

Q1 2015 Interim Report

Letter to Shareholders

Overview

Acadian Timber Corp. (“Acadian”) delivered strong financial results for the three month period ending March 28, 2015 (the “first quarter”). The operations benefited from favourable winter operating conditions that extended through the end of the quarter and good demand and pricing for most of our products. During the first quarter we generated \$7.6 million of Free Cash Flow¹ and declared dividends of \$3.8 million to our shareholders resulting in a payout ratio of just 50%.

Results of Operations

Acadian’s operations experienced three recordable safety incidents during the quarter among contractors, two of which resulted in lost time, and none among employees. While we are pleased to be able to confirm that none of these accidents were serious, we continue to focus on improving our safety performance.

Acadian’s net sales were \$24.7 million in the first quarter, a 16% increase year-over-year, primarily due to a 14% increase in weighted average log selling prices with sales volumes effectively unchanged from the same period in 2014. This strong performance translated into improved Adjusted EBITDA¹ and Free Cash Flow compared to the same period last year. Our balance sheet continues to be solid with \$89.9 million of net liquidity as at March 28, 2015, including funds available under Acadian’s Revolving Facility and our stand-by equity commitment with Brookfield.

Outlook²

While the long term trend continues to point to ongoing improvement in the U.S. housing market, growth has been lower than many expected so far in 2015 despite significant increases in pent up demand. Although the current housing outlook is uncertain, almost all industry watchers are forecasting year-over-year increases in total housing starts of approximately 15 to 20% in 2015 with increases of the same magnitude forecast for 2016.

Despite the recent weakness in housing starts and its negative impact on lumber pricing, markets for softwood sawlogs remained very strong throughout the first quarter. Almost all regional mills continue to operate on full shifts and appear to be carrying inventories consistent with historic seasonal practices. We continue to expect modest improvements in demand as weather improves with softwood sawlog markets expected to remain positive throughout the summer. In addition to our positive outlook for softwood sawlogs, markets for hardwood sawlogs have been strong and are expected to remain positive, while demand and pricing for hardwood pulpwood continues to be very positive with most of our customers seeking additional volume. While softwood pulpwood sales volumes during the first quarter increased year-over-year, this market continues to be challenging owing to the closure of regional groundwood mills. Fortunately, this product represents only a small portion of Acadian’s sales and an even lower proportion of our operating earnings. Biomass markets were also positive, owing to improved demand from all customers, offering the potential for improved margins.

Business Development

We continue to actively pursue business development opportunities in support of Acadian's global growth strategy in the U.S., Australasia and South America. We are witnessing increased transaction activity in all of these markets and continued to work on several opportunities in the United States, Brazil, Chile, Uruguay and New Zealand during the first quarter. We are optimistic that Acadian will be in a position to participate in attractive opportunities during 2015.

On behalf of the board and management of Acadian, I would like to thank you for your continued support of Acadian and note that we remain committed to continuously improving our financial and operating performance.



Reid Carter
President and Chief Executive Officer
April 28, 2015

-
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 761,000 acres of freehold timberlands in New Brunswick ("NB Timberlands"), approximately 299,000 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 March 28, 2015 (herein referred to as the "first quarter") relative to the three months ended March 29, 2014, and should be read in conjunction with the interim consolidated financial statements and notes thereto included at page 16 of this interim report.

Our first 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 April 28, 2015. 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, 2014. There have been no changes in our disclosure controls and procedures during the period ended March 28, 2015 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, 2014. There have been no changes in our internal controls over financial reporting during the period ended March 28, 2015 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

REVIEW OF OPERATIONS

Summary of First Quarter Results

The table below summarizes operating and financial data for Acadian:

<i>(CAD thousands, except where indicated)</i>	March 28, 2015	March 29, 2014
Sales volume (000s m ³)	348.0	350.2
Net sales	\$ 24,687	\$ 21,243
Operating earnings	8,629	6,465
Net (loss) / income	(2,923)	697
Total assets	424,928	303,675
Total debt financing	91,962	80,105
Adjusted EBITDA ¹	\$ 8,752	\$ 6,697
Adjusted EBITDA margin ¹	35%	32%
Free Cash Flow ¹	\$ 7,546	\$ 5,600
Dividends declared	3,765	3,451
Payout ratio	50%	62%
Per share – basic and diluted		
Net (loss) / income	\$ (0.17)	\$ 0.04
Free Cash Flow ¹	0.45	0.33
Dividends declared	0.23	0.21
Book value	15.15	10.94
Common shares outstanding	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”.

For the three months ended March 28, 2015 (the “first quarter”), Acadian generated net sales of \$24.7 million on a sales volume of 348 thousand m³, compared with net sales of \$21.2 million on a sales volume of 350 thousand m³ during the same period last year. The 16% increase in net sales is primarily attributable to a 14% increase in weighted average log selling prices. The improved log selling prices reflect continuing strong market demand along with the positive impact of the strengthening of the U.S. dollar and a higher proportion of hardwood sawtimber in the sales mix during the first quarter.

Operating earnings for the period, at \$8.6 million, increased \$2.2 million year-over-year reflecting improved log selling prices and stable sales volumes. Net loss totaled \$2.9 million, or \$0.17 per share, for the first quarter, a decrease of \$3.6 million or \$0.21 per share from the same period in 2014. The net loss primarily reflects a higher non-cash fair value adjustment to timber and an increased unrealized exchange loss on long-term debt.

Adjusted EBITDA and Free Cash Flow

The higher log selling prices discussed above positively affected Adjusted EBITDA, Adjusted EBITDA Margin and Free Cash Flow for the first quarter. Adjusted EBITDA increased \$2.1 million from the comparable period in 2014 to \$8.8 million and Adjusted EBITDA margin climbed to 35% from 32% in the same period last year. Free Cash Flow was \$7.5 million during the first quarter, which represents an increase of \$1.9 million from the same period in 2014.

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

<i>Three Months Ended (CAD thousands)</i>	March 28, 2015	March 29, 2014
Net (loss) / income	\$ (2,923)	\$ 697
Add / (deduct):		
Interest expense, net	888	797
Current income tax expense	270	297
Deferred income tax expense	212	484
Depreciation and amortization	123	136
Fair value adjustments	2,446	1,190
Unrealized exchange loss on long-term debt	7,736	3,096
Adjusted EBITDA ¹	8,752	6,697
Add / (deduct):		
Interest paid on debt, net	(893)	(801)
Gain on sale of timberlands	—	(96)
Proceeds on sale of timberlands	—	97
Additions to timber, land, roads and other fixed assets	(43)	—
Current income tax expense	(270)	(297)
Free Cash Flow ¹	\$ 7,546	\$ 5,600
Dividends declared	\$ 3,765	\$ 3,451
Payout ratio	50%	62%

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

Dividend Policy of the Company

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

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

Total dividends declared to shareholders during the three months ended March 28, 2015 were \$3.8 million, or \$0.23 per share, an increase from \$0.21 per share in the prior year. The payout ratio of the Company, which represents the amount of dividends declared as a percentage of the Free Cash Flow generated, was 50% for the first quarter compared to 62% in the same period of the prior year.

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

Operating and Market Conditions

Acadian's operations ran well during the first quarter with favourable winter operating conditions extending through the end of the quarter. Harvest volume for the first quarter, excluding biomass, was 356 thousand m³, an increase from 349 thousand m³ the same period in the prior year. Sales volume at 348 thousand m³ was almost unchanged from 350 thousand m³ in the first quarter of 2014, with an increase from Acadian's operations in Maine offset by a decrease in sales volumes from the New Brunswick operations.

Acadian's weighted average log price for the first quarter increased 14% year-over-year reflecting increased prices across all products, a stronger U.S. dollar and changes in product mix. Stronger softwood sawlog markets and the strengthening of the U.S. dollar resulted in a 17% increase in the weighted average softwood sawlog price relative to the first quarter of 2014 with most of this benefit coming from the Maine operations. Hardwood sawlog markets improved modestly for both the New Brunswick and Maine operations with weighted average selling prices increasing by 2%. Prices for softwood and hardwood pulpwood increased 13% and 11%, respectively, year-over-year. While market conditions for hardwood pulpwood continued to be strong, softwood pulpwood markets continue to be challenged due to a limited customer base. Biomass markets improved with the margin on this product more than doubling compared to the prior year primarily reflecting increased sales to export markets.

Income Tax Expense

Included in net loss for the first quarter is current income tax expense of \$0.3 million (2014 – \$0.3) and deferred income tax expense of \$0.2 million (2014 – \$0.5 million).

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 March 28, 2015 (CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	231.5	116.5	—	348.0
Net sales	\$ 15,295	\$ 9,392	\$ —	\$ 24,687
Adjusted EBITDA ¹	\$ 5,293	\$ 3,852	\$ —	\$ 8,752
Adjusted EBITDA margin ¹	35%	41%	n/a	35%

<i>Three Months Ended March 29, 2014 (CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	245.1	105.1	—	350.2
Net sales	\$ 14,446	\$ 6,797	\$ —	\$ 21,243
Adjusted EBITDA ¹	\$ 4,458	\$ 2,477	\$ (238)	\$ 6,697
Adjusted EBITDA margin ¹	31%	36%	n/a	32%

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

NB Timberlands

NB Timberlands owns and manages approximately 761,000 acres of freehold timberlands, provides management services relating to approximately 1.3 million acres of Crown licensed timberlands and owns a forest nursery. Approximately 76% of harvest operations are performed by third-party contractors and approximately 24% by NB Timberlands employees.

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

	Three Months Ended March 28, 2015			Three Months Ended March 29, 2014		
	Harvest (000s m³)	Sales (000s m³)	Results (\$000s)	Harvest (000s m³)	Sales (000s m³)	Results (\$000s)
Softwood	130.1	90.0	\$ 4,927	120.6	100.1	\$ 5,379
Hardwood	109.4	106.8	8,038	123.9	115.7	7,759
Biomass	34.7	34.7	1,247	29.3	29.3	646
	274.2	231.5	14,212	273.8	245.1	13,784
Other sales			1,083			662
Net sales			\$ 15,295			\$ 14,446
Adjusted EBITDA ¹			\$ 5,293			\$ 4,458
Adjusted EBITDA margin ¹			35%			31%

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

Acadian's NB Timberlands had a solid first quarter with softwood, hardwood and biomass shipments of 90 thousand m³, 107 thousand m³ and 35 thousand m³, respectively, during the period. This represents a 6% year-over-year decrease in sales volume with the change primarily resulting from increased volumes held in inventory at quarter end in relation to an inventory management program with one of the operations major customers. Approximately 36% of sales volume was sold as sawlogs, 49% as pulpwood and 15% as biomass in the first quarter. This compares to 38% sold as sawlogs, 50% as pulpwood and 12% as biomass in the first quarter of 2014.

Net sales for the first quarter totaled \$15.3 million compared to \$14.4 million for the same period last year, reflecting increases in selling prices across all products and a more favourable product mix, somewhat offset by lower sales volume. The weighted average log selling price was \$65.90 per m³ in the first quarter, an 8% increase from \$60.88 per m³ in the same period of 2014, with gains in both hardwood and softwood pulp prices and a higher proportion of hardwood sawlogs in the sales mix driving the majority of the improvement.

Costs for the first quarter were \$10.0 million, in line with the same period in 2014.

Adjusted EBITDA for the first quarter was \$5.3 million, compared to \$4.5 million in the first quarter of 2014 reflecting improved selling prices and market demand for most products partially offset by lower sales volume. Adjusted EBITDA margin increased to 35% from 31% in the prior year, again reflecting improved prices.

During the first quarter, NB Timberlands experienced two recordable incidents among contractors and no incidents among employees.

Maine Timberlands

Maine Timberlands owns and manages approximately 299,000 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 March 28, 2015			Three Months Ended March 29, 2014		
	Harvest (000s m ³)	Sales (000s m ³)	Results (\$000s)	Harvest (000s m ³)	Sales (000s m ³)	Results (\$000s)
Softwood	86.4	86.0	\$ 6,936	71.6	71.3	\$ 4,676
Hardwood	29.9	27.3	2,327	32.5	27.1	1,991
Biomass	3.2	3.2	42	6.7	6.7	61
	119.5	116.5	9,305	110.8	105.1	6,728
Other sales			87			69
Net sales			\$ 9,392			\$ 6,797
Adjusted EBITDA ¹			\$ 3,852			\$ 2,477
Adjusted EBITDA margin ¹			41%			36%

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

Acadian's Maine Timberlands also had a strong first quarter with softwood, hardwood and biomass shipments of 86 thousand m³, 27 thousand m³, and 3 thousand m³, respectively, during the period. This represents a year-over-year increase in sales volume of 11% with most of this increase being in softwood sawlogs. Approximately 61% of sales volume was sold as sawlogs, 36% as pulpwood and 3% as biomass during the first quarter. This compares to 55% sold as sawlogs, 39% as pulpwood and 6% as biomass in the first quarter of 2014.

Net sales for the first quarter totaled \$9.4 million compared to \$6.8 million for the same period last year. The improvement was the result of higher sales volume, with all of the increase in softwood sawlogs, improved U.S. dollar pricing across most products and the positive impact of foreign exchange movements. The weighted average log selling price was \$81.71 per m³ in the first quarter, a 21% increase from \$67.75 per m³ in the same period of 2014 in Canadian dollar terms. The weighted average log selling price in U.S. dollar terms increased 7% year-over-year.

Costs for the first quarter were \$5.5 million, compared to \$4.3 million during the same period in 2014. While increased harvest volume played a role, this increase primarily reflects foreign exchange movements during the year as variable costs per m³ increased 13% in Canadian dollar terms while remaining stable in U.S. dollar terms.

Adjusted EBITDA for the first quarter was \$3.9 million, compared to \$2.5 million for the same period in 2014, while Adjusted EBITDA margin increased from 36% to 41%.

There was one recordable safety incident among contractors and no recordable safety incidents among employees during the first quarter.

Financial Position

As at March 28, 2015, Acadian's balance sheet consisted of total assets of \$424.9 million (December 31, 2014 – \$406.4 million), represented primarily by timber, land, roads and other fixed assets of \$391.0 million (December 31, 2014 – \$379.1 million) with the balance in cash and current assets of \$27.8 million (December 31, 2014 – \$21.2 million), and intangible assets of \$6.1 million (December 31, 2014 – \$6.1 million). Timber has been recorded at fair value as determined through independent third party appraisal at December 31, 2014 and adjusted for growth estimates and harvest during the first quarter. Reforestation costs have been expensed as incurred.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

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

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

Capital Resources

Borrowings

In February 2011, Acadian refinanced its Canadian and U.S. dollar denominated loan facilities through the entering into of a first mortgage loan agreement with Metropolitan Life Insurance Company ("MetLife") 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 March 28, 2015, Acadian has borrowings of US\$72.5 million under the Term Facility and the Revolving Facility was undrawn.

As collateral for these facilities, Acadian has granted the lenders a security interest over all of its assets. The facilities are subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness, granting liens or selling assets without the consent of the lenders. The credit facilities are subject to the maintenance of a maximum ratio of loan-to-appraised value and Acadian is in compliance as of March 28, 2015. In addition, US\$2.2 million of the Revolving Facility is reserved to support the minimum cash balance requirement of the Term Facility.

As noted above, the first mortgage loan agreement with MetLife will mature on March 1, 2016. Initial discussions regarding the refinancing of the debt are underway. Acadian's current intention is to refinance the debt well ahead of the maturity date in order to take advantage of the historically low interest rates currently available in the market.

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 March 28, 2015, no amounts have been drawn on the equity commitment.

Outstanding Shares

As at March 28, 2015, 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 March 28, 2015, 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 2015. Reference should be made to "Forward-Looking Statements" on page 15. For a description of material factors that could cause actual results to differ materially from the forward-looking statements in the following, please see the Risk Factors section of Acadian's most recent Annual Report and Annual Information Form available on our website at www.acadiantimber.com or www.sedar.com.

While the long term trend continues to point to ongoing improvement in the U.S. housing market, growth has been lower than many expected so far in 2015 despite significant increases in pent up demand. Although the current housing outlook is uncertain, almost all industry watchers are forecasting year-over-year increases in total housing starts of approximately 15 to 20% in 2015 with increases of the same magnitude forecast for 2016.

Despite the recent weakness in housing starts and its negative impact on lumber pricing, markets for softwood sawlogs remained very strong throughout the first quarter. Almost all regional mills continue to operate on full shifts and appear to be carrying inventories consistent with historic seasonal practices. We continue to expect modest improvements in demand as weather improves with softwood sawlog markets expected to remain positive throughout the summer. In addition to our positive outlook for softwood sawlogs, markets for hardwood sawlogs have been strong and are expected to remain positive, while demand and pricing for hardwood pulpwood continues to be very positive with most of our customers seeking additional volume. While softwood pulpwood sales volumes during the first quarter increased year-over-year, this market continues to be challenging owing to the closure of regional groundwood mills. Fortunately, this product represents only a small portion of Acadian's sales and an even lower proportion of our operating earnings. Biomass markets were also positive, owing to improved demand from all customers, offering the potential for improved margins.

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.

	2015	2014				2013		
<i>(CAD thousands, except per share data and where indicated)</i>	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales volume (000s m ³)	348	361	368	229	350	370	343	330
Net sales	\$ 24,687	\$ 22,514	\$ 21,583	\$ 12,029	\$ 21,243	\$ 21,764	\$ 18,759	\$ 15,608
Adjusted EBITDA ¹	8,752	7,470	5,699	1,935	6,697	6,139	3,789	2,897
Free Cash Flow ¹	7,546	6,313	4,669	1,052	5,600	5,304	2,812	1,774
Net income / (loss)	(2,923)	38,360	(557)	4,738	697	3,420	3,394	(857)
Per share – basic and diluted	\$ (0.17)	\$ 2.29	\$ (0.03)	\$ 0.28	\$ 0.04	\$ 0.20	\$ 0.20	\$ (0.05)

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 2014 annual report.

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

Related Party Transactions

In the normal course of operations, the Company enters into various transactions on market terms with related parties which have been measured at exchange value and recognized in the consolidated financial statements. The Company has one significant related party, Brookfield Asset Management Inc., and its affiliates (collectively “Brookfield”). As at March 28, 2015, 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.

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 months ended March 28, 2015 totaled \$0.6 million (2014 – \$0.6 million). As at March 28, 2015, no fees remain outstanding (2014 – \$0.6 million).
- b) Maine Timberlands sold 4.13 acres of land for net proceeds of \$97 thousand to Katahdin Timberlands LLC during the three months ended March 29, 2014 and sold no land during the three months ended March 28, 2015.

Further to the related party transactions noted above, the total net receivable due from related parties as at March 28, 2015 is \$42 thousand (December 31, 2014 net receivable due from related parties – \$20 thousand).

Contractual Obligations

The Company has no material capital or operating lease obligations, however, it has two significant contractual obligations related to the supply of fibre to Twin Rivers 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:

<i>(CAD thousands)</i>	Total Available	Payments Due by Period				
		Total	Less Than One Year	1 to 3 Years	3 to 5 Years	After 5 Years
Debt						
Term facility ¹	\$ 91,962	\$ 91,962	\$ 91,962	\$ —	\$ —	\$ —
Revolving facility	12,684	—	—	—	—	—
	\$ 104,646	\$ 91,962	\$ 91,962	\$ —	\$ —	\$ —
Interest payments ²		\$ 4,231	\$ 2,738	\$ 1,493	\$ —	\$ —

1. Represents principal of a U.S. dollar denominated term loan with a U.S. to Canadian dollar conversion of 1.2684, excluding the unamortized deferred financing costs.
2. Interest payments are determined assuming a fixed interest rate at 3.97% with a U.S. to Canadian dollar conversion of 1.2684.

Additional Quarterly Information

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

NB Timberlands

	2015 Q1			2014 Q4			2014 Q3			2014 Q2		
	Harvest (000s m ³)	Sales (000s m ³)	Results (\$000s)	Harvest (000s m ³)	Sales (000s m ³)	Results (\$000s)	Harvest (000s m ³)	Sales (000s m ³)	Results (\$000s)	Harvest (000s m ³)	Sales (000s m ³)	Results (\$000s)
Softwood	130.1	90.0	\$ 4,927	92.9	93.3	\$ 5,306	107.6	109.2	\$ 6,281	45.5	67.6	\$ 3,745
Hardwood	109.4	106.8	8,038	109.6	104.9	7,490	108.7	112.3	7,354	62.0	74.1	4,914
Biomass	34.7	34.7	1,247	57.0	57.0	1,310	69.2	69.2	1,544	40.0	40.0	663
	274.2	231.5	14,212	259.5	255.2	14,106	285.5	290.7	15,179	147.5	181.7	9,322
Other sales			1,083			1,475			1,109			(32)
Net sales			\$ 15,295			\$ 15,581			\$ 16,288			\$ 9,290
Adjusted EBITDA ¹			\$ 5,293			\$ 5,424			\$ 4,510			\$ 1,652
Adjusted EBITDA margin ¹			35%			35%			28%			18%

Maine Timberlands

	2015 Q1			2014 Q4			2014 Q3			2014 Q2		
	Harvest (000s m ³)	Sales (000s m ³)	Results (\$000s)	Harvest (000s m ³)	Sales (000s m ³)	Results (\$000s)	Harvest (000s m ³)	Sales (000s m ³)	Results (\$000s)	Harvest (000s m ³)	Sales (000s m ³)	Results (\$000s)
Softwood	86.4	86.0	\$ 6,936	63.9	63.5	\$ 4,333	48.9	48.7	\$ 3,343	17.6	17.6	\$ 1,030
Hardwood	29.9	27.3	2,327	34.4	32.7	2,430	24.8	24.6	1,788	12.7	19.9	1,529
Biomass	3.2	3.2	42	9.1	9.1	83	3.7	3.7	25	9.7	9.7	52
	119.5	116.5	9,305	107.4	105.3	6,846	77.4	77.0	5,156	40.0	47.2	2,611
Other sales			87			87			139			128
Net sales			\$ 9,392			\$ 6,933			\$ 5,295			\$ 2,739
Adjusted EBITDA ¹			\$ 3,852			\$ 2,367			\$ 1,526			\$ 385
Adjusted EBITDA margin ¹			41%			34%			29%			14%

Corporate

	2015 Q1	2014 Q4	2014 Q3	2014 Q2
	Results (\$000s)	Results (\$000s)	Results (\$000s)	Results (\$000s)
Net sales	\$ —	\$ —	\$ —	\$ —
Adjusted EBITDA ¹	\$ (393)	\$ (321)	\$ (337)	\$ (102)

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

NB Timberlands

	2014 Q1			2013 Q4			2013 Q3			2013 Q2		
	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	120.6	100.1	\$ 5,379	121.7	119.9	\$ 6,681	87.7	90.5	\$ 4,632	57.4	124.4	\$ 6,538
Hardwood	123.9	115.7	7,759	115.9	110.0	7,142	106.3	103.3	6,213	89.8	95.6	5,807
Biomass	29.3	29.3	646	52.3	52.3	1,658	60.3	60.3	1,364	68.2	68.2	1,199
	273.8	245.1	13,784	289.9	282.2	15,481	254.3	254.1	12,209	215.4	288.2	13,544
Other sales			662			1,241			1,439			(36)
Net sales			\$ 14,446			\$ 16,722			\$ 13,648			\$ 13,508
Adjusted EBITDA ¹			\$ 4,458			\$ 5,047			\$ 2,701			\$ 2,943
Adjusted EBITDA margin ¹			31%			30%			20%			22%

Maine Timberlands

	2014 Q1			2013 Q4			2013 Q3			2013 Q2		
	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	71.6	71.3	\$ 4,676	54.4	54.4	\$ 3,228	51.4	51.3	\$ 3,168	18.1	18.1	\$ 875
Hardwood	32.5	27.1	1,991	26.5	26.1	1,698	25.6	26.0	1,754	9.9	15.6	1,051
Biomass	6.7	6.7	61	7.0	7.0	42	11.8	11.8	65	8.6	8.6	44
	110.8	105.1	6,728	87.9	87.5	4,968	88.8	89.1	4,987	36.6	42.3	1,970
Other sales			69			74			124			130
Net sales			\$ 6,797			\$ 5,042			\$ 5,111			\$ 2,100
Adjusted EBITDA ¹			\$ 2,477			\$ 1,577			\$ 1,456			\$ 215
Adjusted EBITDA margin ¹			36%			31%			28%			10%

Corporate

	2014 Q1		2013 Q4		2013 Q3		2013 Q2	
		Results		Results		Results		Results
		(\$000s)		(\$000s)		(\$000s)		(\$000s)
Net sales		\$ —		\$ —		\$ —		\$ —
Adjusted EBITDA ¹		\$ (238)		\$ (485)		\$ (368)		\$ (261)

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 each of the Annual Information Form dated March 24, 2015 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)

<i>Three Months Ended</i> <i>(CAD thousands, except per share data)</i>	Note	March 28, 2015	March 29, 2014
Net sales		\$ 24,687	\$ 21,243
Operating costs and expenses			
Cost of sales		14,343	13,179
Selling, administration and other		1,592	1,463
Reforestation		—	—
Depreciation and amortization		123	136
		16,058	14,778
Operating earnings		8,629	6,465
Interest expense, net		(888)	(797)
Other items			
Fair value adjustments		(2,446)	(1,190)
Unrealized exchange loss on long-term debt		(7,736)	(3,096)
Gain on sale of timberlands		—	96
(Loss) / earnings before income taxes		(2,441)	1,478
Current income tax expense	7	(270)	(297)
Deferred income tax expense	7	(212)	(484)
Net (loss) / income		(2,923)	697
Net (loss) / income per share - basic and diluted		\$ (0.17)	\$ 0.04

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Comprehensive Income

(unaudited)

<i>Three Months Ended</i> <i>(CAD thousands)</i>	March 28, 2015	March 29, 2014
Net (loss) / income	\$ (2,923)	\$ 697
Other comprehensive income / (loss)		
Items that may be reclassified subsequently to net income:		
Unrealized foreign currency translation income	11,545	3,697
Amortization of derivatives designated as cash flow hedges	(47)	(47)
Comprehensive income	\$ 8,575	\$ 4,347

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Balance Sheets

(unaudited)

<i>As at</i> <i>(CAD thousands)</i>	Note	March 28, 2015	December 31, 2014
Assets			
Current assets			
Cash and cash equivalents		\$ 16,529	\$ 12,660
Accounts receivable and other assets	5	7,765	7,351
Inventory		3,494	1,191
		27,788	21,202
Timber	10	305,077	296,681
Land, roads and other fixed assets		85,923	82,403
Intangible assets		6,140	6,140
		\$ 424,928	\$ 406,426
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	5	\$ 7,751	\$ 6,978
Short-term portion of long-term debt	3	91,745	—
Dividends payable to shareholders	9	3,765	3,451
		103,261	10,429
Long-term debt	3	—	83,944
Deferred income tax liability	7	68,245	63,441
Shareholders' equity	4	253,422	248,612
		\$ 424,928	\$ 406,426

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Changes in Equity

(unaudited)

<i>Three Months Ended March 28, 2015</i> <i>(CAD thousands)</i>	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Cash Flow Hedges	Shareholders' Equity
Balance as at December 31, 2014	\$ 140,067	\$ 66,454	\$ 29,364	\$ 12,486	\$ 241	\$ 248,612
Changes in period						
Net loss	—	(2,923)	—	—	—	(2,923)
Other comprehensive income / (loss)	—	—	—	11,545	(47)	11,498
Shareholders' dividends declared	—	(3,765)	—	—	—	(3,765)
Balance as at March 28, 2015	\$ 140,067	\$ 59,766	\$ 29,364	\$ 24,031	\$ 194	\$ 253,422

See accompanying notes to interim consolidated financial statements.

<i>Three Months Ended March 29, 2014</i> <i>(CAD thousands)</i>	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Cash Flow Hedges	Shareholders' Equity
Balance as at December 31, 2013	\$ 140,067	\$ 37,020	\$ 1,383	\$ 3,294	\$ 429	\$ 182,193
Changes in period						
Net income	—	697	—	—	—	697
Other comprehensive income / (loss)	—	—	—	3,697	(47)	3,650
Shareholders' dividends declared	—	(3,451)	—	—	—	(3,451)
Balance as at March 29, 2014	\$ 140,067	\$ 34,266	\$ 1,383	\$ 6,991	\$ 382	\$ 183,089

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

(unaudited)

<i>(CAD thousands)</i>	Note	March 28, 2015	March 29, 2014
Cash provided by / (used for):			
Operating activities			
Net (loss) / income		\$ (2,923)	\$ 697
Adjustments to net (loss) / income:			
Deferred income tax expense	7	212	484
Depreciation and amortization		123	136
Fair value adjustments		2,446	1,190
Unrealized exchange loss on long-term debt		7,736	3,096
Interest expense, net		888	797
Interest paid, net		(893)	(801)
Gain on sale of timberlands		—	(96)
Net change in non-cash working capital balances and other		(226)	326
		7,363	5,829
Financing activities			
Dividends paid to shareholders	9	(3,451)	(3,451)
		(3,451)	(3,451)
Investing activities			
Additions to timber, land, roads and other fixed assets		(43)	—
Proceeds from sale of timberlands		—	97
		(43)	97
Increase in cash and cash equivalents during the period		3,869	2,475
Cash and cash equivalents, beginning of period		12,660	8,564
Cash and cash equivalents, end of period		\$ 16,529	\$ 11,039

See accompanying notes to interim consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

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

NOTE 1. GENERAL

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

The Corporation and all of its consolidated operations, collectively “Acadian”, owns and manages approximately 761,000 acres of freehold timberlands in New Brunswick (“NB Timberlands”), approximately 299,000 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 March 28, 2015, 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 2014 annual report. These interim condensed consolidated financial statements should be read in conjunction with the Acadian’s 2014 annual report.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of Acadian on April 28, 2015.

Future Accounting Policies

IAS 1 Financial Statement Presentation

The International Accounting Standards Board (“IASB”) has published ‘Disclosure Initiative (Amendments to IAS 1)’. The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports. They are effective for annual periods beginning on or after January 1, 2016, with earlier application being permitted.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments 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. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. This standard is not expected to have any 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 recognised 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 recognising revenue.

The new revenue standard is applicable to all entities and 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, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the consolidated financial statements of the Company as the Company has not used a revenue-based method to depreciate its non-current assets.

NOTE 3. DEBT

Debt consisted of the following:

<i>As at</i> <i>(CAD thousands)</i>	March 28, 2015	December 31, 2014
Term facility, due March 2016	\$ 91,962	\$ 84,221
Less: Deferred debt issuance costs	(217)	(277)
Total	\$ 91,745	\$ 83,944

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

As at March 28, 2015 and December 31, 2014, Acadian had borrowed US\$72.5 million under the Term Facility and \$nil under the Revolving Facility.

As collateral for these facilities, Acadian has granted the lenders a security interest over all of its assets. The facilities are subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness, granting liens or selling assets without the consent of the lenders. The credit facilities are subject to the maintenance of a maximum ratio of loan-to-appraised value and Acadian was in compliance as of March 28, 2015 and December 31, 2014. In addition, US\$2.2 million is reserved under the Revolving Facility to support the minimum cash balance requirement of the Term Facility.

The fair value of the Term Facility as at March 28, 2015 is \$94.6 million (December 31, 2014 – \$87.0 million). The fair value of debt is determined using the discounted cash flow approach and is measured under level 2 of the fair value hierarchy. Future cash flows are estimated based on the terms under the Term Facility and discounted at a rate reflecting appropriate market fundamentals relating to the debt.

NOTE 4. SHAREHOLDERS' EQUITY

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

Common shares outstanding as at March 28, 2015 and December 31, 2014 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 March 28, 2015, 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.

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 months ended March 28, 2015 totaled \$0.6 million (2014 – \$0.6 million). As at March 28, 2015, no fees remain outstanding (2014 – \$0.6 million).
- b) Maine Timberlands sold 4.13 acres of land for net proceeds of \$97 thousand to Katahdin Timberlands LLC during the three months ended March 29, 2014 and sold no land during the three months ended March 28, 2015.

Further to the related party transactions noted above, the total net receivable due from related parties as at March 28, 2015 is \$42 thousand (December 31, 2014 net receivable due from related parties – \$20 thousand).

NOTE 6. SEGMENTED INFORMATION

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

<i>Three Months Ended March 28, 2015</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	\$ 11,863	\$ 4,927	\$ 6,936	\$ —
Hardwood	10,365	8,038	2,327	—
Biomass	1,289	1,247	42	—
Other	1,170	1,083	87	—
Total net sales	24,687	15,295	9,392	—
Operating costs	(15,935)	(10,003)	(5,539)	(393)
Reforestation	—	—	—	—
Depreciation and amortization	(123)	(52)	(71)	—
Operating earnings / (loss)	8,629	5,240	3,782	(393)
Gain on sale of timberlands	—	—	—	—
Fair value adjustments	(2,446)	(366)	(2,080)	—
Earnings / (loss) before the under noted	6,183	4,874	1,702	(393)
Unrealized exchange loss on long-term debt	(7,736)			
Interest expense, net	(888)			
Current income tax expense	(270)			
Deferred income tax expense	(212)			
Net loss	\$ (2,923)			

<i>As at March 28, 2015</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	\$ 397,140	\$214,596	\$182,544	\$ —
Total assets	424,928	228,197	189,695	7,036
Total liabilities	\$ 171,506	\$ 6,223	\$ 47,567	\$117,716

<i>Three Months Ended March 29, 2014</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	\$ 10,055	\$ 5,379	\$ 4,676	\$ —
Hardwood	9,750	7,759	1,991	—
Biomass	707	646	61	—
Other	731	662	69	—
Total net sales	21,243	14,446	6,797	—
Operating costs	(14,642)	(9,988)	(4,416)	(238)
Reforestation	—	—	—	—
Depreciation and amortization	(136)	(49)	(87)	—
Operating earnings / (loss)	6,465	4,409	2,294	(238)
Gain on sale of timberlands	96	—	96	—
Fair value adjustments	(1,190)	(232)	(958)	—
Earnings / (loss) before the under noted	5,371	4,177	1,432	(238)
Unrealized exchange loss on long-term debt	(3,096)			
Interest expense, net	(797)			
Current income tax expense	(297)			
Deferred income tax expense	(484)			
Net income	697			

<i>As at March 29, 2014</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	\$ 281,384	\$ 160,029	\$ 121,355	\$ —
Total assets	303,675	172,527	126,876	4,272
Total liabilities	\$ 120,586	\$ 6,930	\$ 25,230	\$ 88,426

During the three months ended March 28, 2015 approximately 33% of total sales were originated with customers domiciled in the U.S. and the balance in Canada (2014 – 34%). During the same period, approximately 25% of total sales (2014 – 25%) 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 March 28, 2015, Acadian's top three suppliers accounted for approximately 18%, 16% and 13%, respectively, of Acadian's total harvesting and delivery costs (2014 – 18%, 13% and 11%, respectively).

Acadian sells its products to many forest product companies in North America. For the three-month period ended March 28, 2015, sales to the largest and next largest customer accounted for 21% and 10%, respectively (2014 – 29% and 9%, respectively).

NOTE 7. INCOME TAXES

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

<i>Three Months Ended (CAD thousands)</i>	March 28, 2015	March 29, 2014
Income tax expense		
Income tax at statutory rate	\$ (659)	\$ 399
Foreign tax rate differential	220	187
Permanent differences	676	88
Benefit of previously unrecognized tax attributes	295	118
Other	(50)	(11)
Total income tax expense	\$ 482	\$ 781

NOTE 8. EMPLOYEE BENEFIT PLANS

NB Timberlands and Maine Timberlands each have defined contribution pension plans covering substantially all employees. During the three months ended March 28, 2015, contributions recorded as expenses amounted to \$65 thousand (2014 – \$68 thousand).

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 March 28, 2015 were \$3.8 million (2014 – \$3.5 million) or \$0.23 per share (2014 – \$0.21 per share).

NOTE 10. TIMBER

<i>(CAD thousands)</i>	
Fair Value at December 31, 2013	\$ 240,143
Gains arising from growth	22,204
Decrease arising from harvest	(23,884)
Gain from fair value price changes	47,683
Foreign exchange	10,535
Balance at December 31, 2014	\$ 296,681
Gains arising from growth	6,262
Decrease arising from harvest	(9,758)
Foreign exchange	11,892
Balance at March 28, 2015	\$ 305,077

Board and Management

Corporate and Shareholder Information

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*

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:
Tracy Steele
Investor Relations and Communications
t. 604.661.9621 f. 604.687.3419
e. tsteele@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 (March 28, 2015): 16,731,216
Targeted 2015 Quarterly Dividend: \$0.225 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 each of the Annual Information Form dated March 24, 2015 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.



ACADIANTIMBER

Printed in Canada