ACADIANTIMBER

Q3 2018 Interim Report

Letter to Shareholders

Overview[1]

Acadian Timber Corp ("Acadian") generated Adjusted EBITDA[2] of $6.1 million for the three-month period ended September 29, 2018 (the "third quarter"), compared to $6.7 million in the prior year period. Acadian benefited from favourable operating conditions and strong seasonal demand, however log sales volumes decreased 11% over the prior year due to timing of harvest activity. Acadian's weighted average log selling price increased 6% as prices for most of our products benefited from improved demand. Third quarter net income of $5.9 million was $3.8 million lower than the prior year period total of $9.7 million primarily due to the impact of changes in the foreign exchange revaluation of U.S. dollar denominated long-term debt as well as lower log sales volumes. During the quarter, Free Cash Flow[2] was $5.1 million versus $5.3 million in the same period of 2017.

For the nine-month period ended September 29, 2018, we have declared dividends of $0.84 per share or $14.1 million, compared to $13.8 million during the same period of 2017, reflecting a 3% increase in our quarterly dividend. This represents a Payout Ratio[2] of 98%, which is slightly above our long-term annual target of 95% but in-line with expectations given the seasonality of our operations. We anticipate that over the long-term we will maintain a Payout Ratio consistent with target levels.

Results of Operations[1]

Acadian's operations reported zero recordable safety incidents during the quarter among employees and one minor incident among contractors. We remain very committed to maintaining a culture across the organization that emphasizes the importance of strong safety performance.

During the third quarter, Acadian generated net sales of $26.6 million compared to $27.2 million in the prior year period. Acadian benefited from favourable operating conditions and strong seasonal demand, however, log sales volumes decreased 11% due to timing of harvest activity. The impact of lower log sales volumes was partially offset by a 6% increase in weighted average log selling prices, as prices for most of our products benefited from improved demand, and a meaningful improvement in biomass revenues due to stronger export markets. The Adjusted EBITDA margin[2] for the quarter was 23%, down from 25% in the prior year period as improved log selling prices were more than offset by the impact of lower sales volumes and higher variable log harvest costs per m^3. Third quarter net income of $5.9 million was $3.8 million lower than the prior year period primarily due to the impact of changes in the foreign exchange revaluation of U.S. dollar denominated long-term debt as well as lower log sales volumes.

Our balance sheet continues to be solid with $97.0 million of net liquidity as at September 29, 2018, which includes funds available under our Revolving Facility and the stand-by equity commitment with Brookfield.

Outlook[1]

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.

Despite current very strong U.S. economic performance, key indicators suggest momentum in the U.S. housing market has slowed over the past few months. Tight construction labour markets and restrictive building regulations have continued to weigh on residential construction growth expectations. However, the primary catalysts to more conservative consensus housing start forecasts compared to the prior quarter have been persistent weak wage growth combined with rising interest rates and escalating negative sentiment on the impact of U.S. trade policy. The most recent forecasts anticipate year-over-year growth in starts ranging from flat to 5% for 2019. As single family starts, the largest lumber consuming segment of U.S. housing starts, are forecast to continue to recover from recent historically low levels, North American sawtimber demand is still expected to post modest year-over-year growth even under more conservative forecasts. The backdrop for housing demand over the medium term remains very positive reflecting continued pent-up demand for housing and improving demographics.

Average Q3 2018 quarterly benchmark Western Spruce-Pine-Fir and Southern Yellow Pine lumber prices declined 20% and 18%, respectively, from the prior quarter, with prices sliding towards average cash-cost levels by early Q4 2018. The significant swing in pricing, which has been well beyond seasonal norms, has been exacerbated by severe weather in the

U.S. South that has reduced market demand. Forecasters anticipate that extensive announced market downtime, principally in the high log cost regions of British Columbia and the U.S. Pacific Northwest, coupled with ongoing demand growth, will support continued historically strong lumber pricing through 2019. By extension, Acadian anticipates continued strong support in end use markets for softwood sawtimber pricing through this period.

Hardwood sawtimber markets, typically oriented to millwork and higher value specialty markets, remain well balanced with a continued positive outlook for the foreseeable future. The outlook for global pulp markets remains strong supported by encouraging demand and pricing dynamics, particularly in the containerboard and tissue segments. Hardwood pulpwood demand in Acadian's operating region remains stable, with well balanced supply conditions continuing to support historically strong pricing. While softwood pulpwood markets, Acadian's smallest product segment by volume and margin, remain under pressure, the recently announced re-start of a pulp mill in Maine during 2019 is expected to be a catalyst for a recovery in softwood pulpwood demand and pricing. In New Brunswick, biomass markets continue to be supported by strong export demand. While the biomass market in Maine remains weak, early-stage initiatives in wood-based liquid biofuels and pellets are progressing as are efforts to tap into biomass export markets.

With a strong balance sheet, well diversified markets and highly capable operating team, Acadian is well positioned to meet its ongoing quarterly distributable cash commitments. While no shares were repurchased under our existing normal course issuer bid, we will continue to seek opportunities to do so at the appropriate share valuation. 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
October 31, 2018

1. This Letter to Shareholders 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 "Cautionary Statement Regarding Forward-Looking Information and Statements" in Management's Discussion and Analysis for further details.
2. Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow and Payout Ratio are key performance measures in evaluating Acadian's operations and are important in enhancing investors' understanding of Acadian's operating performance. Adjusted EBITDA and Adjusted EBITDA margin 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 Ratio is used to evaluate Acadian's ability to fund its distribution using Free Cash Flow. Acadian's management defines Adjusted EBITDA as earnings before interest, taxes, fair value adjustments, recovery of or impairment of land and roads, realized gain/loss on sale of roads and other fixed assets, 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). Payout Ratio is defined as dividends declared divided by Free Cash Flow. 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.

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 United States. 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 timber services relating to approximately 1.3 million acres of Crown licensed timberlands ("NB Crown Lands"). Acadian's products include softwood and hardwood sawlogs, pulpwood and biomass by-products sold to approximately 85 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-month period ended September 29, 2018 (herein referred to as the "third quarter") and the nine-month period ended September 29, 2018 compared to the three and nine month periods ended September 30, 2017, and should be read in conjunction with the interim condensed consolidated financial statements and notes thereto included at page 16 of this interim report.

On January 1, 2018, the Company adopted IFRS 15 "Revenue from Contracts with Customers", using the full retrospective approach which supersedes previous revenue standards (IAS 18 "Revenue") and related interpretations and will apply to all revenue arising from contracts with customers. The adoption on January 1, 2018 resulted in a change in presentation from net to gross for timber services which does not impact the Company's operating earnings or net income. As a result of this change in presentation, net sales for the three-month and nine-month periods ended September 30, 2017 increased by $5.1 million and $11.7 million, respectively, with a corresponding increase in operating costs and expenses. Net sales are net of discounts and rebates to customers. Revenue is recognized when control passes to the customer, which is generally when timber is delivered to the customer and actual quantities delivered are determined. Sales are governed primarily by contract and in some cases by standard industry terms. Pursuant to the Crown Lands Services Agreement, Acadian provides harvesting, transportation and other services to Crown licensees and sub-licensees. Acadian receives payment for these services which are recognized upon delivery of the timber and when actual quantities delivered are determined.

Our third quarter financial results are determined in accordance with IAS 34 "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") and are expressed in Canadian dollars unless otherwise noted. External economic and industry factors remain unchanged since the previous annual report, unless otherwise noted. This MD&A has been prepared based on information available as at October 31, 2018. 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, realized gain/loss on sale of roads and other fixed assets, 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). Reference made to "Payout Ratio" is defined as dividends declared divided by Free Cash Flow. Management believes that Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow, and Payout Ratio 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 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 Ratio is used to evaluate Acadian's ability to fund its distribution using Free Cash Flow. 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, 2017. There have been no changes in our disclosure controls and procedures during the period ended September 29, 2018 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, 2017. There have been no changes in our internal controls over financial reporting during the nine-month period ended September 29, 2018 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

REVIEW OF OPERATIONS

Summary of Third quarter Results

The table below summarizes operating and financial data for Acadian:

	Three Months Ended		Nine Months Ended	
(CAD thousands, except where indicated)	**September 29, 2018**	September 30, 2017	**September 29, 2018**	September 30, 2017
Sales volume (000s m^3)	**332.0**	381.0	**983.3**	954.4
Net sales[1]	**$ 26,634**	$ 27,238	**$ 75,681**	$ 69,578
Net income	**5,949**	9,702	**9,823**	18,471
Adjusted EBITDA[2]	**$ 6,059**	$ 6,687	**$ 17,511**	$ 17,339
Adjusted EBITDA margin	**23%**	25%	**23%**	25%
Free Cash Flow[2]	**$ 5,133**	$ 5,302	**$ 14,388**	$ 14,724
Dividends declared	**4,726**	4,601	**14,054**	13,803
Payout Ratio[2]	**92%**	87%	**98%**	94%
Per share – basic and diluted				
Net income	**$ 0.36**	$ 0.58	**$ 0.59**	$ 1.10
Free Cash Flow[2]	**0.31**	0.32	**0.86**	0.88
Dividends declared	**0.2825**	0.275	**0.84**	0.825
Book Value	**16.47**	15.74	**16.47**	15.74
Common Shares Outstanding	**16,731,216**	16,731,216	**16,731,216**	16,731,216

1. Certain prior year amounts have been reclassified to conform to the current year presentation as a result of the adoption of IFRS 15, *Revenue from Contracts with Customers*, on January 1, 2018
2. Non-IFRS Measure. See "Reconciliation of net income, in accordance with IFRS, to Adjusted EBITDA and Free Cash Flow".

During the third quarter of 2018, Acadian generated net sales of $26.6 million compared to $27.2 million in the prior year period. Acadian benefited from favourable operating conditions and strong seasonal demand, however, log sales volumes decreased 11% due to timing of harvest activity. The decrease in log sales volumes was partially offset by a 6% increase in weighted average log selling prices, as prices for most of our products benefited from improved demand, and a meaningful improvement in biomass revenues due to stronger export markets. Adjusted EBITDA was $6.1 million, down from $6.7 million in the prior year period, and the Adjusted EBITDA margin decreased to 23% from 25% as improved log selling prices were more than offset by the impact of lower sales volumes and higher variable log harvest costs per m^3.

Net income was $5.9 million, or $0.36 per share, for the third quarter, compared to $9.7 million, or $0.58 per share, for the same period in 2017 due to the impact of changes in the foreign exchange revaluation of U.S. dollar denominated long-term debt, as well as lower log sales volumes.

For the nine-month period ended September 29, 2018, Acadian's net sales improved to $75.7 million from $69.6 million during the prior year period, primarily attributable to a 3% increase in log sales volumes driven by favourable harvest conditions, particularly for spruce and fir stands. The weighted average log selling price increased 2% compared to the prior year period driven by higher selling prices for our products, partially offset by changes in the sales mix. In addition, gross margin earned from biomass products increased 59% due to stronger export markets. As a result, Adjusted EBITDA improved to $17.5 million from $17.3 million during the first nine months of 2017, despite a $1.1 million decrease in HBU land sales in Maine. Adjusted EBITDA margin decreased to 23% from 25% in the prior year period as the increase in log sales volumes was more than offset by changes in the sales mix and lower HBU land sales in Maine. For the nine-months ended September 29, 2018, net income was $9.8 million, or $0.59 per share, which represents a decrease of $8.6 million over the same period of 2017 primarily due to the impact of changes in the foreign exchange revaluation of U.S. dollar denominated long-term debt.

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		Nine Months Ended	
(CAD thousands)	**September 29, 2018**	September 30, 2017	**September 29, 2018**	September 30, 2017
Net income	**$ 5,949**	$ 9,702	**$ 9,823**	$ 18,471
Add / (deduct):				
Interest expense, net	**936**	698	**2,897**	2,189
Current income tax expense	**575**	549	**1,844**	816
Deferred income tax expense	**920**	1,190	**2,434**	3,704
Depreciation and amortization	**69**	78	**230**	233
Fair value adjustments and other	**(822)**	269	**(2,088)**	(1,020)
Unrealized exchange (gain) / loss on long-term debt	**(1,568)**	(5,799)	**2,371**	(7,054)
Adjusted EBITDA[1]	**$ 6,059**	$ 6,687	**$ 17,511**	$ 17,339
Add / (deduct):				
Interest paid on debt, net	**(648)**	(671)	**(2,014)**	(2,109)
Additions to timber, land, roads and other fixed assets	**(17)**	(185)	**(48)**	(349)
Gain on sale of timberlands	**(387)**	(362)	**(850)**	(1,817)
(Gain) / Loss on disposal of roads and other fixed assets	**(155)**	—	**93**	—
Proceeds on sale of timberlands	**469**	382	**966**	2,476
Proceeds on sale of roads and other fixed assets	**387**	—	**574**	—
Current income tax expense	**(575)**	(549)	**(1,844)**	(816)
Free Cash Flow[1]	**$ 5,133**	$ 5,302	**$ 14,388**	$ 14,724
Dividends declared	**$ 4,726**	$ 4,601	**$ 14,054**	$ 13,803
Payout Ratio[1]	**92%**	87%	**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 the 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.

For the nine-month period ended September 29, 2018, we have declared dividends of $0.84 per share to our shareholders or $14.1 million compared to $13.8 million during the same period of 2017, reflecting a 3% increase in our quarterly dividend. This represents a Payout Ratio of 98%, which is slightly above our long-term annual target of 95% but in-line with expectations given the seasonality of our operations. We anticipate that over the long-term we will maintain a Payout Ratio consistent with target levels.

Operating and Market Conditions

Acadian's operations performed well during the third quarter, driven by continued strong and stable market dynamics in New Brunswick, improved log markets in Maine compared to the prior year, and favourable operating conditions. Log sales volumes, excluding biomass, of 269 thousand m^3 for the quarter, however, were down 11% year-over-year as harvest and sales activities were stronger than anticipated during the first half of 2018 due to favourable operating conditions and strong seasonal demand and our commitment to manage Acadian's annual harvest volume at sustainable levels.

Acadian's weighted average log selling price increased 6% over the prior year period benefiting from increases in softwood sawlog and hardwood pulpwood prices of 16% and 4%, respectively, partially offset by the impact of changes in the sales mix. Demand for softwood sawlogs and hardwood pulpwood in New Brunswick remained strong, with prices increasing 5% and 3%, respectively. Markets in Maine continued to strengthen with prices in U.S. dollar terms for softwood sawlogs increasing 15% and hardwood pulpwood prices improving 5% compared to the prior year period.

Export markets for Acadian's biomass products strengthened year-over-year resulting in a meaningful 47% increase in the gross margin earned compared to the third quarter of 2017 despite a 19% decrease in sales volumes.

Segmented Results of Operations

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

Three Months Ended September 29, 2018 (CAD thousands)	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m^3)	**253.5**	**78.5**	**—**	**332.0**
Net sales	**$ 20,120**	**$ 6,514**	**$ —**	**$ 26,634**
Adjusted EBITDA[1]	**$ 4,495**	**$ 1,914**	**$ (350)**	**$ 6,059**
Adjusted EBITDA margin[1]	**22%**	**29%**	**n/a**	**23%**

Three Months Ended September 30, 2017 (CAD thousands)	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m^3)	288.6	92.4	—	381.0
Net sales[2]	$ 20,624	$ 6,614	$ —	$ 27,238
Adjusted EBITDA[1]	$ 5,454	$ 1,551	$ (318)	$ 6,687
Adjusted EBITDA margin[1,2]	26%	23%	n/a	25%

Nine Months Ended September 29, 2018 (CAD thousands)	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m^3)	**733.1**	**250.2**	**—**	**983.3**
Net sales	**$ 56,157**	**$ 19,524**	**$ —**	**$ 75,681**
Adjusted EBITDA[1]	**$ 12,512**	**$ 5,947**	**$ (948)**	**$ 17,511**
Adjusted EBITDA margin[1]	**22%**	**30%**	**n/a**	**23%**

Nine Months Ended September 30, 2017 (CAD thousands)	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m^3)	725.9	228.5	—	954.4
Net sales[2]	$ 53,359	$ 16,219	$ —	$ 69,578
Adjusted EBITDA[1]	$ 13,610	$ 4,616	$ (887)	$ 17,339
Adjusted EBITDA margin[1,2]	26%	28%	n/a	25%

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 3 of this interim report.
2. Certain prior year amounts have been reclassified to conform to the current year presentation as a result of the adoption of IFRS 15, *Revenue from Contracts with Customers*, on January 1, 2018

NB Timberlands

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

There were no recordable safety incidents among employees and one minor lost time incident among contractors during the third quarter of 2018.

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

	Three Months Ended September 29, 2018				Three Months Ended September 30, 2017			
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Sales Mix**	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Sales Mix**	**Results** *($000s)*
Softwood	**99.5**	**98.4**	**39%**	**$ 5,417**	113.0	115.2	40%	$ 6,265
Hardwood	**105.0**	**96.8**	**38%**	**7,063**	99.5	103.2	36%	7,396
Biomass	**58.3**	**58.3**	**23%**	**1,848**	70.2	70.2	24%	863
	262.8	**253.5**	**100%**	**14,328**	282.7	288.6	100%	14,524
Timber services and other sales[1]				**5,792**				6,100
Net sales[1]				**$ 20,120**				$ 20,624
Adjusted EBITDA[2]				**$ 4,495**				$ 5,454
Adjusted EBITDA margin[1,2]				**22%**				26%

	Nine Months Ended September 29, 2018				Nine Months Ended September 30, 2017			
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Sales Mix**	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Sales Mix**	**Results** *($000s)*
Softwood	**305.3**	**309.1**	**42%**	**$ 17,232**	276.1	281.1	39%	$ 15,561
Hardwood	**266.2**	**261.7**	**36%**	**20,096**	276.8	290.0	40%	22,184
Biomass	**162.3**	**162.3**	**22%**	**4,802**	154.8	154.8	21%	2,611
	733.8	**733.1**	**100%**	**42,130**	707.7	725.9	100%	40,356
Timber services and other sales[1]				**14,027**				13,003
Net sales[1]				**$ 56,157**				$ 53,359
Adjusted EBITDA[2]				**$ 12,512**				$ 13,610
Adjusted EBITDA margin[1,2]				**22%**				26%

1. Certain prior year amounts have been reclassified to conform to the current year presentation as a result of the adoption of IFRS 15, *Revenue from Contracts with Customers*, on January 1, 2018
2. Non-IFRS Measure. See “Non-IFRS Measures” on page 3 of this interim report.

Net sales for our New Brunswick Timberlands were $20.1 million compared to $20.6 million during the prior year period. Despite continued favourable harvest and demand conditions, year-over-year third quarter log sales volumes declined by 11% due to timing of our harvest activities which reflects strong markets during the first half of 2018 and our commitment to manage New Brunswick Timberlands’ annual harvest volume at sustainable levels. In addition, timber services and other sales decreased 5% compared to the prior year period primarily due to timing of harvest activities.

The weighted average log selling price during the quarter was $63.93 per m^3, versus $62.55 per m^3 in the prior year period. Demand for softwood sawlogs and hardwood pulpwood in New Brunswick remained strong with prices increasing 5% and 3%, respectively, however this was partially offset by changes in the sales mix during the period due to higher relative sales volumes of lower-valued softwood pulpwood. Pricing for this product was, however, favourable compared to the prior year period.

Export markets for biomass products strengthened year-over-year resulting in a 50% increase in the gross margin earned compared to the third quarter of 2017 driven by a 157% increase in sales prices, partially offset by a 17% decrease in sales volumes.

Operating costs for the quarter were $15.8 million, compared to $15.3 million in the third quarter of 2017 primarily due to a 7% increase in variable log harvest costs per m^3, attributable to longer average haul distances and higher fuel costs, partially offset by lower harvest volumes.

Adjusted EBITDA was $4.5 million during the third quarter of 2018, compared to $5.5 million in the prior year period, due to lower log sales volumes and higher variable log harvest costs per m^3. As a result, the Adjusted EBITDA margin for the quarter decreased to 22% from 26% in the prior year period.

During the nine-month period ended September 29, 2018, net sales totaled $56.2 million, a $2.8 million increase compared to the same period last year, reflecting stronger biomass export markets and the timing of timber services. The operations benefited from increases in softwood sawlog and hardwood pulpwood prices of 3% and 2%, respectively, but these gains were offset by the impact of changes in the sales mix. Costs of $43.9 million were $4.1 million higher than the prior year due to higher harvest volumes and higher fuel costs. As a result, Adjusted EBITDA was $12.5 million, a decrease of $1.1 million compared to Adjusted EBITDA of $13.6 million in the same period last year, while the Adjusted EBITDA margin decreased to 22% from 26%.

Maine Timberlands

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

There were no recordable safety incidents among employees or contractors during the third quarter of 2018.

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

	Three Months Ended September 29, 2018				Three Months Ended September 30, 2017			
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Sales Mix**	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Sales Mix**	**Results** *($000s)*
Softwood	**50.0**	**50.6**	**64%**	**$ 4,468**	35.0	34.9	38%	$ 2,592
Hardwood	**24.7**	**23.2**	**30%**	**1,859**	56.8	50.2	54%	3,799
Biomass	**4.7**	**4.7**	**6%**	**7**	7.3	7.3	8%	11
	79.4	**78.5**	**100%**	**6,334**	99.1	92.4	100%	6,402
Other sales				**180**				212
Net sales				**$ 6,514**				$ 6,614
Adjusted EBITDA[1]				**$ 1,914**				$ 1,551
Adjusted EBITDA margin[1]				**29%**				23%

	Nine Months Ended September 29, 2018				Nine Months Ended September 30, 2017			
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Sales Mix**	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Sales Mix**	**Results** *($000s)*
Softwood	**167.0**	**167.1**	**67%**	**$13,703**	114.4	114.0	50%	$ 8,498
Hardwood	**68.1**	**67.1**	**27%**	**5,269**	100.0	95.4	42%	7,235
Biomass	**16.0**	**16.0**	**6%**	**25**	19.1	19.1	8%	29
	251.1	**250.2**	**100%**	**18,997**	233.5	228.5	100%	15,762
Other sales				**527**				457
Net sales				**$ 19,524**				$ 16,219
Adjusted EBITDA[1]				**$ 5,947**				$ 4,616
Adjusted EBITDA margin[1]				**30%**				28%

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

Net sales totaled \$6.5 million compared to \$6.6 million for the same period last year as a 14% increase in the weighted average log selling price fully offset the 13% decrease in log sales volumes. While harvest and market conditions continued to be favourable during the quarter, harvest activities were adjusted to reflect our commitment to manage Maine Timberlands' annual harvest volumes to sustainable levels.

The weighted average log selling price in Canadian dollar terms was \$85.78 per m^3, up from \$75.29 per m^3 in the same period of 2017. The weighted average log selling price in U.S. dollar terms was up 9% year-over-year to \$65.64 per m^3, reflecting meaningfully improved demand for softwood sawlogs and hardwood pulpwood for which prices increased by 15% and 5%, respectively.

Costs for the third quarter of \$5.0 million were \$0.4 million lower compared to the same period in 2017 due to lower log sales volumes and shorter hauling distances, the impacts of which were partially offset by foreign exchange and higher fuel costs.

Adjusted EBITDA for the quarter was \$1.9 million compared to \$1.6 million in the prior year period as the higher weighted average log selling price resulted in the Adjusted EBITDA margin increasing to 29%, from 23% in 2017.

During the nine-month period ended September 29, 2018, net sales totaled \$19.5 million, \$3.3 million higher than the first nine months of 2017, driven by a 12% increase in log sales volumes due to favourable operating conditions and strong demand for softwood sawlogs compared to the previous year. Year-to-date softwood and hardwood harvest levels are in-line with expected harvest levels through the end of 2020 and consistent with our annual harvest profile as per our Sustainable Forestry Initiative® certification. Net sales for the Maine Timberlands also benefited from a 7% increase in the weighted average log selling price, reflecting meaningfully improved demand and prices for softwood sawlogs and hardwood pulpwood. Costs were \$14.3 million, or \$0.9 million higher than the same period of 2017 largely due to higher log sales volumes, partially offset by the benefit of shorter hauling distances. Although HBU land sales fell \$1.1 million year-over-year, Adjusted EBITDA increased \$1.3 million compared to the prior year period to \$5.9 million due to the aforementioned factors. Those factors also caused the Adjusted EBITDA margin to increase to 30% from 28% in the prior year period.

Financial Position

Our financial position continues to be solid with \$97.0 million of net liquidity as at September 29, 2018, including funds available under our Revolving Facility and the stand-by equity commitment with Brookfield.

As at September 29, 2018, Acadian's balance sheet consisted of total assets of \$465.4 (December 31, 2017 – \$462.2 million), consisting primarily of timber, land, roads and other fixed assets of \$424.5 million (December 31, 2017 – \$419.9 million), cash and current assets of \$34.8 million (December 31, 2017 – \$36.2 million), and intangible assets of \$6.1 million (December 31, 2017 – \$6.1 million). Timber has been recorded at fair value as determined through an independent third-party appraisal at December 31, 2017 and adjusted for growth estimates and harvest during the first nine months of the year. Reforestation costs have been expensed as incurred.

MARKET OUTLOOK

The following contains forward-looking information about Acadian Timber Corp.'s market outlook for the remainder of 2018. Reference should be made to the section entitled "Cautionary Statement Regarding Forward-Looking Information and Statements" on page 15 for further details. 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.

Despite current very strong U.S. economic performance, key indicators suggest momentum in the U.S. housing market has slowed over the past few months. Tight construction labour markets and restrictive building regulations have continued to weigh on residential construction growth expectations. However, the primary catalysts to more conservative consensus housing start forecasts compared to the prior quarter have been persistent weak wage growth combined with rising interest rates and escalating negative sentiment on the impact of U.S. trade policy. The most recent forecasts anticipate year-over-year growth in starts ranging from flat to 5% for 2019. As single family starts, the largest lumber consuming segment of U.S. housing starts, are forecast to continue to recover from recent historically low levels, North American sawtimber demand is still expected to post modest year-over-year growth even under more conservative forecasts. The backdrop for housing demand over the medium term remains very positive reflecting continued pent-up demand for housing and improving demographics.

Average Q3 2018 quarterly benchmark Western Spruce-Pine-Fir and Southern Yellow Pine lumber prices declined 20% and 18%, respectively, from the prior quarter, with prices sliding towards average cash-cost levels by early Q4 2018. The significant swing in pricing, which has been well beyond seasonal norms, has been exacerbated by severe weather in the U.S. South that has reduced market demand. Forecasters anticipate that extensive announced market downtime, principally in the high log cost regions of British Columbia and the U.S. Pacific Northwest, coupled with ongoing demand growth will support continued historically strong lumber pricing through 2019. By extension, Acadian anticipates continued strong support in end use markets for softwood sawtimber pricing through this period.

Hardwood sawtimber markets, typically oriented to millwork and higher value specialty markets, remain well balanced with a continued positive outlook for the foreseeable future. The outlook for global pulp markets remains strong, supported by encouraging demand and pricing dynamics, particularly in the containerboard and tissue segments. Hardwood pulpwood demand in Acadian's operating region remains stable, with well balanced supply conditions continuing to support historically strong pricing. While softwood pulpwood markets, Acadian's smallest product segment by volume and margin, remain under pressure, the recently announced re-start of a pulp mill in Maine during 2019 is expected to be a catalyst for a recovery in softwood pulpwood demand and pricing. In New Brunswick, biomass markets continue to be supported by strong export demand. While the biomass market in Maine remains weak, early-stage initiatives in wood-based liquid biofuels and pellets are progressing as are efforts to tap into biomass export markets.

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 seven quarters. See "Additional Quarterly Information" section for the segmented quarterly results.

	2018			2017				2016
(CAD thousands, except per share data and where indicated)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales volume (000s m^3)	**332.0**	231.6	419.7	297.6	381.0	217.4	356.0	351.2
Net sales[1]	**$ 26,634**	$ 16,099	$ 32,948	$ 25,805	$ 27,238	$ 14,329	$ 28,012	$ 27,267
Adjusted EBITDA[2]	**6,059**	2,582	8,870	6,005	6,687	2,622	8,030	7,049
Free Cash Flow[2]	**5,133**	1,997	7,258	4,756	5,302	2,034	7,388	6,276
Net income	**5,946**	1,888	1,986	12,348	9,702	4,011	4,758	3,121
Per share – basic and diluted	**$ 0.36**	$ 0.11	$ 0.12	$ 0.74	$ 0.58	$ 0.24	$ 0.28	$ 0.18

1. Certain prior year amounts have been reclassified to conform to the current year presentation as a result of the adoption of IFRS 15, *Revenue from Contracts with Customers*, on January 1, 2018
2. 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 2017 annual report.

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

Related Party Transactions

In the normal course of operations, the Company enters into various transactions on market terms with related parties which have been measured at the exchange value and recognized in the interim condensed consolidated financial statements. The Company has one significant related party, Brookfield Asset Management Inc., and its affiliates (collectively "Brookfield").

As at September 29, 2018, 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 nine months ended September 29, 2018 totaled $0.6 million (2017 – $0.6 million) and $1.8 million (2017 - $1.8 million), respectively. As at September 29, 2018, fees of $nil (December 31, 2017 – $nil) remain outstanding.

b) 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 (US$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 HBU sales.

Further to the related party transactions noted above, the total net receivables due from related parties as at September 29, 2018 is $55 thousand (December 31, 2017 – $49 thousand) and net payables due to related parties is $94 thousand (December 31, 2017 – $500 thousand). Acadian also has a U.S. $50 million stand-by-equity commitment with Brookfield. In September 2017, Brookfield agreed to extend the stand-by equity commitment 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 timber 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	Total	Less Than One Year (2018-2019)	1 to 3 Years (2019-2021)	3 to 5 Years (2022-2024)	After 5 Years (>2024)
Debt						
Term facility[1]	$ 93,612	$ 93,612	$ —	$ 93,612	$ —	$ —
Revolving facility[2]	12,912	—	—	—	—	—
	$ 106,524	$ 93,612	$ —	$ 93,612	$ —	$ —
Interest payments[3]		$ 5,636	$ 2,818	$ 2,818	$ —	$ —

1. Represents principal of a U.S. dollar denominated term loan with a U.S. to Canadian dollar conversion rate of 1.2912, excluding the unamortized deferred financing costs
2. Represents credit reserved to support the minimum cash balance requirement of the U.S. dollar denominated revolving credit facility with a U.S. to Canadian conversion rate of 1.2912
3. Interest payments are determined assuming a fixed interest rate at 3.01% with a U.S. to Canadian dollar conversion rate of 1.2912

Additional Quarterly Information

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

NB Timberlands

	2018 Q3			2018 Q2			2018 Q1			2017 Q4		
	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)*	*($000s)*
Softwood	**99.5**	**98.4**	**$ 5,417**	47.2	53.3	$ 2,930	158.6	157.4	$ 8,885	103.2	97.1	$ 5,371
Hardwood	**105.0**	**96.8**	**7,063**	68.2	81.9	6,467	93.0	83.0	6,566	68.8	66.9	5,111
Biomass	**58.3**	**58.3**	**1,848**	51.1	51.1	1,503	52.9	52.9	1,451	31.6	31.6	549
	262.8	**253.5**	**14,328**	166.5	186.3	10,900	304.5	293.3	16,902	203.6	195.6	11,031
Timber services and other sales[1]			**5,792**			2,017			6,218			7,272
Net sales[1]			**$ 20,120**			$ 12,917			$ 23,120			$ 18,303
Adjusted EBITDA[2]			**$ 4,495**			$ 2,160			$ 5,857			$ 4,463
Adjusted EBITDA margin[1,2]			**22%**			17%			25%			24%

Maine Timberlands

	2018 Q3			2018 Q2			2018 Q1			2017 Q4		
	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)*	*($000s)*
Softwood	**50.0**	**50.6**	**$ 4,468**	25.4	25.3	$ 1,914	91.6	91.2	$ 7,321	47.0	46.8	$ 3,752
Hardwood	**24.7**	**23.2**	**1,859**	9.5	13.2	1,156	33.9	30.7	2,254	44.5	49.7	3,620
Biomass	**4.7**	**4.7**	**7**	6.8	6.8	11	4.5	4.5	7	5.5	5.5	9
	79.4	**78.5**	**6,334**	41.7	45.3	3,081	130.0	126.4	9,582	97.0	102.0	7,381
Other sales			**180**			101			246			121
Net sales			**$ 6,514**			$ 3,182			$ 9,828			$ 7,502
Adjusted EBITDA[2]			**$ 1,914**			$ 569			$ 3,464			$ 2,135
Adjusted EBITDA margin[2]			**29%**			18%			35%			28%

Corporate

	2018 Q3	2018 Q2	2018 Q1	2017 Q4
	Results	**Results**	**Results**	**Results**
	($000s)	*($000s)*	*($000s)*	*($000s)*
Net sales	**$ —**	$ —	$ —	$ —
Adjusted EBITDA[2]	**$ (350)**	$ (147)	$ (451)	$ (593)

1. Certain prior year amounts have been reclassified to conform to the current year presentation as a result of the adoption of IFRS 15, *Revenue from Contracts with Customers*, on January 1, 2018
2. Non-IFRS Measure. See "Non-IFRS Measures" on page 3 of this interim report.

NB Timberlands

	2017 Q3			2017 Q2			2017 Q1			2016 Q4		
	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	113.0	115.2	$ 6,265	27.8	39.4	$ 2,038	135.3	126.5	$ 7,258	117.6	113.5	$ 6,189
Hardwood	99.5	103.2	7,396	62.0	92.1	7,186	115.3	94.7	7,602	115.4	104.7	8,251
Biomass	70.2	70.2	863	39.3	39.3	783	45.3	45.3	965	51.7	51.7	980
	282.7	288.6	14,524	129.1	170.8	10,007	295.9	266.5	15,825	284.7	269.9	15,420
Timber services and other sales[1]			6,100			1,476			5,428			5,658
Net sales[1]			$ 20,624			$ 11,483			$ 21,253			$ 21,078
Adjusted EBITDA[2]			$ 5,454			$ 2,028			$ 6,128			$ 5,867
Adjusted EBITDA margin[1,2]			26%			18%			29%			28%

Maine Timberlands

	2017 Q3			2017 Q2			2017 Q1			2016 Q4		
	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	35.0	34.9	$ 2,592	16.6	16.5	$ 1,155	62.8	62.6	$ 4,751	52.8	52.7	$ 4,037
Hardwood	56.8	50.2	3,799	13.8	19.5	1,544	29.4	25.7	1,892	25.9	26.6	2,094
Biomass	7.3	7.3	11	10.6	10.6	16	1.2	1.2	2	2.0	2.0	4
	99.1	92.4	6,402	41.0	46.6	2,715	93.4	89.5	6,645	80.7	81.3	6,135
Other sales			212			131			114			54
Net sales			$ 6,614			$ 2,846			$ 6,759			$ 6,189
Adjusted EBITDA[2]			$ 1,551			$ 909			$ 2,156			$ 1,393
Adjusted EBITDA margin[2]			23%			32%			32%			23%

Corporate

	2017 Q3	2017 Q2	2017 Q1	2016 Q4
	Results	**Results**	**Results**	**Results**
	($000s)	*($000s)*	*($000s)*	*($000s)*
Net sales	$ —	$ —	$ —	$ —
Adjusted EBITDA[2]	$ (318)	$ (315)	$ (254)	$ (211)

1. Certain prior year amounts have been reclassified to conform to the current year presentation as a result of the adoption of IFRS 15, *Revenue from Contracts with Customers*, on January 1, 2018
2. Non-IFRS Measure. See "Non-IFRS Measures" on page 3 of this interim report.

Cautionary Statement Regarding Forward-Looking Information and Statements

This management discussion and analysis ("MD&A") 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. When used in this MD&A, such forward-looking statements may contain such words as "may," "will," "intend," "should," "suggest," "expect," "believe," "outlook," "forecast," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the negative of these terms or other similar terminology. Forward-looking information is included in the Letter to Shareholders which precedes this MD&A and includes statements made in this MD&A in sections entitled "Dividend Policy of the Company,"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; changes in US housing starts; 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 the Annual Report dated February 20, 2018 and in each of the Annual Information Form dated March 28, 2018 and the Management Information Circular dated March 28, 2018, 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: forecasts in the housing market; 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 Condensed Consolidated Statements of Net Income

(unaudited)

		Three Months Ended		Nine Months Ended	
(CAD thousands, except per share data)	Note	**September 29, 2018**	September 30, 2017[1]	**September 29, 2018**	September 30, 2017[1]
Net sales	*6*	**$ 26,634**	$ 27,238	**$ 75,681**	$ 69,578
Operating costs and expenses					
Cost of sales	*6*	**18,694**	18,287	**51,362**	46,395
Selling, administration and other	*6*	**2,392**	2,530	**7,112**	7,167
Reforestation		**31**	96	**453**	494
Depreciation and amortization		**69**	78	**230**	233
		21,186	20,991	**59,157**	54,289
Operating earnings		**5,448**	6,247	**16,524**	15,289
Interest expense, net		**(936)**	(698)	**(2,897)**	(2,189)
Other items					
Fair value adjustments and other		**822**	(269)	**2,088**	1,020
Unrealized exchange gain / (loss) on long-term debt		**1,568**	5,799	**(2,371)**	7,054
Gain on sale of timberlands		**387**	362	**850**	1,817
Gain / (loss) on disposal of roads and other fixed assets		**155**	—	**(93)**	—
Earnings before income taxes		**7,444**	11,441	**14,101**	22,991
Current income tax expense	*7*	**(575)**	(549)	**(1,844)**	(816)
Deferred income tax expense	*7*	**(920)**	(1,190)	**(2,434)**	(3,704)
Net income		**$ 5,949**	$ 9,702	**$ 9,823**	$ 18,471
Net income per share - basic and diluted		**$ 0.36**	$ 0.58	**$ 0.59**	$ 1.10

See accompanying notes to interim condensed consolidated financial statements.

1. Certain prior year amounts have been reclassified to conform to the current year presentation as a result of adoption of IFRS 15, *Revenue From Contracts with Customers*, on January 1, 2018

Interim Condensed Consolidated Statements of Comprehensive Income

(unaudited)

	Three Months Ended		Nine Months Ended	
(CAD thousands)	**September 29, 2018**	September 30, 2017	**September 29, 2018**	September 30, 2017
Net income	**$ 5,949**	$ 9,702	**$ 9,823**	$ 18,471
Other comprehensive (loss) / income				
Items that may be reclassified subsequently to net income:				
Unrealized foreign currency translation (loss) / gain	**(2,228)**	(8,144)	**3,226**	(9,885)
Deferred income tax recovery	**—**	369	**—**	734
	(2,228)	(7,775)	**3,226**	(9,151)
Comprehensive income	**$ 3,721**	$ 1,927	**$ 13,049**	$ 9,320

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Balance Sheets

(unaudited)

As at *(CAD thousands)*	Note	**September 29, 2018**	December 31, 2017
Assets			
Current assets			
Cash and cash equivalents		**$ 21,599**	$ 23,951
Accounts receivable and other assets	*5*	**11,745**	11,007
Inventory		**1,474**	1,226
		34,818	36,184
Timber	*10*	**335,285**	330,879
Land, roads and other fixed assets		**89,186**	89,013
Intangible assets		**6,140**	6,140
		$ 465,429	$ 462,216
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	*5*	**$ 10,247**	$ 12,476
Dividends payable to shareholders	*9*	**4,727**	4,601
		14,974	17,077
Long-term debt	*2, 3*	**91,178**	90,866
Deferred income tax liability		**84,131**	80,188
Shareholders' equity		**275,146**	274,085
		$ 465,429	$ 462,216

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Equity

(unaudited)

Nine Months Ended September 29, 2018 *(CAD thousands)*	Note	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Shareholders' Equity
Balance as at December 31, 2017		$ 140,067	$ 76,375	$ 33,877	$ 23,766	$ 274,085
Impact of adopting IFRS 9, net of income taxes	2	—	2,066	—	—	2,066
Adjusted opening balance under IFRS 9		140,067	78,441	33,877	23,766	276,151
Changes in period						
Net income		**—**	**9,823**	**—**	**—**	**9,823**
Other comprehensive income		**—**	**—**	**—**	**3,226**	**3,226**
Shareholders' dividends declared	9	**—**	**(14,054)**	**—**	**—**	**(14,054)**
Balance as at September 29, 2018		**$ 140,067**	**$ 74,210**	**$ 33,877**	**$ 26,992**	**$ 275,146**

See accompanying notes to interim condensed consolidated financial statements.

Nine Months Ended September 30, 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	—	18,471	—	—	18,471
Other comprehensive loss	—	—	—	(9,151)	(9,151)
Shareholders' dividends declared	—	(13,803)	—	—	(13,803)
Balance as at September 30, 2017	$ 140,067	$ 68,628	$ 31,883	$ 22,790	$ 263,368

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows

(unaudited)

(CAD thousands)	Three Months Ended **September 29, 2018**	Three Months Ended September 30, 2017	Nine Months Ended **September 29, 2018**	Nine Months Ended September 30, 2017
Cash and cash equivalents provided by (used for):				
Operating activities				
Net income	**$ 5,949**	$ 9,702	**$ 9,823**	$ 18,471
Adjustments to net income:				
Deferred income tax expense	**920**	1,190	**2,434**	3,704
Depreciation and amortization	**69**	78	**230**	233
Fair value adjustments and other	**(822)**	269	**(2,088)**	(1,020)
Unrealized exchange (gain) / loss on long-term debt	**(1,568)**	(5,799)	**2,371**	(7,054)
Gain on sale of timberlands	**(387)**	(362)	**(850)**	(1,817)
(Gain) / loss on disposal of roads and other fixed assets	**(155)**	—	**93**	—
Net change in non-cash working capital balances and other	**(1,244)**	(1,000)	**(1,787)**	1,134
	2,762	4,078	**10,226**	13,651
Financing activities				
Dividends paid to shareholders	**(4,726)**	(4,601)	**(13,928)**	(13,385)
	(4,726)	(4,601)	**(13,928)**	(13,385)
Investing activities				
Additions to timber, land, roads and other fixed assets	**(159)**	(225)	**(190)**	(843)
Acquisition of Katahdin Timberlands LLC	**—**	—	**—**	(1,276)
Proceeds from sale of timberlands	**469**	382	**966**	2,476
Proceeds from sale of roads and other fixed assets	**387**	—	**574**	—
	697	157	**1,350**	357
(Decrease) / increase in cash and cash equivalents during the period	**(1,267)**	(366)	**(2,352)**	623
Cash and cash equivalents, beginning of period	**22,866**	20,643	**23,951**	19,654
Cash and cash equivalents, end of period	**$ 21,599**	$ 20,277	**$ 21,599**	$ 20,277

See accompanying notes to interim consolidated financial statements.

Details of net change in non-cash working capital balances and other:

(CAD thousands)	Three Months Ended **September 29, 2018**	Three Months Ended September 30, 2017	Nine Months Ended **September 29, 2018**	Nine Months Ended September 30, 2017
Accounts receivable and other assets	**$ (5,630)**	$ (6,898)	**$ (738)**	$ (6,224)
Inventory	**(673)**	(131)	**(248)**	786
Accounts payable and accrued liabilities	**4,690**	6,692	**(2,103)**	8,058
Other	**369**	(663)	**1,302**	(1,486)
	$ (1,244)	$ (1,000)	**$ (1,787)**	$ 1,134

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 Corporations 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"), own and manage approximately 761,000 acres of freehold timberlands in New Brunswick ("NB Timberlands") and approximately 300,000 acres of freehold timberlands in Maine ("Maine Timberlands") 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 85 regional customers.

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

As at September 29, 2018, 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 2017 annual report, except for the adoption of International Financial Reporting Standards ("IFRS") 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers* which were adopted on January 1, 2018 and are disclosed below. These interim condensed consolidated financial statements should be read in conjunction with Acadian's 2017 annual report.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of Acadian on October 31, 2018.

New and Amended 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. Retrospective application is required, but comparative information is not compulsory. As a result of the adoption of this standard, the Company recognized a gain of $2.9 million ($2.1 million, net of income taxes), relating to a 2015 modification of Acadian's term facility with the Metropolitan Life Insurance Company, in retained earnings on January 1, 2018. This modification did not result in derecognition of the loan as the revised terms were neither qualitatively nor quantitatively different from the original terms. The effect of applying the IFRS 9 approach decreased long-term debt, increased shareholders' equity by $2.9 million and will increase interest charges by approximately $0.3 million per quarter over the remaining term of the loan, but does not impact the Company's operating cash flows.

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.

IFRS 15 supersedes previous revenue standards (IAS 18, *Revenue*) and related interpretations, and it applies to all revenue arising from contracts with customers. On January 1, 2018, the Company adopted IFRS 15 using the full retrospective approach. The adoption of this standard on January 1, 2018 resulted in a change in presentation from net to gross for timber services, which does not impact the Company's operating earnings or net income. As a result of this change in presentation, net sales for the three- and nine-month periods ended September 30, 2017 increased by $5.1 million and $11.7 million, respectively, with a corresponding increase in operating costs and expenses. Net sales are net of discounts and rebates to customers. Revenue is recognized when control passes to the customer, which is generally when timber is delivered to the customer and actual quantities delivered are determined. Sales are governed primarily by contract and in some cases by standard industry terms. Pursuant to the Crown Lands Services Agreement, Acadian provides harvesting, transportation and other services to Crown licensees and sub-licensees. Acadian receives payment for these services, which are recognized upon delivery of the timber and when actual quantities delivered are determined.

Future Accounting Policies

IFRS 16, *Leases*

IFRS 16, 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 no material capital or operating lease obligations, and based on the preliminary assessment, the impact of this standard is not expected to be material to the financial statements.

NOTE 3. LONG-TERM DEBT

Long-term debt consists of the following:

As at *(CAD thousands)*	**September 29, 2018**	December 31, 2017
Term facility, due October 2020	**$ 93,612**	$ 91,156
Less:		
Impact of adopting IFRS 9, net of accretion	**(2,223)**	—
Deferred debt issuance costs	**(211)**	(290)
Total	**$ 91,178**	$ 90,866

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 US$10.0 million (the "Revolving Facility") for general corporate purposes and a term credit facility of US$72.5 million (the "Term Facility"). The Term Facility bears interest at a fixed rate of 3.01%. The Revolving Facility bears interest at floating rates based on the 90-day LIBOR plus applicable margin. Floating interest rates give rise to interest rate risk as earnings and cash flows may be negatively impacted by fluctuations in interest rates.

As at September 29, 2018 and December 31, 2017, Acadian had borrowed US$72.5 million under the Term Facility and $nil under the Revolving Facility; however, US$1.6 million of the Revolving Facility is reserved to support the minimum cash balance requirement of the Term Facility. As security for these facilities, Acadian granted the lenders a security interest over all of its assets. The facilities are subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness and granting liens or selling assets without the consent of the lenders. The credit facilities are also subject to the maintenance of a maximum loan-to-value ratio. Acadian is in compliance with all covenants as at September 29, 2018 and December 31, 2017.

The fair value of the Term Facility as at September 29, 2018 is $92.2 million (December 31, 2017 – $90.9 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 that permits the Company to acquire a block of shares if they become available. During the nine months ended September 29, 2018, no purchases were made.

Common shares outstanding as at September 29, 2018 and December 31, 2017 were 16,731,216.

NOTE 5. RELATED PARTY TRANSACTIONS

In the normal course of operations, the Company enters into various transactions on market terms with related parties which have been measured at the exchange value and recognized in the interim condensed consolidated financial statements. The Company has one significant related party, Brookfield.

As at September 29, 2018, 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 nine months ended September 29, 2018 totaled $0.6 million (2017 – $0.6 million) and $1.8 million (2017 – $1.8 million), respectively. As at September 29, 2018, fees of $nil (December 31, 2017 – $nil) remain outstanding.

b) On January 1, 2017, Acadian acquired a 100% equity interest in Katahdin Timberlands LLC, a related company owned by Brookfield, which leased and held parcels of land complementary to Acadian's Maine Timberlands for $1,276 thousand (US$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 ("HBU") sales.

Further to the related party transactions noted above, the total net receivables due from related parties as at September 29, 2018 is $55 thousand (December 31, 2017 – $49 thousand) and net payables due to related parties is $94 thousand (December 31, 2017 – $500 thousand). Acadian also has a U.S. $50 million stand-by-equity commitment with Brookfield. In September 2017, Brookfield agreed to extend the stand-by equity commitment to July 2019.

NOTE 6. SEGMENTED INFORMATION

Acadian's presentation of reportable segments is based on how management has organized the business in making operating and capital allocation decisions and assessing performance. Acadian has two operating segments, the NB Timberlands and Maine Timberlands. Timber sales are recognized upon harvest and delivery of the softwood and hardwood timber or biomass to the customer and timber services are recognized when the service provided to the customer has been completed. Net sales, net income, assets and liabilities by reportable segments are as follows:

Three Months Ended September 29, 2018 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 9,885	$ 5,417	$ 4,468	$ —
Hardwood	8,922	7,063	1,859	—
Biomass	1,855	1,848	7	—
Timber services and other sales	5,972	5,792	180	—
Total net sales	26,634	20,120	6,514	—
Operating costs	(21,086)	(15,857)	(4,879)	(350)
Reforestation	(31)	81	(112)	—
Depreciation and amortization	(69)	(41)	(28)	—
Operating earnings / (loss)	5,448	4,303	1,495	(350)
Gain on sale of timberlands	387	—	387	—
Gain on disposal of roads and other fixed assets	155	151	4	—
Fair value adjustments and other	822	1,291	(350)	(119)
Earnings / (loss) before the undernoted	6,812	5,745	1,536	(469)
Unrealized exchange gain on long-term debt	1,568			
Interest expense, net	(936)			
Earnings before income taxes	7,444			
Current income tax expense	(575)			
Deferred income tax expense	(920)			
Net income	$ 5,949			

As at September 29, 2018 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	$ 430,611	$ 284,142	$ 146,469	$ —
Total assets	465,429	300,058	150,953	14,418
Total liabilities	190,283	8,482	26,656	155,145

Three Months Ended September 30, 2017 *(CAD thousands)* (Note 2)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 8,857	$ 6,265	$ 2,592	$ —
Hardwood	11,195	7,396	3,799	—
Biomass	874	863	11	—
Timber services and other sales[1]	6,312	6,100	212	—
Total net sales[1]	27,238	20,624	6,614	—
Operating costs[1]	(20,817)	(15,143)	(5,356)	(318)
Reforestation	(96)	(47)	(49)	—
Depreciation and amortization	(78)	(46)	(32)	—
Operating earnings / (loss)	6,247	5,388	1,177	(318)
Gain on sale of timberlands	362	—	362	—
Fair value adjustments and other	(269)	147	(416)	—
Earnings / (loss) before the undernoted	6,340	5,535	1,123	(318)
Unrealized exchange gain on long-term debt	5,799			
Interest expense, net	(698)			
Earnings before income taxes	11,441			
Current income tax expense	(549)			
Deferred income tax expense	(1,190)			
Net income	$ 9,702			

As at September 30, 2017 *(CAD thousands)*	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	$ 416,837	$ 267,627	$ 149,210	$ —
Total assets	451,653	283,895	158,509	9,249
Total liabilities	$ 188,285	$ 10,534	$ 32,942	$ 144,809

1. Certain prior year amounts have been reclassified to conform to the current year presentation as a result of the adoption of IFRS 15, *Revenue from Contracts with Customers*, on January 1, 2018

Nine Months Ended September 29, 2018 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	**$ 30,935**	**$ 17,232**	**$ 13,703**	**$ —**
Hardwood	**25,365**	**20,096**	**5,269**	**—**
Biomass	**4,827**	**4,802**	**25**	**—**
Timber services and other sales	**14,554**	**14,027**	**527**	
Total net sales	**75,681**	**56,157**	**19,524**	**—**
Operating costs	**(58,474)**	**(43,471)**	**(14,054)**	**(949)**
Reforestation	**(453)**	**(323)**	**(130)**	
Depreciation and amortization	**(230)**	**(141)**	**(89)**	**—**
Operating earnings / (loss)	**16,524**	**12,222**	**5,251**	**(949)**
Gain on sale of timberlands	**850**	**—**	**850**	**—**
(Loss) / gain on disposal of roads and other fixed assets	**(93)**	**151**	**(244)**	
Fair value adjustments and other	**2,088**	**2,922**	**(1,120)**	**286**
Earnings / (loss) before the undernoted	**19,369**	**15,295**	**4,737**	**(663)**
Unrealized exchange loss on long-term debt	**(2,371)**			
Interest expense, net	**(2,897)**			
Earnings before income taxes	**14,101**			
Current income tax expense	**(1,844)**			
Deferred income tax expense	**(2,434)**			
Net income	**$ 9,823**			

Nine Months Ended September 30, 2017 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 24,059	$ 15,561	$ 8,498	$ —
Hardwood	29,419	22,184	7,235	—
Biomass	2,640	2,611	29	—
Timber services and other sales[1]	13,460	13,003	457	—
Total net sales	69,578	53,359	16,219	—
Operating costs	(53,562)	(39,356)	(13,319)	(887)
Reforestation	(494)	(413)	(81)	—
Depreciation and amortization	(233)	(135)	(98)	—
Operating earnings / (loss)	15,289	13,455	2,721	(887)
Gain on sale of timberlands	1,817	—	1,817	—
Fair value adjustments and other	1,020	1,134	(114)	—
Earnings / (loss) before the undernoted	18,126	14,589	4,424	(887)
Unrealized exchange gain on long-term debt	7,054			
Interest expense, net	(2,189)			
Earnings before income taxes	22,991			
Current income tax expense	(816)			
Deferred income tax expense	(3,704)			
Net income	$ 18,471			

1. Certain prior year amounts have been reclassified to conform to the current year presentation as a result of the adoption of IFRS 15, *Revenue from Contracts with Customers*, on January 1, 2018

During the three months ended September 29, 2018, approximately 33% of total sales (2017 – 44%) were originated with customers domiciled in the U.S. and the balance in Canada. During the same period, approximately 31% of total sales (2017 – 31%) 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 September 29, 2018, Acadian's top three suppliers accounted for approximately 16%, 13% and 9%, respectively, of Acadian's total harvesting and delivery costs (2017 – 18%, 16% and 9%, respectively).

Acadian sells its products to many forest product companies in North America. For the three months ended September 29, 2018, sales to the largest and next largest customer accounted for 20% and 13%, respectively, of Acadian's total net sales (2017 – 18% and 9%, respectively).

NOTE 7. INCOME TAXES

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

	Three months ended		Nine months ended	
(CAD thousands)	**September 29, 2018**	September 30, 2017	**September 29, 2018**	September 30, 2017
Income tax expense				
Income tax at statutory rate	**$ 2,158**	$ 3,318	**$ 4,089**	$ 6,667
Foreign tax rate differential	**(16)**	122	**(47)**	486
Permanent differences	**(372)**	(1,243)	**(23)**	(2,314)
Benefit arising from previously unrecognized tax attributes	**(256)**	(448)	**298**	(266)
Other	**(19)**	(10)	**(39)**	(53)
Total income tax expense	**$ 1,495**	$ 1,739	**$ 4,278**	$ 4,520

NOTE 8. EMPLOYEE BENEFIT PLANS

NB Timberlands and Maine Timberlands each have defined contribution pension plans covering substantially all employees. During the three- and nine-month periods ended September 29, 2018, contributions recorded as expenses amounted to $66 thousand (2017 – $69 thousand) and $186 thousand (2017 – $185 thousand), respectively.

NOTE 9. DIVIDENDS TO SHAREHOLDERS

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

Total dividends declared for the three months ended September 29, 2018 were $4.7 million (2017 – $4.6 million) or $0.2825 per share (2017 – $0.275 per share). For the nine months ended September 29, 2018, total dividends declared were $14.1 million (2017 – $12.6 million) or $0.84 per share (2017 – $0.825 per share).

NOTE 10. TIMBER

(CAD thousands)	
Fair value at December 31, 2016	$ 328,477
Additions	490
Disposals	(59)
Gains arising from growth	28,239
Reduction arising from harvest	(26,429)
Gain from fair value price and other changes	7,963
Foreign exchange	(7,802)
Balance at December 31, 2017	$ 330,879
Disposals	(16)
Gains arising from growth	23,270
Reduction arising from harvest	(21,712)
Foreign exchange	2,864
Balance at September 29, 2018	**$ 335,285**

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.

Malcom Cockwell*
Managing Director
Haliburton Forest
**Appointed May 7, 2018*

Bruce Robertson*
Vice President
The Woodbridge Company Limited
**Appointed February 14, 2018*

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 Managing Director of the Manager

Luc Ouellet
Senior Vice President, Operations

Marcia McKeague
Vice President, Maine 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 Company's transfer agent:

AST Trust Company (Canada)
P.O. Box 4229, Station A
Toronto, ON M5W 0G1
t. 1.800.387.0825 (toll free in North America)
f. 1.888.249.6189
e. inquiries@canstockta.com
www.canstockta.com

SHARE INFORMATION

Toronto Stock Exchange: ADN
Fully Diluted Shares Outstanding (September 29, 2018): 16,731,216
Targeted 2018 Quarterly Dividend: $0.2825 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 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. When used in this MD&A, such forward-looking statements may contain such words as "may," "will," "intend," "should," "suggest," "expect," "believe," "outlook," "forecast," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the negative of these terms or other similar terminology. Forward-looking information is included in the Letter to Shareholders which precedes this MD&A and includes statements made in this MD&A in sections entitled "Dividend Policy of the Company,"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; changes in US housing starts; 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 the Annual Report dated February 20, 2018 and in each of the Annual Information Form dated March 28, 2018 and the Management Information Circular dated March 28, 2018, 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: forecasts in the housing market; 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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