

Q3 2016 Interim Report

Letter to Shareholders

Overview

Acadian Timber Corp.'s ("Acadian") operations performed well for the three-month period ending September 24, 2016 (the "third quarter"). Our operations continue to benefit from strong pricing in New Brunswick, which was in-line with the same quarter in the prior year and up 3% year to date. Log sales volumes declined 12% from the same quarter in the prior year. This decrease reflected a combination of the planned reduction in hardwood harvest levels under Acadian's forest management plan and reduced softwood sales as regional mill inventories remained at higher than normal levels through the quarter. For the first nine months of 2016, we have distributed \$0.75 per share, a payout ratio of 96% which is in line with our long-term target of 95%.

Results of Operations

Acadian's operations experienced two recordable safety incidents during the quarter among employees and two among contractors. While all of the incidents resulted in lost time, overall the injuries were relatively minor in nature. We continue to focus on maintaining our strong commitment to safety performance. We are pleased to report that, in September, the Maine operations successfully completed a surveillance audit under the 2015-2019 standard of the Sustainable Forest Initiative® without any non-conformances and notably with several 'exceeds expectations' determinations, which re-affirms our certificate and is a testament to the sustainability of our operations.

Acadian generated net sales of \$19.3 million during the third quarter, a decrease of \$3.3 million compared to the same period last year. Strength in log selling prices in the New Brunswick market were more than offset by lower log sales volumes as regional spruce fir mill inventories remained at higher than normal levels through the quarter. In addition, the harvest of other softwood species was impacted by less favorable year over year seasonal operability. Sales volumes also reflect the planned reduction in hardwood harvest volumes under Acadian's forest management plan. While high levels of biomass sales drove our weighted average realized selling price for the quarter down 14% compared to last year, the selling prices for most of our products were roughly in-line with the prior period. Adjusted EBITDA margin of 27% was slightly lower than the same period in 2015 at 29% due to lower margin sales mix.

Our balance sheet is solid with \$96 million of net liquidity as at September 24, 2016, including funds available under Acadian's Revolving Facility and our stand-by equity commitment with Brookfield.

Outlook²

The U.S. economy stands out amidst a weak global economic backdrop, with growth accelerating in the third quarter following a disappointing first half of 2016. Ongoing economic growth reflects firm domestic fundamentals including robust job growth, rising wages, and low energy prices. Consumers are feeling confident as the labour market approaches full employment and solid real wage growth supports rising consumption. As inflation picks-up in the coming months, the Fed is expected to continue its rate hiking cycle. These fundamentals continue to support an on-going gradual recovery in U.S. housing starts and strong residential improvement activity. Consensus expectations continue to call for steady year-over-year improvement in total housing starts for 2016 and 2017 of 7% and 10% respectively. Industry forecasters predict that U.S. 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 12-15% for the third quarter and are expected to improve modestly on a full year-over-year basis. With the expiry of the one-year moratorium on trade filings in mid-October following the end of the 2006 Softwood Lumber Agreement in 2015, the North American lumber pricing environment is again highly uncertain. In the absence of any near term settlement between Canada and the U.S., the U.S. Department of Commerce is expected to initiate a countervailing and anti-dumping investigation which could result in an imposition of duties on Canadian lumber producers as early as the second quarter of 2017. During the prior U.S./Canada softwood lumber dispute, Canada's Atlantic lumber producers and Québec border mills experienced lower relative duties than the rest of Canada and we expect treatment of these producers during the current dispute will be materially the same as in the past. This differential treatment is due to the significantly greater proportion of private timberlands in the Atlantic region relative to the rest of Canada as well as a long history of active cross-border log exports within the Northeast region.

Regionally, our most important markets are softwood sawlogs and hardwood pulpwood. Both of these markets are in good balance and are expected to remain near current price and volume levels. Acadian's regional sawmill customers have continued to operate on full shifts, although reflecting favourable summer and early fall logging conditions are now carrying somewhat higher than typical seasonal inventories. Maine sawmills continue to face challenges with demand for softwood sawmill residuals and softwood pulpwood markets remain oversupplied. Hardwood sawlog markets remained strong and steady during the third quarter and are expected to remain near current levels. Hardwood pulp prices declined slightly in the quarter but remain historically very strong. Domestic biomass markets remain stable in New Brunswick but export and Maine markets are experiencing some weakness driven by idled mill and biomass generator 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
October 28, 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 September 24, 2016 (herein referred to as the "third quarter") and the nine-month period ended September 24, 2016 compared to the three- and nine-month periods ended September 26, 2015, and should be read in conjunction with the interim condensed consolidated financial statements and notes thereto included at page 14 of this interim report.

Our third quarter financial results are determined in accordance with IAS 34 "*Interim Financial Reporting*" using accounting policies consistent with International Financial Reporting Standards ("IFRS") and are expressed in Canadian dollars unless otherwise noted. External economic and industry factors remain unchanged since the previous annual report, unless otherwise noted. This MD&A has been prepared based on information available as at October 28, 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 September 24, 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 2013 framework as at December 31, 2015. There have been no changes in our internal controls over financial reporting during the period ended September 24, 2016 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

REVIEW OF OPERATIONS

Summary of Third Quarter Results

The table below summarizes operating and financial data for Acadian:

	Three Months Ended		Nine Months Ended	
	September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
<i>(CAD thousands, except where indicated)</i>				
Sales volume (000s m ³)	351.7	354.2	862.2	978.1
Net sales	\$ 19,342	\$ 22,632	\$ 54,445	\$ 62,687
Net income / (loss)	2,779	(2,851)	12,951	(124)
Adjusted EBITDA ¹	\$ 5,153	\$ 6,465	\$ 15,498	\$ 19,011
Free Cash Flow ¹	\$ 4,195	\$ 5,245	\$ 13,108	\$ 15,624
Dividends declared	4,182	3,765	12,548	11,294
Payout ratio	100%	72%	96%	72%
Per share – basic and diluted				
Net income / (loss)	\$ 0.17	\$ (0.17)	\$ 0.77	\$ (0.01)
Free Cash Flow ¹	0.25	0.31	0.78	0.93
Dividends declared	0.25	0.23	0.75	0.68
Book value	15.56	15.26	15.56	15.26
Common shares outstanding	16,731,216	16,731,216	16,731,216	16,731,216

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

For the third quarter, Acadian generated net sales of \$19.3 million compared with net sales of \$22.6 million in the comparative year as a 1% decrease in sales volumes was accompanied by a 14% decrease in the weighted average realized selling price for the quarter due primarily to a higher proportion of biomass sales. Excluding biomass, log sales volumes were down 12% from the prior year. This decrease reflected higher than typical regional spruce fir log inventories and more favourable prior year harvest conditions for pine and cedar stands. Sales volumes also reflect the planned reduction in hardwood harvest volumes under Acadian's forest management plan. Selling prices for most of our non-biomass products were roughly in-line with the prior period. The weighted average log selling price down marginally (3%) compared to the prior year as a result of unfavourable mix due to a relative decrease in hardwood sales volumes. For the nine months ended September 24, 2016, Acadian generated net sales of \$54.4 million on sales volumes of 862 thousand m³ compared to net sales of \$62.7 million on sales volumes of 978 thousand m³ in the comparable period of 2015.

Adjusted EBITDA and Adjusted EBITDA margin for the third quarter was \$5.2 million and 27%, respectively, compared to \$6.5 million and 29%, respectively, during the comparable period in 2015. This decrease was largely due to a lower margin sales mix. For the nine months ended September 24, 2016, Adjusted EBITDA was \$15.5 million; \$3.5 million lower than during the same period last year.

Net income totaled \$2.8 million, or \$0.17 per share, for the third quarter, compared to \$(0.17) for the same period in 2015. The increase is primarily due to lower non-cash fair value adjustments to our timberlands as a result of lower harvest volumes. For the nine months ended September 24, 2016, net income was \$13.0 million, or \$0.77 per share, an increase of \$13.0 million over the same period in 2015 primarily as a result of an unrealized foreign exchange gain on long-term debt.

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

	Three Months Ended		Nine Months Ended	
	September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
<i>(CAD thousands)</i>				
Net income / (loss)	\$ 2,779	\$ (2,851)	\$ 12,951	\$ (124)
Add / (deduct):				
Interest expense, net	733	804	2,186	2,585
Current income tax expense / (recovery)	7	132	8	355
Deferred income tax expense	922	289	7,351	1,611
Depreciation and amortization	124	131	371	381
Fair value adjustments	(333)	792	(2,236)	1,930
Unrealized exchange loss / (gain) on long-term debt	921	7,168	(5,133)	12,273
Adjusted EBITDA ¹	\$ 5,153	\$ 6,465	\$ 15,498	\$ 19,011
Add / (deduct):				
Interest paid on debt, net	(708)	(916)	(2,107)	(2,708)
Additions to timber, land, roads and other fixed assets	(245)	(187)	(279)	(341)
Gain on sale of timberlands	(81)	(13)	(174)	(140)
Loss on disposal of land, roads and other fixed assets	—	14	—	6
Proceeds from sale of timberlands	83	14	178	143
Proceeds from sale of land, roads and other fixed assets	—	—	—	8
Current income tax expense	(7)	(132)	(8)	(355)
Free Cash Flow ¹	\$ 4,195	\$ 5,245	\$ 13,108	\$ 15,624
Dividends declared	\$ 4,182	\$ 3,765	\$ 12,548	\$ 11,294
Payout ratio	100%	72%	96%	72%

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 New Brunswick Timberlands, less estimated cash amounts required for expenses and other obligations of Acadian, cash redemptions of shares and any tax liability. Dividends are paid on or about the 15th day following each dividend declaration date.

Total dividends declared to shareholders during the three months ended September 24, 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 September 24, 2016 was 96%, in line with our long-term target of 95%.

Operating and Market Conditions

Acadian’s operations ran well during the third quarter. Weather conditions were typical for the summer season and our operations continued to benefit from solid markets in New Brunswick. Excluding biomass, log sales volumes of 252 thousand m³ for the quarter were down 12% year-over-year reflecting higher than typical regional spruce fir log inventories and more favourable prior year harvest conditions for pine and cedar stands. The sales volumes also reflect the planned reduction in hardwood harvest volumes under Acadian’s current forest management plan. For the full year we expect to achieve our projected hardwood harvest volumes under our forest management plan, however we expect to be modestly below projected softwood harvest volumes due to unfavourable operating conditions encountered.

The selling prices for most of our products were roughly in-line with the prior period. Acadian's weighted average realized log selling price during the third quarter decreased marginally (3%) year-over-year as continued strength in New Brunswick markets were more than offset by weaker prices in the Maine market. New Brunswick markets were stable, with hardwood sawlog and pulpwood prices flat compared to prior year. Softwood sawlog and pulpwood prices saw modest 3% and 1% decreases, respectively, versus the comparative period. Weak demand for softwood residuals continues to drive weaker pricing in the Maine market. Hardwood pulp prices in Maine declined slightly but remain historically very strong.

Biomass markets also slowed, with margins decreasing 15% year-over-year, primarily reflecting a decrease in the proportion of sales to export markets.

Segmented Results of Operations

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

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

<i>Three Months Ended September 26, 2015</i> <i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	280.4	73.8	—	354.2
Net sales	\$ 17,009	\$ 5,623	\$ —	\$ 22,632
Adjusted EBITDA ¹	\$ 5,951	\$ 1,007	\$ (493)	\$ 6,465
Adjusted EBITDA margin ¹	35%	18%	n/a	29%

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

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

<i>Nine Months Ended September 26, 2015</i> <i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	756.0	222.1	—	978.1
Net sales	\$ 45,419	\$ 17,268	\$ —	\$ 62,687
Adjusted EBITDA ¹	\$ 14,716	\$ 5,235	\$ (940)	\$ 19,011
Adjusted EBITDA margin ¹	32%	30%	n/a	30%

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 September 24, 2016				Three Months Ended September 26, 2015			
	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results (\$000s)	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results (\$000s)
Softwood	97.4	99.2	35%	5,258	104.8	105.8	38%	\$ 5,910
Hardwood	98.5	91.2	32%	6,663	120.2	112.1	40%	8,249
Biomass	92.3	92.3	33%	1,660	62.5	62.5	22%	1,596
	288.2	282.7	100%	13,581	287.5	280.4	100%	15,755
Other sales				747				1,254
Net sales				14,328				\$ 17,009
Adjusted EBITDA ¹				4,608				\$ 5,951
Adjusted EBITDA margin ¹				32%				35%

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

	Nine Months Ended September 24, 2016				Nine Months Ended September 26, 2015			
	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results (\$000s)	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results (\$000s)
Softwood	243.8	245.2	37%	13,205	300.9	299.1	40%	\$ 16,550
Hardwood	257.6	257.8	38%	20,697	315.6	311.2	41%	22,831
Biomass	166.4	166.4	25%	4,559	145.7	145.7	19%	3,989
	667.8	669.4	100%	38,461	762.2	756.0	100%	43,370
Other sales				1,538				2,049
Net sales				39,999				\$ 45,419
Adjusted EBITDA ¹				13,453				\$ 14,716
Adjusted EBITDA margin ¹				34%				32%

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

Three months ended September 24, 2016:

Net sales totaled \$14.3 million compared to \$17.0 million for the same period last year, reflecting a 13% decrease in log sales volumes and a 4% decrease in the weighted average log selling price. Log sales volumes excluding biomass declined to 190 thousand m³ from 218 thousand m³ in the prior year. This decrease reflects higher than typical regional spruce fir log inventories, more favourable prior year harvest conditions for pine and cedar stands, and the planned reduction in hardwood harvest volumes under Acadian's forest management plan. The weighted average log selling price was \$62.65 per m³ in the third quarter of 2016, down from \$64.98 per m³ in the same period of 2015 due primarily to unfavourable mix from a relative decrease in hardwood sales volumes.

Adjusted EBITDA was \$4.6 million, compared to \$6.0 million in the third quarter of 2015 due primarily to the aforementioned decrease in log sales volumes and lower margin sales mix. Adjusted EBITDA margin decreased to 32% from 35% in the same period. Costs were \$9.4 million, compared to \$11.1 million in the same period in 2015, due to lower log sales volumes and a 3% decrease in variable costs per m³ mainly as a result of shorter hauling distances for softwood products.

Nine months ended September 24, 2016:

Net sales were \$40 million, a decrease of \$5.4 million compared to the same period last year due to lower sales volumes, which was partially offset by increased selling prices.

Adjusted EBITDA was \$13.5 million, a decrease of \$1.2 million compared to the same period last year, while the Adjusted EBITDA margin increased to 34% from 32% in the prior year. Costs were \$26.1 million; \$4.6 million lower than during the same period last year, due to lower sales volumes partially offset by a 1% increase in variable costs per m³, which was largely attributable to longer average haul distances during the first half of the year.

Safety

There were two recordable safety incidents among employees and one recordable safety incidents among contractors during the third quarter of 2016. While all 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.

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 September 24, 2016				Three Months Ended September 26, 2015			
	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results (\$000s)	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results (\$000s)
Softwood	36.3	36.2	53%	2,878	37.7	37.6	51%	\$ 2,780
Hardwood	29.7	25.6	37%	1,977	34.8	30.9	42%	2,675
Biomass	7.2	7.2	10%	23	5.3	5.3	7%	35
	73.2	69.0	100%	4,878	77.8	73.8	100%	5,490
Other sales				136				133
Net sales				5,014				\$ 5,623
Adjusted EBITDA ¹				749				\$ 1,007
Adjusted EBITDA margin ¹				15%				18%

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

	Nine Months Ended September 24, 2016				Nine Months Ended September 26, 2015			
	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results (\$000s)	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results (\$000s)
Softwood	113.3	112.7	58%	8,796	138.3	137.7	62%	\$ 10,692
Hardwood	68.1	64.8	34%	5,259	73.5	71.4	32%	6,125
Biomass	15.3	15.3	8%	76	13.0	13.0	6%	110
	196.7	192.8	100%	14,131	224.8	222.1	100%	16,927
Other sales				315				341
Net sales				14,446				\$ 17,268
Adjusted EBITDA ¹				2,863				\$ 5,235
Adjusted EBITDA margin ¹				20%				30%

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

Three months ended September 24, 2016:

Net sales totaled \$5.0 million compared to \$5.6 million for the same period last year. This decrease reflects a 7% decrease in sales volumes due primarily to lower hardwood pulp sales volumes. The weighted average log selling price in Canadian dollar terms was \$78.56 per m³, a 1% decrease from \$79.58 per m³ in the same period of 2015. The weighted average log selling price in U.S. dollar terms was \$60.24 per m³, a decrease of 1% year-over-year as continued weakness in softwood pulp pricing was mostly offset by the benefit of favourable sales mix.

Adjusted EBITDA was \$0.7 million, compared to \$1.0 million in the same period in 2015 due primarily to the aforementioned decrease in sales volumes, while the Adjusted EBITDA margin decreased to 15% from 18% in the prior year. Costs for the third quarter were \$4.3 million, compared to \$4.6 million during the same period in 2015 due primarily to the lower sales volumes. Variable costs per m³ increased 6% in both Canadian dollar and U.S. dollar terms due primarily to greater hauling distances for hardwood products.

Nine months ended September 24, 2016:

Net sales were \$14.4 million, a decrease of \$2.8 million over the same period of 2015, primarily resulting from reduced sales volumes.

Adjusted EBITDA was \$2.9 million, a decrease of \$2.4 million compared to the same period last year, while the Adjusted EBITDA margin decreased to 20% from 30% in the prior year. Costs were \$11.6 million, \$0.4 million lower than during the same period of 2015 as the impact of the lower sales volumes were partially offset by the negative impact of the stronger U.S. dollar.

Safety

There were no recordable safety incidents among employees and one lost time among contractors during the third quarter of 2016. In September, the Maine operations successfully completed a surveillance audit under the 2015-2019 standard of the Sustainable Forest Initiative® without any non-conformances and notably with several 'exceeds expectations' determinations, which re-affirms our certificate and is a testament to the sustainability of our operations.

Financial Position

Our financial position continues to be solid with \$96 million of net liquidity as at September 24, 2016, including funds available under Acadian's Revolving Facility and our stand-by equity commitment with Brookfield.

As at September 24, 2016, Acadian's balance sheet consisted of total assets of \$447.6 million (December 31, 2015 – \$449.8 million), represented primarily by timber, land, roads and other fixed assets of \$409.7 million (December 31, 2015 – \$416.6 million) with the balance in cash and current assets of \$31.8 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 nine months of the year. Reforestation costs have been expensed as incurred.

MARKET OUTLOOK

The following contains forward-looking statements about Acadian Timber Corp.'s market outlook for the remainder of 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.

The U.S. economy stands out amidst a weak global economic backdrop, with growth accelerating in the third quarter following a disappointing first half of 2016. Ongoing economic growth reflects firm domestic fundamentals including robust job growth, rising wages, and low energy prices. Consumers are feeling confident as the labour market approaches full employment and solid real wage growth supports rising consumption. As inflation picks-up in the coming months, the Fed is expected to continue its rate hiking cycle. These fundamentals continue to support an on-going gradual recovery in U.S. housing starts and strong residential improvement activity. Consensus expectations continue to call for steady year-over-year improvement in total housing starts for 2016 and 2017 of 7% and 10% respectively. Industry forecasters predict that U.S. 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 12-15% for the third quarter and are expected to improve modestly on a full year-over-year basis. With the expiry of the one-year moratorium on trade filings in mid-October following the end of the 2006 Softwood Lumber Agreement in 2015, the North American lumber pricing environment is again highly uncertain. In the absence of any near term settlement between Canada and the U.S., the U.S. Department of Commerce is expected to initiate a countervailing and anti-dumping investigation which could result in an imposition of duties on Canadian lumber producers as early as the second quarter of 2017. During the prior U.S./Canada softwood lumber dispute, Canada's Atlantic lumber producers and Québec border mills experienced lower relative duties than the rest of Canada and we expect treatment of these producers during the current dispute will be materially the same as in the past. This differential treatment is due to the significantly greater proportion of private timberlands in the Atlantic region relative to the rest of Canada as well as a long history of active cross-border log exports within the Northeast region.

Regionally, our most important markets are softwood sawlogs and hardwood pulpwood. Both of these markets are in good balance and are expected to remain near current price and volume levels. Acadian's regional sawmill customers have continued to operate on full shifts, although reflecting favourable summer and early fall logging conditions are now carrying somewhat higher than typical seasonal inventories. Maine sawmills continue to face challenges with demand for softwood sawmill residuals and softwood pulpwood markets remain oversupplied. Hardwood sawlog markets remained strong and

steady during the third quarter and are expected to remain near current levels. Hardwood pulp prices declined slightly in the quarter but remain historically very strong. Domestic biomass markets remain stable in New Brunswick but export and Maine markets are experiencing some weakness driven by idled mill and biomass generator 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>	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales volume (000s m ³)	352	209	302	311	354	276	348	361
Net sales	\$ 19,342	\$ 13,656	\$ 21,447	\$ 21,735	\$ 22,632	\$ 15,368	\$ 24,687	\$ 22,514
Adjusted EBITDA ¹	5,153	3,301	7,044	7,412	6,465	3,794	8,752	7,470
Free Cash Flow ¹	4,195	2,743	6,170	6,388	5,245	2,833	7,546	6,313
Net income / (loss)	2,779	5,830	4,342	13,765	(2,851)	5,650	(2,923)	38,360
Per share – basic and diluted	\$ 0.17	\$ 0.35	\$ 0.26	\$ 0.82	\$ (0.17)	\$ 0.34	\$ (0.17)	\$ 2.29

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 the exchange value and recognized in the interim condensed consolidated financial statements. The Company has one significant related party, Brookfield Asset Management Inc., and its affiliates (collectively “Brookfield”). As at September 24, 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 nine months ended September 24, 2016 totaled \$0.6 million (2015 – \$0.6 million) and \$1.8 million (2015 – \$1.7 million), respectively. As at September 24, 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 nine months ended September 24, 2016 (2015 - 6.54 acres for \$143 thousand).

Further to the related party transactions noted above, the total net receivable due from related parties as at September 24, 2016 is \$42 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
Debt						
Term facility ¹	\$ 95,185	\$ 95,185	\$ —	\$ —	\$ 95,185	\$ —
Revolving facility	13,129	—	—	—	—	—
	\$ 108,314	\$ 95,185	\$ —	\$ —	\$ 95,185	\$ —
Interest payments ²		\$ 12,176	\$ 2,865	\$ 8,595	\$ 716	\$ —

1. Represents principal of a U.S. dollar denominated term loan with a U.S. to Canadian dollar conversion of 1.3129, 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 1.3129.

Additional Quarterly Information

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

NB Timberlands

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

Maine Timberlands

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

Corporate

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

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

NB Timberlands

	2015 Q3			2015 Q2			2015 Q1			2014 Q4		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)
Softwood	104.8	105.8	\$ 5,910	66.0	103.3	\$ 5,713	130.1	90.0	\$ 4,927	92.9	93.3	\$ 5,306
Hardwood	120.2	112.1	8,249	86.0	92.3	6,544	109.4	106.8	8,038	109.6	104.9	7,490
Biomass	62.5	62.5	1,596	48.5	48.5	1,146	34.7	34.7	1,247	57.0	57.0	1,310
	287.5	280.4	15,755	200.5	244.1	13,403	274.2	231.5	14,212	259.5	255.2	14,106
Other sales			1,254			(288)			1,083			1,475
Net sales			\$ 17,009			\$ 13,115			\$ 15,295			\$ 15,581
Adjusted EBITDA ¹			\$ 5,951			\$ 3,472			\$ 5,293			\$ 5,424
Adjusted EBITDA margin ¹			35%			26%			35%			35%

Maine Timberlands

	2015 Q3			2015 Q2			2015 Q1			2014 Q4		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)
Softwood	37.7	37.6	\$ 2,780	14.2	14.1	\$ 976	86.4	86.0	\$ 6,936	63.9	63.5	\$ 4,333
Hardwood	34.8	30.9	2,675	8.8	13.2	1,123	29.9	27.3	2,327	34.4	32.7	2,430
Biomass	5.3	5.3	35	4.5	4.5	33	3.2	3.2	42	9.1	9.1	83
	77.8	73.8	5,490	27.5	31.8	2,132	119.5	116.5	9,305	107.4	105.3	6,846
Other sales			133			121			87			87
Net sales			\$ 5,623			\$ 2,253			\$ 9,392			\$ 6,933
Adjusted EBITDA ¹			\$ 1,007			\$ 376			\$ 3,852			\$ 2,367
Adjusted EBITDA margin ¹			18%			17%			41%			34%

Corporate

	2015 Q3	2015 Q2	2015 Q1	2014 Q4
	Results (\$000s)	Results (\$000s)	Results (\$000s)	Results (\$000s)
Net sales	\$ —	\$ —	\$ —	\$ —
Adjusted EBITDA ¹	\$ (493)	\$ (54)	\$ (393)	\$ (321)

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)

	Note	Three Months Ended		Nine Months Ended	
		September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
<i>(CAD thousands, except per share data)</i>					
Net sales	6	\$ 19,342	\$ 22,632	\$ 54,445	\$ 62,687
Operating costs and expenses					
Cost of sales	6	12,380	13,984	34,027	38,568
Selling, administration and other	6	1,460	1,744	4,530	4,627
Reforestation		430	438	564	615
Depreciation and amortization		124	131	371	381
		14,394	16,297	39,492	44,191
Operating earnings		4,948	6,335	14,953	18,496
Interest expense, net		(733)	(804)	(2,186)	(2,585)
Other items					
Fair value adjustments		333	(792)	2,236	(1,930)
Unrealized exchange gain / (loss) on long-term debt	3	(921)	(7,168)	5,133	(12,273)
Gain on sale of timberlands		81	13	174	140
Loss on disposal of land, roads and other fixed assets		—	(14)	—	(6)
Earnings / (loss) before income taxes		3,708	(2,430)	20,310	1,842
Current income tax expense	7	(7)	(132)	(8)	(355)
Deferred income tax expense	7	(922)	(289)	(7,351)	(1,611)
Net income / (loss)		\$ 2,779	\$ (2,851)	\$ 12,951	\$ (124)
Net income / (loss) per share - basic and diluted		\$ 0.17	\$ (0.17)	\$ 0.77	\$ (0.01)

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Comprehensive Income

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
<i>(CAD thousands)</i>				
Net income / (loss)	\$ 2,779	\$ (2,851)	\$ 12,951	\$ (124)
Other comprehensive income / (loss)				
Items that may be reclassified subsequently to net income / (loss):				
Unrealized foreign currency translation gain / (loss)	1,176	10,899	(7,146)	18,378
Amortization of derivatives designated as cash flow hedges	—	(145)	—	(241)
Comprehensive income	\$ 3,955	\$ 7,903	\$ 5,805	\$ 18,013

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Balance Sheets

(unaudited)

<i>As at</i> <i>(CAD thousands)</i>	Note	September 24, 2016	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents		\$ 19,797	\$ 17,716
Accounts receivable and other assets	5	10,470	7,973
Inventory		1,497	1,391
		31,764	27,080
Timber	10	328,641	333,732
Land, roads and other fixed assets		81,091	82,826
Intangible assets		6,140	6,140
		\$ 447,636	\$ 449,778
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	5	\$ 9,095	\$ 4,399
Dividends payable to shareholders	9	4,183	4,183
		13,278	8,582
Long-term debt	3	94,762	99,819
Deferred income tax liability		79,293	74,331
Shareholders' equity	4	260,303	267,046
		\$ 447,636	\$ 449,778

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Changes in Equity

(unaudited)

<i>Nine Months Ended September 24, 2016</i> <i>(CAD thousands)</i>	<i>Note</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		—	12,951	—	—	—	12,951
Other comprehensive loss		—	—	—	(7,146)	—	(7,146)
Shareholders' dividends declared	9	—	(12,548)	—	—	—	(12,548)
Balance as at September 24, 2016		\$ 140,067	\$ 65,022	\$ 26,191	\$ 29,023	\$ —	\$ 260,303

See accompanying notes to interim consolidated financial statements.

<i>Nine Months Ended September 26, 2015</i> <i>(CAD thousands)</i>	<i>Note</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		—	(124)	—	—	—	(124)
Other comprehensive income / (loss)		—	—	—	18,378	(241)	18,137
Shareholders' dividends declared	9	—	(11,294)	—	—	—	(11,294)
Balance as at September 26, 2015		\$ 140,067	\$ 55,036	\$ 29,364	\$ 30,864	\$ —	\$ 255,331

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

(unaudited)

(CAD thousands)	Note	Three Months Ended		Nine Months Ended	
		September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
Cash provided by (used for):					
Operating activities					
Net income / (loss)		\$ 2,779	\$ (2,851)	\$ 12,951	\$ (124)
Adjustments to net income / (loss):					
Deferred income tax expense	7	922	289	7,351	1,611
Depreciation and amortization		124	131	371	381
Fair value adjustments		(333)	792	(2,236)	1,930
Unrealized exchange loss / (gain) on long-term debt	3	921	7,168	(5,133)	12,273
Interest expense, net		733	804	2,186	2,585
Interest paid, net		(708)	(916)	(2,107)	(2,708)
Gain on sale of timberlands		(81)	(13)	(174)	(140)
Loss on disposal of land, roads and other fixed assets		—	14	—	6
Other, net		416	532	(570)	775
Net change in non-cash working capital balances and other		585	(1,134)	2,091	(1,619)
		5,358	4,816	14,730	14,970
Financing activities					
Deferred financing costs		—	(448)	—	(448)
Dividends paid to shareholders	9	(4,182)	(3,765)	(12,548)	(10,980)
		(4,182)	(4,213)	(12,548)	(11,428)
Investing activities					
Additions to timber, land, roads and other fixed assets		(245)	(187)	(279)	(341)
Proceeds from sale of timberlands		83	14	178	143
Proceeds from sale of land, roads and other fixed assets		—	—	—	8
		(162)	(173)	(101)	(190)
Increase in cash and cash equivalents during the period		1,014	430	2,081	3,352
Cash and cash equivalents, beginning of period		18,783	15,582	17,716	12,660
Cash and cash equivalents, end of period		\$ 19,797	\$ 16,012	\$ 19,797	\$ 16,012

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 September 24, 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 October 28, 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 interim condensed 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 interim condensed consolidated financial statements.

NOTE 3. DEBT

Debt consisted of the following:

<i>As at</i> <i>(CAD thousands)</i>	September 24, 2016	December 31, 2015
Term facility, due October 2020	\$ 95,184	\$ 100,321
Less: Deferred debt issuance costs	(422)	(502)
Total	\$ 94,762	\$ 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 September 24, 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 September 24, 2016 and December 31, 2015.

The fair value of the Term Facility as at September 24, 2016 is \$96.9 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 September 24, 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 the exchange value and recognized in the interim condensed consolidated financial statements. Acadian has one significant related party, Brookfield. As at September 24, 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 nine months ended September 24, 2016 totaled \$0.6 million (2015 – \$0.6 million) and \$1.8 million (2015 – \$1.7 million), respectively. As at September 24, 2016, fees of \$nil (December 31, 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 nine months ended September 24, 2016 (2015 - 6.54 acres for \$143 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 September 24, 2016 is \$42 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 – \$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 September 24, 2016 (CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	\$ 8,136	\$ 5,258	\$ 2,878	\$ —
Hardwood	8,640	6,663	1,977	—
Biomass	1,683	1,660	23	—
Other	883	747	136	—
Total net sales	19,342	14,328	5,014	—
Operating costs	(13,840)	(9,378)	(4,257)	(205)
Reforestation	(430)	(341)	(89)	—
Depreciation and amortization	(124)	(51)	(73)	—
Operating earnings / (loss)	4,948	4,558	595	(205)
Gain on sale of timberlands	81	—	81	—
Fair value adjustments	333	439	(106)	—
Earnings / (loss) before the undernoted	5,362	4,997	570	(205)
Unrealized exchange gain on long-term debt	(921)			
Interest expense, net	(733)			
Current income tax expense	(7)			
Deferred income tax expense	(922)			
Net income	\$ 2,779			

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

<i>Three Months Ended September 26, 2015</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	\$ 8,690	\$ 5,910	\$ 2,780	\$ —
Hardwood	10,924	8,249	2,675	—
Biomass	1,631	1,596	35	—
Other	1,387	1,254	133	—
Total net sales	22,632	17,009	5,623	—
Operating costs	(15,728)	(10,668)	(4,568)	(492)
Reforestation	(438)	(393)	(45)	—
Depreciation and amortization	(131)	(56)	(75)	—
Operating earnings / (loss)	6,335	5,892	935	(492)
Gain on sale of timberlands	13	—	13	—
(Loss) / gain on disposal of land, roads and other fixed assets	(14)	1	(15)	—
Fair value adjustments	(792)	(824)	32	—
Earnings / (loss) before the undernoted	5,542	5,069	965	(492)
Unrealized exchange loss on long-term debt	(7,168)			
Interest expense, net	(804)			
Current income tax expense	(132)			
Deferred income tax expense	(289)			
Net loss	\$ (2,851)			

<i>As at September 26, 2015</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	\$ 407,521	\$ 214,538	\$ 192,983	\$ —
Total assets	\$ 438,288	\$ 230,315	\$ 198,493	\$ 9,480
Total liabilities	\$ 182,957	\$ 9,183	\$ 49,060	\$ 124,714

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

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

<i>Nine Months Ended September 26, 2015</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	\$ 27,242	\$ 16,550	\$ 10,692	\$ —
Hardwood	28,956	22,831	6,125	—
Biomass	4,099	3,989	110	—
Other	2,390	2,049	341	—
Total net sales	62,687	45,419	17,268	—
Operating costs	(43,195)	(30,186)	(12,069)	(940)
Reforestation	(615)	(547)	(68)	—
Depreciation and amortization	(381)	(163)	(218)	—
Operating earnings / (loss)	18,496	14,523	4,913	(940)
Gain on sale of timberlands	140	—	140	—
(Loss) / gain on disposal of land, roads and other fixed assets	(6)	9	(15)	—
Fair value adjustments	(1,930)	(1,268)	(662)	—
Earnings / (loss) before the undernoted	16,700	13,264	4,376	(940)
Unrealized exchange loss on long-term debt	(12,273)			
Interest expense, net	(2,585)			
Current income tax expense	(355)			
Deferred income tax expense	(1,611)			
Net loss	\$ (124)			

During the three months ended September 24, 2016 approximately 38% of total sales (2015 – 32%) were originated with customers domiciled in the U.S. and the balance in Canada. During the same period, approximately 31% of total sales (2015 – 26%) 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 nine months ended September 24, 2016, Acadian's top three suppliers accounted for approximately 22%, 19% and 10%, respectively, of Acadian's total harvesting and delivery costs (2015 – 17%, 16% and 9%, respectively).

Acadian sells its products to many forest product companies in North America. For the three months ended September 24, 2016, sales to the largest and next largest customer accounted for 12% and 10%, respectively (2015 – 27% and 9%, respectively).

NOTE 7. INCOME TAXES

The major components of income tax recognized in net income / (loss) are as follows:

<i>Nine Months Ended (CAD thousands)</i>	September 24, 2016	September 26, 2015
Income tax expense		
Income tax at statutory rate	\$ 5,890	\$ 497
Foreign tax rate differential	237	568
Permanent differences	(2,047)	354
Rate adjustments	3,361	—
Benefit of previously unrecognized tax attributes	(104)	495
Other	22	52
Total income tax expense	\$ 7,359	\$ 1,966

NOTE 8. EMPLOYEE BENEFIT PLANS

NB Timberlands and Maine Timberlands each have defined contribution pension plans covering substantially all employees. During the three and nine months ended September 24, 2016, contributions recorded as expenses amounted to \$68 thousand (2015 – \$69 thousand) and \$190 thousand (2015 - \$195 thousand), respectively.

NOTE 9. DIVIDENDS TO SHAREHOLDERS

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

Total dividends declared for the three months ended September 24, 2016 were \$4.2 million (2015 – \$3.8 million) or \$0.25 per share (2015 – \$0.23 per share). For the nine months ended September 24, 2016, total dividends were \$12.6 million (2015 - \$11.3 million) or \$0.75 per share (2015 - \$0.68 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 gain	24,007
Balance at December 31, 2015	\$ 333,732
Gains arising from growth	22,114
Decrease arising from harvest	(19,935)
Foreign exchange loss	(7,270)
Balance at September 24, 2016	\$ 328,641

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. tsteele@acadiantimber.com

TRANSFER AGENT AND REGISTRAR

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

CST Trust Company
P.O. Box 700 Postal Station B
Montreal, QC H3B 3K3
t. 1-800-387-0825 (toll free in North America)
f. 1-888-249-6189
e. inquiries@canstockta.com
www.canstockta.com

SHARE INFORMATION

Toronto Stock Exchange: ADN
Fully Diluted Shares Outstanding (September 24, 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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