Q3 2013 Interim Report

Letter to Shareholders

Overview

Acadian Timber Corp.'s ("Acadian") operations performed well for the three month period ended September 28, 2013 (herein referred to as the "third quarter") with solid demand for all our products and our customers continuing to have a positive market outlook. During the quarter we distributed $0.21 per share to our shareholders, a dividend that is in line with previous quarters and supported by our continued steady performance.

Business development was a focus for the quarter with development opportunities arising primarily from our proactive outreach initiatives. Our goal in future quarters is to profitably grow our business through accretive investments that leverage Brookfield Asset Management Inc. and its affiliates' (collectively "Brookfield") global timberlands platform. While the number of investment opportunities were limited over the past several years, with our broader mandate and improved market outlook, we believe there are attractive situations for us to pursue over the next few years.

Results of Operations

Acadian generated net sales of $18.8 million during the third quarter, an increase of $1.2 million or 7% year-over-year, on higher sales volumes and a 3% increase in our weighted average log price. Acadian's Maine operations performed well, benefiting from strong softwood sawlog markets. Prices for hardwood logs also improved while biomass markets remained stable.

Adjusted EBITDA[1] and Free Cash Flow[1] generated during the period were negatively impacted by increased costs as a result of longer hauling distances and the timing of reforestation expenditures. Our balance sheet continues to be solid with $65.1 million of net liquidity as at September 28, 2013, including funds available under Acadian's Revolving Facility and our stand-by equity commitment with Brookfield.

We are pleased to report that both the New Brunswick and Maine operations completed their audits to the Sustainable Forestry Initiative® this quarter without any non-conformances. During the quarter, Acadian's operations experienced five recordable safety incidents among contractors and no recordable incidents involving employees. We continue to be committed to safe work practices and take each incident seriously. We are working with our contractors to ensure the highest standards of workplace safety are met.

Outlook[2]

The U.S. housing market has entered a period of stabilization where further improvement is expected to be based on buying interest from new homeowners rather than investors. While housing starts and pricing continue to improve year-over-year, the rate of increase and consensus expectations have moderated since the second quarter. Housing affordability declined early in the third quarter, then recovered as mortgage rates eased in response to the U.S. Federal Reserve's decision not to taper securities purchases. We remain confident that the recovery of the U.S. housing market is on track and see most of Acadian's solid wood customers sharing our outlook as they increase capital investments, increase operating shifts and ramp up log purchases.

Our outlook for the remainder of 2013 and into 2014 is positive. Softwood lumber prices have largely recovered from the weakness seen in the late spring and early summer of this year. Markets for hardwood sawlogs and pulpwood are expected to remain stable. Softwood pulpwood markets have softened for the New Brunswick operation, but remain reasonably strong for Maine. Biomass markets are showing signs of growth.

Business Development

Further to the announced broadening of Acadian's growth strategy, we have been actively pursuing several significant value-oriented opportunities in North and South America and Australia. These growth opportunities have ranged from traditional pure-play timberland sales to monetization strategies by industrial owners that seek to redeploy capital in their operating businesses. We are targeting investments that meet our long term total return targets of 10-15% and will remain disciplined when allocating capital. Our investment strategy is focused on acquiring assets on a value basis by utilizing our operations-oriented approach to drive improved performance or using our strong structuring expertise to assist partners in monetizing assets. We are well positioned to benefit from Brookfield's broader platform and relationships when sourcing transactions.

On behalf of the board and management of Acadian, I would like to thank all our shareholders for their ongoing support. I look forward to updating you on our progress in the coming periods.

Reid Carter
President and Chief Executive Officer
October 30, 2013

1. Adjusted EBITDA 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 Free Cash Flow 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. 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 764,000 acres of freehold timberlands in New Brunswick ("NB Timberlands"), approximately 310,000 acres of freehold timberlands in Maine ("Maine Timberlands") and provides management services relating to approximately 1.3 million acres of Crown licensed timberlands 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 months ended September 28, 2013, (herein referred to as the "third quarter") and the nine-month period ended September 28, 2013 compared to the three- and nine-month periods ended September 29, 2012, 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 30, 2013. 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, 2012. There have been no changes in our disclosure controls and procedures during the period ended September 28, 2013 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, 2012. There have been no changes in our internal controls over financial reporting during the period ended September 28, 2013 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	
(CAD thousands, except where indicated)	**September 28, 2013**	September 29, 2012	**September 28, 2013**	September 29, 2012
Sales volume (000s m^3)	**343.2**	318.9	**1,012.9**	976.4
Net sales	**$ 18,759**	$ 17,523	**$ 52,619**	$ 50,428
Operating earnings	**3,642**	4,195	**10,823**	10,869
Net income	**3,394**	4,995	**3,828**	9,938
Total assets	**295,203**	285,252	**295,203**	285,252
Total debt financing	**75,779**	71,311	**75,779**	71,311
Adjusted EBITDA[1]	**$ 3,789**	$ 4,377	**$ 11,341**	$ 11,343
Adjusted EBITDA margin[1]	**20%**	25%	**22%**	22%
Free Cash Flow[1]	**$ 2,812**	$ 3,532	**$ 8,497**	$ 9,654
Dividends declared	**3,451**	3,451	**10,353**	10,353
Payout ratio[1]	**123%**	98%	**122%**	107%
Per share - basic and diluted				
Net income	**$ 0.20**	$ 0.30	**$ 0.23**	$ 0.59
Free Cash Flow[1]	**0.17**	0.21	**0.51**	0.58
Dividends declared	**0.21**	0.21	**0.62**	0.62
Book value	**10.80**	10.91	**10.80**	10.91
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 $18.8 million on consolidated sales volume of 343 thousand m^3 in the third quarter of 2013. This compares to net sales of $17.5 million on consolidated sales volume of 319 thousand m^3 in the third quarter of 2012. The increase in net sales reflects a 3% increase in the average selling price of all log products and a 26% increase in the volume of biomass sold. For the nine months ended September 28, 2013, Acadian generated net sales of $52.6 million on sales volume of 1,013 thousand m^3 as compared to net sales of $50.4 million on sales volume of 976 thousand m^3 in the comparable period of 2012.

Net income totaled $3.4 million, or $0.20 per share, for the third quarter, a decrease of $1.6 million, or $0.10 per share, compared to the same period of the prior year with the change attributable to increased costs as a result of harvesting in more distant stands and the timing of reforestation expenditures as well as a non-cash $0.9 million decrease in the unrealized exchange gain on long-term debt. For the nine months ended September 28, 2013, net income totaled $3.8 million, or $0.23 per share, a decrease of $6.1 million from the prior year with the primary differences including a $5.5 million change in the unrealized exchange adjustment on long-term debt and a $0.9 million increase in deferred taxes as a result of a change in provincial tax rates in New Brunswick. Operating earnings for the period at $3.6 million were down $0.6 million reflecting the aforementioned higher hauling and reforestation costs, while on a year-to-date basis, operating earnings were effectively unchanged at $10.8 million.

Adjusted EBITDA and Free Cash Flow

Adjusted EBITDA and Free Cash Flow are generated primarily from the sale of our timber, but also from management services and the sale of non-timber products. Adjusted EBITDA for the third quarter of 2013 was $3.8 million as compared to $4.4 million in the same period of 2012. For the nine months ended September 28, 2013, Adjusted EBITDA was $11.3 million unchanged from the same period of 2012. Acadian's Adjusted EBITDA margin in the third quarter was 20%, down from 25% in the third quarter of 2012 with the decrease in margin attributable to increased costs as a result of harvesting in more distant stands and the timing of reforestation expenditures. Free cash flow for the three and nine months ended September 28, 2013 was $2.8 million and $8.5 million, respectively, as compared to $3.5 million and $9.7 million during the third quarter and first nine months of 2012.

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 28, 2013**	September 29, 2012	**September 28, 2013**	September 29, 2012
Net income	**$ 3,394**	$ 4,995	**$ 3,828**	$ 9,938
Add (deduct):				
Interest expense, net	**756**	711	**2,268**	2,169
Deferred tax expense	**702**	974	**2,952**	2,043
Depreciation and amortization	**147**	138	**431**	411
Fair value adjustments	**334**	(42)	**(909)**	(449)
Unrealized exchange (gain) loss on long-term debt	**(1,544)**	(2,399)	**2,771**	(2,769)
Adjusted EBITDA[1]	**3,789**	4,377	**11,341**	11,343
Add (deduct):				
Interest paid on debt, net	**(760)**	(740)	**(2,282)**	(1,476)
Additions to timber, land, roads and other fixed assets	**(217)**	(105)	**(562)**	(215)
Gain on sale of timberlands	**—**	(44)	**(87)**	(63)
Proceeds on sale of timberlands	**—**	44	**87**	65
Free Cash Flow[1]	**$ 2,812**	$ 3,532	**$ 8,497**	$ 9,654
Dividends declared	**$ 3,451**	$ 3,451	**$ 10,353**	$ 10,353
Payout ratio[1]	**123%**	98%	**122%**	107%

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

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. The payout ratio of the Company, which represents the amount of dividends declared as a percentage of the Free Cash Flow generated, for the third quarter was 123%, as compared to 98% for 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 throughout the remainder of 2013 and into 2014.

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 biomass resulted in a 5% increase in total harvest volume compared to the same period in the prior year. Harvest volume, excluding biomass, for the third quarter was effectively unchanged from the same period in 2012 at 271 thousand m^3. Consolidated sales volume of 343 thousand m^3 was up 8% from the third quarter of 2012 with the increase primarily coming from Acadian's operations in Maine.

Acadian's weighted average log price for the third quarter increased 3% year-over-year with product-level price increases being somewhat offset by a heavier mix of pulpwood relative to the same period last year. Stronger softwood sawlog markets, particularly in the Maine operations, resulted in a 4% increase in softwood sawlog prices relative to the third quarter of 2012. Prices for hardwood logs in both the New Brunswick and Maine operations improved with selling prices for hardwood sawlogs, which represented 10% of net sales, increasing by 5% and prices for hardwood pulpwood also climbing 5% year-over-year. Biomass markets remained stable, however, realized gross margins on this product climbed 17% year-over-year due to an increased proportion of the New Brunswick volume being sold to export markets and lower costs in the Maine operations due to the recovery of volumes stored in wood yards.

Income Tax Expense

Included in net income for the three and nine months ended September 28, 2013 is deferred tax expense of $0.7 million and $3.0 million, respectively (2012 – $1.0 million and $2.0 million, respectively).

Segmented Results of Operations

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

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%**

Three Months Ended September 29, 2012 (CAD thousands)	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m^3)	254.3	64.6	—	318.9
Net sales	$ 13,735	$ 3,788	$ —	$ 17,523
Adjusted EBITDA[1]	$ 3,626	$ 849	$ (98)	$ 4,377
Adjusted EBITDA margin[1]	26%	22%	n/a	25%

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

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%**

Nine Months Ended September 29, 2012 (CAD thousands)	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m^3)	781.7	194.7	—	976.4
Net sales	$ 39,282	$ 11,146	$ —	$ 50,428
Adjusted EBITDA[1]	$ 9,227	$ 2,650	$ (534)	$ 11,343
Adjusted EBITDA margin[1]	23%	24%	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 764,000 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 harvesting 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 28, 2013			Three Months Ended September 29, 2012		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**87.7**	**90.5**	**$ 4,632**	92.3	94.7	$ 5,091
Hardwood	**106.3**	**103.3**	**6,213**	113.9	106.0	6,222
Biomass	**60.3**	**60.3**	**1,364**	53.6	53.6	877
	254.3	**254.1**	**12,209**	259.8	254.3	12,190
Other sales			**1,439**			1,545
Net sales			**$ 13,648**			$ 13,735
Adjusted EBITDA[1]			**$ 2,701**			$ 3,626
Adjusted EBITDA margin[1]			**20%**			26%

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

	Nine Months Ended September 28, 2013			Nine Months Ended September 29, 2012		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**301.1**	**301.9**	**$ 15,743**	302.0	307.3	$ 15,413
Hardwood	**290.7**	**295.9**	**18,075**	299.0	314.7	18,874
Biomass	**173.4**	**173.4**	**3,382**	159.7	159.7	2,745
	765.2	**771.2**	**37,200**	760.7	781.7	37,032
Other sales			**2,109**			2,250
Net sales			**$ 39,309**			$ 39,282
Adjusted EBITDA[1]			**$ 8,636**			$ 9,227
Adjusted EBITDA margin[1]			**22%**			23%

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

Softwood, hardwood and biomass shipments were 91 thousand m^3, 103 thousand m^3 and 60 thousand m^3, respectively, for the third quarter of 2013. Approximately 33% was sold as sawlogs, 43% as pulpwood and 24% as biomass. This compares to 41% sold as sawlogs, 38% as pulpwood and 21% as biomass in the third quarter of 2012.

Net sales for the third quarter of 2013 were $13.6 million (2012 – $13.7 million) with an average selling price across all log products of $55.94 per m^3, which compares to an average selling price of $56.39 per m^3 during the third quarter of 2012. This year-over-year decrease in the average selling price reflects lower prices for softwood pulpwood and a higher proportion of that lower value product in the sales mix.

Costs for the third quarter were $10.9 million (2012 – $10.1 million). Variable costs per m^3 were 4% higher than in the third quarter of 2012 due to longer hauling distances for hardwood logs as a greater proportion of the volume was sold to export markets and in-yard sales decreased.

Adjusted EBITDA for the third quarter was $2.7 million, compared to $3.6 million in the comparable period of 2012 reflecting the timing of reforestation expenditures, higher hauling costs and decreased activity in our land management services business. Adjusted EBITDA margin decreased to 20% from 26% in the third quarter of 2012.

NB Timberlands experienced three minor recordable safety incidents among contractors and no recordable incidents involving employees during the third quarter of 2013.

Maine Timberlands

Maine Timberlands owns and operates approximately 310,000 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 28, 2013			Three Months Ended September 29, 2012		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**51.4**	**51.3**	**$ 3,168**	45.3	45.3	$ 2,563
Hardwood	**25.6**	**26.0**	**1,754**	18.1	15.8	989
Biomass	**11.8**	**11.8**	**65**	3.5	3.5	22
	88.8	**89.1**	**4,987**	66.9	64.6	3,574
Other sales			**124**			214
Net sales			**$ 5,111**			$ 3,788
Adjusted EBITDA[1]			**$ 1,456**			$ 849
Adjusted EBITDA margin[1]			**28%**			22%

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

	Nine Months September 28, 2013			Nine Months Ended September 29, 2012		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**146.0**	**145.6**	**$ 8,385**	141.7	141.5	$ 7,947
Hardwood	**61.2**	**68.0**	**4,412**	46.3	44.7	2,762
Biomass	**28.1**	**28.1**	**190**	8.5	8.5	75
	235.3	**241.7**	**12,987**	196.5	194.7	10,784
Other sales			**323**			362
Net sales			**$ 13,310**			$ 11,146
Adjusted EBITDA[1]			**$ 3,699**			$ 2,650
Adjusted EBITDA margin[1]			**28%**			24%

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

Softwood, hardwood and biomass shipments were 51 thousand m³, 26 thousand m³ and 12 thousand m³, respectively, for the third quarter of 2013. Approximately 51% was sold as sawlogs, 36% as pulpwood and 13% as biomass. This compares to 59% sold as sawlogs, 36% as pulpwood and 5% as biomass in the third quarter of 2012.

Net sales for the third quarter of 2013 were up 35% to $5.1 million from $3.8 million in the same period of 2012. The significant improvement in net sales reflects a 38% increase in sales volume and an average selling price across all log products of $63.39 per m³, compared to an average log selling price of $57.80 per m³ during the third quarter of 2012. The average log price in the current quarter benefitted from improved U.S. dollar-based prices for softwood sawlogs and a weaker Canadian dollar. Net sales for the first nine months ended September 28, 2013 were $13.3 million compared to $11.1 million in the comparable period of 2012, with the $2.2 million increase resulting from increased sales volumes.

Costs for the third quarter were $3.6 million (2012 – $2.9 million). Variable costs per m³ increased 4% in U.S. dollar terms due to higher freight costs owing to an increased proportion of the hardwood harvest occurring in more distant stands. In Canadian dollar terms, variable costs increased 8%.

Adjusted EBITDA for the third quarter was $1.5 million, compared to $0.8 million in the comparable period of 2012. Adjusted EBITDA margin was 28% in the third quarter of 2013 compared to 22% during the third quarter of 2012.

Maine Timberlands experienced two recordable safety incidents among contractors and no recordable safety incidents among employees.

Financial Position

As at September, 2013, Acadian's balance sheet consisted of total assets of $295.2 million (December 31, 2012 – $285.2 million), represented primarily by timber, land, roads and other fixed assets of $269.6 million (December 31, 2012 – $264.0 million) with the balance in cash and current assets of $19.5 million (December 31, 2012 – $14.4 million), deferred income tax assets of $nil (December 31, 2012 – $0.7 million), and intangible assets of $6.1 million (December 31, 2012 – $6.1 million). Timber has been recorded at fair value as determined through independent third party appraisal at December 31, 2012 and adjusted for growth estimates and harvest during the first nine months of 2013. 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. These sources, combined with existing cash and cash equivalents, are expected to allow the Company to meet its operating, debt service, capital expenditure and dividend requirements. As indicated previously, due to the seasonal nature of our business, it is typical that cash reserves are generated in the first quarter of the year and are then drawn down during periods such as the second quarter when harvesting conditions are not ideal. This remains unchanged from the prior year.

The Company expects to pay quarterly dividends to the extent determined prudent by the Company's Board of Directors.

Management will 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 28, 2013, Acadian has borrowings of US$72.5 million under the Term Facility and US$1.6 million 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 is in compliance as of September 28, 2013. 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 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 28, 2013, no amounts have been drawn on the equity commitment.

Outstanding Shares

As at September 28, 2013, 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 28, 2013, 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 fiscal 2013 and 2014. Reference should be made to "Forward-looking Statements" on page 16. For a description of material factors that could cause actual results to differ materially from the forward-looking statements in the following, please see the Risk Factors section of Acadian's most recent Annual Report and Annual Information Form available on our website at www.acadiantimber.com or at www.sedar.com.

The U.S. housing market has entered a period of stabilization where further improvement is expected to be based on buying interest from new homeowners rather than investors. While housing starts and pricing continue to improve year-over-year, the rate of increase and consensus expectations have moderated since the second quarter. Housing affordability declined early in the third quarter, then recovered as mortgage rates eased in response to the U.S. Federal Reserve's decision not to taper securities purchases. We remain confident that the recovery of the U.S. housing market is on track and see most of Acadian's solid wood customers sharing our outlook as they increase capital investments, increase operating shifts and ramp up log purchases.

Our outlook for the remainder of 2013 and into 2014 is positive. Softwood lumber prices have largely recovered from the weakness seen in the late spring and early summer of this year resulting in continued strong demand for spruce-fir sawlogs from Acadian's softwood sawmilling customers. Markets for hardwood sawlogs remain stable and appear to have a similar outlook for the foreseeable future.

After a modest recovery of regional softwood pulpwood markets in the second half of 2012 and early 2013, markets have softened again as there has been an ample supply of sawmill residuals and raw material at regional pulp mills. This is particularly true in our New Brunswick operations where we expect markets for softwood pulpwood to be challenging through the remainder of 2013. Demand for spruce-fir pulpwood from pulp mills in Maine remains reasonably strong.

Markets for hardwood pulpwood have continued to be reasonably strong with Acadian's major hardwood pulp customers all operating and taking deliveries suggesting that prices should remain stable through the remainder of 2013 and well into 2014.

Domestic markets for biomass remain stable and export markets are growing. As a result, Acadian continues to be able to sell all of its biomass and the outlook for gross margins is stable to modestly improving.

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.

	2013			2012				2011
(CAD thousands, except per share data and where indicated)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales volume (000s m³)	**343**	330	339	327	319	306	352	284
Net sales	**$ 18,759**	$ 15,608	$ 18,252	$ 18,410	$ 17,523	$ 14,257	$ 18,648	$ 15,139
Adjusted EBITDA[1]	**3,789**	2,897	4,655	5,145	4,377	2,196	4,770	3,843
Free Cash Flow[1]	**2,812**	1,774	3,911	4,368	3,532	2,087	4,035	2,239
Net income (loss)	**3,394**	(857)	1,291	3,791	4,995	575	4,368	11,427
Per share - basic and diluted	**$ 0.20**	$ (0.05)	$ 0.08	$ 0.23	$ 0.30	$ 0.03	$ 0.26	$ 0.68

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 2012 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.

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. Total dividends declared to shareholders during the three months ended September 28, 2013 were $3,451 million, or $0.21 per share, unchanged from the prior year.

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 28, 2013, 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 represents 33% of Acadian's total sales for the first half of 2013 (2012 – $18.7 million or 37% for the nine-month period ended September 29, 2012).

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 28, 2013 totaled $0.6 million (2012 – $0.6 million) and $1.7 million (2012 – $1.7 million), respectively. All fees have been fully paid in accordance with the services agreement.

c) On June 7, 2013 and September 28, 2012, Maine Timberlands sold 1.67 acres of land for net proceeds of $87 thousand and 1.62 acres of land for net proceeds of $44 thousand, respectively, to Katahdin Timberlands LLC.

Further to the related party transactions noted above, the total net payable due to related parties as at September 28, 2013 is $0.5 million (December 31, 2012 net receivable due from related parties – $2.0 million).

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]	$ 74,704	$ 74,704	$ —	$ 74,704	$ —	$ —
Revolving facility	10,304	1,649	1,649	—	—	—
	$ 85,008	$ 76,353	$ 1,649	$ 74,704	$ —	$ —
Interest payments[2]		$ 9,368	$ 2,966	$ 4,920	$ —	$ —

1. Represents principal of a U.S. dollar denominated term loan with a Canadian to U.S. dollar conversion of 1.0304, 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 1.0304.

Additional Quarterly Information

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

NB Timberlands

	2013 Q3			2013 Q2			2013 Q1			2012 Q4		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m^3)	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*
Softwood	**87.7**	**90.5**	**$ 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 m^3)	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*
Softwood	**51.4**	**51.3**	**$ 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		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m^3)	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*
Softwood	**—**	**—**	**$ —**	—	—	$ —	—	—	$ —	—	—	$ —
Hardwood	**—**	**—**	**—**	—	—	—	—	—	—	—	—	—
Biomass	**—**	**—**	**—**	—	—	—	—	—	—	—	—	—
	—	**—**	**—**	—	—	—	—	—	—	—	—	—
Other sales			**—**			—			—			—
Net sales			**$ —**			$ —			$ —			$ —
Adjusted EBITDA[1]			**$ (368)**			$ (261)			$ (365)			$ (243)
Adjusted EBITDA margin[1]			**n/a**			n/a			n/a			n/a

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

NB Timberlands

	2012 Q3			2012 Q2			2012 Q1			2011 Q4		
	Harvest	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**
	(000s m^3)	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*
Softwood	92.3	94.7	$ 5,091	54.2	130.4	$ 6,161	155.5	82.2	$ 4,161	80.3	78.2	$ 4,195
Hardwood	113.9	106.0	6,222	91.9	94.0	5,667	93.2	114.7	6,985	93.9	80.6	4,952
Biomass	53.6	53.6	877	46.3	46.3	748	59.8	59.8	1,120	55.3	55.3	1,145
	259.8	254.3	12,190	192.4	270.7	12,576	308.5	256.7	12,266	229.5	214.1	10,292
Other sales			1,545			(184)			889			986
Net sales			$ 13,735			$ 12,392			$ 13,155			$ 11,278
Adjusted EBITDA[1]			$ 3,626			$ 2,485			$ 3,116			$ 3,301
Adjusted EBITDA margin[1]			26%			20%			24%			29%

Maine Timberlands

	2012 Q3			2012 Q2			2012 Q1			2011 Q4		
	Harvest	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**
	(000s m^3)	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*
Softwood	45.3	45.3	$ 2,563	20.4	21.6	$ 1,176	76.0	74.6	$ 4,208	47.4	47.3	$ 2,527
Hardwood	18.1	15.8	989	8.4	9.3	550	19.8	19.6	1,223	21.4	20.3	1,266
Biomass	3.5	3.5	22	4.4	4.4	34	0.6	0.6	19	1.9	1.9	18
	66.9	64.6	3,574	33.2	35.3	1,760	96.4	94.8	5,450	70.7	69.5	3,811
Other sales			214			105			43			50
Net sales			$ 3,788			$ 1,865			$ 5,493			$ 3,861
Adjusted EBITDA[1]			$ 849			$ (7)			$ 1,808			$ 878
Adjusted EBITDA margin[1]			22%			—%			33%			23%

Corporate

	2012 Q3			2012 Q2			2012 Q1			2011 Q4		
	Harvest	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**
	(000s m^3)	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*
Softwood	—	—	$ —	—	—	$ —	—	—	$ —	—	—	$ —
Hardwood	—	—	—	—	—	—	—	—	—	—	—	—
Biomass	—	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—	—
Other sales			—			—			—			—
Net sales			$ —			$ —			$ —			$ —
Adjusted EBITDA[1]			$ (98)			$ (281)			$ (154)			$ (336)
Adjusted EBITDA margin[1]			n/a			n/a			n/a			n/a

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 "Adjusted EBITDA and Free Cash Flow," "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, 2013 and the Management Information Circular dated May 16, 2013, 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)

		Three Months Ended		Nine Months Ended	
(CAD thousands)	Note	**September 28, 2013**	September 29, 2012	**September 28, 2013**	September 29, 2012
Net sales	5	**$18,759**	$17,523	**$52,619**	$50,428
Operating costs and expenses					
Cost of sales		**12,657**	11,628	**35,767**	34,453
Selling, administration and other	5	**1,778**	1,405	**4,924**	4,376
Reforestation		**535**	157	**674**	319
Depreciation and amortization		**147**	138	**431**	411
		15,117	13,328	**41,796**	39,559
Operating earnings		**3,642**	4,195	**10,823**	10,869
Interest expense, net		**(756)**	(711)	**(2,268)**	(2,169)
Other items					
Fair value adjustments		**(334)**	42	**909**	449
Unrealized exchange gain (loss) on long-term debt		**1,544**	2,399	**(2,771)**	2,769
Gain on sale of timberlands	5	**—**	44	**87**	63
Earnings before income taxes		**4,096**	5,969	**6,780**	11,981
Deferred tax expense	7	**(702)**	(974)	**(2,952)**	(2,043)
Net income		**$ 3,394**	$ 4,995	**$ 3,828**	$ 9,938
Net income per share - basic and diluted		**$ 0.20**	$ 0.30	**$ 0.23**	$ 0.59

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Comprehensive Income

(unaudited)

	Three Months Ended		Nine Months Ended	
(CAD thousands)	**September 28, 2013**	September 29, 2012	**September 28, 2013**	September 29, 2012
Net income	**$ 3,394**	$ 4,995	**$ 3,828**	$ 9,938
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income:				
Unrealized foreign currency translation income (loss)	**(1,558)**	(2,820)	**3,322**	(3,237)
Amortization of derivatives designated as cash flow hedges	**(47)**	(48)	**(142)**	(146)
Comprehensive income	**$ 1,789**	$ 2,127	**$ 7,008**	$ 6,555

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Balance Sheets

(unaudited)

As at *(CAD thousands)*	Note	**September 28, 2013**	December 31, 2012
Assets			
Current assets			
Cash and cash equivalents		**$ 8,499**	$ 6,136
Accounts receivable and other assets	5	**10,073**	6,619
Inventory		**906**	1,651
		19,478	14,406
Timber	10	**235,538**	230,686
Land, roads and other fixed assets		**34,047**	33,307
Intangible assets		**6,140**	6,140
Deferred income tax asset	7	**—**	696
		$ 295,203	$ 285,235
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	5	**$ 10,073**	$ 4,685
Dividends payable to shareholders		**3,451**	3,451
Short-term debt		**1,649**	—
		15,173	8,136
Long-term debt	3	**74,130**	71,173
Deferred income tax liability	7	**25,243**	21,924
Shareholders' equity	4	**180,657**	184,002
		$ 295,203	$ 285,235

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Changes in Equity

(unaudited)

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	—	—	—	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.

Nine Months Ended September 29, 2012 (CAD thousands)	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Cash Flow Hedges	Shareholders' Equity
Balance as at December 31, 2011	$ 140,067	$ 43,651	$ 2,185	$ (358)	$ 813	$ 186,358
Changes in period						
Net income	—	9,938	—	—	—	9,938
Other comprehensive loss	—	—	—	(3,237)	(146)	(3,383)
Shareholders' dividends declared	—	(10,353)	—	—	—	(10,353)
Balance as at September 29, 2012	$ 140,067	$ 43,236	$ 2,185	$ (3,595)	$ 667	$ 182,560

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

(unaudited)

(CAD thousands)	Note	Three Months Ended **September 28, 2013**	Three Months Ended September 29, 2012	Nine Months Ended **September 28, 2013**	Nine Months Ended September 29, 2012
Cash provided by (used for):					
Operating activities					
Net income		**$ 3,394**	$ 4,995	**$ 3,828**	$ 9,938
Adjustments to net income:					
Deferred tax expense	7	**702**	974	**2,952**	2,043
Depreciation and amortization		**147**	138	**431**	411
Fair value adjustments		**334**	(42)	**(909)**	(449)
Unrealized exchange (gain) loss on long-term debt		**(1,544)**	(2,399)	**2,771**	(2,769)
Interest expense, net		**756**	711	**2,268**	2,169
Interest paid, net		**(760)**	(740)	**(2,282)**	(1,476)
Gain on sale of timberlands		**—**	(44)	**(87)**	(63)
Net change in non-cash working capital balances and other		**2,040**	172	**2,570**	3,061
		5,069	3,765	**11,542**	12,865
Financing activities					
Borrowings	3	**1,649**	—	**1,649**	—
Dividends paid to shareholders	9	**(3,451)**	(3,451)	**(10,353)**	(10,353)
		(1,802)	(3,451)	**(8,704)**	(10,353)
Investing activities					
Additions to timber, land, roads, and other fixed assets		**(217)**	(105)	**(562)**	(215)
Proceeds from sale of timberlands		**—**	44	**87**	65
		(217)	(61)	**(475)**	(150)
Increase in cash and cash equivalents during the period		**3,050**	253	**2,363**	2,362
Cash and cash equivalents, beginning of period		**5,449**	6,128	**6,136**	4,019
Cash and cash equivalents, end of period		**$ 8,499**	$ 6,381	**$ 8,499**	$ 6,381

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 764,000 acres of freehold timberlands in New Brunswick ("NB Timberlands"), approximately 310,000 acres of freehold timberlands in Maine ("Maine Timberlands") and provides management services relating to approximately 1.3 million acres of Crown licensed timberlands 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 28, 2013, 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 2012 annual report. These interim condensed consolidated financial statements should be read in conjunction with the Acadian's 2012 annual report.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of Acadian on October 30, 2013.

Future Accounting Policies

IFRS 9 Financial Instruments: Classification and Measurement

In November 2009, the IASB issued IFRS 9 as the first part of its project to replace IAS 39, *Financial Instruments: Recognition and Measurement.* IFRS 9 currently prescribes that financial assets are measured at amortized cost or fair value on the basis on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The classification and measurement for financial liabilities remains generally unchanged, however, revisions have been made in the accounting for changes in fair value of a financial liability attributable to changes in the credit risk of that liability. The other phases of this project which are currently under development include impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Acadian is in the process of assessing the impact of the new standard on its consolidated financial statements in conjunction with the completion of the other phase of this project.

NOTE 3. DEBT

Debt consisted of the following:

As at (CAD thousands)	**September 28, 2013**	December 31, 2012
Term facility, due March 2016	**$ 74,708**	$ 71,935
Revolving facility	**1,649**	—
Less: Deferred debt issuance costs	**(578)**	(762)
Total	**$ 75,779**	$ 71,173

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. Floating interest rates give rise to interest rate risk as earnings and cash flows may be negatively impacted by fluctuations in interest rates.

As at September 28, 2013, Acadian has borrowings of US$72.5 million under the Term Facility and US$1.6 million under the Revolving Facility (December 31, 2012 – US$72.5 million and $nil, respectively).

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 28, 2013 and December 31, 2012. In addition, US$2.2 million is reserved under the Revolving Facility to support the minimum cash balance requirement of the Term Facility.

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 28, 2013 and December 31, 2012 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 has one significant related party, Brookfield Asset Management Inc., and its affiliates (collectively "Brookfield"). As at September 28, 2013, 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 represents 33% of Acadian's total sales for the first half of 2013 (2012 – $18.7 million or 37% for the nine-month period ended September 29, 2012).

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 28, 2013 totaled $0.6 million (2012 – $0.6 million) and $1.7 million (2012 – $1.7 million), respectively. All fees have been fully paid in accordance with the services agreement.

c) On June 7, 2013 and September 28, 2012, Maine Timberlands sold 1.67 acres of land for net proceeds of $87 thousand and 1.62 acres of land for net proceeds of $44 thousand, respectively, to Katahdin Timberlands LLC.

Further to the related party transactions noted above, the total net payable due to related parties as at September 28, 2013 is $0.5 million (December 31, 2012 net receivable due from related parties – $2.0 million).

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 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)			
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

Three Months Ended September 29, 2012 *(CAD thousands)*	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 7,654	$ 5,091	$ 2,563	$ —
Hardwood	7,211	6,222	989	—
Biomass	899	877	22	—
Other	1,759	1,545	214	—
Total net sales	17,523	13,735	3,788	—
Operating costs	(13,033)	(10,006)	(2,929)	(98)
Reforestation	(157)	(103)	(54)	—
Depreciation and amortization	(138)	(60)	(78)	—
Operating earnings (loss)	4,195	3,566	727	(98)
Gain on sale of timberlands	44	—	44	—
Fair value adjustments	42	(244)	286	—
Earnings (loss) before the under noted	4,281	3,322	1,057	(98)
Unrealized exchange gain on long-term debt	2,399			
Interest expense, net	(711)			
Deferred income tax expense	(974)			
Net income	$ 4,995			

As at September 29, 2012 *(CAD thousands)*	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	$ 267,251	$ 157,822	$ 109,429	$ —
Total assets	285,252	169,122	111,473	4,657
Total liabilities	$ 102,692	$ 5,960	$ 21,346	$ 75,386

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)			
Deferred income tax expense	(2,952)			
Net income	$ 3,828			

Nine Months Ended September 29, 2012 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 23,360	$ 15,413	$ 7,947	$ —
Hardwood	21,636	18,874	2,762	—
Biomass	2,820	2,745	75	—
Other	2,612	2,250	362	—
Total net sales	50,428	39,282	11,146	—
Operating costs	(38,829)	(29,799)	(8,496)	(534)
Reforestation	(319)	(265)	(54)	—
Depreciation and amortization	(411)	(180)	(231)	—
Operating earnings (loss)	10,869	9,038	2,365	(534)
Gain on sale of timberlands	63	9	54	—
Fair value adjustments	449	(140)	589	—
Earnings (loss) before the under noted	11,381	8,907	3,008	(534)
Unrealized exchange gain on long-term debt	2,769			
Interest expense, net	(2,169)			
Deferred income tax expense	(2,043)			
Net income	$ 9,938			

During the three months ended September 28, 2013 approximately 29% of total sales were originated with customers domiciled in the U.S. and the balance in Canada (2012 – 25%). During the same period, approximately 18% of total sales (2012 – 15%) 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 28, 2013, Acadian's top three suppliers accounted for approximately 15%, 13% and 10%, respectively, of Acadian's total harvesting and delivery costs (2012 – 15%, 12% and 12%, respectively).

Acadian sells its products to many forest product companies in North America. For the three-month period ended September 28, 2013, sales to the largest and next largest customer accounted for 25% and 7%, respectively (2012 – 26% and 10%, respectively).

NOTE 7. INCOME TAXES

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

Nine Months Ended *(CAD thousands)*	**September 28, 2013**	September 29, 2012
Deferred income tax expense		
Income tax at statutory rate	**$ 1,763**	$ 2,995
Foreign tax rate differential	**535**	450
Permanent differences	**(677)**	(1,316)
Rate adjustment	**1,142**	—
Benefit of previously unrecognized tax attributes	**102**	(85)
Other	**87**	(1)
Total deferred tax expense	**$ 2,952**	$ 2,043

As at *(CAD thousands)*	**September 28, 2013**	December 31, 2012
Deferred income tax asset	**$ —**	$ 696
Deferred income tax liability	**(25,243)**	(21,924)
Total net deferred income tax liability	**$ (25,243)**	$ (21,228)

The tax rate change of $1,142 million for the period is as a result of New Brunswick provincial tax rate changes that became substantively enacted in June 2013. The new effective rate for 2013 and 2014 is 26% and 27%, respectively, representing an increase from the previously enacted rate of 25%.

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 28, 2013, contributions recorded as expenses amounted to $76 thousand (2012 – $192 thousand) and $213 thousand (2012 – $383 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 28, 2013 and September 29, 2012 were both $3.5 million or $0.21 per share. For the nine months ended September 28, 2013 and September 29, 2012, total dividends were $10.4 million or $0.62 per share.

NOTE 10. TIMBER

(CAD thousands)	
Fair Value at December 31, 2011	**$ 231,370**
Gains arising from growth	**19,701**
Decrease arising from harvest	**(19,254)**
Gain from fair value price changes	**1,705**
Foreign exchange	**(2,836)**
Balance at December 31, 2012	**$ 230,686**
Gains arising from growth	**15,799**
Decrease arising from harvest	**(14,646)**
Foreign exchange	**3,699**
Balance at September 28, 2013	**$ 235,538**

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 28, 2013): 16,731,216
Targeted 2013 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 "Adjusted EBITDA and Free Cash Flow," "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, 2013 and the Management Information Circular dated May 16, 2013, 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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