

Q1 2016 Interim Report

Letter to Shareholders

Overview

Acadian Timber Corp.'s ("Acadian") operations performed well for the three-month period ending March 26, 2016 (the "first quarter"). Operating conditions were typical for the winter season in New Brunswick, but Maine experienced warmer and less favourable operating conditions than in the first three months of 2015. Operations benefitted from continued strength in hardwood markets, offsetting weaker softwood markets in Maine. During the first quarter, we generated \$6.2 million of Free Cash Flow and declared dividends of \$4.2 million to our shareholders, resulting in a payout ratio of 68%.

Results of Operations

Acadian's operations experienced one recordable safety incident among employees during the quarter and one among contractors. While both incidents did result in lost time, the injuries were relatively minor in nature and the individuals are expected to make a full recovery. We continue to focus on improving our safety performance.

Acadian generated net sales of \$21.4 million in the first quarter, a 13% decrease year-over-year, primarily as a result of 13% lower log sales volumes. Adjusted EBITDA¹ for the first quarter was \$7.0 million, down \$1.7 million from the comparable period in 2015 primarily due to lower sales volumes. Adjusted EBITDA margin of 33% in the first quarter of 2016 was slightly lower than the same period in 2015 with the benefit of improved overall average pricing offset by increased costs due to longer average haul distances for hardwood.

Our balance sheet continues to be solid with \$97.9 million of net liquidity as at March 26, 2016, including funds available under Acadian's Revolving Facility and our stand-by equity commitment with Brookfield.

Outlook²

While U.S. economic growth was relatively flat during the first quarter of 2016, we do not consider this weakness as signaling the start of deteriorating U.S. economic activity. A healthy labour market, evidenced by a solid hiring trend seen during the last few months, and stronger household incomes are expected to support a pick-up in consumer spending that should drive improved economic performance through the remaining quarters of 2016. The fundamentals for a continued recovery in residential construction activity, including low interest rates, a sustained improvement in the labour market and rising personal incomes among young adults should continue to draw more potential homebuyers into the housing market. Consensus for 2016 U.S. housing start expectations remains strong at 10% year-over-year growth although construction labor supply and availability of new building sites are noted as potential constraints.

Benchmark softwood lumber prices for the first quarter remained flat from the previous quarter and are generally expected to remain flat on a full year-over-year basis. Housing start momentum has been positive, but ongoing weakness in offshore export markets and recent U.S. lumber mill capacity additions continue to be a drag on pricing. In addition, the combination of the weak Canadian dollar and the absence of softwood lumber duties due to the expiry of the Canada-U.S. Softwood Lumber Agreement in late 2015 is expected to drive continued strong mill utilization rates in Canada.

Almost all regional sawmills continue to operate on full shifts and appear to be carrying inventories at or near typical seasonal levels. While we expect softwood sawlog demand to remain stable through 2016, ongoing challenges for softwood sawmill residual demand in Maine have negatively impacted softwood sawlog pricing in that market, although prices appear to have stabilized. The softwood pulpwood market continues to be challenging.

Hardwood sawlog markets remained strong during the first quarter and are expected to remain at current favourable levels. While we continue to expect hardwood pulpwood markets to experience moderation in 2016 as the region adapts to announced paper mill closures in Maine, they have remained resilient. Biomass markets remain generally positive in New Brunswick, but the recent change in Massachusetts energy regulations to focus support on biomass facilities that both create electricity and capture heat energy has resulted in significant curtailments to Maine's commercial biomass energy generators. While an increase in investments in regional domestic and export bound pellet capacity may provide relief over the medium term, there is minimal visibility on catalysts to restart the curtailed biomass generators. We remind investors that this segment represents only a small portion of Acadian's sales and an even lower proportion of our operating earnings.

Acadian benefits from a strong balance sheet, diverse markets and a strong operating team that remains committed to continuously improving our financial performance. These factors give us considerable confidence that Acadian is well positioned to meet its dividend target for 2016 and beyond. We thank you for your continued support of Acadian Timber Corp. and remain committed to continuously improving our financial and operating performance.



Mark Bishop
President and Chief Executive Officer
May 9, 2016

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1. Adjusted EBITDA is a key performance measure in evaluating Acadian's operations and is important in enhancing investors' understanding of Acadian's operating performance. Acadian's management defines Adjusted EBITDA as earnings before interest, taxes, fair value adjustments, recovery of or impairment of land and roads, unrealized exchange gain/loss on debt, depreciation and amortization. As this performance measure does not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"), it may not be comparable to similar measures presented by other companies. Please refer to Management's Discussion and Analysis for further details.
 2. This section contains forward-looking information within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Please refer to the section entitled "Forward-Looking Statements" in Management's Discussion and Analysis for further details.

Management's Discussion and Analysis

INTRODUCTION

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

Acadian owns and manages approximately 761,000 acres of freehold timberlands in New Brunswick ("NB Timberlands"), approximately 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 100 regional customers.

Acadian's business strategy is to maximize cash flows from its existing timberland assets while growing our business by acquiring assets on a value basis and utilizing our operations-oriented approach to drive improved performance.

Basis of Presentation

This management's discussion and analysis ("MD&A") discusses the financial condition and results of operations of the Company for the three months ended March 26, 2016 (herein referred to as the "first quarter") relative to the three months ended March 28, 2015, and should be read in conjunction with the interim consolidated financial statements and notes thereto included at page 15 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 May 9, 2016. 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, 2015. There have been no changes in our disclosure controls and procedures during the period ended March 26, 2016 that have materially affected, or are reasonably likely to materially affect, our disclosure controls and procedures.

Management has also evaluated the design and effectiveness of our internal controls over financial reporting in accordance with Multilateral Instrument 52-109 using the COSO framework 2013 as at December 31, 2015. There have been no changes in our internal controls over financial reporting during the period ended March 26, 2016 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 26, 2016	March 28, 2015
Sales volume (000s m ³)	301.6	348.0
Net sales	\$ 21,447	\$ 24,687
Operating earnings	6,826	8,629
Net income / (loss)	4,342	(2,923)
Adjusted EBITDA ¹	\$ 7,044	\$ 8,752
Free Cash Flow ¹	\$ 6,170	\$ 7,546
Dividends declared	4,183	3,765
Payout ratio	68%	50%
Per share – basic and diluted		
Net income / (loss)	\$ 0.26	\$ (0.17)
Free Cash Flow ¹	0.37	0.45
Dividends declared	0.25	0.23
Book Value	15.64	15.15
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 26, 2016 (the “first quarter”), Acadian generated net sales of \$21.4 million on sales volumes of 302 thousand m³, compared with net sales of \$24.7 million on sales volumes of 348 thousand m³ during the same period last year. The 13% decrease in net sales year-over-year primarily reflects a 13% decrease in log sales volumes.

Operating earnings for the period, at \$6.8 million, decreased \$1.8 million year-over-year, again reflecting lower sales volumes. Net income totaled \$4.3 million, or \$0.26 per share, for the first quarter, an increase of \$7.3 million from the same period in 2015. This increase was primarily due to the unrealized exchange gain on long-term debt as well as lower fair value adjustments due to lower harvest volumes, offset by an increase in deferred tax expense, largely a result of a 2% higher New Brunswick provincial tax rate.

Adjusted EBITDA and Free Cash Flow

Adjusted EBITDA for the first quarter was \$7.0 million, compared to \$8.8 million during the comparable period in 2015. This decrease reflects the decreased sales volumes discussed above. Adjusted EBITDA margin in the first quarter was 33%, a decrease from 35% in the same period in 2015 with the benefit of improved overall average log pricing being offset by increased costs due to longer average haul distances for hardwood. Free Cash Flow was \$6.2 million during the first quarter, which represents a decrease of \$1.4 million from the same period in 2015.

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>(CAD thousands)</i>	March 26, 2016	March 28, 2015
Net income / (loss)	\$ 4,342	\$ (2,923)
Add / (deduct):		
Interest expense, net	730	888
Current income tax expense	155	270
Deferred income tax expense	5,040	212
Depreciation and amortization	125	123
Fair value adjustments	771	2,446
Unrealized exchange (gain) / loss on long-term debt	(4,119)	7,736
Adjusted EBITDA ¹	\$ 7,044	\$ 8,752
Add / (deduct):		
Interest paid on debt, net	(704)	(893)
Additions to timber, land, roads and other fixed assets	(17)	(43)
Gain on sale of timberlands	(93)	—
Proceeds on sale of timberlands	95	—
Current income tax expense	(155)	(270)
Free Cash Flow ¹	\$ 6,170	\$ 7,546
Dividends declared	\$ 4,183	\$ 3,765
Payout ratio	68%	50%

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 26, 2016 were \$4.2 million, or \$0.25 per share, an increase from \$3.8 million or \$0.23 per share in the same period in 2015. The payout ratio of the Company, which represents the amount of dividends declared as a percentage of the Free Cash Flow generated, was 68% for the first quarter compared to 50% 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 2016.

Operating and Market Conditions

Acadian's operations ran well during the first quarter. While weather conditions were relatively typical for the winter season in New Brunswick, they were warmer and not as favourable in Maine as in the prior year. Demand for hardwood continued to be strong, but markets for softwood pulpwood, particularly in Maine, remain challenging.

Acadian's weighted average log price for the first quarter increased 3% year-over-year as stronger hardwood prices at NB Timberlands and the positive impact of the weaker Canadian dollar on U.S. dollar-denominated sales more than offset

weaker prices for softwood logs. Hardwood sawlog and pulpwood markets remained strong with weighted average selling prices for sawlogs increasing 13% and prices for pulpwood increasing 10%. Softwood sawlog markets in Maine weakened considerably, as customers struggled with lower lumber and residual pricing. Softwood pulpwood markets continue to be over-supplied. Biomass markets remained strong, with margins increasing 40% year-over-year, primarily reflecting continued sales to export markets by NB Timberlands.

Income Tax Expense

Included in net income for the first quarter is current income tax expense of \$0.2 million (2014 – \$0.3 million) and deferred income tax expense of \$5.0 million (2014 – \$0.2 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 26, 2016 (CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	203.8	97.8	—	301.6
Net sales	\$ 13,931	\$ 7,516	\$ —	\$ 21,447
Adjusted EBITDA ¹	\$ 4,958	\$ 2,281	\$ (195)	\$ 7,044
Adjusted EBITDA margin ¹	36%	30%	n/a	33%

<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%

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 75% of harvest operations are performed by third-party contractors and approximately 25% by NB Timberlands employees.

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

	Three Months Ended March 26, 2016			Three Months Ended March 28, 2015		
	Harvest (000s m²)	Sales (000s m²)	Results (\$000s)	Harvest (000s m²)	Sales (000s m²)	Results (\$000s)
Softwood	111.0	80.5	4,359	130.1	90.0	\$ 4,927
Hardwood	109.6	90.0	7,559	109.4	106.8	8,038
Biomass	33.3	33.3	1,338	34.7	34.7	1,247
	253.9	203.8	13,256	274.2	231.5	14,212
Other sales			675			1,083
Net sales			13,931			\$ 15,295
Adjusted EBITDA ¹			4,958			\$ 5,293
Adjusted EBITDA margin ¹			36%			35%

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

Softwood, hardwood and biomass shipments were 81 thousand m³, 90 thousand m³ and 33 thousand m³, respectively, during the period. This represents a year-over-year decrease in sales volume of 12% as weather conditions were more typical this year leading to an earlier reduction of operations due to mud season. Harvest volume in the first quarter of 2016 was 7% lower than the prior year with all of the decrease in softwood. Approximately 38% of sales volume was sold as sawlogs, 46% as pulpwood and 16% as biomass in the first quarter. This compares to 36% sold as sawlogs, 49% as pulpwood and 15% as biomass in the first quarter of 2015.

Net sales for the first quarter totaled \$13.9 million compared to \$15.3 million for the same period last year with the decrease in sales volume partially offset by the improved weighted average log selling price. The weighted average log selling price was \$69.87 per m³ in the first quarter, a 6% increase from \$65.90 per m³ in the same period of 2015. Gains in hardwood sawlogs and pulpwood prices were partially offset by modest declines in softwood prices.

Costs for the first quarter were \$9.0 million, compared to \$10.0 million in the same period in 2015, with the decrease resulting from lower harvest volumes. Variable costs per m³ climbed just 1% year-over-year.

Adjusted EBITDA for the first quarter was \$5.0 million, compared to \$5.3 million in the first quarter of 2015 reflecting lower sales volumes, partially offset by the improved pricing discussed above. Adjusted EBITDA margin for the first quarter increased to 36% from 35% in the prior year.

There was one recordable safety incident among employees and one recordable safety incident among contractors during the first quarter. The resulting injuries were minor in nature.

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 26, 2016			Three Months Ended March 28, 2015		
	Harvest (000s m ³)	Sales (000s m ³)	Results (\$000s)	Harvest (000s m ³)	Sales (000s m ³)	Results (\$000s)
Softwood	65.2	64.9	\$ 5,142	86.4	86.0	\$ 6,936
Hardwood	29.8	27.4	2,298	29.9	27.3	2,327
Biomass	5.5	5.5	37	3.2	3.2	42
	100.5	97.8	7,477	119.5	116.5	9,305
Other sales			39			87
Net sales			\$ 7,516			\$ 9,392
Adjusted EBITDA ¹			\$ 2,281			\$ 3,852
Adjusted EBITDA margin ¹			30%			41%

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

Softwood, hardwood and biomass shipments were 65 thousand m³, 27 thousand m³, and 6 thousand m³, respectively, during the first quarter. This represents a year-over-year decrease in sales volume of 16%, with a significant drop in softwood volumes given market and weather conditions. Approximately 66% of sales volume was sold as sawlogs, 28% as pulpwood and 6% as biomass during the first quarter. This compares to 61% sold as sawlogs, 36% as pulpwood and 3% as biomass in the first quarter of 2015. The decreased pulpwood volume reflects the challenged softwood pulpwood market in the region.

Net sales for the first quarter totaled \$7.5 million compared to \$9.4 million for the same period last year, reflecting reduced sales volumes and U.S. dollar-basis pricing, partially offset by the positive impact of the weaker Canadian dollar. The weighted average log selling price in Canadian dollar terms was \$80.63 per m³ in the first quarter of 2016, a 1% decrease from \$81.71 per m³ in the same period of 2015. The weighted average log selling price in U.S. dollar terms was \$58.83 per m³, down 11% year-over-year, as improved hardwood sawlog prices were more than offset by lower prices for all other log products and with less higher value softwood sawlog in the mix.

Costs for the first quarter were \$5.2 million, compared to \$5.5 million during the same period in 2015 with the positive affect of lower harvest volumes offset by a 16% increase in variable costs per unit in Canadian dollar terms. In U.S. dollar terms, variable costs per unit climbed 5%, primarily due to longer haul distances for hardwood pulplogs.

Adjusted EBITDA for the first quarter was \$2.3 million, down \$1.6 million from the same period in 2015 reflecting lower sales revenue and higher costs. Adjusted EBITDA margin for the first quarter fell to 30% from 41% in the prior year.

There were no recordable safety incidents among employees or contractors during the first quarter.

Financial Position

As at March 26, 2016, Acadian's balance sheet consisted of total assets of \$445.7 million (December 31, 2015 – \$449.8 million), represented primarily by timber, land, roads and other fixed assets of \$407.0 million (December 31, 2015 – \$416.6 million) with the balance in cash and current assets of \$32.5 million (December 31, 2015 – \$27.1 million), and intangible assets of \$6.1 million (December 31, 2015 – \$6.1 million). Timber has been recorded at fair value as determined through independent third-party appraisal at December 31, 2015 and adjusted for growth estimates and harvest during the first three months of the year. Reforestation costs have been expensed as incurred.

MARKET OUTLOOK

The following contains forward-looking statements about Acadian Timber Corp.'s market outlook for the remainder of 2016. Reference should be made to "Forward-Looking Statements" on page 14. For a description of material factors that could cause actual results to differ materially from the forward-looking statements in the following, please see the Risk Factors section of Acadian's most recent Annual Report and Annual Information Form available on our website at www.acadiantimber.com or www.sedar.com.

While U.S. economic growth was relatively flat during the first quarter of 2016, we do not consider this weakness as signaling the start of deteriorating U.S. economic activity. A healthy labour market, evidenced by a solid hiring trend seen during the last few months, and stronger household incomes are expected to support a pick-up in consumer spending that should drive improved economic performance through the remaining quarters of 2016. The fundamentals for a continued recovery in residential construction activity, including low interest rates, a sustained improvement in the labour market and rising personal incomes among young adults should continue to draw more potential homebuyers into the housing market. Consensus for 2016 U.S. housing start expectations remains strong at 10% year-over-year growth although construction labor supply and availability of new building sites are noted as potential constraints.

Benchmark softwood lumber prices for the first quarter remained flat from the previous quarter and are generally expected to remain flat on a full year-over-year basis. Housing start momentum has been positive, but ongoing weakness in offshore export markets and recent U.S. lumber mill capacity additions continue to be a drag on pricing. In addition, the combination of the weak Canadian dollar and the absence of softwood lumber duties due to the expiry of the Canada-U.S. Softwood Lumber Agreement in late 2015 is expected to drive continued strong mill utilization rates in Canada.

Almost all regional sawmills continue to operate on full shifts and appear to be carrying inventories at or near typical seasonal levels. While we expect softwood sawlog demand to remain stable through 2016, ongoing challenges for softwood sawmill residual demand in Maine has negatively impacted softwood sawlog pricing in that market, although prices appear to have stabilized. The softwood pulpwood market continues to be challenging.

Hardwood sawlog markets remained strong during the first quarter and are expected to remain at current favourable levels. While we continue to expect hardwood pulpwood markets to experience moderation in 2016 as the region adapts to announced paper mill closures in Maine, they have remained resilient. Biomass markets remain generally positive in New Brunswick, but the recent change in Massachusetts energy regulations to focus support on biomass facilities that both create electricity and capture heat energy has resulted in significant curtailments to Maine's commercial biomass energy generators. While an increase in investments in regional domestic and export bound pellet capacity may provide relief over the medium term, there is minimal visibility on catalysts to restart the curtailed biomass generators. We remind investors that this segment represents only a small portion of Acadian's sales and an even lower proportion of our operating earnings.

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.

	2016	2015				2014		
<i>(CAD thousands, except per share data and where indicated)</i>	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales volume (000s m ³)	302	311	354	276	348	361	368	229
Net sales	\$ 21,447	\$ 21,735	\$ 22,632	\$ 15,368	\$ 24,687	\$ 22,514	\$ 21,583	\$ 12,029
Adjusted EBITDA ¹	7,044	7,412	6,465	3,794	8,752	7,470	5,699	1,935
Free Cash Flow ¹	6,170	6,388	5,245	2,833	7,546	6,313	4,669	1,052
Net income / (loss)	4,342	13,765	(2,851)	5,650	(2,923)	38,360	(557)	4,738
Per share – basic and diluted	\$ 0.26	\$ 0.82	\$ (0.17)	\$ 0.34	\$ (0.17)	\$ 2.29	\$ (0.03)	\$ 0.28

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 2015 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 26, 2016, 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 26, 2016 totaled \$0.6 million (2015 – \$0.6 million). As at March 26, 2016, fees of \$0.2 million (2015 – \$nil) remain outstanding.
- b) Maine Timberlands sold 4 acres of land for net proceeds of \$70 thousand to Katahdin Timberlands LLC for the three months ended March 26, 2016 (2015 - \$nil).

Further to the related party transactions noted above, the total net receivable due from related parties as at March 26, 2016 is \$49 thousand (December 31, 2015 net receivable due from related parties – \$34 thousand) and net payable due to related parties is \$207 thousand (December 31, 2015 net payable due to related parties is \$37 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	\$ 96,200	\$ 96,200	\$ —	\$ —	\$ 96,200	\$ —
Revolving facility	13,269	—	—	—	—	—
	\$ 109,469	\$ 96,200	\$ —	\$ —	\$ 96,200	\$ —
Interest payments ²		\$ 13,755	\$ 2,172	\$ 8,687	\$ 2,896	\$ —

1. Represents principal of a U.S. dollar denominated term loan with a U.S. to Canadian dollar conversion of 1.3269, excluding the unamortized deferred financing costs.

2. Interest payments are determined assuming a fixed interest rate at 3.01% with a U.S. to Canadian dollar conversion of 1.3296.

Additional Quarterly Information

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

NB Timberlands

	2016 Q1			2015 Q4			2015 Q3			2015 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	111.0	80.5	\$ 4,359	89.4	90.0	\$ 5,252	104.8	105.8	\$ 5,910	66.0	103.3	\$ 5,713
Hardwood	109.6	90.0	7,559	88.0	91.0	7,189	120.2	112.1	8,249	86.0	92.3	6,544
Biomass	33.3	33.3	1,338	45.0	45.0	1,572	62.5	62.5	1,596	48.5	48.5	1,146
	253.9	203.8	13,256	222.4	226.0	14,013	287.5	280.4	15,755	200.5	244.1	13,403
Other sales			675			1,224			1,254			(288)
Net sales			\$ 13,931			\$ 15,237			\$ 17,009			\$ 13,115
Adjusted EBITDA ¹			\$ 4,958			\$ 5,540			\$ 5,951			\$ 3,472
Adjusted EBITDA margin ¹			36%			36%			35%			26%

Maine Timberlands

	2016 Q1			2015 Q4			2015 Q3			2015 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	65.2	64.9	\$ 5,142	50.8	50.4	\$ 3,865	37.7	37.6	\$ 2,780	14.2	14.1	\$ 976
Hardwood	29.8	27.4	2,298	23.2	26.4	2,387	34.8	30.9	2,675	8.8	13.2	1,123
Biomass	5.5	5.5	37	8.6	8.6	59	5.3	5.3	35	4.5	4.5	33
	100.5	97.8	7,477	82.6	85.4	6,311	77.8	73.8	5,490	27.5	31.8	2,132
Other sales			39			187			133			121
Net sales			\$ 7,516			\$ 6,498			\$ 5,623			\$ 2,253
Adjusted EBITDA ¹			\$ 2,281			\$ 2,315			\$ 1,007			\$ 376
Adjusted EBITDA margin ¹			30%			36%			18%			17%

Corporate

	2016 Q1	2015 Q4	2015 Q3	2015 Q2
	Results (\$000s)	Results (\$000s)	Results (\$000s)	Results (\$000s)
Net sales	\$ —	\$ —	\$ —	\$ —
Adjusted EBITDA ¹	\$ (195)	\$ (443)	\$ (493)	\$ (54)

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

NB Timberlands

	2015 Q1			2014 Q4			2014 Q3			2014 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	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	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	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		Results		Results		Results
		(\$000s)		(\$000s)		(\$000s)		(\$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.

Forward-Looking Statements

This management discussion and analysis (“MD&A”) contains forward-looking information within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, “Acadian”), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, such statements may contain such words as “may,” “will,” “intend,” “should,” “expect,” “believe,” “outlook,” “predict,” “remain,” “anticipate,” “estimate,” “potential,” “continue,” “plan,” “could,” “might,” “project,” “targeting” or the negative of these terms or other similar terminology. Forward-looking information in this MD&A includes statements made in sections entitled “Dividend Policy of the Company,” “Liquidity and Capital Resources” and “Market Outlook” and without limitation other statements regarding management’s beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, growth strategy and prospects, access to capital, liquidity and trading volumes, dividends, taxes, capital expenditures, projected costs, market trends and similar statements concerning anticipated future events, results, achievements, circumstances, performance or expectations that are not historical facts. These statements, which reflect management’s current expectations regarding future events and operating performance, are based on information currently available to management and speak only as of the date of this MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon, and will not necessarily be accurate indications of whether or not such results will be achieved. Factors that could cause actual results to differ materially from the results discussed in the forward-looking statements include, but are not limited to: general economic and market conditions; product demand; concentration of customers; commodity pricing; interest rate and foreign currency fluctuations; seasonality; weather and natural conditions; regulatory, trade or environmental policy changes; changes in Canadian income tax law; economic situation of key customers; Brookfield’s ability to source and secure potential investment opportunities; the availability of potential acquisitions that suit Acadian’s growth profile; and other risks and factors discussed under the heading “Risk Factors” in this Annual Report and in each of the Annual Information Form dated March 30, 2016 and the Management Information Circular dated April 19, 2016, 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 (Loss)

(unaudited)

<i>Three Months Ended</i> <i>(CAD thousands, except per share data)</i>	Note	March 26, 2016	March 28, 2015
Net sales	6	\$ 21,447	\$ 24,687
Operating costs and expenses			
Cost of sales	6	13,086	14,343
Selling, administration and other		1,410	1,592
Depreciation and amortization		125	123
		14,621	16,058
Operating earnings		6,826	8,629
Interest expense, net		(730)	(888)
Other items			
Fair value adjustments		(771)	(2,446)
Unrealized exchange gain / (loss) on long-term debt	3	4,119	(7,736)
Gain on sale of timberlands		93	—
Earnings / (loss) before income taxes		9,537	(2,441)
Current income tax expense	7	(155)	(270)
Deferred income tax expense	7	(5,040)	(212)
Net income / (loss)		\$ 4,342	\$ (2,923)
Net income / (loss) per share - basic and diluted		\$ 0.26	\$ (0.17)

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Comprehensive Income (Loss)

(unaudited)

<i>Three Months Ended</i> <i>(CAD thousands)</i>	March 26, 2016	March 28, 2015
Net income / (loss)	\$ 4,342	\$ (2,923)
Other comprehensive income / (loss)		
Items that may be reclassified subsequently to net income:		
Unrealized foreign currency translation adjustment	(5,564)	11,545
Amortization of derivatives designated as cash flow hedges	—	(47)
Comprehensive (loss) / income	\$ (1,222)	\$ 8,575

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Balance Sheets

(unaudited)

<i>As at</i> <i>(CAD thousands)</i>	Note	March 26, 2016	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents		\$ 20,488	\$ 17,716
Accounts receivable and other assets	5	7,097	7,973
Inventory		4,942	1,391
		32,527	27,080
Timber	10	325,586	333,732
Land, roads and other fixed assets		81,398	82,826
Intangible assets		6,140	6,140
		\$ 445,651	\$ 449,778
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	5	\$ 6,799	\$ 4,399
Dividends payable to shareholders	9	4,183	4,183
		10,982	8,582
Long-term debt	3	95,725	99,819
Deferred income tax liability	7	77,303	74,331
Shareholders' equity	4	261,641	267,046
		\$ 445,651	\$ 449,778

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Changes in Equity

(unaudited)

<i>Three Months Ended March 26, 2016</i> <i>(CAD thousands)</i>	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Cash Flow Hedges	Shareholders' Equity
Balance as at December 31, 2015	\$ 140,067	\$ 64,619	\$ 26,191	\$ 36,169	\$ —	\$ 267,046
Changes in period						
Net income	—	4,342	—	—	—	4,342
Other comprehensive loss	—	—	—	(5,564)	—	(5,564)
Shareholders' dividends declared	—	(4,183)	—	—	—	(4,183)
Balance as at March 26, 2016	\$ 140,067	\$ 64,778	\$ 26,191	\$ 30,605	\$ —	\$ 261,641

See accompanying notes to interim consolidated financial statements.

<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.

Interim Consolidated Statements of Cash Flows

(unaudited)

<i>Three Months Ended (CAD thousands)</i>	Note	March 26, 2016	March 28, 2015
Cash provided by (used for):			
Operating activities			
Net income / (loss)		\$ 4,342	\$ (2,923)
Adjustments to net income / (loss):			
Deferred income tax expense	7	5,040	212
Depreciation and amortization		125	123
Fair value adjustments		771	2,446
Unrealized exchange (gain) / loss on long-term debt	3	(4,119)	7,736
Interest expense, net		730	888
Interest paid, net		(704)	(893)
Gain on sale of timberlands		(93)	—
Other, net		1,035	604
Net change in non-cash working capital balances		(250)	(830)
		6,877	7,363
Financing activities			
Dividends paid to shareholders	9	(4,183)	(3,451)
		(4,183)	(3,451)
Investing activities			
Additions to timber, land, roads and other fixed assets		(17)	(43)
Proceeds from sale of timberlands		95	—
		78	(43)
Increase in cash and cash equivalents during the period		2,772	3,869
Cash and cash equivalents, beginning of period		17,716	12,660
Cash and cash equivalents, end of period		\$ 20,488	\$ 16,529

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

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

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

As at March 26, 2016, affiliates of Brookfield Asset Management Inc. (collectively “Brookfield”) own 7,513,262 common shares representing approximately 45% of the outstanding common shares of the Company. The ultimate parent of the Company is Brookfield Asset Management Inc.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies adopted and disclosed in Note 2 of Acadian's 2015 annual report. These interim condensed consolidated financial statements should be read in conjunction with Acadian's 2015 annual report.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of Acadian on May 9, 2016.

Future Accounting Policies

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. 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 recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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

The new revenue standard 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, 2018 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.

IFRS 16 Leases

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

NOTE 3. DEBT

Debt consists of the following:

<i>As at</i> <i>(CAD thousands)</i>	March 26, 2016	December 31, 2015
Term facility, due October 2020	\$ 96,200	\$ 100,321
Less: Deferred debt issuance costs	(475)	(502)
Total	\$ 95,725	\$ 99,819

In September 2015, Acadian completed a five year extension of its U.S. dollar denominated credit facilities with Metropolitan Life Insurance Company, which will now mature on October 1, 2020. These credit facilities include 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 3.01%. The Revolving Facility bears interest at floating rates based on 90 day LIBOR plus applicable margin. Floating interest rates give rise to interest rate risk as earnings and cash flows may be negatively impaired by fluctuations in interest rates.

As at March 26, 2016 and December 31, 2015, Acadian had borrowed US\$72.5 million under the Term Facility and \$nil under the Revolving Facility; however, US\$1.6 million of the Revolving Facility is reserved to support the minimum cash balance requirement of the Term Facility. As security for these facilities, Acadian granted the lenders a security interest over all of its assets. The facilities are subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness and granting liens or selling assets without the consent of the lenders. The credit facilities are also subject to the maintenance of a maximum loan-to-value ratio. Acadian is in compliance with all covenants as of March 26, 2016 and December 31, 2015.

The fair value of the Term Facility as at March 26, 2016 is \$97.6 million (December 31, 2015 – \$100.4 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 26, 2016 and December 31, 2015 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. Acadian has one significant related party, Brookfield. As at March 26, 2016, 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.

- 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 26, 2016 totaled \$0.6 million (2015 – \$0.6 million). As at March 26, 2016, fees of \$0.2 (2015 - \$nil) remain outstanding.
- Maine Timberlands sold 4 acres of land for net proceeds of \$70 thousand to Katahdin Timberlands LLC for the three months ended March 26, 2016 (2015 - \$nil).

Further to the related party transactions noted above, the total net receivable due from related parties as at March 26, 2016 is \$49 thousand (December 31, 2015 net receivable due from related parties – \$34 thousand) and net payable due to related parties is \$207 thousand (December 31, 2015 net payable due to related parties is \$37 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 26, 2016 (CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	\$ 9,501	\$ 4,359	\$ 5,142	\$ —
Hardwood	9,857	7,559	2,298	—
Biomass	1,375	1,338	37	—
Other	714	675	39	—
Total net sales	21,447	13,931	7,516	—
Operating costs	(14,496)	(8,973)	(5,328)	(195)
Depreciation and amortization	(125)	(48)	(77)	—
Operating earnings / (loss)	6,826	4,910	2,111	(195)
Gain on sale of timberlands	93	—	93	—
Fair value adjustments	(771)	657	(1,428)	—
Earnings / (loss) before the undernoted	6,148	5,567	776	(195)
Unrealized exchange gain on long-term debt	4,119			
Interest expense, net	(730)			
Current income tax expense	(155)			
Deferred income tax expense	(5,040)			
Net income	\$ 4,342			

<i>As at March 26, 2016 (CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	\$ 413,124	\$ 246,048	\$ 167,076	\$ —
Total assets	445,651	260,350	175,230	10,071
Total liabilities	\$ 184,010	\$ 5,434	\$ 40,201	\$ 138,375

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

<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)
Depreciation and amortization	(123)	(52)	(71)	—
Operating earnings / (loss)	8,629	5,240	3,782	(393)
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

During the three months ended March 26, 2016 approximately 32% of total sales were originated with customers domiciled in the U.S. and the balance in Canada (2015 – 33%). During the same period, approximately 34% of total sales (2015 – 39%) 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 26, 2016, Acadian's top three suppliers accounted for approximately 18%, 18% and 7%, respectively, of Acadian's total harvesting and delivery costs (2015 – 18%, 16% and 13%, respectively).

Acadian sells its products to many forest product companies in North America. For the three months ended March 26, 2016, sales to the largest and next largest customer accounted for 18% and 10%, respectively (2015 – 21% and 10%, 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 26, 2016	March 28, 2015
Income tax expense		
Income tax at statutory rate	\$ 2,766	\$ (659)
Foreign tax rate differential	85	220
Permanent differences	(1,063)	676
Rate adjustments	3,353	—
Benefit of previously unrecognized tax attributes	31	295
Other	23	(50)
Total income tax expense	\$ 5,195	\$ 482

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 26, 2016, contributions recorded as expenses amounted to \$64 thousand (2015 – \$65 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 26, 2016 were \$4.2 million (2015 – \$3.8 million) or \$0.25 per share (2015 – \$0.23 per share).

NOTE 10. TIMBER

<i>(CAD thousands)</i>	
Fair value at December 31, 2014	\$ 296,681
Gains arising from growth	27,476
Decrease arising from harvest	(29,550)
Gain from fair value price changes	15,118
Foreign exchange	24,007
Balance at December 31, 2015	\$ 333,732
Gains arising from growth	7,180
Decrease arising from harvest	(9,477)
Foreign exchange	(5,849)
Balance at March 26, 2016	325,586

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*

Mark Bishop
*President and
Chief Executive Officer
of Acadian and Senior Vice
President of the Manager*

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

Reid Carter
*Managing Partner
Brookfield Asset
Management Inc.*

David Mann, QC
Corporate Director

Saul Shulman
*Chief Executive Officer
MLG Management Inc.*

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

MANAGEMENT

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

Mark Bishop
*President and
Chief Executive Officer
of Acadian and Senior Vice
President 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

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t. 604.661.9621 f. 604.687.3419
e. tsteel@acadiantimber.com

TRANSFER AGENT AND REGISTRAR

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

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 26, 2016): 16,731,216
Targeted 2016 Quarterly Dividend: \$0.25 per share
Record Date: Last business day of each quarter
Payment Date: On or about the 15th day of each subsequent month

www.acadiantimber.com

This management discussion and analysis ("MD&A") contains forward-looking information within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, such statements may contain such words as "may," "will," "intend," "should," "expect," "believe," "outlook," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the negative of these terms or other similar terminology. Forward-looking information in this MD&A includes statements made in sections entitled "Dividend Policy of the Company," "Liquidity and Capital Resources" and "Market Outlook" and without limitation other statements regarding management's beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, growth strategy and prospects, access to capital, liquidity and trading volumes, dividends, taxes, capital expenditures, projected costs, market trends and similar statements concerning anticipated future events, results, achievements, circumstances, performance or expectations that are not historical facts. These statements, which reflect management's current expectations regarding future events and operating performance, are based on information currently available to management and speak only as of the date of this MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon, and will not necessarily be accurate indications of whether or not such results will be achieved. Factors that could cause actual results to differ materially from the results discussed in the forward-looking statements include, but are not limited to: general economic and market conditions; product demand; concentration of customers; commodity pricing; interest rate and foreign currency fluctuations; seasonality; weather and natural conditions; regulatory, trade or environmental policy changes; changes in Canadian income tax law; economic situation of key customers; Brookfield's ability to source and secure potential investment opportunities; the availability of potential acquisitions that suit Acadian's growth profile; and other risks and factors discussed under the heading "Risk Factors" in this Annual Report and in each of the Annual Information Form dated March 30, 2016 and the Management Information Circular dated April 19, 2016, 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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