

# Q2 2016 Interim Report

## Letter to Shareholders

### Overview

Acadian Timber Corp.'s ("Acadian") operations performed well for the three-month period ending June 25, 2016 (the "second quarter"). Our operations continue to benefit from strong markets in New Brunswick, with continued improvement in hardwood markets and favorable mix driving our weighted average log price up 11% compared to the prior year. While operating conditions were impacted by an extended annual spring thaw, which caused much of our harvest and hauling infrastructure to be inoperable for a longer than normal period, we anticipate a return to more typical harvest levels for the remainder of the year. For the first six months of 2016 our payout ratio was 94%, in line with our long-term target of 95%.

### Results of Operations

Acadian's operations experienced one recordable safety incident during the quarter among employees and four among contractors. While four of the incidents resulted in lost time, the injuries were relatively minor in nature and the individuals have already made or are expected to make a full recovery. We continue to focus on maintaining our strong commitment to safety performance. We are pleased to report that, in June, the New Brunswick operations successfully completed a surveillance audit under the 2015-2019 standard of the Sustainable Forest Initiative® without any non-conformances, which re-affirms our certificate and is a testament to the sustainability of our operations.

Acadian generated net sales of \$13.7 million during the second quarter, a decrease of \$1.7 million compared to the same period last year. Higher selling prices for our products were more than offset by lower sales volumes as the prior year benefitted from better harvesting conditions due to extended winter weather and a shorter spring thaw period. Selling prices for most of our products were solid, with the average realized log price up 11% compared to the prior period. Adjusted EBITDA margin of 24% was in-line with the same period in 2015 as the benefit of improved pricing was offset by higher costs due mainly to longer average haul distances.

Our balance sheet is solid with \$95 million of net liquidity as at June 25, 2016, including funds available under Acadian's Revolving Facility and our stand-by equity commitment with Brookfield.

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

U.S. economic growth has been somewhat uneven over the first half of the year, but the economy continues to expand led principally by consumer spending. Wage growth is accelerating as the labor market continues to move toward full recovery with employment openings remaining close to record highs. Reflecting post-Brexit related volatility, elevated downside risks to the global economies and strengthening U.S. dollar, expectations for the current low interest rate environment have been extended. These fundamentals continue to support a continued gradual recovery in U.S. housing starts and strong residential improvement activity. Consensus expectations continue to call for a 10% year-over-year improvement in total housing starts for 2016 and over 12% for 2017. Industry forecasters predict that U.S. lumber and sawtimber demand will need to continue to grow at over 5% per year over the next few years to support expanding domestic construction needs.

Benchmark softwood lumber prices improved over 10% for the second quarter year-over-year and are expected to improve modestly on a full year-over-year basis. Uncertainty over the lumber pricing environment remains heightened with the Canada-U.S. softwood lumber dispute moving towards the end of the "cooling-off" period in October 2016 and paving the way for potential imposition of countervailing duties. While the timing, and ultimately the terms of any settlement of this latest dispute are unclear, there is no evidence to suggest treatment of Canada's maritime lumber producers during the current dispute will be materially different from past experience where the region experienced lower relative countervailing and anti-dumping duties than the rest of Canada during the litigation period, followed by export tax and quota exemption during the 2006 Softwood Lumber Agreement. This differential treatment is due primarily to the significantly greater proportion of their log supply sourced from private lands in the Atlantic region relative to the rest of Canada.

Almost all regional sawmills continue to operate on full shifts and appear to be carrying inventories at typical seasonal levels. While softwood sawlog markets for New Brunswick remain steady, Maine sawmills continue to face challenges with demand for softwood sawmill residuals. Hardwood sawlog markets remained strong and steady during the second quarter and are expected to remain near current levels. Pricing in hardwood pulpwood markets remains strong, although Acadian is experiencing longer average haul distances to maintain shipment levels, resulting in modest margin impact. Biomass

markets remain stable in New Brunswick, with Acadian able to benefit from ongoing growth in export markets. Maine biomass markets remain in transition following the idled pulp mill and biomass generator capacity over the past year. However, markets have seen some stabilization following recent state sponsored assistance which saw the re-start of a portion of the previously idled biomass generation capacity.

Acadian benefits from a strong balance sheet, diverse markets and a strong operating team that remains committed to continuously improving our financial and operating performance. We thank you for your continued support of Acadian Timber Corp.



Mark Bishop  
President and Chief Executive Officer  
August 3, 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 June 25, 2016 (herein referred to as the "second quarter") and the six-month period ended June 25, 2016 compared to the three- and six-month periods ended June 27, 2015, and should be read in conjunction with the interim consolidated financial statements and notes thereto included at page 14 of this interim report.

Our second 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 August 3, 2016. Additional information is available on Acadian's website at [www.acadiantimber.com](http://www.acadiantimber.com) and on SEDAR's website at [www.sedar.com](http://www.sedar.com).

## Non-IFRS Measures

Throughout the MD&A, reference is made to "Adjusted EBITDA", which Acadian's management defines as earnings before interest, taxes, fair value adjustments, recovery of or impairment of land and roads, unrealized exchange gain/loss on debt, depreciation and amortization and to "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 June 25, 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 as at December 31, 2015. There have been no changes in our internal controls over financial reporting during the period ended June 25, 2016 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## REVIEW OF OPERATIONS

### Summary of Second Quarter Results

The table below summarizes operating and financial data for Acadian:

	Three Months Ended		Six Months Ended	
	June 25, 2016	June 27, 2015	June 25, 2016	June 27, 2015
<i>(CAD thousands, except where indicated)</i>				
Sales volume (000s m <sup>3</sup> )	<b>208.9</b>	275.9	<b>510.5</b>	623.9
Net sales	<b>\$ 13,656</b>	\$ 15,368	<b>\$ 35,103</b>	\$ 40,055
Operating earnings	<b>3,179</b>	3,532	<b>10,005</b>	12,161
Net income	<b>5,830</b>	5,650	<b>10,172</b>	2,727
Adjusted EBITDA <sup>1</sup>	<b>\$ 3,301</b>	\$ 3,794	<b>\$ 10,345</b>	\$ 12,546
Free Cash Flow <sup>1</sup>	<b>\$ 2,743</b>	\$ 2,833	<b>\$ 8,913</b>	\$ 10,379
Dividends declared	<b>4,183</b>	3,764	<b>8,366</b>	7,529
Payout ratio	<b>152%</b>	133%	<b>94%</b>	73%
Per share – basic and diluted				
Net income	<b>\$ 0.35</b>	\$ 0.34	<b>\$ 0.61</b>	\$ 0.16
Free Cash Flow <sup>1</sup>	<b>0.16</b>	0.17	<b>0.53</b>	0.62
Dividends declared	<b>0.25</b>	0.23	<b>0.50</b>	0.45
Book value	<b>15.57</b>	15.03	<b>15.57</b>	15.03
Common shares outstanding	<b>16,731,216</b>	16,731,216	<b>16,731,216</b>	16,731,216

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

For the three months ended June 25, 2016 (the “second quarter”), Acadian generated net sales of \$13.7 million compared with net sales of \$15.4 million in the comparative year as an 11% increase in the weighted average log price was more than offset by a 24% decrease in sales volumes. Acadian’s harvest volumes are traditionally at their lowest in the second quarter of the year, as our operating conditions are impacted by an annual spring thaw, which causes much of our harvest and hauling infrastructure to be inoperable. This year our operations were impacted by a longer than normal spring thaw, which resulted in a below average harvest for the period. Furthermore, the prior year benefitted from better harvesting conditions due to extended winter weather and a shorter spring thaw period. For the six months ended June 25, 2016, Acadian generated net sales of \$35.1 million on sales volume of 511 thousand m<sup>3</sup> as compared to net sales of \$40.1 million on sales volume of 624 thousand m<sup>3</sup> in the comparable period of 2015.

Operating earnings for the period, at \$3.2 million, decreased \$0.3 million year-over-year, again reflecting reduced sales volume. Net income totaled \$5.8 million, or \$0.35 per share, for the second quarter, compared to \$0.34 for the same period in 2015, as lower operating earnings and unrealized foreign exchange gain on long-term debt were more than offset by higher non-cash fair value adjustments to our timberlands as a result of lower harvest volumes. For the six months ended June 25, 2016, net income was \$10.2 million, or \$0.61 per share, an increase of \$7.4 million over the first half of 2015 primarily as a result of an unrealized foreign exchange gain on long-term debt.

### Adjusted EBITDA and Free Cash Flow

Adjusted EBITDA for the second quarter was \$3.3 million, compared to \$3.8 million during the comparable period in 2015. This decrease was largely due to decreased sales volumes. Adjusted EBITDA margin of 24% was in-line with the same period in 2015 as the benefit of improved pricing was offset by higher costs due mainly to longer average haul distances. For the six months ended June 25, 2016, Adjusted EBITDA was \$10.3 million, \$2.2 million lower than during the first half of 2015.

Free Cash Flow was \$2.7 million during the second quarter, which represents a decrease of \$0.1 million from the same period in 2015. During the quarter, our payout ratio was 152% due to the impact of seasonality. Free Cash Flow for the six months ended June 25, 2016 was \$8.9 million compared to \$10.4 million during the first half of 2015. For the six months of 2016, our payout ratio was 94% compared to 73% during 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:

	Three Months Ended		Six Months Ended	
<i>(CAD thousands)</i>	June 25, 2016	June 27, 2015	June 25, 2016	June 27, 2015
Net income	\$ 5,830	\$ 5,650	\$ 10,172	\$ 2,727
Add / (deduct):				
Interest expense, net	723	893	1,453	1,781
Current income tax expense / (recovery)	(154)	(47)	1	223
Deferred income tax expense	1,389	1,110	6,429	1,322
Depreciation and amortization	122	127	247	250
Fair value adjustments	(2,674)	(1,308)	(1,903)	1,138
Unrealized exchange (gain) / loss on long-term debt	(1,935)	(2,631)	(6,054)	5,105
Adjusted EBITDA <sup>1</sup>	\$ 3,301	\$ 3,794	\$ 10,345	\$ 12,546
Add / (deduct):				
Interest paid on debt, net	(695)	(899)	(1,399)	(1,792)
Additions to timber, land, roads and other fixed assets	(17)	(111)	(34)	(154)
Gain on sale of timberlands	—	(127)	(93)	(127)
Gain on disposal of land, roads and other fixed assets	—	(8)	—	(8)
Proceeds on sale of timberlands	—	129	95	129
Proceeds from sale of land, roads and other fixed assets	—	8	—	8
Current income tax expense / (recovery)	154	47	(1)	(223)
Free Cash Flow <sup>1</sup>	\$ 2,743	\$ 2,833	\$ 8,913	\$ 10,379
Dividends declared	\$ 4,183	\$ 3,764	\$ 8,366	\$ 7,529
Payout ratio	152%	133%	94%	73%

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

### Dividend Policy of the Company

Acadian declares dividends from its available cash to the extent determined prudent by the Board of Directors. These dividends represent cash received from Acadian's indirect interest in the Maine 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 June 25, 2016 were \$4.2 million, or \$0.25 per share, an increase from \$3.8 million or \$0.225 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, for the year-to-date period ended June 25, 2016 was 94%, in line with our long-term target of 95%.

Based on Free Cash Flow generated to date, its revolving credit facility and existing cash reserves, Acadian remains well positioned to meet dividend targets throughout 2016.

### Operating and Market Conditions

Acadian traditionally experiences low levels of operating, marketing and selling activity during the second quarter of each year owing to the spring thaw period that causes much of the infrastructure to be temporarily inoperable. Sales volumes for the second quarter of this year were down 24% compared to the same period in the prior year to 209 thousand m<sup>3</sup> related

to a slower start-up of operations due to an extended spring thaw compared to prior year which benefitted from a shorter spring thaw due to extended winter weather.

Acadian's weighted average realized log selling price during the second quarter increased 11% year-over-year as stronger prices and higher hardwood log proportion in New Brunswick and the positive impact of the weaker Canadian dollar on U.S. dollar-denominated sales more than offset weaker prices for softwood in the Maine market. Softwood sawlog markets remained relatively stable, with a 1% increase in softwood sawlog prices relative to the second quarter of 2015. Hardwood sawlog markets were strong, with weighted average selling prices increasing 18%, primarily reflecting strong pricing from the New Brunswick operations. Selling prices for hardwood pulpwood increased 6% year-over-year while softwood pulpwood decreased 9% year-over-year. Continued strength in hardwood pulpwood markets was partially offset by weaker softwood pulpwood markets in Maine. Biomass markets remained strong, with margins increasing 56% year-over-year, primarily reflecting an increase in the proportion of sales to export markets.

### Income Tax Expense

Included in net income for the three and six months ended June 25, 2016 is a current income tax recovery of \$154 thousand and current income tax expense of \$1 thousand, respectively (2015 – \$47 thousand recovery and \$200 thousand expense, respectively) and deferred income tax expense of \$1.4 million and \$6.4 million, respectively (2015 – \$1.1 million and \$1.3 million, respectively).

### 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 June 25, 2016</i> <i>(CAD thousands)</i>	<b>NB Timberlands</b>	<b>Maine Timberlands</b>	<b>Corporate</b>	<b>Consolidated</b>
Sales volumes (000s m <sup>3</sup> )	<b>182.9</b>	<b>26.0</b>	—	<b>208.9</b>
Net sales	<b>\$ 11,740</b>	<b>\$ 1,916</b>	\$ —	<b>\$ 13,656</b>
Adjusted EBITDA <sup>1</sup>	<b>\$ 3,887</b>	<b>\$ (167)</b>	<b>\$ (419)</b>	<b>\$ 3,301</b>
Adjusted EBITDA margin <sup>1</sup>	<b>33%</b>	<b>(9%)</b>	n/a	<b>24%</b>

<i>Three Months Ended June 27, 2015</i> <i>(CAD thousands)</i>	<b>NB Timberlands</b>	<b>Maine Timberlands</b>	<b>Corporate</b>	<b>Consolidated</b>
Sales volumes (000s m <sup>3</sup> )	244.1	31.8	—	275.9
Net sales	\$ 13,115	\$ 2,253	\$ —	\$ 15,368
Adjusted EBITDA <sup>1</sup>	\$ 3,472	\$ 376	\$ (54)	\$ 3,794
Adjusted EBITDA margin <sup>1</sup>	26%	17%	n/a	25%

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

<i>Six Months Ended June 25, 2016</i> <i>(CAD thousands)</i>	<b>NB Timberlands</b>	<b>Maine Timberlands</b>	<b>Corporate</b>	<b>Consolidated</b>
Sales volumes (000s m <sup>3</sup> )	<b>386.7</b>	<b>123.8</b>	—	<b>510.5</b>
Net sales	<b>\$ 25,671</b>	<b>\$ 9,432</b>	\$ —	<b>\$ 35,103</b>
Adjusted EBITDA <sup>1</sup>	<b>\$ 8,845</b>	<b>\$ 2,114</b>	<b>\$ (614)</b>	<b>\$ 10,345</b>
Adjusted EBITDA margin <sup>1</sup>	<b>34%</b>	<b>22%</b>	n/a	<b>29%</b>

<i>Six Months Ended June 27, 2015</i> <i>(CAD thousands)</i>	<b>NB Timberlands</b>	<b>Maine Timberlands</b>	<b>Corporate</b>	<b>Consolidated</b>
Sales volumes (000s m <sup>3</sup> )	475.6	148.3	—	623.9
Net sales	\$ 28,410	\$ 11,645	\$ —	\$ 40,055
Adjusted EBITDA <sup>1</sup>	\$ 8,765	\$ 4,228	\$ (447)	\$ 12,546
Adjusted EBITDA margin <sup>1</sup>	31%	36%	n/a	31%

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

## NB Timberlands

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

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

	Three Months Ended June 25, 2016			Three Months Ended June 27, 2015		
	Harvest (000s m <sup>3</sup> )	Sales (000s m <sup>3</sup> )	Results (\$000s)	Harvest (000s m <sup>3</sup> )	Sales (000s m <sup>3</sup> )	Results (\$000s)
Softwood	35.4	65.5	3,588	66.0	103.3	5,713
Hardwood	49.5	76.6	6,475	86.0	92.3	6,544
Biomass	40.8	40.8	1,561	48.5	48.5	1,146
	<b>125.7</b>	<b>182.9</b>	<b>11,624</b>	200.5	244.1	13,403
Other sales			116			(288)
Net sales			<b>\$ 11,740</b>			\$ 13,115
Adjusted EBITDA <sup>1</sup>			<b>\$ 3,887</b>			\$ 3,472
Adjusted EBITDA margin <sup>1</sup>			<b>33%</b>			26%

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

	Six Months Ended June 25, 2016			Six Months Ended June 27, 2015		
	Harvest (000s m <sup>3</sup> )	Sales (000s m <sup>3</sup> )	Results (\$000s)	Harvest (000s m <sup>3</sup> )	Sales (000s m <sup>3</sup> )	Results (\$000s)
Softwood	146.4	146.0	7,947	196.1	193.3	10,640
Hardwood	159.1	166.6	14,034	195.4	199.1	14,582
Biomass	74.1	74.1	2,899	83.2	83.2	2,393
	<b>379.6</b>	<b>386.7</b>	<b>24,880</b>	474.7	475.6	27,615
Other sales			791			795
Net sales			<b>\$ 25,671</b>			\$ 28,410
Adjusted EBITDA <sup>1</sup>			<b>\$ 8,845</b>			\$ 8,765
Adjusted EBITDA margin <sup>1</sup>			<b>34%</b>			31%

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

Softwood, hardwood and biomass shipments were 66 thousand m<sup>3</sup>, 77 thousand m<sup>3</sup> and 41 thousand m<sup>3</sup>, respectively, during the second quarter. This represents a year-over-year decrease in sales volume of 25%. Harvest volumes in the second quarter of 2016 were impacted by an extended spring thaw and were lower than the same period last year, which had favorable winter operating conditions extending into the second quarter. Approximately 38% of sales volume in the second quarter was sold as sawlogs, 40% as pulpwood and 22% as biomass compared to 41% sold as sawlogs, 39% as pulpwood and 20% as biomass in the second quarter of 2015.

Net sales for the second quarter totaled \$11.7 million compared to \$13.1 million for the same period last year, reflecting lower sales volumes, which was partially offset by improved selling prices across all products. The weighted average log selling price was \$70.84 per m<sup>3</sup> in the second quarter of 2016, a 13% increase from \$62.66 per m<sup>3</sup> in the same period of 2015. Net sales for the first six months ended June 25, 2016 were \$25.7 million, a decrease of \$2.7 million compared to the first half of 2015 due to lower sales volumes, which was partially offset by increased selling prices.

Costs for the second quarter were \$7.8 million, compared to \$9.6 million in the same period in 2015, due to lower sales volumes partially offset and a 6% increase in variable costs per m<sup>3</sup> due mainly to longer average haul distances. For the six months ended June 25, 2016, costs were \$16.8 million; \$2.8 million lower than during the first half of 2015, due to lower sales volumes and a 4% increase in variable costs per m<sup>3</sup> that were mainly attributable to longer average haul distances.

Adjusted EBITDA for the second quarter was \$3.9 million, compared to \$3.5 million in the second quarter of 2015 due primarily to the improved pricing discussed above. For the six months ended June 25, 2016, Adjusted EBITDA was \$8.8 million, in line with the first half of 2015. Adjusted EBITDA margin for the second quarter increased to 33% from 26% in the prior year and for the first six months of 2016 increased to 34% from 31% in the prior year.

There was one recordable safety incident among employees and four recordable safety incidents among contractors during the second quarter of 2016. While four of the incidents resulted in lost time, the injuries were relatively minor in nature and the individuals have already or are expected to make a full recovery. In June, the New Brunswick operations successfully completed a surveillance audit under the 2015-2019 standard of the Sustainable Forest Initiative® without any non-conformances, which re-affirms our certificate and is a testament to the sustainability of our operations.

#### 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 June 25, 2016			Three Months Ended June 27, 2015		
	Harvest (000s m <sup>3</sup> )	Sales (000s m <sup>3</sup> )	Results (\$000s)	Harvest (000s m <sup>3</sup> )	Sales (000s m <sup>3</sup> )	Results (\$000s)
Softwood	11.8	11.6	\$ 776	14.2	14.1	\$ 976
Hardwood	8.6	11.8	984	8.8	13.2	1,123
Biomass	2.6	2.6	16	4.5	4.5	33
	23.0	26.0	1,776	27.5	31.8	2,132
Other sales			140			121
Net sales			\$ 1,916			\$ 2,253
Adjusted EBITDA <sup>1</sup>			\$ (167)			\$ 376
Adjusted EBITDA margin <sup>1</sup>			(9%)			17%

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

	Six Months Ended June 25, 2016			Six Months Ended June 27, 2015		
	Harvest (000s m <sup>3</sup> )	Sales (000s m <sup>3</sup> )	Results (\$000s)	Harvest (000s m <sup>3</sup> )	Sales (000s m <sup>3</sup> )	Results (\$000s)
Softwood	77.0	76.5	5,918	100.6	100.1	\$ 7,912
Hardwood	38.4	39.2	3,282	38.7	40.5	3,450
Biomass	8.1	8.1	53	7.7	7.7	75
	123.5	123.8	9,253	147.0	148.3	11,437
Other sales			179			208
Net sales			\$ 9,432			\$ 11,645
Adjusted EBITDA <sup>1</sup>			\$ 2,114			\$ 4,228
Adjusted EBITDA margin <sup>1</sup>			22%			36%

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

Softwood, hardwood and biomass shipments were 12 thousand m<sup>3</sup>, 12 thousand m<sup>3</sup>, and 3 thousand m<sup>3</sup>, respectively, during the second quarter. This represents a year-over-year decrease in sales volume of 18% due to an extended spring thaw and challenging market conditions for softwood pulpwood. Approximately 46% of sales volume was sold as sawlogs, 44% as pulpwood and 10% as biomass during the second quarter compared to 34% sold as sawlogs, 52% as pulpwood and 14% as biomass in the second quarter of 2015.

Net sales for the second quarter totaled \$1.9 million compared to \$2.3 million for the same period last year, as reduced sales volumes across all products and weaker U.S. dollar selling prices were partially offset by the positive impact of the stronger U.S. dollar. The weighted average log selling price was \$74.97 per m<sup>3</sup> in the second quarter of 2016, a 3% decrease from \$76.98 per m<sup>3</sup> in the same period of 2015 in Canadian dollar terms. The weighted average log selling price in U.S. dollar terms was \$58.19 per m<sup>3</sup>, a decrease of 7% year-over-year due primarily to a weaker market for softwood

pulpwood. Net sales for the first six months ended June 25, 2016 were \$9.4 million, a decrease of \$2.2 million over the first half of 2015 with reduced sales volumes partially offset by the positive impact of the stronger U.S. dollar.

Costs for the second quarter were \$2.1 million, in line with the same period in 2015 as the impact of the lower sales volumes were offset by the negative impact of the stronger U.S. dollar. Variable costs per m<sup>3</sup> increased 6% in Canadian dollar terms but remained stable in U.S. dollar terms. For the six months ended June 25, 2016, costs were \$7.4 million, in line with the first half of 2015 as the impact of the lower sales volumes were offset by the negative impact of the stronger U.S. dollar.

Adjusted EBITDA for the second quarter was \$(0.2) million, compared to \$0.4 in the same period in 2015 due primarily to lower sales volumes. For the six months ended June 25, 2016, Adjusted EBITDA was \$2.1 million, a decrease of \$2.1 million compared to the first half of 2015. Adjusted EBITDA margin for the second quarter decreased to (9)% from 17% in the prior year and for the first six months of 2016 decreased to 22% from 36% in the prior year.

There were no recordable safety incidents among employees and contractors during the second quarter of 2016.

### **Financial Position**

Our financial position continues to be solid with \$95 million of net liquidity as at June 25, 2016, including funds available under Acadian's Revolving Facility and our stand-by equity commitment with Brookfield.

As at June 25, 2016, Acadian's balance sheet consisted of total assets of \$440.6 million (December 31, 2015 – \$449.8 million), represented primarily by timber, land, roads and other fixed assets of \$407.9 million (December 31, 2015 – \$416.6 million) with the balance in cash and current assets of \$26.5 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 six 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](http://www.acadiantimber.com) or [www.sedar.com](http://www.sedar.com).*

U.S. economic growth has been somewhat uneven over the first half of the year, but the economy continues to expand led principally by consumer spending. Wage growth is accelerating as the labor market continues to move toward full recovery with employment openings remaining close to record highs. Reflecting post-Brexit related volatility, elevated downside risks to the global economies and strengthening U.S. dollar, expectations for the current low interest rate environment have been extended. These fundamentals continue to support a continued gradual recovery in U.S. housing starts and strong residential improvement activity. Consensus expectations continue to call for a 10% year-over-year improvement in total housing starts for 2016 and over 12% for 2017. Industry forecasters predict that U.S. lumber and sawtimber demand will need to continue to grow at over 5% per year over the next few years to support expanding domestic construction needs.

Benchmark softwood lumber prices improved over 10% for the second quarter and are expected to improve modestly on a full year-over-year basis. Uncertainty over the lumber pricing environment remains heightened with the Canada-U.S. softwood lumber dispute moving towards the end of the "cooling-off" period in October 2016 and paving the way for potential imposition of countervailing duties. While the timing, and ultimately the terms of any settlement of this latest dispute are unclear, there is no evidence to suggest treatment of Canada's maritime lumber producers during the current dispute will be materially different from past experience where the region experienced lower relative countervailing and anti-dumping duties than the rest of Canada during the litigation period, followed by export tax and quota exemption during the 2006 Softwood Lumber Agreement. This differential treatment is due primarily to the significantly greater proportion of their log supply sourced from private lands in the Atlantic region relative to the rest of Canada.

Almost all regional sawmills continue to operate on full shifts and appear to be carrying inventories at typical seasonal levels. While softwood sawlog markets for New Brunswick remain steady, Maine sawmills continue to face challenges with demand for softwood sawmill residuals. Hardwood sawlog markets remained strong and steady during the second quarter and are expected to remain near current levels. Pricing in hardwood pulpwood markets remains strong, although Acadian is

experiencing longer average haul distances to maintain supply levels, resulting in modest margin impact. Biomass markets remain stable in New Brunswick, with Acadian able to benefit from ongoing growth in export markets. Maine biomass markets remain in transition following the idled pulp mill and biomass generator capacity over the past year. However, markets have seen some stabilization following recent State sponsored assistance which saw the re-start of a portion of the previously idled biomass generation capacity.

## 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>	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales volume (000s m <sup>3</sup> )	209	302	311	354	276	348	361	368
Net sales	\$ 13,656	\$ 21,447	\$ 21,735	\$ 22,632	\$ 15,368	\$ 24,687	\$ 22,514	\$ 21,583
Adjusted EBITDA <sup>1</sup>	3,301	7,044	7,412	6,465	3,794	8,752	7,470	5,699
Free Cash Flow <sup>1</sup>	2,743	6,170	6,388	5,245	2,833	7,546	6,313	4,669
Net income / (loss)	5,830	4,342	13,765	(2,851)	5,650	(2,923)	38,360	(557)
Per share – basic and diluted	\$ 0.35	\$ 0.26	\$ 0.82	\$ (0.17)	\$ 0.34	\$ (0.17)	\$ 2.29	\$ (0.03)

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 June 25, 2016, Brookfield owned 7,513,262 common shares, representing approximately 45% of the Company's outstanding shares. Acadian is also a related party of Katahdin Timberlands LLC as a result of 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 and six months ended June 25, 2016 totaled \$0.6 million (2015 – \$0.6 million) and \$1.2 million (2015 – \$1.1 million), respectively. As at June 25, 2016, fees of \$nil (2015 – \$nil) remain outstanding.
- b) Maine Timberlands sold 4.0 acres of land for net proceeds of \$70 thousand to Katahdin Timberlands LLC for the six months ended June 25, 2016 (2015 – 3.61 acres for \$129 thousand).

Further to the related party transactions noted above, the total net receivable due from related parties as at June 25, 2016 is \$49 thousand (December 31, 2015 net receivable due from related parties – \$34 thousand) and net payables due to related parties is \$nil (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
<b>Debt</b>						
Term facility <sup>1</sup>	\$ 94,265	\$ 94,265	\$ —	\$ —	\$ 94,265	\$ —
Revolving facility	13,002	—	—	—	—	—
	\$ 107,267	\$ 94,265	\$ —	\$ —	\$ 94,265	\$ —
Interest payments <sup>2</sup>		\$ 12,768	\$ 2,837	\$ 8,512	\$ 1,419	\$ —

1. Represents principal of a U.S. dollar denominated term loan with a U.S. to Canadian dollar conversion of 1.3002, 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 1.3002.

## Additional Quarterly Information

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

### NB Timberlands

	2016 Q2			2016 Q1			2015 Q4			2015 Q3		
	Harvest	Sales	Results									
	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)
Softwood	35.4	65.5	\$ 3,588	111.0	80.5	\$ 4,359	89.4	90.0	\$ 5,252	104.8	105.8	\$ 5,910
Hardwood	49.5	76.6	6,475	109.6	90.0	7,559	88.0	91.0	7,189	120.2	112.1	8,249
Biomass	40.8	40.8	1,561	33.3	33.3	1,338	45.0	45.0	1,572	62.5	62.5	1,596
	125.7	182.9	11,624	253.9	203.8	13,256	222.4	226.0	14,013	287.5	280.4	15,755
Other sales			116			675			1,224			1,254
Net sales			\$ 11,740			\$ 13,931			\$ 15,237			\$ 17,009
Adjusted EBITDA <sup>1</sup>			\$ 3,887			\$ 4,958			\$ 5,540			\$ 5,951
Adjusted EBITDA margin <sup>1</sup>			33%			36%			36%			35%

### Maine Timberlands

	2016 Q2			2016 Q1			2015 Q4			2015 Q3		
	Harvest	Sales	Results									
	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)
Softwood	11.8	11.6	\$ 776	65.2	64.9	\$ 5,142	50.8	50.4	\$ 3,865	37.7	37.6	\$ 2,780
Hardwood	8.6	11.8	984	29.8	27.4	2,298	23.2	26.4	2,387	34.8	30.9	2,675
Biomass	2.6	2.6	16	5.5	5.5	37	8.6	8.6	59	5.3	5.3	35
	23.0	26.0	1,776	100.5	97.8	7,477	82.6	85.4	6,311	77.8	73.8	5,490
Other sales			140			39			187			133
Net sales			\$ 1,916			\$ 7,516			\$ 6,498			\$ 5,623
Adjusted EBITDA <sup>1</sup>			\$ (167)			\$ 2,281			\$ 2,315			\$ 1,007
Adjusted EBITDA margin <sup>1</sup>			(9%)			30%			36%			18%

### Corporate

	2016 Q2	2016 Q1	2015 Q4	2015 Q3
	Results (\$000s)	Results (\$000s)	Results (\$000s)	Results (\$000s)
Net sales	\$ —	\$ —	\$ —	\$ —
Adjusted EBITDA <sup>1</sup>	\$ (419)	\$ (195)	\$ (443)	\$ (493)

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

NB Timberlands

	2015 Q2			2015 Q1			2014 Q4			2014 Q3		
	Harvest	Sales	Results									
	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)
Softwood	66.0	103.3	\$ 5,713	130.1	90.0	\$ 4,927	92.9	93.3	\$ 5,306	107.6	109.2	\$ 6,281
Hardwood	86.0	92.3	6,544	109.4	106.8	8,038	109.6	104.9	7,490	108.7	112.3	7,354
Biomass	48.5	48.5	1,146	34.7	34.7	1,247	57.0	57.0	1,310	69.2	69.2	1,544
	200.5	244.1	13,403	274.2	231.5	14,212	259.5	255.2	14,106	285.5	290.7	15,179
Other sales			(288)			1,083			1,475			1,109
Net sales			\$ 13,115			\$ 15,295			\$ 15,581			\$ 16,288
Adjusted EBITDA <sup>1</sup>			\$ 3,472			\$ 5,293			\$ 5,424			\$ 4,510
Adjusted EBITDA margin <sup>1</sup>			26%			35%			35%			28%

Maine Timberlands

	2015 Q2			2015 Q1			2014 Q4			2014 Q3		
	Harvest	Sales	Results									
	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)	(000s m <sup>3</sup> )	(000s m <sup>3</sup> )	(\$000s)
Softwood	14.2	14.1	\$ 976	86.4	86.0	\$ 6,936	63.9	63.5	\$ 4,333	48.9	48.7	\$ 3,343
Hardwood	8.8	13.2	1,123	29.9	27.3	2,327	34.4	32.7	2,430	24.8	24.6	1,788
Biomass	4.5	4.5	33	3.2	3.2	42	9.1	9.1	83	3.7	3.7	25
	27.5	31.8	2,132	119.5	116.5	9,305	107.4	105.3	6,846	77.4	77.0	5,156
Other sales			121			87			87			139
Net sales			\$ 2,253			\$ 9,392			\$ 6,933			\$ 5,295
Adjusted EBITDA <sup>1</sup>			\$ 376			\$ 3,852			\$ 2,367			\$ 1,526
Adjusted EBITDA margin <sup>1</sup>			17%			41%			34%			29%

Corporate

	2015 Q2		2015 Q1		2014 Q4		2014 Q3	
		Results		Results		Results		Results
		(\$000s)		(\$000s)		(\$000s)		(\$000s)
Net sales		\$ —		\$ —		\$ —		\$ —
Adjusted EBITDA <sup>1</sup>		\$ (54)		\$ (393)		\$ (321)		\$ (337)

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](http://www.sedar.com). Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: anticipated financial performance; anticipated market conditions; business prospects; the economic situation of key customers; strategies; regulatory developments; exchange rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services and the ability to obtain financing on acceptable terms. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are made as of the date of this MD&A, and should not be relied upon as representing Acadian’s views as of any date subsequent to the date of this MD&A. Acadian assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as may be required by applicable law.*

# Interim Consolidated Statements of Net Income

(unaudited)

	Note	Three Months Ended		Six Months Ended	
		June 25, 2016	June 27, 2015	June 25, 2016	June 27, 2015
<i>(CAD thousands, except per share data)</i>					
Net sales	6	<b>\$ 13,656</b>	\$ 15,368	<b>\$ 35,103</b>	\$ 40,055
Operating costs and expenses					
Cost of sales	6	<b>8,561</b>	10,241	<b>21,647</b>	24,584
Selling, administration and other	6	<b>1,660</b>	1,291	<b>3,070</b>	2,883
Reforestation		<b>134</b>	177	<b>134</b>	177
Depreciation and amortization		<b>122</b>	127	<b>247</b>	250
		<b>10,477</b>	11,836	<b>25,098</b>	27,894
Operating earnings		<b>3,179</b>	3,532	<b>10,005</b>	12,161
Interest expense, net		<b>(723)</b>	(893)	<b>(1,453)</b>	(1,781)
Other items					
Fair value adjustments		<b>2,674</b>	1,308	<b>1,903</b>	(1,138)
Unrealized exchange gain / (loss) on long-term debt	3	<b>1,935</b>	2,631	<b>6,054</b>	(5,105)
Gain on sale of timberlands		—	127	<b>93</b>	127
Gain on disposal of land, roads and other fixed assets		—	8	—	8
Earnings before income taxes		<b>7,065</b>	6,713	<b>16,602</b>	4,272
Current income tax recovery / (expense)	7	<b>154</b>	47	<b>(1)</b>	(223)
Deferred income tax expense	7	<b>(1,389)</b>	(1,110)	<b>(6,429)</b>	(1,322)
Net income		<b>\$ 5,830</b>	\$ 5,650	<b>\$ 10,172</b>	\$ 2,727
Net income per share - basic and diluted		<b>\$ 0.35</b>	\$ 0.34	<b>\$ 0.61</b>	\$ 0.16

See accompanying notes to interim consolidated financial statements.

# Interim Consolidated Statements of Comprehensive Income

(unaudited)

	Three Months Ended		Six Months Ended	
	June 25, 2016	June 27, 2015	June 25, 2016	June 27, 2015
<i>(CAD thousands)</i>				
Net income	\$ 5,830	\$ 5,650	\$ 10,172	\$ 2,727
Other comprehensive income / (loss)				
Items that may be reclassified subsequently to net income:				
Unrealized foreign currency translation income / (loss)	(2,758)	(4,066)	(8,322)	7,478
Amortization of derivatives designated as cash flow hedges	—	(49)	—	(95)
Comprehensive income	\$ 3,072	\$ 1,535	\$ 1,850	\$ 10,110

See accompanying notes to interim consolidated financial statements.

# Interim Consolidated Balance Sheets

(unaudited)

<i>As at</i> <i>(CAD thousands)</i>	Note	<b>June 25, 2016</b>	December 31, 2015
<b>Assets</b>			
Current assets			
Cash and cash equivalents		<b>\$ 18,783</b>	\$ 17,716
Accounts receivable and other assets	5	<b>6,860</b>	7,973
Inventory		<b>849</b>	1,391
		<b>26,492</b>	27,080
Timber	10	<b>327,320</b>	333,732
Land, roads and other fixed assets		<b>80,675</b>	82,826
Intangible assets		<b>6,140</b>	6,140
		<b>\$ 440,627</b>	\$ 449,778
<b>Liabilities and shareholders' equity</b>			
Current liabilities			
Accounts payable and accrued liabilities	5	<b>\$ 4,250</b>	\$ 4,399
Dividends payable to shareholders	9	<b>4,183</b>	4,183
		<b>8,433</b>	8,582
Long-term debt	3	<b>93,816</b>	99,819
Deferred income tax liability	7	<b>77,848</b>	74,331
Shareholders' equity	4	<b>260,530</b>	267,046
		<b>\$ 440,627</b>	\$ 449,778

See accompanying notes to interim consolidated financial statements.

# Interim Consolidated Statements of Changes in Equity

(unaudited)

<i>Six Months Ended June 25, 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	—	10,172	—	—	—	10,172
Other comprehensive loss	—	—	—	(8,322)	—	(8,322)
Shareholders' dividends declared	—	(8,366)	—	—	—	(8,366)
Balance as at June 25, 2016	\$ 140,067	\$ 66,425	\$ 26,191	\$ 27,847	\$ —	\$ 260,530

See accompanying notes to interim consolidated financial statements.

<i>Six Months Ended June 27, 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 income	—	2,727	—	—	—	2,727
Other comprehensive income / (loss)	—	—	—	7,478	(95)	7,383
Shareholders' dividends declared	—	(7,529)	—	—	—	(7,529)
Balance as at June 27, 2015	\$ 140,067	\$ 61,652	\$ 29,364	\$ 19,964	\$ 146	\$ 251,193

See accompanying notes to interim consolidated financial statements.

# Interim Consolidated Statements of Cash Flows

(unaudited)

(CAD thousands)	Note	Three Months Ended		Six Months Ended	
		June 25, 2016	June 27, 2015	June 25, 2016	June 27, 2015
Cash provided by (used for):					
<b>Operating activities</b>					
Net income		\$ 5,830	\$ 5,650	\$ 10,172	\$ 2,727
Adjustments to net income:					
Deferred income tax expense	7	1,389	1,110	6,429	1,322
Depreciation and amortization		122	127	247	250
Fair value adjustments		(2,674)	(1,308)	(1,903)	1,138
Unrealized exchange (gain) / loss on long-term debt	3	(1,935)	(2,631)	(6,054)	5,105
Interest expense, net		723	893	1,453	1,781
Interest paid, net		(695)	(899)	(1,399)	(1,792)
Gain on sale of timberlands		—	(127)	(93)	(127)
Gain on disposal of land, roads and other fixed assets		—	(8)	—	(8)
Other, net		(2,021)	(361)	(986)	243
Net change in non-cash working capital balances and other		1,756	345	1,506	(485)
		2,495	2,791	9,372	10,154
<b>Financing activities</b>					
Dividends paid to shareholders	9	(4,183)	(3,764)	(8,366)	(7,215)
		(4,183)	(3,764)	(8,366)	(7,215)
<b>Investing activities</b>					
Additions to timber, land, roads and other fixed assets		(17)	(111)	(34)	(154)
Proceeds from sale of timberlands		—	129	95	129
Proceeds from sale of land, roads and other fixed assets		—	8	—	8
		(17)	26	61	(17)
Increase / (decrease) in cash and cash equivalents during the period		(1,705)	(947)	1,067	2,922
Cash and cash equivalents, beginning of period		20,488	16,529	17,716	12,660
<b>Cash and cash equivalents, end of period</b>		<b>\$ 18,783</b>	<b>\$ 15,582</b>	<b>\$ 18,783</b>	<b>\$ 15,582</b>

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 June 25, 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 August 3, 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 consisted of the following:

<i>As at</i> <i>(CAD thousands)</i>	<b>June 25, 2016</b>	December 31, 2015
Term facility, due October 2020	<b>\$ 94,265</b>	\$ 100,321
Less: Deferred debt issuance costs	<b>(449)</b>	(502)
<b>Total</b>	<b>\$ 93,816</b>	\$ 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 U.S.\$10.0 million (the "Revolving Facility") for general corporate purposes and a term credit facility of U.S.\$72.5 million (the "Term Facility"). The Term Facility bears interest at a fixed rate of 3.01%. The Revolving Facility bears interest at floating rates based on 90 day LIBOR plus applicable margin. Floating interest rates give rise to interest rate risk as earnings and cash flows may be negatively impaired by fluctuations in interest rates.

As at June 25, 2016 and December 31, 2015, Acadian had borrowed U.S.\$72.5 million under the Term Facility and \$nil under the Revolving Facility; however, U.S.\$1.6 million of the Revolving Facility is reserved to support the minimum cash balance requirement of the Term Facility. As security for these facilities, Acadian granted the lenders a security interest over all of its assets. The facilities are subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness and granting liens or selling assets without the consent of the lenders. The credit facilities are also subject to the maintenance of a maximum loan-to-value ratio. Acadian is in compliance with all covenants as of June 25, 2016 and December 31, 2015.

The fair value of the Term Facility as at June 25, 2016 is \$96.5 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 June 25, 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 June 25, 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 and six months ended June 25, 2016 totaled \$0.6 million (2015 – \$0.6 million) and \$1.2 million (2015 – \$1.1 million), respectively. As at June 25, 2016, fees of \$nil (2015 – \$nil) remain outstanding.
- b) Maine Timberlands sold 4.0 acres of land for net proceeds of \$70 thousand to Katahdin Timberlands LLC for the six months ended June 25, 2016 (2015 – 3.61 acres for \$129 thousand).

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

Further to the related party transactions noted above, the total net receivable due from related parties as at June 25, 2016 is \$49 thousand (December 31, 2015 net receivable due from related parties – \$34 thousand) and net payable due to related parties is \$nil (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 June 25, 2016 (CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	\$ 4,364	\$ 3,588	\$ 776	\$ —
Hardwood	7,459	6,475	984	—
Biomass	1,577	1,561	16	—
Other	256	116	140	—
Total net sales	13,656	11,740	1,916	—
Operating costs	(10,221)	(7,767)	(2,034)	(420)
Reforestation	(134)	(111)	(23)	—
Depreciation and amortization	(122)	(49)	(73)	—
Operating earnings / (loss)	3,179	3,813	(214)	(420)
Fair value adjustments	2,674	1,635	1,039	—
Earnings / (loss) before the under noted	5,853	5,448	825	(420)
Unrealized exchange gain on long-term debt	1,935			
Interest expense, net	(723)			
Current income tax recovery	154			
Deferred income tax expense	(1,389)			
Net income	\$ 5,830			
<hr/>				
<i>As at June 25, 2016 (CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	\$ 414,135	\$ 249,304	\$ 164,831	\$ —
Total assets	440,627	259,768	170,175	10,684
Total liabilities	\$ 180,097	\$ 3,380	\$ 38,211	\$ 138,506

<i>Three Months Ended June 27, 2015</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	\$ 6,689	\$ 5,713	\$ 976	\$ —
Hardwood	7,667	6,544	1,123	—
Biomass	1,179	1,146	33	—
Other	(167)	(288)	121	—
Total net sales	15,368	13,115	2,253	—
Operating costs	(11,532)	(9,515)	(1,962)	(55)
Reforestation	(177)	(154)	(43)	20
Depreciation and amortization	(127)	(55)	(72)	—
Operating earnings / (loss)	3,532	3,391	176	(35)
Gain on sale of timberlands	127	—	127	—
Gain on disposal of land, roads and other fixed assets	8	8	—	—
Fair value adjustments	1,308	(78)	1,386	—
Earnings / (loss) before the under noted	4,975	3,321	1,689	(35)
Unrealized exchange gain on long-term debt	2,631			
Interest expense, net	(893)			
Current income tax recovery	47			
Deferred income tax expense	(1,110)			
Net income	\$ 5,650			

<i>As at June 27, 2015</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	\$ 394,387	\$ 215,530	\$ 178,857	\$ —
Total assets	418,223	225,563	183,624	9,036
Total liabilities	\$ 167,030	\$ 5,001	\$ 45,279	\$ 116,750

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

<i>Six Months Ended June 25, 2016</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	\$ 13,865	\$ 7,947	\$ 5,918	\$ —
Hardwood	17,316	14,034	3,282	—
Biomass	2,952	2,899	53	—
Other	970	791	179	—
Total net sales	35,103	25,671	9,432	—
Operating costs	(24,717)	(16,741)	(7,362)	(614)
Reforestation	(134)	(111)	(23)	—
Depreciation and amortization	(247)	(97)	(150)	—
Operating earnings / (loss)	10,005	8,722	1,897	(614)
Gain on sale of timberlands	93	—	93	—
Fair value adjustments	1,903	2,292	(389)	—
Earnings / (loss) before the under noted	12,001	11,014	1,601	(614)
Unrealized exchange gain on long-term debt	6,054			
Interest expense, net	(1,453)			
Current income tax expense	(1)			
Deferred income tax expense	(6,429)			
Net income	\$ 10,172			

<i>Six Months Ended June 27, 2015</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	\$ 18,552	\$ 10,640	\$ 7,912	\$ —
Hardwood	18,032	14,582	3,450	—
Biomass	2,468	2,393	75	—
Other	1,003	795	208	—
Total net sales	40,055	28,410	11,645	
Operating costs	(27,467)	(19,518)	(7,501)	(448)
Reforestation	(177)	(154)	(43)	20
Depreciation and amortization	(250)	(107)	(143)	—
Operating earnings / (loss)	12,161	8,631	3,958	(428)
Gain on sale of timberlands	127	—	127	—
Gain on disposal of land, roads and other fixed assets	8	8	—	—
Fair value adjustments	(1,138)	(444)	(694)	—
Earnings / (loss) before the under noted	11,158	8,195	3,391	(428)
Unrealized exchange loss on long-term debt	(5,105)			
Interest expense, net	(1,781)			
Current income tax expense	(223)			
Deferred income tax expense	(1,322)			
Net income	\$ 2,727			

During the three months ended June 25, 2016 approximately 37% of total sales (2015 – 31%) were originated with customers domiciled in the U.S. and the balance in Canada. During the same period, approximately 23% of total sales (2015 – 21%) 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 June 25, 2016, Acadian's top three suppliers accounted for approximately 19%, 11% and 7%, respectively, of Acadian's total harvesting and delivery costs (2015 – 20%, 19% and 7%, respectively).

Acadian sells its products to many forest product companies in North America. For the three-month period ended June 25, 2016, sales to the largest and next largest customer accounted for 18% and 13%, respectively (2015 – 30% and 10%, respectively).

## NOTE 7. INCOME TAXES

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

<i>Six Months Ended (CAD thousands)</i>	<b>June 25, 2016</b>	June 27, 2015
Income tax expense		
Income tax at statutory rate	<b>\$ 4,815</b>	\$ 1,153
Foreign tax rate differential	<b>174</b>	442
Permanent differences	<b>(1,732)</b>	(183)
Rate adjustments	<b>3,353</b>	—
Benefit of previously unrecognized tax attributes	<b>(190)</b>	100
Other	<b>10</b>	33
Total income tax expense	<b>\$ 6,430</b>	\$ 1,545

## NOTE 8. EMPLOYEE BENEFIT PLANS

NB Timberlands and Maine Timberlands each have defined contribution pension plans covering substantially all employees. During the three and six months ended June 25, 2016, contributions recorded as expenses amounted to \$61 thousand (2015 – \$62 thousand) and \$121 thousand (2015 - \$127 thousand), respectively.

## NOTE 9. DIVIDENDS TO SHAREHOLDERS

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

Total dividends declared for the three months ended June 25, 2016 were \$4.2 million (2015 – \$3.8 million) or \$0.25 per share (2015 – \$0.23 per share). For the six months ended June 25, 2016, total dividends were \$8.4 million (2015 - \$7.5 million) or \$0.50 per share (2015 - \$0.45 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
<b>Balance at December 31, 2015</b>	<b>\$ 333,732</b>
Gains arising from growth	14,877
Decrease arising from harvest	(12,707)
Foreign exchange	(8,582)
<b>Balance at June 25, 2016</b>	<b>\$ 327,320</b>

# Board and Management

# Corporate and Shareholder Information

## BOARD OF DIRECTORS MANAGEMENT

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*

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*

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

Wyatt Hartley  
*Chief Financial Officer  
of Acadian and Senior Vice  
President of the Manager*

Reid Carter  
*Managing Partner  
Brookfield Asset  
Management Inc.*

Marcia McKeague  
*Vice President,  
Maine Woodland  
Operations*

David Mann, QC  
*Corporate Director*

Luc Ouellet  
*Vice President,  
NB Woodland Operations*

Saul Shulman  
*Chief Executive Officer  
MLG Management Inc.*

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

## 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. tsteel@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 (June 25, 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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