

Investors, analysts and other interested parties may access Acadian Timber Corp.'s 2024 First Quarter Results conference call and webcast on Thursday, May 9, 2024 at 1:00PM ET. Please register [here](#) or follow the link on our website at www.acadiantimber.com/presentations_and_webcasts, to receive your unique PIN. For those unable to participate, a recorded rebroadcast will be available until 4:00PM ET May 9, 2025.

ACADIAN TIMBER CORP. REPORTS FIRST QUARTER RESULTS

Edmundston, NEW BRUNSWICK – May 8, 2024 – Acadian Timber Corp. (“Acadian” or the “Company”) (TSX:ADN) today reported financial and operating results¹ for the three months ended March 30, 2024 (the “first quarter”).

“Achieving our first significant sale of carbon credits, entering a renewable energy option to lease, and purchasing additional timberlands in New Brunswick, together with solid results from our timber operations, resulted in a compelling first quarter of 2024,” said Adam Sheparski, President and Chief Executive Officer. “Rebounding timber sales volumes stemming from the hard work by the Acadian team to improve contractor availability and the pending monetization of our remaining registered carbon credits are expected to result in a robust fiscal 2024.”

Adjusted EBITDA for the quarter was \$10.6 million, compared to \$5.6 million in the same period of 2023. Acadian generated \$7.8 million of Free Cash Flow during the quarter, compared to \$3.7 million in the first quarter of 2023, and declared dividends of \$5.0 million or \$0.29 per share to our shareholders.

Acadian is committed to health and safety as our number one priority. We believe that emphasizing and achieving a good safety record is a leading indicator of success in the broader business. Acadian’s operations experienced two recordable safety incidents during the quarter among contractors, which were minor in nature, and none among employees. We remain committed to maintaining a culture across the organization that emphasizes the importance of strong safety performance.

Carbon Credit Project

During the quarter, an agreement was reached to sell 752,000 of Acadian’s registered voluntary carbon credits, which relate to the first reporting period of its ongoing carbon credit project in Maine. The first delivery under this agreement for approximately 152,000 carbon credits occurred in March and has been included in Acadian’s financial results for the first quarter. The remaining 600,000 carbon credits included in the agreement are expected to be delivered prior to the end of the third quarter of 2024.

Acadian’s project is registered on the ACR under the name Anew – Katahdin Forestry Project, and requires balancing harvest and growth, long-term planning, periodic carbon inventory verification, and maintenance of Acadian’s sustainable forestry certification.

The project is expected to generate an additional 1.1 million credits over the remainder of the 10-year crediting period. The registration process for the second and third tranches of carbon credits for this project is expected to be completed in the

¹ This news release makes reference is made to “Adjusted EBITDA”, which Acadian’s management defines as net income before interest, income taxes, fair value adjustments, non-cash cost of sales related to carbon credits, recovery of or impairment of land and roads and depreciation and amortization, and to “Adjusted EBITDA margin”, which is Adjusted EBITDA as a percentage of sales. Reference is also made to “Free Cash Flow”, which Acadian’s management defines as Adjusted EBITDA less interest paid, current income tax expense, and capital expenditures excluding acquisitions of timberlands, plus net proceeds from the sale of timberlands and other fixed assets (proceeds less gains or losses). Reference made to “Payout Ratio” is defined as dividends declared divided by Free Cash Flow and “Payout Ratio with DRIP” is defined as dividends paid in cash divided by Free Cash Flow. Management believes that Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow, and Payout Ratios are key performance measures in evaluating Acadian’s operations and are important in enhancing investors’ understanding of the Company’s operating performance. Adjusted EBITDA and Adjusted EBITDA margin are indicative of the underlying profitability of Acadian’s operating segments and are used to evaluate operational performance. Free Cash Flow is used to evaluate Acadian’s ability to generate sustainable cash flows from our operations while Payout Ratios are used to evaluate Acadian’s ability to fund its distribution using Free Cash Flow. Please refer to the section entitled “Non-IFRS Measures” in Management’s Discussion and Analysis for further details.

second half of 2024 and is expected to result in approximately 360,000 credits being made available for sale. This project has provided valuable experience to the Acadian management team and has formed the foundation for potential further carbon credit developments in the future.

Solar Land Lease Agreement

On February 6, 2024, Acadian executed an agreement for the option to lease approximately 10,000 acres of its Maine timberlands for the purpose of the development, construction, operation, and maintenance of a solar powered electric generating facility. The agreement includes inspection, development, construction, and commercial operations terms with escalating leasing fees. The incremental cash flows attributable to the inspection and development terms are modest. However, should the project reach the construction term, which is not expected to occur for several years, the incremental cash flows may become material to Acadian.

Acquisition of Timberlands

On March 14, 2024, Acadian completed the acquisition of approximately 16,000 acres of timberland in New Brunswick at a price of \$9.0 million, financed through its existing revolving credit facility. The timberlands are close in proximity to Acadian's existing operations and customer base. The property is well stocked, benefiting from historical silviculture investments, which will allow Acadian to expand its harvesting operations. The property also presents significant potential for revenue diversification through other land use opportunities.

Review of Operations

Financial and Operating Highlights

<i>(CAD thousands, except volume and per share information)</i>	March 30, 2024	March 25, 2023
Timber sales volume (000s m ³)	247.0	205.2
Carbon credit sales volume (000s credits)	152.1	—
Timber sales and services	\$ 23,879	\$ 22,362
Carbon credit sales	4,930	—
Operating income	7,598	5,304
Net income	6,025	5,621
Adjusted EBITDA	\$ 10,599	\$ 5,601
Adjusted EBITDA margin	37%	25%
Free Cash Flow	\$ 7,770	\$ 3,723
Dividends declared	5,004	4,918
Dividends paid in cash	3,723	3,721
Payout Ratio	64%	132%
Payout Ratio with DRIP	48%	100%
Per share – basic and diluted		
Net income	\$ 0.35	\$ 0.33
Free Cash Flow	0.45	0.22
Dividends declared	0.29	0.29

During the first quarter, Acadian generated sales of \$28.8 million, compared to \$22.4 million in the prior year period. Acadian's first significant sale of carbon credits occurred during the first quarter and contributed \$4.9 million to sales. Timber sales volumes increased 35% year-over-year primarily as a result of increased contractor availability, which was partially offset by the impacts of unfavourable weather conditions, as well as lower timber services activity. Biomass sales volume decreased 59% from the prior year quarter due to limited processing capacity and fiber availability.

Weighted average selling price, excluding biomass, decreased 2% year-over-year. Increases in softwood sawlog and pulpwood prices were offset by decreases in hardwood sawlog prices due to weakness in hardwood lumber markets and decreases in hardwood pulpwood pricing, which is attributable to elevated pricing in the first quarter of 2023 resulting from a shortage of regional supply in that period.

Operating costs and expenses were \$21.2 million during the first quarter, compared to \$17.1 million during the prior year period. The year-over-year increase reflects the addition of costs related to carbon credit sales as well as higher timber sales volumes, partially offset by lower timber services activity in New Brunswick. Weighted average variable harvesting costs, excluding biomass, increased 5% over the prior year period as a result of higher contractor costs and longer hauling distances during the first quarter of 2024.

Adjusted EBITDA was \$10.6 million during the first quarter compared to \$5.6 million in the prior year period. Adjusted EBITDA margin for the quarter was 37% compared to 25% in the prior year period. Free Cash Flow was \$7.8 million, which is \$4.2 million higher than the same period in the prior year.

Net income for the first quarter totaled \$6.0 million, or \$0.35 per share, compared to net income of \$5.6 million, or \$0.33 per share in the same period of 2023. Higher operating income was offset by lower non-cash fair value adjustments and lower gains on sale of timberlands and other fixed assets, as well as higher income tax expense, as compared to the prior year period.

Segment Performance

New Brunswick Timberlands

The table below summarizes operating and financial results for New Brunswick Timberlands for the first quarter:

		Three Months Ended	
		March 30, 2024	March 25, 2023
Harvest (000s m ³)	Softwood	113.2	86.9
	Hardwood	74.6	62.2
	Biomass	13.0	25.8
	Total	200.8	174.9
Sales (000s m ³)	Softwood	113.9	85.1
	Hardwood	72.1	44.2
	Biomass	13.0	25.8
	Total	199.0	155.1
Sales Mix	Softwood	57%	55%
	Hardwood	36%	28%
	Biomass	7%	17%
	Total	100%	100%
Sales (\$000s)	Softwood	\$ 8,915	\$ 6,248
	Hardwood	6,744	4,861
	Biomass	695	1,310
	Total	\$ 16,354	\$ 12,419
Timber services and other		2,716	5,488
Sales (\$000s)		\$ 19,070	\$ 17,907
Adjusted EBITDA (\$000s)		\$ 5,996	\$ 4,883
Adjusted EBITDA margin		31%	27%

Sales for New Brunswick Timberlands were \$19.1 million compared to \$17.9 million during the prior year period, with increased sales volumes partially offset by lower timber services activity. Sales volume, excluding biomass, increased 44% due primarily to increased contractor capacity. Softwood sawlog and hardwood sawlog sales volumes increased 35% and 28%, respectively, and softwood pulpwood and hardwood pulpwood sales volumes increased 29% and 75%, respectively. Biomass sales volume decreased 50% from the prior year period due to limited processing capacity and fiber availability.

The weighted average selling price, excluding biomass, for the first quarter was \$84.19 per m³, or 2% lower than the prior year period. Increases in softwood sawlog and softwood pulpwood prices were offset by decreases in hardwood sawlog prices due to weakness in hardwood lumber markets and decreases in hardwood pulpwood pricing, which is attributable to elevated pricing in the first quarter of 2023 resulting from a shortage of regional supply in that period.

Operating costs and expenses were \$13.2 million during the first quarter, compared to \$13.3 million in the prior year period. Increased harvesting activity and increased weighted average variable costs were offset by lower timber services activity. Weighted average variable costs, excluding biomass, increased 4% as a result of higher contractor costs compared to the prior year period.

Adjusted EBITDA for the quarter was \$6.0 million compared to \$4.9 million during the prior year period and Adjusted EBITDA margin was 31% compared to 27%.

Maine Timberlands

The table below summarizes operating and financial results for Maine Timberlands for the first quarter:

		Three Months Ended	
		March 30, 2024	March 25, 2023
Harvest (000s m ³)			
	Softwood	28.9	29.3
	Hardwood	20.5	15.5
	Biomass	0.2	6.5
	Total	49.6	51.3
Sales (000s m ³)			
	Softwood	29.7	28.2
	Hardwood	18.1	15.4
	Biomass	0.2	6.5
	Total	48.0	50.1
Sales Mix			
	Softwood	62%	56%
	Hardwood	38%	31%
	Biomass	0%	13%
	Total	100%	100%
Sales (\$000s)			
	Softwood	\$ 2,958	\$ 2,636
	Hardwood	1,584	1,551
	Biomass	2	60
	Total	\$ 4,544	\$ 4,247
Other sales		265	208
Sales (\$000s)		4,809	4,455
Adjusted EBITDA (\$000s)		\$ 1,163	\$ 1,099
Adjusted EBITDA margin		24%	25%

Sales for Maine Timberlands during the first quarter totaled \$4.8 million compared to \$4.5 million in the prior year period. Sales volume, excluding biomass, increased 10% reflecting increased contractor availability, partially offset by unfavourable weather conditions.

The weighted average selling price, excluding biomass, in Canadian dollar terms was \$95.03 per m³, compared to \$96.05 per m³ during the same period of 2023. In U.S. dollar terms, the weighted average selling price, excluding biomass, was \$70.48 per m³, compared to \$70.76 per m³ in 2023. Stable softwood sawlog prices were offset by decreased hardwood pulpwood prices which is attributable to elevated pricing in the first quarter of 2023 resulting from a shortage of regional supply in that period. Hardwood sawlog and softwood pulpwood volumes were minimal during the quarter.

Operating costs and expenses for the first quarter were \$3.7 million, compared to \$3.4 million during the same period in 2023, primarily due to higher weighted average variable costs, partially offset by lower land management costs due to mild weather conditions. Weighted average variable costs, excluding biomass, increased 5% in Canadian dollar terms as a result of higher contractor costs and increased hauling distances.

Adjusted EBITDA for the quarter was \$1.2 million compared to \$1.1 million during the prior year period and Adjusted EBITDA margin was 24% compared to 25%.

Environmental Solutions

As a result of increased diversification in business activities, an additional reportable segment, Environmental Solutions, has been added in the first quarter. Environmental Solutions leverages the ecological functions of Acadian’s land to address pressing environmental challenges, such as climate change and biodiversity. In line with these objectives, Acadian has undertaken a voluntary carbon credit project which increases carbon sequestration and provides significant environmental benefits. See section entitled “Carbon Credit Project” above.

The table below summarizes operating and financial results for Environmental Solutions for the first quarter:

	Three Months Ended	
	March 30, 2024	March 25, 2023
Sales volume (000s credits)	152.1	—
Sales (\$000s)	\$ 4,930	—
Adjusted EBITDA (\$000s)	\$ 4,138	—

The registration process for the second and third tranches of carbon credits for this project is expected to be completed in the second half of 2024. The current model for the project estimates an additional 1.1 million credits to be generated over the remainder of the 10-year crediting period.

Actual credit issuances will be adjusted each reporting period based on actual harvesting, natural disturbances, and other factors, as well as periodic updating for inventory and verification activities.

Outlook

While North American interest rates remain elevated and near-term pressure on end use markets persists, inflation has begun to show signs of easing. The consensus forecast for U.S. housing starts is approximately 1.43 million starts in 2024 as compared to 1.42 million in 2023. We remain confident that the stability of the northeastern forestry sector, combined with improving long-term demand for new homes and repair and remodel activity, will support the demand for our products as has been demonstrated in recent years.

Although labour markets remained tight in Maine, we continued to experience increased contractor availability in New Brunswick through the first quarter. Management will continue to focus on further increasing harvesting capacity through the remainder of 2024 while ensuring that operating costs remain reasonable. In the short to medium term, inflation is expected to continue to impact our financial results through elevated contractor rates and fuel surcharges, offset by the stable pricing of primary forest products like sawlogs and pulpwood.

Demand for Acadian’s sawlogs is mainly driven by regional supply and demand. Low regional inventories as a result of the unfavourable weather conditions during the first quarter are expected to contribute to stable demand as we progress through 2024. Pricing for softwood sawtimber is expected to remain stable or slightly improved and pricing for hardwood sawtimber is expected to remain stable. While modest recovery in hardwood lumber pricing was noted during the quarter, it may be a longer period before pricing for hardwood sawtimber improves. Demand and pricing for softwood and hardwood pulpwood is expected to be steady, mainly impacted by supply in the region.

During 2023, purchasers of voluntary carbon credits increased their focus on carbon credits of high quality, and expended greater time and effort performing due diligence. This shift may have delayed some sales, however, underlying demand and pricing for voluntary carbon credits are expected to remain stable. The protocol for developing compliance market carbon credits from managed forests in Canada was recently finalized. Acadian is evaluating the protocol and the opportunities to develop eligible carbon credits that it may present.

Quarterly Dividend

Based on a strong balance sheet and positive outlook for the remainder of the year, Acadian is pleased to announce a dividend of \$0.29 per share, payable on July 15, 2024 to shareholders of record June 30, 2024.

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Acadian Timber Corp. (“Acadian”) is one of the largest timberland owners in Eastern Canada and the Northeastern U.S. and has a total of approximately 2.4 million acres of land under management. Acadian owns and manages approximately 777,000 acres of freehold timberlands in New Brunswick, approximately 300,000 acres of freehold timberlands in Maine and provides timber services relating to approximately 1.3 million acres of Crown licensed timberlands in New Brunswick. Acadian’s products include softwood and hardwood sawlogs, pulpwood and biomass by-products, sold to approximately 90 regional customers. Acadian also develops carbon credits for sale in voluntary carbon credit markets.

Acadian’s business strategy is to maximize cash flows from its existing timberland assets through sustainable forest management and other land use activities while growing its business by acquiring assets and actively managing these assets to drive improved performance.

Acadian’s shares are listed for trading on the Toronto Stock Exchange under the symbol ADN.

For further information, please visit our website at www.acadiantimber.com or contact:

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Cautionary Statement Regarding Forward-Looking Information and Statements

This News Release contains forward-looking information and statements 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. Forward-looking information is included in this MD&A and includes statements made in the sections entitled "Carbon Credit Project", "Solar Land Lease Agreement", "Acquisition of Timberlands" and "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. 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. Actual results may vary. These forward-looking statements include, but are not limited to:

- Expectations regarding the number and timing of carbon credits that will be successfully registered and available for sale, as well as the timing of sales. Actual credit issuances will be adjusted each reporting period based on actual harvesting, natural disturbances and other factors, as well as periodic updating for inventory and verification activities. The timing of sales is dependent on negotiations with third parties.*
- Expectations regarding advancement through the terms of the solar land lease agreement and the resulting potential financial impact to Acadian, which may be impacted by the lessee's ability to obtain the necessary regulatory permits and approvals for the solar project, as well as to obtain third party financing. At any time during the inspection term or the development term, the tenant has the right to terminate the agreement which would terminate the lease fees paid to Acadian.*
- Expectations regarding potential future revenue to be earned from newly acquired timberlands through either expanding harvesting operations or realizing other land use revenue opportunities, which may be impacted by future contractor availability, product demand, pricing and end use markets.*
- Expectations regarding product demand, pricing and end use markets, including expectations for U.S. housing starts, which may be impacted by changes in interest rates, U.S. population demographics and the inventory of homes for sale. Expectations regarding product demand and pricing are based on anticipated market conditions, anticipated regional inventory levels of key customers, and the economic situation of key customers. Estimates for U.S. housing starts are based on forecasts published by major financial institutions.*

Other risks and factors are discussed in each of the Annual Information Form dated March 28, 2024 and the Management Information Circular dated March 28, 2024 and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR+ at www.sedarplus.ca. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. 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 based on information currently available to management 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.

Acadian Timber Corp.
Interim Condensed Consolidated Balance Sheets

(unaudited)

<i>As at</i> <i>(CAD thousands)</i>	March 30, 2024	December 31, 2023
Assets		
Current assets		
Cash	\$ 4,048	\$ 1,831
Accounts receivable and other assets	11,419	9,301
Current income taxes receivable	291	1,668
Inventories	13,932	15,329
	29,690	28,129
Timber	455,429	442,830
Land, roads, and other fixed assets	94,232	90,854
Intangible asset	6,140	6,140
Total assets	\$ 585,491	\$ 567,953
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 8,129	\$ 9,370
Dividends payable to shareholders	5,004	4,983
Short-term debt	10,298	—
Current portion of long-term debt	43,360	—
	66,791	14,353
Long-term debt	64,777	105,515
Deferred income tax liabilities, net	130,861	129,103
Total liabilities	262,429	248,971
Shareholders' equity	323,062	318,982
Total liabilities and shareholders' equity	\$ 585,491	\$ 567,953

Acadian Timber Corp.
Interim Condensed Consolidated Statements of Net Income

(unaudited)

<i>Three Months Ended</i> <i>(CAD thousands, except per share data)</i>	March 30, 2024	March 25, 2023
Sales	\$ 28,809	\$ 22,362
Operating costs and expenses		
Cost of sales	18,265	15,126
Selling, administration and other	2,833	1,858
Silviculture	11	1
Depreciation and amortization	102	73
	21,211	17,058
Operating income	7,598	5,304
Interest expense, net	(859)	(809)
Other items		
Fair value adjustments and other	2,189	3,183
Gain on sale of timberlands and other fixed assets	73	224
Income before income taxes	9,001	7,902
Income tax expense	(2,976)	(2,281)
Net income	\$ 6,025	\$ 5,621
Net income per share – basic and diluted	\$ 0.35	\$ 0.33

Acadian Timber Corp.
Interim Condensed Consolidated Statements of Comprehensive Income

(unaudited)

<i>Three Months Ended</i> <i>(CAD thousands)</i>	March 30, 2024	March 25, 2023
Net income	\$ 6,025	\$ 5,621
Other comprehensive income		
Items that may be reclassified subsequently to net income:		
Unrealized foreign currency translation gain	1,798	859
Comprehensive income	\$ 7,823	\$ 6,480

Acadian Timber Corp.
Interim Condensed Consolidated Statements of Cash Flows

(unaudited)

<i>Three Months Ended</i> <i>(CAD thousands)</i>	March 30, 2024	March 25, 2023
Cash provided by (used for):		
Operating activities		
Net income	\$ 6,025	\$ 5,621
Adjustments to net income:		
Income tax expense	2,976	2,281
Depreciation and amortization	102	73
Fair value adjustments and other	(2,189)	(3,183)
Non-cash cost of sales related to carbon credits	2,826	—
Gain on sale of timberlands and other fixed assets	(73)	(224)
Income taxes paid	(451)	(395)
Net change in non-cash working capital balances and other	(4,403)	(3,130)
	4,813	1,043
Financing activities		
Proceeds from short-term debt	10,298	—
Dividends paid to shareholders	(3,723)	(3,721)
	6,575	(3,721)
Investing activities		
Additions to timber, land, roads, and other fixed assets	(9,250)	(31)
Proceeds from sale of timberlands and other fixed assets	79	230
	(9,171)	199
Increase / (Decrease) in cash during the period	2,217	(2,479)
Cash, beginning of period	1,831	6,230
Cash, end of period	\$ 4,048	\$ 3,751

Acadian Timber Corp.
Reconciliations to Adjusted EBITDA and Free Cash Flow

(unaudited)

<i>(CAD thousands)</i>	March 30, 2024	March 25, 2023
Net income	\$ 6,025	\$ 5,621
Add / (deduct):		
Interest expense, net	859	809
Income tax expense	2,976	2,281
Depreciation and amortization	102	73
Fair value adjustments and other	(2,189)	(3,183)
Non-cash cost of sales related to carbon credits	2,826	—
Adjusted EBITDA	\$ 10,599	\$ 5,601
Add / (deduct):		
Interest paid on debt, net	(829)	(779)
Additions to land, roads, and other fixed assets	(128)	(31)
Gain on sale of timberlands and other fixed assets	(73)	(224)
Proceeds from sale of timberlands and other fixed assets	79	230
Current income tax expense	(1,878)	(1,074)
Free Cash Flow	\$ 7,770	\$ 3,723
Dividends declared	\$ 5,004	\$ 4,918
Dividends paid in cash	\$ 3,723	\$ 3,721
Payout Ratio	64%	132%
Payout Ratio with DRIP	48%	100%