ACADIANTIMBER

Q2 2017 Interim Report

Letter to Shareholders

Overview

Acadian Timber Corp ("Acadian" or the "Company") continued to perform well and recorded solid results for the three-month period ended June 24, 2017 (the "second quarter"). In the quarter, we generated Adjusted EBITDA[1] of $2.6 million, benefiting from strong seasonal demand, favorable operating conditions, and higher and better use land sales in Maine. However, this was lower than the $3.3 million generated in the prior year period. While log sales volumes and the weighted average log selling price for the quarter were largely consistent year-over-year, operating costs increased primarily due to an increase in average haul distances.

Total shareholder dividends during the first half of 2017 were $0.55 per share or $9.2 million, representing a 10% increase over the same period of 2016 and a payout ratio of 98% which is relatively consistent with our long term target of 95%.

Results of Operations

Acadian's operations had no recordable safety incidents during the quarter among employees and contractors.

For the second quarter, Acadian generated net sales of $12.6 million compared to $13.7 million in the prior year, primarily due to lower selling prices for biomass products. Total log sales volumes increased 1% compared to the prior year, driven by a 30% increase in hardwood pulpwood sales volumes resulting from favourable spring harvest conditions, the benefit of which was largely offset by the impact of a softwood sawlog inventory management program at one of the operation's major customers that was not in place in the current year. The weighted average log selling price remained flat, as the impacts from a favourable change in mix and foreign exchange were offset by weaker pricing for hardwood products. Adjusted EBITDA margin decreased to 21% from 24% in the prior year as higher operating costs due to longer average haul distances were only partially offset by the benefit of higher and better use (HBU) land sales in Maine.

Our balance sheet continues to be solid, with $98.0 million of net liquidity as at June 24, 2017, including funds available under the Company's Revolving Facility and a stand-by equity commitment from Brookfield.

Outlook[2]

Acadian's key markets include softwood sawtimber, hardwood sawtimber and hardwood pulpwood. Northeast North American softwood dimension sawmills represent over one third of Acadian's end-use market and are the primary market for our softwood sawtimber. While sluggish wage growth, tight construction labor markets and potential further Fed rate increases continue to represent risks to growth in U.S. housing starts, the underlying fundamental driver of pent-up household formation continues to strengthen. Economic forecasters continue to call for steady growth in housing starts, with year-over-year improvements averaging 5% for 2017 and over 8% for 2018. Residential home improvements are also expected to remain strong. As a result, demand growth expectations for North American sawtimber remain in the 3% per year range over the next few years to support expanding domestic construction needs.

As anticipated, lumber prices continued to be volatile during the second quarter primarily reflecting anticipation and the declaration of preliminary duty levels and producer and wholesaler efforts to manage inventories during this highly uncertain period. Following the announcement in April of preliminary countervailing duties (CVD) averaging 19.9%, average preliminary anti-dumping duties (ADD) of 6.9% were announced at the end of the second quarter. Notably, the U.S. Department of Commerce (DoC) also announced at the end of the quarter that all Atlantic provinces with the exception of New Brunswick would be excluded from duty investigation, a significant departure from past disputes. Historically, Canadian Atlantic lumber producers from all provinces experienced lower relative CVD & ADD duties than the rest of Canada and were ultimately exempted in past negotiated settlements due to the significantly greater proportion of wood supply from private timberland sources.

Subsequent to the DoC ADD announcement, industry press reports revealed that a preliminary framework for a negotiated market share-based 10 year settlement has been agreed to between Canadian and U.S. government officials. At this time, however, there is little visibility on a definitive final agreement being reached and, importantly, how Canadian officials would apportion market share restrictions across Canadian provincial lumber producers, and in fact whether the entire Atlantic region will again be exempted from any final settlement as in the past.

We highlight that in past cycles during periods of strong U.S. lumber demand, duties imposed against Canadian softwood lumber producers are more easily passed through to U.S. buyers in the form of higher prices. Despite media headlines on the softwood dispute, given the current robust U.S. housing market and positive near term drivers of housing starts and home improvements noted above, we would not anticipate any material negative impact on Acadian's business.

Hardwood sawtimber markets remain strong and stable and are unaffected by U.S. trade initiatives. We remain encouraged that hardwood pulpwood markets remain historically strong, and that Acadian continues to be a preferred partner for hardwood fibre supply to this important market segment. Acadian's domestic biomass markets appear to have stabilized, although the anticipated recovery in export shipments from our New Brunswick operations has been delayed into 2018. Additionally, we expect that the Maine recreational real estate market will remain favourable through the year and therefore anticipate conditions will support the sale of additional properties throughout the remainder of 2017.

As always, Acadian management remains vigilant in pursuing cost efficiencies across the business. With a strong balance sheet, and highly capable operating team, we remain well positioned to meet our quarterly distributable cash commitments for the foreseeable future. On behalf of the board and management of Acadian, I would like to thank all our shareholders for their ongoing support.

Mark Bishop
President and Chief Executive Officer
July 26, 2017

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1. Adjusted EBITDA, Adjusted EBITDA margin and Free Cash Flow are key performance measures in evaluating Acadian's operations and are important in enhancing investors' understanding of Acadian's operating performance. Acadian's management defines Adjusted EBITDA as earnings before interest, taxes, fair value adjustments, recovery of or impairment of land and roads, unrealized exchange gain/loss on debt, depreciation and amortization and Adjusted EBITDA margin as Adjusted EBITDA as a percentage of its total revenue. Free Cash Flow is defined as Adjusted EBITDA less interest paid, current income tax expense, and capital expenditures plus net proceeds from the sale of fixed assets (selling price less gains or losses included in Adjusted EBITDA). As these performance measures do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"), they may not be comparable to similar measures presented by other companies. Please refer to Management's Discussion and Analysis for further details.
2. This section contains forward-looking information within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Please refer to the section entitled "Forward-Looking Statements" in Management's Discussion and Analysis for further details.

Management's Discussion and Analysis

INTRODUCTION

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

Acadian owns and manages approximately 761,000 acres of freehold timberlands in New Brunswick ("NB Timberlands"), approximately 300,000 acres of freehold timberlands in Maine ("Maine Timberlands") and provides management services relating to approximately 1.3 million acres of Crown licensed timberlands in New Brunswick. Acadian also owns and operates a forest nursery in Second Falls, New Brunswick. Acadian's products include softwood and hardwood sawlogs, pulpwood and biomass byproducts, sold to approximately 100 regional customers.

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

Basis of Presentation

This management's discussion and analysis ("MD&A") discusses the financial condition and results of operations of the Company for the three months ended June 24, 2017 (herein referred to as the "second quarter") and the six-month period ended June 24, 2017 compared to the three- and six-month periods ended June 25, 2016, and should be read in conjunction with the interim consolidated financial statements and notes thereto included at page 15 of this interim report.

Our second quarter financial results are determined in accordance with IAS 34 "*Interim Financial Reporting*" using accounting policies consistent with International Financial Reporting Standards ("IFRS") and are expressed in Canadian dollars unless otherwise noted. External economic and industry factors remain unchanged since the previous annual report, unless otherwise noted. This MD&A has been prepared based on information available as at July 26, 2017. 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 "Adjusted EBITDA margin", which is Adjusted EBITDA as a percentage of its total revenue. 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 plus net proceeds from the sale of fixed assets (selling price less gains or losses included in Adjusted EBITDA). Management believes that Adjusted EBITDA, Adjusted EBITDA margin 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 these measures 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, 2016. There have been no changes in our disclosure controls and procedures during the period ended June 24, 2017 that have materially affected, or are reasonably likely to materially affect, our disclosure controls and procedures.

Management has also evaluated the design and effectiveness of our internal controls over financial reporting in accordance with Multilateral Instrument 52-109 using the COSO framework 2013 as at December 31, 2016. There have been no changes in our internal controls over financial reporting during the period ended June 24, 2017 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

REVIEW OF OPERATIONS

Summary of Second Quarter Results

The table below summarizes operating and financial data for Acadian:

	Three Months Ended		Six Months Ended	
(CAD thousands, except where indicated)	**June 24, 2017**	June 25, 2016	**June 24, 2017**	June 25, 2016
Sales volume (000s m³)	**217.4**	208.9	**573.4**	510.5
Net sales	**$ 12,630**	$ 13,656	**$ 35,702**	$ 35,103
Net income	**4,011**	5,830	**8,769**	10,172
Adjusted EBITDA[1]	**$ 2,622**	$ 3,301	**$ 10,652**	$ 10,345
Free Cash Flow[1]	**$ 2,034**	$ 2,743	**$ 9,422**	$ 8,913
Dividends declared	**4,601**	4,183	**9,202**	8,366
Payout ratio	**226%**	152%	**98%**	94%
Per share – basic and diluted				
Net income	**$ 0.24**	$ 0.35	**$ 0.52**	$ 0.61
Free Cash Flow[1]	**0.12**	0.16	**0.56**	0.53
Dividends declared	**0.27**	0.25	**0.55**	0.50
Book value	**15.90**	15.57	**15.90**	15.57
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 second quarter of 2017, Acadian generated net sales of $12.6 million compared to $13.7 million in the prior year primarily due to lower selling prices for biomass products. Total log sales volumes increased 1% compared to the prior year, driven by a 30% increase in hardwood pulpwood sales volumes resulting from favourable spring harvest conditions, which was largely offset by the impact of a softwood sawlog inventory management program at one of the operation's major customers that was not in place in the current year. The weighted average log selling price remained flat as the benefits from a favourable change in mix and foreign currency were offset by weaker pricing for hardwood products.

Adjusted EBITDA margin decreased to 21% from 24% in the prior year as higher operating costs due to longer average haul distances were only partially offset by the contribution from higher and better use (HBU) land sales in Maine.

Acadian traditionally experiences low levels of operating, marketing and selling activity during the second quarter of each year owing to the spring thaw period that causes much of the infrastructure to be temporarily inoperable. As a result, year to year variations in sales volumes and operating costs are less meaningful.

Net income for the second quarter totaled $4.0 million, or $0.24 per share, compared to $5.8 million, or $0.35 per share, respectively for the same period in 2016. The decrease is primarily due to lower Adjusted EBITDA as described above and a lower foreign exchange gain on the revaluation of long-term debt.

During the first half of 2017, Acadian's net sales were $35.7 million, reflecting a slight improvement over the same prior year period of $35.1 million, primarily attributed to an 11% increase in log sales volumes from favourable harvest conditions, particularly for spruce and fir stands. The impact of this increase was partially offset by a 4% decrease in the weighted average log selling price driven by a change in product mix and weaker pricing for hardwood products. Adjusted EBITDA improved to $10.7 million from $10.3 million in the first half of 2016 while Adjusted EBITDA margin improved to 30% from 29%. For the six months ended June 24, 2017, net income was $8.8 million, or $0.52 per share, which represents a decrease of $1.4 million over the same period in 2016 primarily due to lower foreign exchange revaluation gains from long-term debt, partially offset by lower deferred tax expense.

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

	Three Months Ended		Six Months Ended	
(CAD thousands)	**June 24, 2017**	June 25, 2016	**June 24, 2017**	June 25, 2016
Net income	**$ 4,011**	$ 5,830	**$ 8,769**	$ 10,172
Add / (deduct):				
Interest expense, net	**744**	723	**1,491**	1,453
Current income tax expense / (recovery)	**120**	(154)	**267**	1
Deferred income tax expense	**1,224**	1,389	**2,514**	6,429
Depreciation and amortization	**77**	122	**155**	247
Fair value adjustments	**(2,764)**	(2,674)	**(1,289)**	(1,903)
Unrealized exchange gain on long-term debt	**(790)**	(1,935)	**(1,255)**	(6,054)
Adjusted EBITDA[1]	**$ 2,622**	$ 3,301	**$ 10,652**	$ 10,345
Add / (deduct):				
Interest paid on debt, net	**(717)**	(695)	**(1,438)**	(1,399)
Additions to timber, land, roads and other fixed assets	**(50)**	(17)	**(164)**	(34)
Gain on sale of timberlands	**(958)**	—	**(1,455)**	(93)
Proceeds on sale of timberlands	**1,257**	—	**2,094**	95
Current income tax expense / (recovery)	**(120)**	154	**(267)**	(1)
Free Cash Flow[1]	**$ 2,034**	$ 2,743	**$ 9,422**	$ 8,913
Dividends declared	**$ 4,601**	$ 4,183	**$ 9,202**	$ 8,366
Payout ratio	**226%**	152%	**98%**	94%

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 Timberlands 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 June 24, 2017 were $4.6 million, or $0.275 per share, an increase from $4.2 million or $0.25 per share in 2016. The Company’s payout ratio, which represents the amount of dividends declared as a percentage of the Free Cash Flow generated, was 98% which is relatively consistent with our long term target of 95%.

Operating and Market Conditions

Acadian traditionally experiences low levels of operating, marketing and selling activity during the second quarter of each year owing to the spring thaw period that causes much of the infrastructure to be temporarily inoperable. Excluding biomass, harvest volumes of 120 thousand m^3 for the quarter were up 14% year-over-year reflecting favourable spring harvest conditions.

The selling prices for most of our products were slightly lower over the prior year, with the exception of selling prices for softwood sawlogs which increased. However, Acadian’s weighted average log selling price remained largely consistent year-over-year due to lower relative softwood sawlog sales. In New Brunswick, sales volumes of softwood sawlogs were impacted by an inventory management program with a major customer that was not in place in the current year but demand continued to be strong with prices increasing 3%, while prices for hardwood pulpwood declined 3% as a result of a change in product mix. Softwood sawlog prices declined 9% in Maine in U.S. dollar terms due to general oversupply of customers’ sawmill residuals, while hardwood pulpwood prices stabilized from rebounding demand as customers began to replenish inventory levels which were higher than normal during the first quarter of the year.

Demand for biomass products in the local markets continued to be robust, with sales volumes increasing 15% year-over-year. A 61% biomass margin reduction reflects the lack of biomass exports in the quarter.

Segmented Results of Operations

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

Three Months Ended June 24, 2017 (CAD thousands)	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m³)	**170.8**	**46.6**	**—**	**217.4**
Net sales	**$ 9,784**	**$ 2,846**	**$ —**	**$ 12,630**
Adjusted EBITDA[1]	**$ 2,028**	**$ 909**	**$ (315)**	**$ 2,622**
Adjusted EBITDA margin[1]	**21%**	**32%**	**n/a**	**21%**

Three Months Ended June 25, 2016 (CAD thousands)	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m³)	182.9	26.0	—	208.9
Net sales	$ 11,740	$ 1,916	$ —	$ 13,656
Adjusted EBITDA[1]	$ 3,887	$ (167)	$ (419)	$ 3,301
Adjusted EBITDA margin[1]	33%	(9%)	n/a	24%

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

Six Months Ended June 24, 2017 (CAD thousands)	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m³)	**437.3**	**136.1**	**—**	**573.4**
Net sales	**$ 26,097**	**$ 9,605**	**$ —**	**$ 35,702**
Adjusted EBITDA[1]	**$ 8,156**	**$ 3,065**	**$ (569)**	**$ 10,652**
Adjusted EBITDA margin[1]	**31%**	**32%**	**n/a**	**30%**

Six Months Ended June 25, 2016 (CAD thousands)	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m³)	386.7	123.8	—	510.5
Net sales	$ 25,671	$ 9,432	$ —	$ 35,103
Adjusted EBITDA[1]	$ 8,845	$ 2,114	$ (614)	$ 10,345
Adjusted EBITDA margin[1]	34%	22%	n/a	29%

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

New Brunswick Timberlands

New Brunswick 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 New Brunswick Timberlands employees.

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

	Three Months Ended June 24, 2017			Three Months Ended June 25, 2016		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**27.8**	**39.4**	**2,038**	35.4	65.5	3,588
Hardwood	**62.0**	**92.1**	**7,186**	49.5	76.6	6,475
Biomass	**39.3**	**39.3**	**783**	40.8	40.8	1,561
	129.1	**170.8**	**10,007**	125.7	182.9	11,624
Other sales			**(223)**			116
Net sales			**$ 9,784**			$ 11,740
Adjusted EBITDA[1]			**$ 2,028**			$ 3,887
Adjusted EBITDA margin[1]			**21%**			33%

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

	Six Months Ended June 24, 2017			Six Months Ended June 25, 2016		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**163.1**	**165.9**	**9,296**	146.4	146.0	7,947
Hardwood	**177.3**	**186.8**	**14,788**	159.1	166.6	14,034
Biomass	**84.6**	**84.6**	**1,748**	74.1	74.1	2,899
	425.0	**437.3**	**25,832**	379.6	386.7	24,880
Other sales			**265**			791
Net sales			**$ 26,097**			$ 25,671
Adjusted EBITDA[1]			**$ 8,156**			$ 8,845
Adjusted EBITDA margin[1]			**31%**			34%

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

Three months ended June 24, 2017:

Net sales totaled $9.8 million compared to $11.7 million for the same period last year. Excluding biomass, log sales volumes decreased 7% to 132 thousand m^3 from 142 thousand m^3 in the prior year, as softwood sawlog sales were impacted by an inventory management program with one of the operation’s major customers that was not in place in the current year. This was partially offset by the benefit from increased demand for hardwood pulpwood primarily reflecting the sale of inventory which was at higher than normal levels at the beginning of the quarter due to favourable winter harvest conditions.

The weighted average log selling price for the quarter was $70.13 per m^3, compared to $70.84 per m^3 in the prior year as strength in softwood sawlog selling prices and the benefit of sales mix was offset by weaker pricing for hardwood products.

Continued strong local demand for biomass products resulted in sales volumes remaining largely in-line with the same period of 2016. Overall, the gross margin earned on our biomass products decreased 55% compared to the second quarter of 2016 reflecting limited export markets for products.

Adjusted EBITDA and costs for the quarter were $2.0 million and $7.8 million, respectively, compared to $3.9 million and $7.8 million, respectively, in the second quarter of 2016 primarily due to the aforementioned absence of the inventory management program, as well as an increase in variable costs per m^3 due to longer average haul distances. As a result, Adjusted EBITDA margin for the quarter decreased to 21% from 33% in the prior year.

Six months ended June 24, 2017:

Net sales of $26.1 million, which increased $0.4 million compared to the same period last year, benefited from a 13% increase in log sales volumes, which was partially offset by the impact of lower selling prices. Costs were $17.9 million, or $1.0 million higher than the prior year due to the aforementioned increase in sales volumes. As a result, Adjusted EBITDA was $8.2 million, a decrease of $0.6 million compared to the same period last year, while Adjusted EBITDA margin decreased to 31% from 34%.

Safety

There were no recordable safety incidents among employees and contractors during the second quarter of 2017.

Maine Timberlands

Maine Timberlands owns and manages approximately 300,000 acres of freehold timberlands. All harvesting operations are performed by third-party contractors.

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

	Three Months Ended June 24, 2017			Three Months Ended June 25, 2016		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**16.6**	**16.5**	**1,155**	11.8	11.6	$ 776
Hardwood	**13.8**	**19.5**	**1,544**	8.6	11.8	984
Biomass	**10.6**	**10.6**	**16**	2.6	2.6	16
	41.0	**46.6**	**2,715**	23.0	26.0	1,776
Other sales			**131**			140
Net sales			**$ 2,846**			$ 1,916
Adjusted EBITDA[1]			**$ 909**			$ (167)
Adjusted EBITDA margin[1]			**32%**			(9%)

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

	Six Months Ended June 24, 2017			Six Months Ended June 25, 2016		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**79.4**	**79.1**	**5,906**	77.0	76.5	5,918
Hardwood	**43.2**	**45.2**	**3,436**	38.4	39.2	3,282
Biomass	**11.8**	**11.8**	**18**	8.1	8.1	53
	134.4	**136.1**	**9,360**	123.5	123.8	9,253
Other sales			**245**			179
Net sales			**$ 9,605**			$ 9,432
Adjusted EBITDA[1]			**$ 3,065**			$ 2,114
Adjusted EBITDA margin[1]			**32%**			22%

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

Three months ended June 24, 2017:

Net sales totaled $2.8 million compared to $1.9 million for the same period last year, as log sales volumes increased 54% to 36 thousand m³ from 23 thousand m³. This increase was driven primarily by favourable spring harvest conditions relative to the same quarter of 2016.

The weighted average log selling price in Canadian dollar terms was $74.84 per m³, compared to $74.97 per m³ in the same period of 2016. The weighted average log selling price in U.S. dollar terms was $55.67 per m³, down 4% year-over-year as softwood sawlog prices declined 9% primarily from weak demand for our customers' softwood residuals while hardwood pulp prices stabilized as demand strengthened with customers replenishing inventories which were higher than normal during the first quarter.

Costs for the second quarter were $2.9 million, compared to $2.1 million during the same period in 2016, due to higher sales volumes while variable costs per m^3 increased due to longer average haul distances. Adjusted EBITDA for the quarter was $0.9 million, compared to a loss of $0.2 million in the prior year while Adjusted EBITDA margin increased to 32% from (9)% due primarily to the benefit of HBU land sales.

Six months ended June 24, 2017:

Net sales were $9.6 million, or $0.2 million higher than the first half of 2016, primarily from a 7% increase in log sales volumes due to favourable spring harvest conditions, while weighted average log selling prices decreased 5% due to high customer inventories earlier in the year.

Costs were $8.0 million, or $0.6 million higher than during the same period of 2016 largely due to higher sales volumes and longer average haul distances. Adjusted EBITDA was $3.1 million, an increase of $1.0 million compared to the same period last year, while Adjusted EBITDA margin increased to 32% from 22% primarily driven by the benefit of HBU land sales.

Safety

There were no recordable safety incidents among employees or contractors during the second quarter of 2017.

Freehold Timberlands

Maine Timberlands invested $0.5 million during the first six months of 2017 on approximately 1,200 acres of freehold timberlands to eliminate third party common and undivided ownership interests which will strengthen our regional operating position.

Financial Position

Our financial position continues to be solid with $98.0 million of net liquidity as at June 24, 2017, including funds available under the Company's Revolving Facility and a stand-by equity commitment from Brookfield.

As at June 24, 2017, Acadian's balance sheet consisted of total assets of $454.6 million (December 31, 2016 – $454.6 million), represented primarily by timber, land, roads and other fixed assets of $420.3 million (December 31, 2016 – $419.7 million), with the balance in cash and current assets of $28.2 million (December 31, 2016 – $28.8 million), and intangible assets of $6.1 million (December 31, 2016 – $6.1 million). The balance sheet also reflects the acquisition of Katahdin Timberlands LLC on January 1, 2017 for $1.3 million, a related company owned by Brookfield, that leased and held parcels of land complementary to Acadian's Maine operation. Timber has been recorded at fair value as determined through independent third party appraisal at December 31, 2016 and adjusted for growth estimates and harvest during the first six months of the year. Reforestation costs have been expensed as incurred.

MARKET OUTLOOK

The following contains forward-looking statements about Acadian Timber Corp.'s market outlook for the remainder of 2017. 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.

Acadian's key markets include softwood sawtimber, hardwood sawtimber and hardwood pulpwood. Northeast North American softwood dimension sawmills represent over one third of Acadian's end-use market and are the primary market for our softwood sawtimber. While sluggish wage growth, tight construction labor markets and potential further Fed rate increases continue to represent risks to growth in U.S. housing starts, the underlying fundamental driver of pent-up household formation continues to strengthen. Economic forecasters continue to call for steady growth in housing starts, with year-over-year improvements averaging 5% for 2017 and over 8% for 2018. Residential home improvements are also expected to remain strong. As a result, demand growth expectations for North American sawtimber remain in the 3% per year range over the next few years to support expanding domestic construction needs.

As anticipated, lumber prices continued to be volatile during the second quarter primarily reflecting anticipation and the declaration of preliminary duty levels and producer and wholesaler efforts to manage inventories during this highly uncertain period. Following the announcement in April of preliminary countervailing duties (CVD) averaging 19.9%, average preliminary anti-dumping duties (ADD) of 6.9% were announced at the end of the second quarter. Notably, the U.S. Department of Commerce (DoC) also announced at the end of the quarter that all Atlantic provinces with the exception of New Brunswick would be excluded from duty investigation, a significant departure from past disputes. Historically, Canadian Atlantic lumber producers from all provinces experienced lower relative CVD & ADD duties than the rest of Canada and were ultimately exempted in past negotiated settlements due to the significantly greater proportion of wood supply from private timberland sources.

Subsequent to the DoC ADD announcement, industry press reports revealed that a preliminary framework for a negotiated market share-based 10 year settlement has been agreed to between Canadian and U.S. government officials. At this time, however, there is little visibility on a definitive final agreement being reached and, importantly, how Canadian officials would apportion market share restrictions across Canadian provincial lumber producers, and in fact whether the entire Atlantic region will again be exempted from any final settlement as in the past.

We highlight that in past cycles during periods of strong U.S. lumber demand, duties imposed against Canadian softwood lumber producers are more easily passed through to U.S. buyers in the form of higher prices. Despite media headlines on the softwood dispute, given the current robust U.S. housing market and positive near term drivers of housing starts and home improvements noted above, we would not anticipate any material negative impact on Acadian's business.

Hardwood sawtimber markets remain strong and stable and are unaffected by U.S. trade initiatives. We remain encouraged that hardwood pulpwood markets remain historically strong, and that Acadian continues to be a preferred partner for hardwood fibre supply to this important market segment. Acadian's domestic biomass markets appear to have stabilized, although the anticipated recovery in export shipments from our New Brunswick operations has been delayed into 2018. Additionally, we expect that the Maine recreational real estate market will remain favourable through the year and therefore anticipate conditions will support the sale of additional properties throughout the remainder of 2017.

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.

	2017		2016				2015	
(CAD thousands, except per share data and where indicated)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales volume (000s m³)	**217**	356	351	352	209	302	311	354
Net sales	**$ 12,630**	$ 23,072	$ 22,723	$ 19,342	$ 13,656	$ 21,447	$ 21,735	$ 22,632
Adjusted EBITDA[1]	**2,622**	8,030	7,049	5,153	3,301	7,044	7,412	6,465
Free Cash Flow[1]	**2,034**	7,388	6,276	4,195	2,743	6,170	6,388	5,245
Net income / (loss)	**4,011**	4,758	3,121	2,779	5,830	4,342	13,765	(2,851)
Per share – basic and diluted	**$ 0.24**	$ 0.28	$ 0.18	$ 0.17	$ 0.35	$ 0.26	$ 0.82	$ (0.17)

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 2016 annual report.

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

Related Party Transactions

In the normal course of operations, the Company enters into various transactions on market terms with related parties which have been measured at exchange value and recognized in the interim condensed consolidated financial statements. The Company has one significant related party, Brookfield Asset Management Inc., and its affiliates (collectively "Brookfield"). As at June 24, 2017, Brookfield owned 7,513,262 common shares, representing approximately 45% of the Company's outstanding shares. A summary of the significant related party transactions is provided below.

a) Upon inception, Acadian entered into an agreement with Brookfield whereby Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided in the three and six months ended June 24, 2017 totaled $0.6 million (2016 – $0.6 million) and $1.2 million (2016 – $1.2 million), respectively. As at June 24, 2017, fees of $nil (2016 – $nil) remain outstanding.

b) On January 1, 2017, Acadian acquired a 100% equity interest in Katahdin Timberlands LLC, a related company owned by Brookfield. Refer to Note 11 for further details.

Further to the related party transactions noted above, the total net receivable due from related parties as at June 24, 2017 is $41 thousand (December 31, 2016 net receivable due from related parties – $49 thousand) and net payables due to related parties is $nil (December 31, 2016 net payable due to related parties is $nil). Acadian also has a U.S. $50 million stand-by-equity commitment with Brookfield. Subsequent to quarter end, Brookfield agreed to extend the stand-by equity commitment, which was set to expire in July 2017, for an additional two years to July 2019.

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:

		Payments Due by Period				
(CAD thousands)	Total Available	Payments Due	Less Than One Year (2017)	1 to 3 Years (2018-2020)	3 to 5 Years (2021-2023)	After 5 Years (>2023)
Debt						
Term facility[1]	$ 96,208	$ 96,208	$ —	$ 96,208	$ —	$ —
Revolving facility	13,270	—	—	—	—	—
	$ 109,478	$ 96,208	$ —	$ 96,208	$ —	$ —
Interest payments[2]		$ 9,412	$ 2,896	$ 6,516	$ —	$ —

1. Represents principal of a U.S. dollar denominated term loan with a U.S. to Canadian dollar conversion of 1.3270, 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 1.3270.

Additional Quarterly Information

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

NB Timberlands

	2017 Q2			2017 Q1			2016 Q4			2016 Q3		
	Harvest	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**
	(000s m³)	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*
Softwood	**27.8**	**39.4**	**$ 2,038**	135.3	126.5	$ 7,258	117.6	113.5	$ 6,189	97.4	99.2	$ 5,258
Hardwood	**62.0**	**92.1**	**7,186**	115.3	94.7	7,602	115.4	104.7	8,251	98.5	91.2	6,663
Biomass	**39.3**	**39.3**	**783**	45.3	45.3	965	51.7	51.7	980	92.3	92.3	1,660
	129.1	**170.8**	**10,007**	295.9	266.5	15,825	284.7	269.9	15,420	288.2	282.7	13,581
Other sales			**(223)**			488			1,114			747
Net sales			**$ 9,784**			$ 16,313			$ 16,534			$ 14,328
Adjusted EBITDA[1]			**$ 2,028**			$ 6,128			$ 5,867			$ 4,608
Adjusted EBITDA margin[1]			**21%**			38%			35%			32%

Maine Timberlands

	2017 Q2			2017 Q1			2016 Q4			2016 Q3		
	Harvest	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**
	(000s m³)	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*	*(000s m³)*	*(000s m³)*	*($000s)*
Softwood	**16.6**	**16.5**	**$ 1,155**	62.8	62.6	$ 4,751	52.8	52.7	$ 4,037	36.3	36.2	$ 2,878
Hardwood	**13.8**	**19.5**	**1,544**	29.4	25.7	1,892	25.9	26.6	2,094	29.7	25.6	1,977
Biomass	**10.6**	**10.6**	**16**	1.2	1.2	2	2.0	2.0	4	7.2	7.2	23
	41.0	**46.6**	**2,715**	93.4	89.5	6,645	80.7	81.3	6,135	73.2	69.0	4,878
Other sales			**131**			114			54			136
Net sales			**$ 2,846**			$ 6,759			$ 6,189			$ 5,014
Adjusted EBITDA[1]			**$ 909**			$ 2,156			$ 1,393			$ 749
Adjusted EBITDA margin[1]			**32%**			32%			23%			15%

Corporate

	2017 Q2	2017 Q1	2016 Q4	2016 Q3
	Results	**Results**	**Results**	**Results**
	($000s)	*($000s)*	*($000s)*	*($000s)*
Net sales	**$ —**	$ —	$ —	$ —
Adjusted EBITDA[1]	**$ (315)**	$ (254)	$ (211)	$ (204)

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

NB Timberlands

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

Maine Timberlands

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

Corporate

	2016 Q2	2016 Q1	2015 Q4	2015 Q3
	Results	**Results**	**Results**	**Results**
	($000s)	*($000s)*	*($000s)*	*($000s)*
Net sales	$ —	$ —	$ —	$ —
Adjusted EBITDA[1]	$ (419)	$ (195)	$ (443)	$ (493)

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 29, 2017 and the Management Information Circular dated March 29, 2017, and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: anticipated financial performance; anticipated market conditions; business prospects; the economic situation of key customers; strategies; regulatory developments; exchange rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services and the ability to obtain financing on acceptable terms. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are made as of the date of this MD&A, and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this MD&A. Acadian assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as may be required by applicable law.

Interim Consolidated Statements of Net Income

(unaudited)

		Three Months Ended		Six Months Ended	
(CAD thousands, except per share data)	Note	**June 24, 2017**	June 25, 2016	**June 24, 2017**	June 25, 2016
Net sales		**$ 12,630**	$ 13,656	**$ 35,702**	$ 35,103
Operating costs and expenses					
Cost of sales		**8,868**	8,561	**22,815**	21,647
Selling, administration and other		**1,700**	1,660	**3,292**	3,070
Reforestation		**398**	134	**398**	134
Depreciation and amortization		**77**	122	**155**	247
		11,043	10,477	**26,660**	25,098
Operating earnings		**1,587**	3,179	**9,042**	10,005
Interest expense, net		**(744)**	(723)	**(1,491)**	(1,453)
Other items					
Fair value adjustments		**2,764**	2,674	**1,289**	1,903
Unrealized exchange gain on long-term debt		**790**	1,935	**1,255**	6,054
Gain on sale of timberlands		**958**	—	**1,455**	93
Earnings before income taxes		**5,355**	7,065	**11,550**	16,602
Current income tax (expense) / recovery	7	**(120)**	154	**(267)**	(1)
Deferred income tax expense	7	**(1,224)**	(1,389)	**(2,514)**	(6,429)
Net income		**$ 4,011**	$ 5,830	**$ 8,769**	$ 10,172
Net income per share - basic and diluted		**$ 0.24**	$ 0.35	**$ 0.52**	$ 0.61

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Comprehensive Income

(unaudited)

	Three Months Ended		Six Months Ended	
(CAD thousands)	**June 24, 2017**	June 25, 2016	**June 24, 2017**	June 25, 2016
Net income	**$ 4,011**	$ 5,830	**$ 8,769**	$ 10,172
Other comprehensive loss				
Items that may be reclassified subsequently to net income:				
Unrealized foreign currency translation loss	**(847)**	(2,758)	**(1,376)**	(8,322)
Comprehensive income	**$ 3,164**	$ 3,072	**$ 7,393**	$ 1,850

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Balance Sheets

(unaudited)

As at *(CAD thousands)*	Note	**June 24, 2017**	December 31, 2016
Assets			
Current assets			
Cash and cash equivalents		**$ 20,643**	$ 19,654
Accounts receivable and other assets	5	**6,278**	6,952
Inventory		**1,232**	2,149
		28,153	28,755
Timber	10	**328,949**	328,477
Land, roads and other fixed assets		**91,385**	91,206
Intangible assets		**6,140**	6,140
		$ 454,627	$ 454,578
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	5	**$ 4,477**	$ 3,529
Dividends payable to shareholders	9	**4,601**	4,183
		9,078	7,712
Long-term debt	3	**95,864**	97,066
Deferred income tax liability		**83,643**	81,949
Shareholders' equity	4	**266,042**	267,851
		$ 454,627	$ 454,578

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Changes in Equity

(unaudited)

Six Months Ended June 24, 2017 *(CAD thousands)*	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Shareholders' Equity
Balance as at December 31, 2016	$ 140,067	$ 63,960	$ 31,883	$ 31,941	$ 267,851
Changes in period					
Net income	—	**8,769**	—	—	**8,769**
Other comprehensive loss	—	—	—	**(1,376)**	**(1,376)**
Shareholders' dividends declared	—	**(9,202)**	—	—	**(9,202)**
Balance as at June 24, 2017	**$ 140,067**	**$ 63,527**	**$ 31,883**	**$ 30,565**	**$ 266,042**

See accompanying notes to interim consolidated financial statements.

Six Months Ended June 25, 2016 *(CAD thousands)*	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Shareholders' Equity
Balance as at December 31, 2015	$ 140,067	$ 64,619	$ 26,191	$ 36,169	$ 267,046
Changes in period					
Net income	—	10,172	—	—	10,172
Other comprehensive loss	—	—	—	(8,322)	(8,322)
Shareholders' dividends declared	—	(8,366)	—	—	(8,366)
Balance as at June 25, 2016	$ 140,067	$ 66,425	$ 26,191	$ 27,847	$ 260,530

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

(unaudited)

(CAD thousands)	Three Months Ended **June 24, 2017**	Three Months Ended June 25, 2016	Six Months Ended **June 24, 2017**	Six Months Ended June 25, 2016
Cash provided by (used for):				
Operating activities				
Net income	**$ 4,011**	$ 5,830	**$ 8,769**	$ 10,172
Adjustments to net income:				
Deferred income tax expense	**1,224**	1,389	**2,514**	6,429
Depreciation and amortization	**77**	122	**155**	247
Fair value adjustments	**(2,764)**	(2,674)	**(1,289)**	(1,903)
Unrealized exchange gain on long-term debt	**(790)**	(1,935)	**(1,255)**	(6,054)
Interest expense, net	**744**	723	**1,491**	1,453
Interest paid, net	**(717)**	(695)	**(1,438)**	(1,399)
Gain on sale of timberlands	**(958)**	—	**(1,455)**	(93)
Other, net	**(1,250)**	(2,021)	**(457)**	(986)
Net change in non-cash working capital balances and other	**2,479**	1,756	**2,538**	1,506
	2,056	2,495	**9,573**	9,372
Financing activities				
Dividends paid to shareholders	**(4,601)**	(4,183)	**(8,784)**	(8,366)
	(4,601)	(4,183)	**(8,784)**	(8,366)
Investing activities				
Additions to timber, land, roads and other fixed assets	**(504)**	(17)	**(618)**	(34)
Acquisition of Katahdin Timberlands LLC	**—**	—	**(1,276)**	—
Proceeds from sale of timberlands	**1,257**	—	**2,094**	95
	753	(17)	**200**	61
(Decrease) / increase in cash and cash equivalents during the period	**(1,792)**	(1,705)	**989**	1,067
Cash and cash equivalents, beginning of period	**22,435**	20,488	**19,654**	17,716
Cash and cash equivalents, end of period	**$ 20,643**	$ 18,783	**$ 20,643**	$ 18,783

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 300,000 acres of freehold timberlands in Maine ("Maine Timberlands") and provides management services relating to approximately 1.3 million acres of Crown licensed timberlands in New Brunswick. Acadian also owns and operates a forest nursery in Second Falls, New Brunswick. Acadian's products include softwood and hardwood sawlogs, pulpwood and biomass by-products sold to approximately 100 regional customers.

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

As at June 24, 2017, 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 2016 annual report. These interim condensed consolidated financial statements should be read in conjunction with Acadian's 2016 annual report.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of Acadian on July 26, 2017.

Future Accounting Policies

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, 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 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 plans to adopt the new standard on the required effective date using the full retrospective approach. The extent of the impact of adoption of the standard, based on the Company's preliminary assessment, is not expected to be material to the financial statements.

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. LONG-TERM DEBT

Debt consisted of the following:

As at *(CAD thousands)*	**June 24, 2017**	December 31, 2016
Term facility, due October 2020	**$ 96,207**	$ 97,462
Less: Deferred debt issuance costs	**(343)**	(396)
Total	**$ 95,864**	$ 97,066

Acadian has U.S. dollar denominated credit facilities with Metropolitan Life Insurance Company, which will mature on October 1, 2020. These credit facilities include a revolving credit facility of U.S.$10.0 million (the “Revolving Facility”) for general corporate purposes and a term credit facility of U.S.$72.5 million (the “Term Facility”). The Term Facility bears interest at a fixed rate of 3.01%. The Revolving Facility bears interest at floating rates based on 90-day LIBOR plus applicable margin. Floating interest rates give rise to interest rate risk as earnings and cash flows may be negatively impaired by fluctuations in interest rates.

As at June 24, 2017 and December 31, 2016, Acadian had borrowed U.S.$72.5 million under the Term Facility and $nil under the Revolving Facility; however, U.S.$1.6 million of the Revolving Facility is reserved to support the minimum cash balance requirement of the Term Facility. As security for these facilities, Acadian granted the lenders a security interest over all of its assets. The facilities are subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness and granting liens or selling assets without the consent of the lenders. The credit facilities are also subject to the maintenance of a maximum loan-to-value ratio. Acadian is in compliance with all covenants as of June 24, 2017 and December 31, 2016.

The fair value of the Term Facility as at June 24, 2017 is $96.8 million (December 31, 2016 – $97.9 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. As of March 2, 2017, Acadian implemented a normal course issuer bid (NCIB) that permits the Company to acquire a block of shares if they become available. During the first half of the year, no purchases were made.

Common shares outstanding as at June 24, 2017 and December 31, 2016 were 16,731,216.

NOTE 5. RELATED PARTY TRANSACTIONS

In the normal course of operations, the Company enters into various transactions on market terms with related parties which have been measured at exchange value and recognized in the interim condensed consolidated financial statements. The Company has one significant related party, Brookfield Asset Management Inc., and its affiliates (collectively “Brookfield”). As at June 24, 2017, Brookfield owned 7,513,262 common shares, representing approximately 45% of the Company’s outstanding shares. A summary of the significant related party transactions is provided below.

a) Upon inception, Acadian entered into an agreement with Brookfield whereby Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided in the three and six months ended June 24, 2017 totaled $0.6 million (2016 – $0.6 million) and $1.2 million (2016 – $1.2 million), respectively. As at June 24, 2017, fees of $nil (2016 – $nil) remain outstanding.

b) On January 1, 2017, Acadian acquired a 100% equity interest in Katahdin Timberlands LLC, a related company owned by Brookfield. Refer to Note 11 for further details.

Further to the related party transactions noted above, the total net receivable due from related parties as at June 24, 2017 is $41 thousand (December 31, 2016 net receivable due from related parties – $42 thousand) and net payables due to related parties is $nil (December 31, 2016 net payable due to related parties is $nil). Acadian also has a U.S. $50 million stand-by-equity commitment with Brookfield. Subsequent to quarter end, Brookfield agreed to extend the stand-by equity commitment, which was set to expire in July 2017, for an additional two years to July 2019.

NOTE 6. SEGMENTED INFORMATION

Acadian's presentation of operating 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 operating segments are as follows:

Three Months Ended June 24, 2017 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 3,193	$ 2,038	$ 1,155	$ —
Hardwood	8,730	7,186	1,544	—
Biomass	799	783	16	—
Other	(92)	(223)	131	—
Total net sales	12,630	9,784	2,846	—
Operating costs	(10,568)	(7,391)	(2,862)	(315)
Reforestation	(398)	(366)	(32)	—
Depreciation and amortization	(77)	(44)	(33)	—
Operating earnings / (loss)	1,587	1,983	(81)	(315)
Gain on sale of timberlands	958	—	958	—
Fair value adjustments	2,764	1,903	861	—
Earnings / (loss) before the under noted	5,309	3,886	1,738	(315)
Unrealized exchange gain on long-term debt	790			
Interest expense, net	(744)			
Current income tax expense	(120)			
Deferred income tax expense	(1,224)			
Net income	$ 4,011			

As at June 24, 2017 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	$ 426,474	$ 267,194	$ 159,280	$ —
Total assets	454,627	277,076	168,536	9,015
Total liabilities	$ 188,585	$ 3,769	$ 34,775	$ 150,041

Three Months Ended June 25, 2016 *(CAD thousands)*	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 4,364	$ 3,588	$ 776	$ —
Hardwood	7,459	6,475	984	—
Biomass	1,577	1,561	16	—
Other	256	116	140	—
Total net sales	13,656	11,740	1,916	—
Operating costs	(10,221)	(7,767)	(2,034)	(420)
Reforestation	(134)	(111)	(23)	—
Depreciation and amortization	(122)	(49)	(73)	—
Operating earnings / (loss)	3,179	3,813	(214)	(420)
Fair value adjustments	2,674	1,635	1,039	—
Earnings / (loss) before the under noted	5,853	5,448	825	(420)
Unrealized exchange gain on long-term debt	1,935			
Interest expense, net	(723)			
Current income tax recovery	154			
Deferred income tax expense	(1,389)			
Net income	$ 5,830			

As at June 25, 2016 *(CAD thousands)*	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	$ 414,135	$ 249,304	$ 164,831	$ —
Total assets	440,627	259,768	170,175	10,684
Total liabilities	$ 180,097	$ 3,380	$ 38,211	$ 138,506

Six Months Ended June 24, 2017 *(CAD thousands)*	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 15,202	$ 9,296	$ 5,906	$ —
Hardwood	18,224	14,788	3,436	—
Biomass	1,766	1,748	18	—
Other	510	265	245	—
Total net sales	35,702	26,097	9,605	—
Operating costs	(26,107)	(17,575)	(7,963)	(569)
Reforestation	(398)	(366)	(32)	—
Depreciation and amortization	(155)	(89)	(66)	—
Operating earnings / (loss)	9,042	8,067	1,544	(569)
Gain on sale of timberlands	1,455	—	1,455	—
Fair value adjustments	1,289	987	302	—
Earnings / (loss) before the under noted	11,786	9,054	3,301	(569)
Unrealized exchange gain on long-term debt	1,255			
Interest expense, net	(1,491)			
Current income tax expense	(267)			
Deferred income tax expense	(2,514)			
Net income	$ 8,769			

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

During the three months ended June 24, 2017 approximately 49% of total sales (2016 – 37%) were originated with customers domiciled in the U.S. and the balance in Canada. During the same period, approximately 31% of total sales (2016 – 23%) were denominated in U.S. dollars.

Acadian outsources much of its harvesting, transportation and other services which comprise the majority of Acadian's cost of sales. For the three months ended June 24, 2017, Acadian's top three suppliers accounted for approximately 17%, 15% and 13%, respectively, of Acadian's total harvesting and delivery costs (2016 – 19%, 11% and 7%, respectively).

Acadian sells its products to many forest product companies in North America. For the three-month period ended June 24, 2017, sales to the largest and next largest customer accounted for 19% and 10%, respectively (2016 – 18% and 13%, respectively).

NOTE 7. INCOME TAXES

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

	Three months ended		Six months ended	
(CAD thousands)	**June 24, 2017**	June 25, 2016	**June 24, 2017**	June 25, 2016
Income tax expense				
Income tax at statutory rate	**$ 1,553**	$ 2,049	**$ 3,349**	$ 4,815
Foreign tax rate differential	**191**	89	**364**	174
Permanent differences	**(560)**	(669)	**(1,071)**	(1,732)
Rate adjustments	**—**	(213)	**—**	3,353
Expense / (benefit) of previously unrecognized tax attributes	**156**	(221)	**182**	(190)
Other	**3**	200	**(43)**	10
Total income tax expense	**$ 1,343**	$ 1,235	**$ 2,781**	$ 6,430

NOTE 8. EMPLOYEE BENEFIT PLANS

NB Timberlands and Maine Timberlands each have defined contribution pension plans covering substantially all employees. During the three and six months ended June 24, 2017, contributions recorded as expenses amounted to $54 thousand (2016 – $61 thousand) and $117 thousand (2016 - $121 thousand), respectively.

NOTE 9. DIVIDENDS TO SHAREHOLDERS

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

Total dividends declared for the three months ended June 24, 2017 were $4.6 million (2016 – $4.2 million) or $0.275 per share (2016 – $0.25 per share). For the six months ended June 24, 2017, total dividends were $9.2 million (2016 - $8.4 million) or $0.55 per share (2016 - $0.50 per share).

NOTE 10. TIMBER

(CAD thousands)	
Fair value at December 31, 2015	$ 333,732
Gains arising from growth	29,419
Loss arising from harvest	(28,158)
Loss from fair value price changes	(2,261)
Foreign exchange	(4,255)
Balance at December 31, 2016	$ 328,477
Gains arising from growth	14,064
Loss arising from harvest	(12,443)
Foreign exchange	(1,149)
Balance at June 24, 2017	**$ 328,949**

NOTE 11. ACQUISITION OF KATAHDIN TIMBERLANDS LLC

On January 1, 2017, Acadian acquired a 100% equity interest in Katahdin Timberlands LLC ("KTL"), a related company owned by Brookfield, that leased and held parcels of land complementary to Acadian's Maine Timberlands for $1,276 thousand (U.S.$954 thousand). The parcels of land acquired were historically managed by Maine Timberlands on behalf of Brookfield. The acquisition represented an opportunity for Acadian to integrate the acquired parcels into its existing operations and increase income from higher and better use sales (HBU).

Board and Management

BOARD OF DIRECTORS

Phil Brown
Executive Managing Director of Partner Recruitment
Momentum Search Group

Reid Carter
Managing Partner
Brookfield Asset Management Inc.

David Mann, QC
Corporate Director

Saul Shulman
Chief Executive Officer
MLG Management Inc.

Ben Vaughan
Senior Managing Partner
Brookfield Asset Management Inc.

MANAGEMENT

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

Mark Bishop
President and Chief Executive Officer of Acadian and Managing Director of the Manager

Mabel Wong
Chief Financial Officer of Acadian and Senior Vice President of the Manager

Marcia McKeague
Vice President, Maine Woodland Operations

Luc Ouellet
Vice President, NB Woodland Operations

Corporate and Shareholder Information

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:
Jon Syrnyk
Investor Relations and Communications
t. 604.661.9622   f. 604.687.3419
e. jsyrnyk@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:

AST Trust Company (Canada)
1 Toronto Street, 12th Floor
Toronto, ON M5C 2VC
t. 1-800-387-0825 (toll free in North America)
f. 1-888-249-6189
e. inquiries@canstockta.com
www.canstockta.com

SHARE INFORMATION

Toronto Stock Exchange: ADN
Fully Diluted Shares Outstanding (June 24, 2017): 16,731,216
Targeted 2017 Quarterly Dividend: $0.275 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 29, 2017 and the Management Information Circular dated March 29, 2017, 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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