

Q1 2019 Interim Report

Letter to Shareholders

Overview¹

Acadian Timber Corp (“Acadian”) generated Adjusted EBITDA² of \$8.9 million for the three-month period ended March 30, 2019 (the “first quarter”), in-line with the prior year period. Acadian continues to benefit from strong demand, reflecting the favourable dynamics of the Northeast regional log markets. Operations were, however, impacted by adverse weather conditions throughout the first quarter. As a result, Acadian’s log sales volumes decreased 7%, which was offset by the benefit of an increase in the weighted average log selling price of 4% compared to the prior year period.

First quarter net income of \$6.2 million was \$4.2 million higher than the prior year period total of \$2.0 million. The variance from the prior year period is primarily due to an unrealized foreign exchange revaluation gain on U.S. dollar denominated long-term debt during the first quarter, compared to an unrealized loss in the prior year period. During the quarter, Free Cash Flow² was \$6.5 million versus \$7.3 million in the same period of 2018.

For the three-month period ended March 30, 2019, the Board of Directors has declared dividends of \$0.29 per share or \$4.8 million, compared to \$4.6 million during the same period of 2018, reflecting dividend increases announced in May 2018 and February 2019 amounting to a combined 5% increase in our quarterly dividend per share. This represents a Payout Ratio² of 75%, which is below our long-term annual target of 95% but in-line with expectations given the seasonality of our operations.

Results of Operations¹

Acadian’s operations reported no recordable safety incidents during the quarter amongst employees and three lost time incidents amongst contractors. All individuals have made full recoveries and returned to work during the quarter. We remain very committed to maintaining a culture across the organization that emphasizes the importance of strong safety performance.

During the first quarter, Acadian generated sales of \$30.9 million, compared to \$32.9 million in the prior year period. Acadian benefited from strong seasonal demand, however operations were impacted by adverse weather conditions during the quarter resulting in a 7% decrease in log sales volumes and a 20% decrease in ancillary revenues, primarily related to timber services. These impacts were partially offset by a 4% increase in the weighted average log selling price as our products benefited from favourable market dynamics. Adjusted EBITDA margin² for the quarter was 29%, higher than 27% in the prior year period, due to improved log selling prices and lower relative operating costs, partially offset by the impact of lower log sales volumes.

Our balance sheet continues to be solid with \$100.6 million of net liquidity as at March 30, 2019, which includes funds available under our Revolving Facility and the stand-by equity commitment with Brookfield.

Outlook¹

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. Our mixed softwood and hardwood resource, combined with diversified end use markets, underpin Acadian’s ‘best in class’ long-term performance. Well-balanced regional supply demand fundamentals continue to support attractive stable log pricing across all key markets.

The U.S. economy has continued to perform well through early 2019 and forecasters expect continued steady performance supported by job growth and wage increases. However, first quarter new home construction activity was below expectations due to several factors including increased mortgage rates, the U.S. federal government shutdown, uncertainty regarding Chinese economic outlook and possible fallout from U.S. Trade policy decisions and, importantly, the impact of severe winter weather in much of North America and heavy rainfall in the U.S. South.

While the U.S. home building sector has had some recent headwinds, factors including favourable demographics for growth in household formation, low home inventories, and moderating rates suggest upward momentum in housing construction should resume in the near term. Recent consensus forecasts anticipate average year-over-year growth in U.S. housing starts for 2019 and 2020 of about 2% and 3%, respectively. Forecasters continue to expect the proportion of single family starts, the largest lumber consuming segment of U.S. housing starts, to improve modestly through 2019 and 2020. Additionally, home repair and remodeling are also projected to grow modestly over the next two years. North American sawtimber

consumption is therefore expected to post modest year-over-year growth.

Average Q1 2019 quarterly benchmark Eastern Spruce-Pine-Fir lumber prices increased 8% while Southern Yellow Pine lumber prices declined 4%, compared to the prior quarter. While we anticipate continued volatility in lumber prices in the near term dictated by the pace of regional inventory drawdown and spring building conditions, forecasters expect steady demand growth combined with capacity and log supply constraints in Western Canada to support a robust recovery in lumber pricing in mid-2019, albeit below the levels achieved in 2018. By extension, we anticipate continued stable softwood sawtimber pricing in Acadian's regional markets.

Acadian's hardwood sawtimber and pulpwood markets remain well balanced with a continued positive outlook for the foreseeable future. Softwood pulpwood markets, Acadian's smallest product segment by volume and margin, have improved modestly and the expected pulp mill restart during H2 2019 in Maine is expected to be a catalyst for further recovery in demand and pricing. While the biomass market in Maine remains weak, the New Brunswick biomass market continues to be supported by steady export demand at attractive prices.

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. 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
May 8, 2019

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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", the "Company" or "we") 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 is managed by a wholly-owned subsidiary of Brookfield Asset Management Inc. (NYSE: BAM, TSX: BAM.A and Euronext: BAMA).

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 March 30, 2019 (herein referred to as the "first quarter") compared to the three-month period ended March 31, 2018, and should be read in conjunction with the interim condensed consolidated financial statements and notes thereto included at page 15 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. Net sales are net of discounts and rebates to customers, if any. 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 in revenue upon delivery of the timber and when actual quantities delivered are determined.

Our first 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 May 7, 2019. 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 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, 2018. There have been no changes in our disclosure controls and procedures during the period ended March 30, 2019 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, 2018. There have been no changes in our internal controls over financial reporting during the three-month period ended March 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

REVIEW OF OPERATIONS

Summary of First Quarter Results

The table below summarizes operating and financial data for Acadian:

<i>(CAD thousands, except where indicated)</i>	March 30, 2019	March 31, 2018
Sales volume (000s m ³)	384.2	419.7
Sales	\$ 30,938	\$ 32,948
Net income	6,182	1,986
Adjusted EBITDA ¹	\$ 8,857	\$ 8,870
Adjusted EBITDA margin ¹	29%	27%
Free Cash Flow ¹	\$ 6,490	\$ 7,258
Dividends declared	4,840	4,601
Payout Ratio ¹	75%	63%
Per share – basic and diluted		
Net income	\$ 0.37	\$ 0.12
Free Cash Flow ¹	0.39	0.43
Dividends declared	0.29	0.275
Book value	17.30	16.54
Common shares outstanding	16,686,916	16,731,216
Weighted average shares outstanding	16,686,950	16,731,216

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

During the first quarter, Acadian generated sales of \$30.9 million, compared to \$32.9 million in the prior year period. Acadian benefited from strong seasonal demand, however operations were impacted by adverse weather conditions during the quarter resulting in a 7% decrease in log sales volumes and a 20% decrease in ancillary revenues, primarily related to timber services. These impacts were partially offset by a 4% increase in the weighted average log selling price as our products benefited from favourable market dynamics.

Costs were \$22.1 million during the first quarter, compared to \$24.0 million during the prior year period, reflecting lower log sales volumes and administrative cost savings. Variable log harvest costs were in-line with the prior year period.

Adjusted EBITDA² of \$8.9 million during the first quarter was in-line with the prior year period. Adjusted EBITDA margin² for the quarter was 29%, higher than 27% in the prior year period, due to improved log selling prices and lower relative operating costs, partially offset by the impact of lower log sales volumes.

Net income of \$6.2 million, or \$0.37 per share, was \$4.2 million higher than the prior year period total of \$2.0 million, or \$0.12 per share. The variance from the prior year period is primarily due to an unrealized foreign exchange revaluation gain on U.S. dollar denominated long-term debt during the first quarter, compared to an unrealized loss in the prior year period.

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:

<i>(CAD thousands)</i>	March 30, 2019	March 31, 2018
Net income	\$ 6,182	\$ 1,986
Add / (deduct):		
Interest expense, net	1,009	958
Current income tax expense	1,700	1,365
Deferred income tax expense	86	64
Depreciation and amortization	72	84
Fair value adjustments and other	1,842	2,125
Unrealized exchange (gain) / loss on long-term debt	(2,034)	2,288
Adjusted EBITDA ¹	\$ 8,857	\$ 8,870
Add / (deduct):		
Interest paid on debt, net	(668)	(684)
Additions to timber, land, roads and other fixed assets	—	(5)
Gain on sale of timberlands	(39)	(177)
Loss on disposal of roads and other fixed assets	—	248
Proceeds on sale of timberlands	40	192
Proceeds on sale of roads and other fixed assets	—	179
Current income tax expense	(1,700)	(1,365)
Free Cash Flow ¹	\$ 6,490	\$ 7,258
Dividends declared	\$ 4,840	\$ 4,601
Payout Ratio ¹	75%	63%

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

For the three-month period ended March 30, 2019, the Board of Directors has declared dividends of \$0.29 per share or \$4.8 million, compared to \$4.6 million during the same period of 2018, reflecting dividend increases announced in May 2018 and February 2019 amounting to a combined 5% increase in our quarterly dividend per share. This represents a Payout Ratio² of 75%, which is below our long-term annual target of 95% but in-line with expectations given the seasonality of our operations.

Operating and Market Conditions

Acadian's operations during the first quarter were impacted by adverse weather conditions resulting in periods of inoperability which temporarily delayed some harvest activities and customer deliveries to the second quarter of 2019. Partially offsetting these impacts was the benefit of an inventory management program with one of the operation's customers, which was implemented in the fourth quarter of 2018 and ended during the first quarter of 2019. As a result of the effects described above, log sales volumes, excluding biomass, of 337 thousand m³ during the first quarter were down 7% year-over-year.

Despite weather conditions, Acadian continued to benefit from the favourable dynamics of the Northeast regional log markets. Acadian's weighted average log selling price increased 4% over the prior year period benefiting from increases in softwood sawlog and softwood pulpwood prices of 7% and 20%, respectively, which was partially offset by the impact of changes in the sales mix. Demand for softwood sawlogs and softwood pulpwood in New Brunswick remained strong with

prices increasing 7% and 19%, respectively. Markets in Maine continued to strengthen, with prices in U.S. dollar terms for softwood sawlogs increasing 3% and hardwood sawlogs improving 20% compared to the prior year period.

Export markets for Acadian's biomass products remained strong as selling prices increased 27% compared to the prior year period, however sales volumes decreased 18% as deliveries were impacted by weather conditions.

Segmented Results of Operations

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

<i>Three Months Ended March 30, 2019</i> <i>(CAD thousands)</i>				
	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	267.6	116.6	—	384.2
Sales	\$ 21,449	\$ 9,489	\$ —	\$ 30,938
Adjusted EBITDA ¹	\$ 5,762	\$ 3,343	\$ (248)	\$ 8,857
Adjusted EBITDA margin ¹	27%	35%	n/a	29%

<i>Three Months Ended March 31, 2018</i> <i>(CAD thousands)</i>				
	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	293.3	126.4	—	419.7
Sales	\$ 23,120	\$ 9,828	\$ —	\$ 32,948
Adjusted EBITDA ¹	\$ 5,857	\$ 3,464	\$ (451)	\$ 8,870
Adjusted EBITDA margin ¹	25%	35%	n/a	27%

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

NB Timberlands

NB Timberlands owns and manages approximately 761,000 acres of freehold timberlands 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 NB Timberlands employees.

There were no recordable safety incidents amongst employees and two lost time incidents amongst contractors during the first quarter of 2019. Both individuals have since returned to work.

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

	Three Months Ended March 30, 2019				Three Months Ended March 31, 2018			
	Harvest <i>(000s m²)</i>	Sales <i>(000s m²)</i>	Sales Mix	Results <i>(\$000s)</i>	Harvest <i>(000s m²)</i>	Sales <i>(000s m²)</i>	Sales Mix	Results <i>(\$000s)</i>
Softwood	140.7	138.9	52%	\$ 8,332	158.6	157.4	54%	\$ 8,885
Hardwood	103.7	85.3	32%	6,590	93.0	83.0	28%	6,566
Biomass	43.4	43.4	16%	1,499	52.9	52.9	18%	1,451
	287.8	267.6	100%	16,421	304.5	293.3	100%	16,902
Timber services and other sales				5,028				6,218
Sales				\$ 21,449				\$ 23,120
Adjusted EBITDA ¹				\$ 5,762				\$ 5,857
Adjusted EBITDA margin ¹				27%				25%

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

Sales for our NB Timberlands were \$21.4 million compared to \$23.1 million during the prior year period. While seasonal demand remained strong, operations were impacted by adverse weather conditions. As a result, log sales volumes decreased 7% compared to the prior year period despite the benefit of an inventory management program with one of the operation's customers, which was implemented in the fourth quarter of 2018 and ended during the first quarter. In addition, ancillary revenues, primarily related to timber services, declined 19%.

The weighted average log selling price during the quarter was \$66.56 per m³, compared to \$64.28 per m³ in the prior year period. Softwood sawlog pricing increased 7% in New Brunswick, benefiting from continued strong demand and the inventory management program. This benefit 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, however, was favourable and increased 19% compared to the prior year period.

Export markets for New Brunswick's biomass products remained strong as selling prices increased 26% compared to the prior year period, however sales volumes decreased 18% as deliveries were impacted by weather conditions.

Operating costs of \$15.7 million during the first quarter were down from \$17.3 million in the prior year period primarily due to lower harvest volumes. In addition, variable log harvest costs per m³ decreased 2% as weather conditions during the first quarter impacted harvest location and timing of customer deliveries.

Adjusted EBITDA was \$5.8 million during the first quarter of 2019, compared to \$5.9 million in the prior year period, as the benefit of higher weighted average log selling prices per m³ was more than offset by lower log sales volumes. The Adjusted EBITDA margin for the quarter increased to 27% from 25% in the prior year period, benefiting from lower variable harvest costs per m³.

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 amongst employees and one lost time incident amongst contractors during the first quarter of 2019. The individual returned to work during the quarter.

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

	Three Months Ended March 30, 2019				Three Months Ended March 31, 2018			
	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	87.2	86.3	74%	\$ 7,036	91.6	91.2	72%	\$ 7,321
Hardwood	30.0	26.9	23%	2,281	33.9	30.7	24%	2,254
Biomass	3.4	3.4	3%	5	4.5	4.5	4%	7
	120.6	116.6	100%	9,322	130.0	126.4	100%	9,582
Other sales				167				246
Net sales				\$ 9,489				\$ 9,828
Adjusted EBITDA ¹				\$ 3,343				\$ 3,464
Adjusted EBITDA margin ¹				35%				35%

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

Sales totaled \$9.5 million for Maine Timberlands compared to \$9.8 million for the same period last year. While market dynamics remained strong, adverse weather conditions impacted operations resulting in a 7% decrease in log sales volumes.

The weighted average log selling price in Canadian dollar terms was \$82.28 per m³, up from \$78.51 per m³ in the same period of 2018. In U.S. dollar terms, the weighted average log selling price of \$61.89 per m³ was in-line with the prior year period. Maine Timberlands benefited from improved demand for softwood sawlogs and hardwood sawlogs for which prices increased by 3% and 20%, respectively. This benefit was 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, however, was favourable and increased 15% compared to the prior year period.

Costs during the first quarter were \$6.2 million, compared to \$6.3 million during the same period of 2018 due to lower log sales volumes and administrative cost savings which was largely offset by the impact of foreign exchange.

Adjusted EBITDA for the quarter was \$3.3 million compared to \$3.5 million during the prior year period due to lower log sales volumes. The Adjusted EBITDA margin of 35% was in-line with the prior year period.

Financial Position

Our financial position continues to be solid with \$100.6 million of net liquidity as at March 30, 2019, including funds available under our Revolving Facility and the stand-by equity commitment with Brookfield.

As at March 30, 2019, Acadian's balance sheet consisted of total assets of \$490.9 million (December 31, 2018 – \$492.5 million), consisting primarily of timber, land, roads and other fixed assets of \$447.7 million (December 31, 2018 – \$454.0 million), cash and current assets of \$37.0 million (December 31, 2018 – \$32.3 million), and intangible assets of \$6.1 million (December 31, 2018 – \$6.1 million). Timber has been recorded at fair value as determined through an independent third-party appraisal at December 31, 2018 and adjusted for growth estimates and harvest during the first three 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 2019. 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. Our mixed softwood and hardwood resource, combined with diversified end use markets, underpin Acadian's 'best in class' long-term performance. Well-balanced regional supply demand fundamentals continue to support attractive stable log pricing across all key markets.

The U.S. economy has continued to perform well through early 2019 and forecasters expect continued steady performance supported by job growth and wage increases. However, first quarter new home construction activity was below expectations due to several factors including increased mortgage rates, the U.S. federal government shutdown, uncertainty regarding Chinese economic outlook and possible fallout from U.S. Trade policy decisions and, importantly, the impact of severe winter weather in much of North America and heavy rainfall in the U.S. South.

While the U.S. home building sector has had some recent headwinds, factors including favourable demographics for growth in household formation, low home inventories, and moderating rates suggest upward momentum in housing construction should resume in the near term. Recent consensus forecasts anticipate average year-over-year growth in U.S. housing starts for 2019 and 2020 of about 2% and 3%, respectively. Forecasters continue to expect the proportion of single family starts, the largest lumber consuming segment of U.S. housing starts, to improve modestly through 2019 and 2020. Additionally, home repair and remodeling are also projected to grow modestly over the next two years. North American sawtimber consumption is therefore expected to post modest year-over-year growth.

Average Q1 2019 quarterly benchmark Eastern Spruce-Pine-Fir lumber prices increased 8% while Southern Yellow Pine lumber prices declined 4%, compared to the prior quarter. While we anticipate continued volatility in lumber prices in the near term dictated by the pace of regional inventory drawdown and spring building conditions, forecasters expect steady demand growth combined with capacity and log supply constraints in Western Canada to support a robust recovery in lumber pricing in mid-2019, albeit below the levels achieved in 2018. By extension, we anticipate continued stable softwood sawtimber pricing in Acadian's regional markets.

Acadian's hardwood sawtimber and pulpwood markets remain well balanced with a continued positive outlook for the foreseeable future. Softwood pulpwood markets, Acadian's smallest product segment by volume and margin, have improved modestly and the expected pulp mill restart during H2 2019 in Maine is expected to be a catalyst for further recovery in demand and pricing. While the biomass market in Maine remains weak, the New Brunswick biomass market continues to be supported by steady export demand at attractive prices.

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.

	2019	2018				2017		
<i>(CAD thousands, except per share data and where indicated)</i>	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales volume (000s m ³)	384.2	323.7	332.0	231.6	419.7	297.6	381.0	217.4
Sales	\$ 30,938	\$ 24,167	\$ 26,634	\$ 16,099	\$ 32,948	\$ 25,805	\$ 27,238	\$ 14,329
Adjusted EBITDA ¹	8,857	4,631	6,059	2,582	8,870	6,005	6,687	2,622
Free Cash Flow ¹	6,490	3,525	5,133	1,997	7,258	4,756	5,302	2,034
Net income	6,182	16,441	5,946	1,888	1,986	12,348	9,702	4,011
Per share – basic and diluted	\$ 0.37	\$ 0.98	\$ 0.36	\$ 0.11	\$ 0.12	\$ 0.74	\$ 0.58	\$ 0.24

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 consolidated 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 consolidated 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 2018 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 March 30, 2019, Brookfield owned 7,513,262 common shares, representing approximately 45% of the Company’s outstanding shares.

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-months ended March 30, 2019 totaled \$0.6 million (2018 – \$0.6 million). As at March 30, 2019, fees of \$nil (December 31, 2018 – \$0.5 million) remain outstanding.

Further to the related party transactions noted above, the total net receivables due from related parties as at March 30, 2019 is \$52 thousand (December 31, 2018 – \$42 thousand) and net payables due to related parties is \$94 thousand (December 31, 2018 – \$446 thousand). Acadian also has a U.S. \$50 million stand-by-equity commitment with Brookfield available through 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:

<i>(CAD thousands)</i>	Payments Due by Period					
	Total Available	Total	Less Than One Year (2019-2020)	1 to 3 Years (2020-2022)	3 to 5 Years (2023-2025)	After 5 Years (>2025)
Debt						
Term facility ¹	\$ 96,795	\$ 96,765	\$ —	\$ 96,795	\$ —	\$ —
Revolving facility ²	13,351	—	—	—	—	—
	\$ 110,146	\$ 96,795	\$ —	\$ 96,795	\$ —	\$ —
Interest payments ³		\$ 4,371	\$ 2,914	\$ 1,457	\$ —	\$ —

1. Represents principal of a U.S. dollar denominated term loan with a U.S. to Canadian dollar conversion rate of 1.3351, 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 1.3351
3. Interest payments are determined assuming a fixed interest rate at 3.01% with a U.S. to Canadian dollar conversion rate of 1.3351

Additional Quarterly Information

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

NB Timberlands

	2019 Q1			2018 Q4			2018 Q3			2018 Q2		
	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	140.7	138.9	\$ 8,332	110.7	94.2	\$ 5,242	99.5	98.4	\$ 5,417	47.2	53.3	\$ 2,930
Hardwood	103.7	85.3	6,590	103.1	102.4	7,881	105.0	96.8	7,063	68.2	81.9	6,467
Biomass	43.4	43.4	1,499	56.4	56.4	1,743	58.3	58.3	1,848	51.1	51.1	1,503
	287.8	267.6	16,421	270.2	253.0	14,866	262.8	253.5	14,328	166.5	186.3	10,900
Timber services and other sales			5,028			3,741			5,792			2,017
Sales			\$ 21,449			\$ 18,607			\$ 20,120			\$ 12,917
Adjusted EBITDA ¹			\$ 5,762			\$ 4,057			\$ 4,495			\$ 2,160
Adjusted EBITDA margin ¹			27%			22%			22%			17%

	2018 Q1			2017 Q4			2017 Q3			2017 Q2		
	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	158.6	157.4	8,885	103.2	97.1	\$ 5,371	113.0	115.2	\$ 6,265	27.8	39.4	\$ 2,038
Hardwood	93.0	83.0	6,566	68.8	66.9	5,111	99.5	103.2	7,396	62.0	92.1	7,186
Biomass	52.9	52.9	1,451	31.6	31.6	549	70.2	70.2	863	39.3	39.3	783
	304.5	293.3	16,902	203.6	195.6	11,031	282.7	288.6	14,524	129.1	170.8	10,007
Timber services and other sales ¹			6,218			7,272			6,100			1,476
Sales			\$ 23,120			\$ 18,303			\$ 20,624			\$ 11,483
Adjusted EBITDA ¹			\$ 5,857			\$ 4,463			\$ 5,454			\$ 2,028
Adjusted EBITDA margin ¹			25%			24%			26%			18%

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

Maine Timberlands

	2019 Q1			2018 Q4			2018 Q3			2018 Q2		
	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	87.2	86.3	\$ 7,036	46.4	46.0	\$ 3,571	50.0	50.6	\$ 4,468	25.4	25.3	\$ 1,914
Hardwood	30.0	26.9	2,281	19.9	22.3	1,831	24.7	23.2	1,859	9.5	13.2	1,156
Biomass	3.4	3.4	5	2.4	2.4	4	4.7	4.7	7	6.8	6.8	11
	120.6	116.6	9,322	68.7	70.7	5,406	79.4	78.5	6,334	41.7	45.3	3,081
Other sales			167			154			180			101
Sales			\$ 9,489			\$ 5,560			\$ 6,514			\$ 3,182
Adjusted EBITDA ¹			\$ 3,343			\$ 892			\$ 1,914			\$ 569
Adjusted EBITDA margin ¹			35%			16%			29%			18%

	2018 Q1			2017 Q4			2017 Q3			2017 Q2		
	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	91.6	91.2	7,321	47.0	46.8	\$ 3,752	35.0	34.9	\$ 2,592	16.6	16.5	\$ 1,155
Hardwood	33.9	30.7	2,254	44.5	49.7	3,620	56.8	50.2	3,799	13.8	19.5	1,544
Biomass	4.5	4.5	7	5.5	5.5	9	7.3	7.3	11	10.6	10.6	16
	130.0	126.4	9,582	97.0	102.0	7,381	99.1	92.4	6,402	41.0	46.6	2,715
Other sales			246			121			212			131
Sales ¹			\$ 9,828			\$ 7,502			\$ 6,614			\$ 2,846
Adjusted EBITDA ¹			\$ 3,464			\$ 2,135			\$ 1,551			\$ 909
Adjusted EBITDA margin ¹			35%			28%			23%			32%

Corporate

	2019 Q1		2018 Q4		2018 Q3		2018 Q2	
		Results		Results		Results		Results
		(\$000s)		(\$000s)		(\$000s)		(\$000s)
Sales		\$ —		\$ —		\$ —		\$ —
Adjusted EBITDA ¹		\$ (248)		\$ (318)		\$ (350)		\$ (147)

	2018 Q1		2017 Q4		2017 Q3		2017 Q2	
		Results		Results		Results		Results
		(\$000s)		(\$000s)		(\$000s)		(\$000s)
Sales		\$ —		\$ —		\$ —		\$ —
Adjusted EBITDA ¹		\$ (451)		\$ (593)		\$ (318)		\$ (315)

1. 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 13, 2019 and in each of the Annual Information Form dated March 28, 2019 and the Management Information Circular dated March 28, 2019, 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)

<i>Three Months Ended</i> <i>(CAD thousands, except per share data)</i>	Note	March 30, 2019	March 31, 2018
Sales	6	\$ 30,938	\$ 32,948
Operating costs and expenses			
Cost of sales	6	19,921	21,494
Selling, administration and other	6	2,199	2,506
Reforestation		—	7
Depreciation and amortization		72	84
		22,192	24,091
Operating earnings		8,746	8,857
Interest expense, net		(1,009)	(958)
Other items			
Fair value adjustments and other		(1,842)	(2,125)
Unrealized exchange gain / (loss) on long-term debt		2,034	(2,288)
Gain on sale of timberlands		39	177
Loss on disposal of roads and other fixed assets		—	(248)
Earnings before income taxes		7,968	3,415
Current income tax expense	7	(1,700)	(1,365)
Deferred income tax expense	7	(86)	(64)
Net income		\$ 6,182	\$ 1,986
Net income per share - basic and diluted		\$ 0.37	\$ 0.12

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Comprehensive Income

(unaudited)

<i>Three Months Ended</i> <i>(CAD thousands)</i>	March 30, 2019	March 31, 2018
Net income	\$ 6,182	\$ 1,986
Other comprehensive income / (loss)		
Items that may be reclassified subsequently to net income:		
Unrealized foreign currency translation (loss) / gain	(3,102)	3,366
Deferred income tax expense	—	(246)
Comprehensive income	\$ 3,080	\$ 5,106

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Balance Sheets

(unaudited)

<i>As at</i> <i>(CAD thousands)</i>	Note	March 30, 2019	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents		\$ 22,644	\$ 22,320
Accounts receivable and other assets	5	10,273	7,230
Inventory		4,062	2,756
		36,979	32,306
Timber	9	362,530	367,901
Land, roads and other fixed assets		85,210	86,103
Intangible assets		6,140	6,140
		\$ 490,859	\$ 492,450
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	5	\$ 8,004	\$ 7,963
Current tax liabilities		2,990	647
Dividends payable to shareholders	8	4,840	4,714
		15,834	13,324
Long-term debt	3	94,905	96,595
Deferred income tax liability		91,505	92,119
Shareholders' equity		288,615	290,412
		\$ 490,859	\$ 492,450

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Equity

(unaudited)

<i>Three Months Ended March 30, 2019</i> <i>(CAD thousands)</i>	Note	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Shareholders' Equity
Balance as at December 31, 2018		\$ 139,431	\$ 85,936	\$ 30,272	\$ 34,773	\$ 290,412
Changes in period						
Net income		—	6,182	—	—	6,182
Common shares repurchased under NCIB	4	(37)	—	—	—	(37)
Other comprehensive loss		—	—	—	(3,102)	(3,102)
Shareholders' dividends declared	8	—	(4,840)	—	—	(4,840)
Balance as at March 30, 2019		\$ 139,394	\$ 87,278	\$ 30,272	\$ 31,671	\$ 288,615

See accompanying notes to interim condensed consolidated financial statements.

<i>Three Months Ended March 31, 2018</i> <i>(CAD thousands)</i>	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		—	2,066	—	—	2,066
Adjusted opening balance under IFRS 9		140,067	78,441	33,877	23,766	276,151
Changes in period						
Net income		—	1,986	—	—	1,986
Other comprehensive income		—	—	—	3,120	3,120
Shareholders' dividends declared	8	—	(4,601)	—	—	(4,601)
Balance as at March 31, 2018		\$ 140,067	\$ 75,826	\$ 33,877	\$ 26,886	\$ 276,656

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows

(unaudited)

<i>Three Months Ended (CAD thousands)</i>	March 30, 2019	March 31, 2018
Cash and cash equivalents provided by (used for):		
Operating activities		
Net income	\$ 6,182	\$ 1,986
Adjustments to net income:		
Deferred income tax expense	86	64
Depreciation and amortization	72	84
Fair value adjustments and other	1,842	2,125
Unrealized exchange (gain) / loss on long-term debt	(2,034)	2,288
Gain on sale of timberlands	(39)	(177)
Loss on disposal of roads and other fixed assets	—	248
Accretion of long-term debt	316	247
Net change in non-cash working capital balances and other	(1,390)	(4,317)
	5,035	2,548
Financing activities		
Dividends paid to shareholders	(4,714)	(4,601)
Common shares repurchased under NCIB	(37)	—
	(4,751)	(4,601)
Investing activities		
Additions to timber, land, roads and other fixed assets	—	(5)
Proceeds from sale of timberlands	40	192
Proceeds from sale of roads and other fixed assets	—	179
	40	366
Increase / (decrease) in cash and cash equivalents during the period	324	(1,687)
Cash and cash equivalents, beginning of period	22,320	23,951
Cash and cash equivalents, end of period	\$ 22,644	\$ 22,264

See accompanying notes to interim condensed consolidated financial statements.

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

<i>For the Three Months Ended (CAD thousands)</i>	March 30, 2019	March 31, 2018
Accounts receivable and other assets	\$ (3,043)	\$ (2)
Inventory	(1,306)	(1,063)
Accounts payable and accrued liabilities	41	(5,724)
Current tax liabilities	2,343	1,500
Other	575	972
	\$ (1,390)	\$ (4,317)

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 90 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 March 30, 2019, 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 and using the accounting policies adopted and disclosed in note 2 of Acadian’s 2018 annual report. These interim condensed consolidated financial statements should be read in conjunction with Acadian’s 2018 annual report.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of Acadian on May 8, 2019.

Recently Adopted Accounting Policies

International Financial Reporting Standards 16, *Leases* (“IFRS 16”)

IFRS 16, which was issued in January 2016, was adopted by the Company on January 1, 2019 using the full retrospective approach. The Company performed an assessment of its current leases and identified no material capital or operating lease obligations. As a result, adopting this standard did not have a material impact on the interim condensed consolidated financial statements.

NOTE 3. LONG-TERM DEBT

Long-term debt consists of the following:

<i>As at</i> <i>(CAD thousands)</i>	March 30, 2019	December 31, 2018
Term facility, due October 2020	\$ 96,795	\$ 98,897
Less:		
Gain resulting from refinancing, net of accretion	(1,732)	(2,118)
Deferred debt issuance costs	(158)	(184)
Total	\$ 94,905	\$ 96,595

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 March 30, 2019 and December 31, 2018, 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 March 30, 2019 and December 31, 2018.

The fair value of the Term Facility as at March 30, 2019 is \$96.5 million (December 31, 2018 – \$98.2 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 shares under certain circumstances if they become available. During the three months ended March 30, 2019, the Company repurchased and cancelled 1,500 common shares under the NCIB at an average price of \$15.16 per share for total consideration of \$23 thousand and made a payment of \$14 thousand related to the finalization of 2018 purchases. Common shares issued and outstanding are as follows:

	March 30, 2019	December 31, 2018
Outstanding, beginning of year	16,688,416	16,731,216
Purchased under NCIB	(1,500)	(42,800)
Outstanding, end of period	16,686,916	16,688,416
Weighted average shares outstanding	16,686,950	16,728,823

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 March 30, 2019, Brookfield owned 7,513,262 common shares, representing approximately 45% of the Company's outstanding shares.

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-months ended March 30, 2019 totalled \$0.6 million (2018 – \$0.6 million). As at March 30, 2019, fees of \$nil (December 31, 2018 – \$0.5 million) remain outstanding.

Further to the related party transactions noted above, the total net receivables due from related parties as at March 30, 2019 is \$52 thousand (December 31, 2018 – \$42 thousand) and net payables due to related parties is \$94 thousand (December 31, 2018 – \$446 thousand). Acadian also has a US\$50 million stand-by-equity commitment with Brookfield available through 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:

<i>Three Months Ended March 30, 2019</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Sales				
Softwood	\$ 15,368	\$ 8,332	\$ 7,036	\$ —
Hardwood	8,871	6,590	2,281	—
Biomass	1,504	1,499	5	—
Timber services and other sales	5,195	5,028	167	—
Total sales	30,938	21,449	9,489	—
Operating costs	(22,120)	(15,687)	(6,185)	(248)
Depreciation and amortization	(72)	(44)	(28)	—
Operating earnings / (loss)	8,746	5,718	3,276	(248)
Gain on sale of timberlands	39	—	39	—
Fair value adjustments and other	(1,842)	(296)	(1,403)	(143)
Earnings / (loss) before the undernoted	6,943	5,422	1,912	(391)
Unrealized exchange gain on long-term debt	2,034			
Interest expense, net	(1,009)			
Earnings before income taxes	7,968			
Current income tax expense	(1,700)			
Deferred income tax expense	(86)			
Net income	\$ 6,182			
<i>As at March 30, 2019</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	\$ 453,880	\$ 283,811	\$ 170,069	\$ —
Total assets	490,859	300,611	177,548	12,700
Total liabilities	\$ 202,244	\$ 6,429	\$ 32,949	\$ 162,866

<i>Three Months Ended March 31, 2018</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Sales				
Softwood	\$ 16,206	\$ 8,885	\$ 7,321	\$ —
Hardwood	8,820	6,566	2,254	—
Biomass	1,458	1,451	7	—
Timber services and other sales	6,464	6,218	246	—
Total sales	32,948	23,120	9,828	—
Operating costs	(24,000)	(17,261)	(6,288)	(451)
Reforestation	(7)	(2)	(5)	—
Depreciation and amortization	(84)	(50)	(34)	—
Operating earnings / (loss)	8,857	5,807	3,501	(451)
Loss on disposal of roads and other fixed assets	(248)	—	(248)	—
Gain on sale of timberlands	177	—	177	—
Fair value adjustments and other	(2,125)	(491)	(1,740)	106
Earnings / (loss) before the undernoted	6,661	5,316	1,690	(345)
Unrealized exchange loss on long-term debt	(2,288)			
Interest expense, net	(958)			
Earnings before income taxes	3,415			
Current income tax expense	(1,365)			
Deferred income tax expense	(64)			
Net income	\$ 1,986			

<i>As at March 31, 2018</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	\$ 426,444	\$ 280,641	\$ 145,803	\$ —
Total assets	462,006	295,827	160,016	6,163
Total liabilities	\$ 185,388	\$ 5,411	\$ 26,966	\$ 153,011

During the three months ended March 30, 2019, approximately 32% of total sales (2018 – 32%) were originated with customers domiciled in the U.S. and the balance in Canada. During the same period, approximately 39% of total sales (2018 – 36%) were denominated in U.S. dollars.

Acadian outsources much of its harvesting, transportation and other services that comprise the majority of Acadian's cost of sales. For the three months ended March 30, 2019, Acadian's top three suppliers accounted for approximately 18%, 10% and 9%, respectively, of Acadian's total harvesting and delivery costs (2018 – 17%, 16% and 12%, respectively).

Acadian sells its products to many forest product companies in North America. For the three months ended March 30, 2019, sales to the largest and next largest customer accounted for 21% and 11%, respectively, of Acadian's total sales (2018 – 24% and 9%, respectively).

NOTE 7. INCOME TAXES

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

<i>Three Months Ended</i> <i>(CAD thousands)</i>	March 30, 2019	March 31, 2018
Income tax expense		
Income taxes at statutory rate	\$ 2,311	\$ 991
Foreign tax rate differential	(19)	(17)
Permanent differences	(250)	370
Benefit of previously unrecognized tax attributes	(256)	84
Other	—	1
Total income tax expense	\$ 1,786	\$ 1,429

NOTE 8. 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 March 30, 2019 were \$4.8 million (2018 – \$4.6 million) or \$0.29 per share (2018 – \$0.275 per share).

NOTE 9. TIMBER

<i>(CAD thousands)</i>	
Fair value as at December 31, 2017	\$ 330,879
Disposals	(47)
Gains arising from growth	31,021
Reduction arising from harvest	(28,589)
Gain from fair value price and other changes	24,541
Foreign exchange	10,096
Balance as at December 31, 2018	\$ 367,901
Disposals	(1)
Gains arising from growth	7,055
Reduction arising from harvest	(9,512)
Foreign exchange	(2,913)
Balance as at March 30, 2019	\$ 362,530

Board and Management

Corporate and Shareholder Information

BOARD OF DIRECTORS MANAGEMENT

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

Reid Carter
Corporate Director

Malcom Cockwell
*Managing Director
Haliburton Forest*

Bruce Robertson
*Vice President
The Woodbridge Company
Limited*

Saul Shulman
*Chief Executive Officer
MLG Management Inc.*

Ben Vaughan
*Managing Partner
Brookfield Asset
Management Inc.*

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*

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:
Kate White
Investor Relations and Communications
t. 416.956.5183 f. 416.365.9642
e. kwhite@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 (March 30, 2019): 16,686,916
Targeted 2019 Quarterly Dividend: \$0.29 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 13, 2019 and in each of the Annual Information Form dated March 28, 2019 and the Management Information Circular dated March 28, 2019, 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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