —		\$ —
Adjusted EBITDA <sup>1</sup>		\$ (318)		\$ (315)		\$ (254)		\$ (211)

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

NB Timberlands

	2016 Q3			2016 Q2			2016 Q1			2015 Q4		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)
Softwood	97.4	99.2	\$ 5,258	35.4	65.5	\$ 3,588	111.0	80.5	\$ 4,359	89.4	90.0	\$ 5,252
Hardwood	98.5	91.2	6,663	49.5	76.6	6,475	109.6	90.0	7,559	88.0	91.0	7,189
Biomass	92.3	92.3	1,660	40.8	40.8	1,561	33.3	33.3	1,338	45.0	45.0	1,572
	288.2	282.7	13,581	125.7	182.9	11,624	253.9	203.8	13,256	222.4	226.0	14,013
Other sales			747			116			675			1,224
Net sales			\$ 14,328			\$ 11,740			\$ 13,931			\$ 15,237
Adjusted EBITDA <sup>1</sup>			\$ 4,608			\$ 3,887			\$ 4,958			\$ 5,540
Adjusted EBITDA margin <sup>1</sup>			32%			33%			36%			36%

Maine Timberlands

	2016 Q3			2016 Q2			2016 Q1			2015 Q4		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)
Softwood	36.3	36.2	\$ 2,878	11.8	11.6	\$ 776	65.2	64.9	\$ 5,142	50.8	50.4	\$ 3,865
Hardwood	29.7	25.6	1,977	8.6	11.8	984	29.8	27.4	2,298	23.2	26.4	2,387
Biomass	7.2	7.2	23	2.6	2.6	16	5.5	5.5	37	8.6	8.6	59
	73.2	69.0	4,878	23.0	26.0	1,776	100.5	97.8	7,477	82.6	85.4	6,311
Other sales			136			140			39			187
Net sales			\$ 5,014			\$ 1,916			\$ 7,516			\$ 6,498
Adjusted EBITDA <sup>1</sup>			\$ 749			\$ (167)			\$ 2,281			\$ 2,315
Adjusted EBITDA margin <sup>1</sup>			15%			(9%)			30%			36%

Corporate

	2016 Q3	2016 Q2	2016 Q1	2015 Q4
	Results (\$000s)	Results (\$000s)	Results (\$000s)	Results (\$000s)
Net sales	\$ —	\$ —	\$ —	\$ —
Adjusted EBITDA <sup>1</sup>	\$ (204)	\$ (419)	\$ (195)	\$ (443)

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,” “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 this Annual Report and in each of the Annual Information Form dated March 29, 2017 and the Management Information Circular dated March 29, 2017, and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR at [www.sedar.com](http://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)

<i>(CAD thousands, except per share data)</i>	Note	Three Months Ended		Nine Months Ended	
		September 30, 2017	September 24, 2016	September 30, 2017	September 24, 2016
Net sales		<b>\$22,161</b>	\$19,342	<b>\$57,863</b>	\$ 54,445
Operating costs and expenses					
Cost of sales		<b>13,949</b>	12,380	<b>36,764</b>	34,027
Selling, administration and other		<b>1,791</b>	1,460	<b>5,083</b>	4,530
Reforestation		<b>96</b>	430	<b>494</b>	564
Depreciation and amortization		<b>78</b>	124	<b>233</b>	371
		<b>15,914</b>	14,394	<b>42,574</b>	39,492
Operating earnings		<b>6,247</b>	4,948	<b>15,289</b>	14,953
Interest expense, net		<b>(698)</b>	(733)	<b>(2,189)</b>	(2,186)
Other items					
Fair value adjustments		<b>(269)</b>	333	<b>1,020</b>	2,236
Unrealized exchange gain / (loss) on long-term debt		<b>5,799</b>	(921)	<b>7,054</b>	5,133
Gain on sale of timberlands		<b>362</b>	81	<b>1,817</b>	174
Earnings before income taxes		<b>11,441</b>	3,708	<b>22,991</b>	20,310
Current income tax expense	7	<b>(549)</b>	(7)	<b>(816)</b>	(8)
Deferred income tax expense	7	<b>(1,190)</b>	(922)	<b>(3,704)</b>	(7,351)
Net income		<b>\$ 9,702</b>	\$ 2,779	<b>\$18,471</b>	\$ 12,951
Net income per share - basic and diluted		<b>\$ 0.58</b>	\$ 0.17	<b>\$ 1.10</b>	\$ 0.77

See accompanying notes to interim condensed consolidated financial statements.



# Interim Consolidated Statements of Comprehensive Income

(unaudited)

	Three Months Ended		Nine Months Ended	
<i>(CAD thousands)</i>	<b>September 30, 2017</b>	September 24, 2016	<b>September 30, 2017</b>	September 24, 2016
Net income	<b>\$ 9,702</b>	\$ 2,779	<b>\$ 18,471</b>	\$ 12,951
Other comprehensive (loss) / income				
Items that may be subsequently reclassified to net income:				
Unrealized foreign currency translation (loss) / gain	<b>(7,775)</b>	1,176	<b>(9,151)</b>	(7,146)
Comprehensive income	<b>\$ 1,927</b>	\$ 3,955	<b>\$ 9,320</b>	\$ 5,805

See accompanying notes to interim condensed consolidated financial statements.

# Interim Consolidated Balance Sheets

(unaudited)

<i>As at</i> <i>(CAD thousands)</i>	Note	<b>September 30, 2017</b>	December 31, 2016
<b>Assets</b>			
Current assets			
Cash and cash equivalents		\$ 20,277	\$ 19,654
Accounts receivable and other assets	5	13,176	6,952
Inventory		1,363	2,149
		<b>34,816</b>	28,755
Timber	10	321,273	328,477
Land, roads and other fixed assets		89,424	91,206
Intangible assets		6,140	6,140
		<b>\$ 451,653</b>	\$ 454,578
<b>Liabilities and shareholders' equity</b>			
Current liabilities			
Accounts payable and accrued liabilities	5	\$ 11,169	\$ 3,529
Dividends payable to shareholders	9	4,601	4,183
		<b>15,770</b>	7,712
Long-term debt	3	90,095	97,066
Deferred income tax liability		82,420	81,949
Shareholders' equity	4	263,368	267,851
		<b>\$ 451,653</b>	\$ 454,578

See accompanying notes to interim condensed consolidated financial statements.

# Interim Consolidated Statements of Changes in Equity

(unaudited)

<i>Nine Months Ended September 30, 2017</i> <i>(CAD thousands)</i>	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Shareholders' Equity
Balance as at December 31, 2016	\$ 140,067	\$ 63,960	\$ 31,883	\$ 31,941	\$ 267,851
Changes in period					
Net income	—	<b>18,471</b>	—	—	<b>18,471</b>
Other comprehensive loss	—	—	—	<b>(9,151)</b>	<b>(9,151)</b>
Shareholders' dividends declared	—	<b>(13,803)</b>	—	—	<b>(13,803)</b>
Balance as at September 30, 2017	<b>\$ 140,067</b>	<b>\$ 68,628</b>	<b>\$ 31,883</b>	<b>\$ 22,790</b>	<b>\$ 263,368</b>

See accompanying notes to interim condensed consolidated financial statements.

<i>Nine Months Ended September 24, 2016</i> <i>(CAD thousands)</i>	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Shareholders' Equity
Balance as at December 31, 2015	\$ 140,067	\$ 64,619	\$ 26,191	\$ 36,169	\$ 267,046
Changes in period					
Net income	—	12,951	—	—	12,951
Other comprehensive loss	—	—	—	(7,146)	(7,146)
Shareholders' dividends declared	—	(12,548)	—	—	(12,548)
Balance as at September 24, 2016	\$ 140,067	\$ 65,022	\$ 26,191	\$ 29,023	\$ 260,303

See accompanying notes to interim condensed consolidated financial statements.

# Interim Consolidated Statements of Cash Flows

(unaudited)

<i>(CAD thousands)</i>	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 24, 2016	September 30, 2017	September 24, 2016
Cash provided by (used for):				
<b>Operating activities</b>				
Net income	\$ 9,702	\$ 2,779	\$ 18,471	\$ 12,951
Adjustments to net income:				
Deferred income tax expense	1,190	922	3,704	7,351
Depreciation and amortization	78	124	233	371
Fair value adjustments	269	(333)	(1,020)	(2,236)
Unrealized exchange (gain) / loss on long-term debt	(5,799)	921	(7,054)	(5,133)
Interest expense, net	698	733	2,189	2,186
Interest paid, net	(671)	(708)	(2,109)	(2,107)
Gain on sale of timberlands	(362)	(81)	(1,817)	(174)
Net change in non-cash working capital balances and other	(1,027)	1,001	1,054	1,521
	<b>4,078</b>	<b>5,358</b>	<b>13,651</b>	<b>14,730</b>
<b>Financing activities</b>				
Dividends paid to shareholders	(4,601)	(4,182)	(13,385)	(12,548)
	<b>(4,601)</b>	<b>(4,182)</b>	<b>(13,385)</b>	<b>(12,548)</b>
<b>Investing activities</b>				
Additions to timber, land, roads and other fixed assets	(225)	(245)	(843)	(279)
Acquisition of Katahdin Timberlands LLC	—	—	(1,276)	—
Proceeds from sale of timberlands	382	83	2,476	178
	<b>157</b>	<b>(162)</b>	<b>357</b>	<b>(101)</b>
(Decrease) / increase in cash and cash equivalents during the period	(366)	1,014	623	2,081
Cash and cash equivalents, beginning of period	20,643	18,783	19,654	17,716
<b>Cash and cash equivalents, end of period</b>	<b>\$ 20,277</b>	<b>\$ 19,797</b>	<b>\$ 20,277</b>	<b>\$ 19,797</b>

See accompanying notes to interim condensed 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 “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 Suite 1800, 1055 West Georgia Street, Vancouver, British Columbia, V6E 3R5.

The Company and all of its consolidated operations, collectively “Acadian”, owns and manages approximately 761,000 acres of freehold timberlands in New Brunswick (“NB Timberlands”), approximately 300,000 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 100 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.

As at September 30, 2017, 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. The ultimate parent of the Company is Brookfield Asset Management Inc.

## 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 2016 annual report. These consolidated financial statements should be read in conjunction with Acadian’s 2016 annual report.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of Acadian on October 25, 2017.

### Future Accounting Policies

#### **IFRS 9, *Financial Instruments***

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. This standard is not expected to have a significant impact on the consolidated financial statements of the Company.

#### **IFRS 15, *Revenue from Contracts with Customers***

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Company plans to adopt the new standard on the required effective date using the full retrospective approach. The extent of the impact of adoption of the standard, based on the Company’s assessment, is not expected to be material to the consolidated financial statements.

**IFRS 16, Leases**

IFRS 16, which was issued in January 2016, will replace current lease accounting standards. It proposes to record all leases on the balance sheet with certain limited exceptions. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Limited earlier adoption is permitted. The Company has not yet begun the process of evaluating the impact of this standard on its consolidated financial statements.

**NOTE 3. LONG-TERM DEBT**

Debt consisted of the following:

<i>As at (CAD thousands)</i>	<b>September 30, 2017</b>	December 31, 2016
Term facility, due October 2020	<b>\$ 90,411</b>	\$ 97,462
Less: Deferred debt issuance costs	<b>(316)</b>	(396)
<b>Total</b>	<b>\$ 90,095</b>	\$ 97,066

Acadian has U.S. dollar denominated credit facilities with Metropolitan Life Insurance Company, which will mature on October 1, 2020. These credit facilities include a revolving credit facility of U.S.\$10.0 million (the "Revolving Facility") for general corporate purposes and a term credit facility of U.S.\$72.5 million (the "Term Facility"). The Term Facility bears interest at a fixed rate of 3.01%. The Revolving Facility bears interest at floating rates based on 90-day LIBOR plus applicable margin. Floating interest rates give rise to interest rate risk as earnings and cash flows may be impacted by fluctuations in interest rates.

As at September 30, 2017 and December 31, 2016, Acadian had borrowed U.S.\$72.5 million under the Term Facility and \$nil under the Revolving Facility; however, U.S.\$1.6 million of the Revolving Facility is reserved to support the minimum cash balance requirement of the Term Facility. 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 of September 30, 2017 and December 31, 2016.

The fair value of the Term Facility as at September 30, 2017 is \$90.9 million (December 31, 2016 – \$97.9 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. As of March 2, 2017, Acadian implemented a normal course issuer bid (NCIB) that permits the Company to acquire a block of shares if they become available. During the first nine months of the year, no purchases were made.

Common shares outstanding as at September 30, 2017 and December 31, 2016 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 interim condensed consolidated financial statements. The Company has one significant related party, Brookfield Asset Management Inc., and its affiliates (collectively "Brookfield"). As at October 25, 2017, Brookfield owned 7,513,262 common shares, representing approximately 45% of the Company's outstanding shares. A summary of the significant related party transactions is provided below.

- a) 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 30, 2017 totaled \$0.6 million (2016 – \$0.6 million) and \$1.8 million (2016 – \$1.8 million), respectively. As at September 30, 2017, fees of \$nil (2016 – \$nil) remain outstanding.
- b) On January 1, 2017, Acadian acquired a 100% equity interest in Katahdin Timberlands LLC, a related company owned by Brookfield. Refer to Note 11 for further details.

Further to the related party transactions noted above, the total net receivable due from related parties as at September 30, 2017 is \$42 thousand (December 31, 2016 net receivable due from related parties – \$49 thousand) and net payables due to related parties is \$nil (December 31, 2016 net payable due to related parties is \$nil). Acadian also has a U.S. \$50 million stand-by-equity commitment with Brookfield. At the beginning of the quarter, Brookfield agreed to extend the stand-by equity commitment, which was set to expire in July 2017, for an additional two years to July 2019.

## NOTE 6. SEGMENTED INFORMATION

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

<i>Three Months Ended September 30, 2017</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	\$ 8,857	\$ 6,265	\$ 2,592	\$ —
Hardwood	11,195	7,396	3,799	—
Biomass	874	863	11	—
Other	1,235	1,023	212	—
Total net sales	22,161	15,547	6,614	—
Operating costs	(15,740)	(10,066)	(5,356)	(318)
Reforestation	(96)	(47)	(49)	—
Depreciation and amortization	(78)	(46)	(32)	—
Operating earnings / (loss)	6,247	5,388	1,177	(318)
Gain on sale of timberlands	362	—	362	—
Fair value adjustments	(269)	147	(416)	—
Earnings / (loss) before the undernoted	6,340	5,535	1,123	(318)
Unrealized exchange gain on long-term debt	5,799			
Interest expense, net	(698)			
Current income tax expense	(549)			
Deferred income tax expense	(1,190)			
Net income	\$ 9,702			

<i>As at September 30, 2017</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	\$ 416,837	\$ 267,627	\$ 149,210	\$ —
Total assets	451,653	283,895	158,509	9,249
Total liabilities	\$ 188,285	\$ 10,534	\$ 32,942	\$ 144,809



<i>Three Months Ended September 24, 2016</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	\$ 8,136	\$ 5,258	\$ 2,878	\$ —
Hardwood	8,640	6,663	1,977	—
Biomass	1,683	1,660	23	—
Other	883	747	136	—
Total net sales	19,342	14,328	5,014	—
Operating costs	(13,840)	(9,378)	(4,257)	(205)
Reforestation	(430)	(341)	(89)	—
Depreciation and amortization	(124)	(51)	(73)	—
Operating earnings / (loss)	4,948	4,558	595	(205)
Gain on sale of timberlands	81	—	81	—
Fair value adjustments	333	439	(106)	—
Earnings / (loss) before the undernoted	5,362	4,997	570	(205)
Unrealized exchange loss on long-term debt	(921)			
Interest expense, net	(733)			
Current income tax expense	(7)			
Deferred income tax expense	(922)			
Net income	\$ 2,779			

<i>As at September 24, 2016</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	\$ 415,872	\$ 249,746	\$ 166,126	\$ —
Total assets	447,636	263,612	171,693	12,331
Total liabilities	\$ 187,333	\$ 7,726	\$ 38,755	\$ 140,852

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

<i>Nine Months Ended September 30, 2017</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	\$ 24,059	\$ 15,561	\$ 8,498	\$ —
Hardwood	29,419	22,184	7,235	—
Biomass	2,640	2,611	29	—
Other	1,745	1,288	457	—
Total net sales	57,863	41,644	16,219	—
Operating costs	(41,847)	(27,641)	(13,319)	(887)
Reforestation	(494)	(413)	(81)	—
Depreciation and amortization	(233)	(135)	(98)	—
Operating earnings / (loss)	15,289	13,455	2,721	(887)
Gain on sale of timberlands	1,817	—	1,817	—
Fair value adjustments	1,020	1,134	(114)	—
Earnings / (loss) before the undernoted	18,126	14,589	4,424	(887)
Unrealized exchange gain on long-term debt	7,054			
Interest expense, net	(2,189)			
Current income tax expense	(816)			
Deferred income tax expense	(3,704)			
Net income	\$ 18,471			

<i>Nine Months Ended September 24, 2016</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	\$ 22,001	\$ 13,205	\$ 8,796	\$ —
Hardwood	25,956	20,697	5,259	—
Biomass	4,635	4,559	76	—
Other	1,853	1,538	315	—
Total net sales	54,445	39,999	14,446	—
Operating costs	(38,557)	(26,119)	(11,619)	(819)
Reforestation	(564)	(452)	(112)	—
Depreciation and amortization	(371)	(148)	(223)	—
Operating earnings / (loss)	14,953	13,280	2,492	(819)
Gain on sale of timberlands	174	—	174	—
Fair value adjustments	2,236	2,731	(495)	—
Earnings / (loss) before the undernoted	17,363	16,011	2,171	(819)
Unrealized exchange gain on long-term debt	5,133			
Interest expense, net	(2,186)			
Current income tax expense	(8)			
Deferred income tax expense	(7,351)			
Net income	\$ 12,951			

During the three months ended September 30, 2017 approximately 44% of total sales (2016 – 38%) were originated with customers domiciled in the U.S. and the balance in Canada. During the same period, approximately 39% of total sales (2016 – 31%) 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 month period ended September 30, 2017, Acadian's top three suppliers accounted for approximately 22%, 19% and 11%, respectively, of Acadian's total harvesting and delivery costs (2016 – 22%, 19% and 10%, respectively).

Acadian sells its products to many forest product companies in North America. For the three-month period ended September 30, 2017, sales to the largest and next largest customer accounted for 11% and 9%, respectively (2016 – 12% and 10%, respectively).

## NOTE 7. INCOME TAXES

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

	Three months ended		Nine months ended	
	September 30, 2017	September 24, 2016	September 30, 2017	September 24, 2016
<i>(CAD thousands)</i>				
Income tax expense				
Income tax at statutory rate, 29%	\$ 3,318	\$ 1,075	\$ 6,667	\$ 5,890
Foreign tax rate differential	122	63	486	237
Permanent differences	(1,243)	(315)	(2,314)	(2,047)
Expense / (benefit) of previously unrecognized tax attributes	(448)	86	(266)	(104)
Other	(10)	20	(53)	3,383
Total income tax expense	\$ 1,739	\$ 929	\$ 4,520	\$ 7,359

## 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 30, 2017, contributions recorded as expenses amounted to \$69 thousand (2016 – \$68 thousand) and \$185 thousand (2016 – \$190 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 30, 2017 were \$4.6 million (2016 – \$4.2 million) or \$0.275 per share (2016 – \$0.25 per share). For the nine months ended September 30, 2017, total dividends were \$13.8 million (2016 – \$12.6 million) or \$0.825 per share (2016 – \$0.75 per share).

## NOTE 10. TIMBER

<i>(CAD thousands)</i>	
Fair value as at December 31, 2015	\$ 333,732
Gains arising from growth	29,419
Loss arising from harvest	(28,158)
Loss from fair value price changes	(2,261)
Foreign exchange and other	(4,255)
<b>Balance as at December 31, 2016</b>	<b>\$ 328,477</b>
Gains arising from growth	21,583
Loss arising from harvest	(20,201)
Foreign exchange and other	(8,586)
<b>Balance as at September 30, 2017</b>	<b>\$ 321,273</b>

**NOTE 11. ACQUISITION OF KATAHDIN TIMBERLANDS LLC**

On January 1, 2017, Acadian acquired a 100% equity interest in Katahdin Timberlands LLC (“KTL”), a related company owned by Brookfield, that leased and held parcels of land complementary to Acadian’s Maine Timberlands for \$1,276 thousand (U.S. \$954 thousand). The parcels of land acquired were historically managed by Maine Timberlands on behalf of Brookfield. The acquisition represented an opportunity for Acadian to integrate the acquired parcels into its existing operations and increase income from higher and better use sales (HBU).

## Board and Management

## Corporate and Shareholder Information

### BOARD OF DIRECTORS

Phil Brown  
*Executive Managing  
Director of Partner  
Recruitment  
Momentum Search Group*

Reid Carter  
*Managing Partner  
Brookfield Asset  
Management Inc.*

David Mann, QC  
*Corporate Director*

Saul Shulman  
*Chief Executive Officer  
MLG Management Inc.*

Ben Vaughan  
*Senior Managing Partner  
Brookfield Asset  
Management Inc.*

### MANAGEMENT

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

Mark Bishop  
*President and  
Chief Executive Officer  
of Acadian and Managing  
Director of the Manager*

Mabel Wong  
*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*

### 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:  
Jon Syrnyk  
*Investor Relations and Communications*  
t. 604.661.9622 f. 604.687.3419  
e. jsyrnyk@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:

AST Trust Company (Canada)  
P.O. Box 4229, Station A  
Toronto, ON M5W 0G1  
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 30, 2017): 16,731,216  
Targeted 2017 Quarterly Dividend: \$0.275 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," "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 this Annual Report and in each of the Annual Information Form dated [March 29, 2017] and the Management Information Circular dated [March 29, 2017], 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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