



ACADIAN TIMBER CORP.
Q1 2022 INTERIM REPORT
MARCH 26, 2022

Q1 2022 Interim Report

Letter to Shareholders

Overview

Acadian Timber Corp. (“Acadian” or the “Company”) had a solid start to the year and generated strong operating and financial results for the three months ended March 26, 2022 (the “first quarter”). Acadian benefited from strong pricing and demand for its sawlogs, together with improved pricing and demand for softwood pulpwood as a result of higher regional demand.

Acadian generated \$5.0 million of Free Cash Flow² and declared dividends of \$4.8 million to our shareholders during the first quarter. Our balance sheet continues to be solid with \$19.5 million of net liquidity² as at March 26, 2022, which includes funds available under our credit facilities.

Results of Operations

Acadian is committed to health and safety as our number one priority. We believe that emphasizing and achieving a good safety record is a leading indicator of success in the broader business. Acadian’s operations experienced one recordable safety incident during the quarter among contractors and none among employees. The individual has made a full recovery and returned to work after two days. We remain very committed to maintaining a culture across the organization that emphasizes the importance of strong safety performance.

Acadian generated sales of \$26.6 million, compared to \$25.9 million in the prior year period, with sales volume, excluding biomass, up 6% primarily as a result of higher softwood sales, partially offset by lower hardwood pulpwood sales, caused by reduced trucking capacity. Weighted average selling price, excluding biomass, increased 6% year-over-year benefiting from strong sawlog pricing and improved softwood pulpwood prices driven by strong demand.

Adjusted EBITDA² was \$6.9 million during the first quarter, consistent with the prior year period and Adjusted EBITDA margin² for the quarter was 26%, compared to 27% in the prior year period.

Net income for the first quarter totaled \$4.2 million, or \$0.25 per share, compared to a net income of \$5.8 million, or \$0.35 per share in the same period of 2021. The decrease in net income from the prior year period is mainly due to changes in the non-cash unrealized foreign exchange gains and losses on long term debt compared to the prior year period.

Carbon Credit Project

During 2021, Acadian executed its first carbon development and marketing agreement to develop voluntary carbon credits on the portion of its Maine Timberlands that is subject to a working forest conservation easement. This project commits Acadian to balancing harvest and growth, and requires long term planning, annual reporting, periodic carbon inventory verification, and maintenance of the existing sustainable forestry certification.

While this project is small in relation to the entire Acadian land base and was originally expected to contribute modestly to cash flow, the current markets for voluntary carbon credits have strengthened and the project may contribute more than originally expected.

Market Outlook¹

Interest rates have begun to rise, which may have an impact on longer term demand for end use products. However, a large cohort of the U.S. population is entering their home buying years, a low inventory of homes is for sale, and repair and remodel activity is steady; together, these are expected to drive strong demand in the short to medium term. Consensus forecast is for approximately 1.61 million U.S. housing starts in 2022 as compared to 1.60 million in 2021.

Inflation is expected to continue weighing on financial results as operating costs such as fuel have increased significantly. Although Acadian is in the process of recovering some of these additional costs from our customers, there is a delay in the flow through.

Positive end use market dynamics combined with benefits from new customer relationships is expected to support demand and pricing for softwood and hardwood sawlogs for the remainder of the year. Significant demand and pricing for high grade

hardwood sawlogs is expected to have positive impacts as inventory is merchandized and delivered to customers during the second quarter.

Hardwood pulpwood demand is expected to remain stable through 2022 with increasing customer confidence and market demand for hardwood pulp. Meanwhile, markets for softwood pulpwood are beginning to improve, although an abundance of regional inventories of both softwood pulpwood and sawmill residuals may impact demand over the long term.

Looking Ahead

Supported by a strong balance sheet, diverse markets, and a highly capable team, Acadian looks forward to continuing our strong operating and financial performance through the remainder of the year.

We are actively working with our contractors to ensure there is adequate trucking capacity to deliver our products to our customers. As we progress through 2022, our focus will remain on merchandizing our products to obtain the highest margins available and making improvements throughout the business to maximize cash flows from our existing timberland assets, while exploring opportunities to grow.

On behalf of the board and management of Acadian, I would like to thank all our shareholders for their ongoing support.



Adam Shepanski

President and Chief Executive Officer

May 4, 2022

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 the Company's operating performance. Adjusted EBITDA and Adjusted EBITDA margin are indicative of the underlying profitability of Acadian's operating segments and are used to evaluate operational performance. Free Cash Flow is used to evaluate Acadian's ability to generate sustainable cash flows from our operations while Payout Ratio is used to evaluate Acadian's ability to fund its distribution using Free Cash Flow. Acadian's management defines Adjusted EBITDA as net income before interest, income taxes, fair value adjustments, recovery of or impairment of land and roads, unrealized exchange gain/loss on long-term debt and depreciation and amortization, and defines Adjusted EBITDA margin as Adjusted EBITDA as a percentage of Acadian's sales. Acadian's management defines Free Cash Flow as Adjusted EBITDA less interest paid, current income tax expense, and capital expenditures plus net proceeds from the sale of timberlands and fixed assets (proceeds less gains or losses). Payout Ratio is defined as dividends declared divided by Free Cash Flow. Reference is also made to net liquidity which includes cash and funds available under credit facilities less amounts reserved to support the minimum cash balance related to long-term debt. As these 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

(All figures in Canadian dollars unless otherwise stated)

May 4, 2022

INTRODUCTION

Acadian Timber Corp. ("Acadian", the "Company" or "we") is one of the largest timberland owners in Eastern Canada and the Northeastern U.S. and has a total of approximately 2.4 million acres of land under management. Acadian owns and manages approximately 761,000 acres of freehold timberlands in New Brunswick ("New Brunswick Timberlands" or "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 in New Brunswick. Acadian's products include softwood and hardwood sawlogs, pulpwood, and biomass by-products, sold to approximately 90 regional customers.

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

Basis of Presentation

This management's discussion and analysis ("MD&A") discusses the financial condition and results of operations of the Company for the three months ended March 26, 2022 (herein referred to as the "first quarter") compared to the three months ended March 27, 2021 and should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto for the first quarter and the audited annual consolidated financial statements and the related MD&A for the fiscal year ended December 31, 2021.

Our first quarter unaudited interim condensed consolidated have been prepared in accordance with IAS 34 "Interim Financial Reporting" using the accounting policies adopted and disclosed in Note 2 of Acadian's audited 2021 consolidated financial statements 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 4, 2022. Additional information is available on Acadian's website at www.acadiantimber.com and on SEDAR at www.sedar.com.

Non-IFRS Measures

Throughout this MD&A, reference is made to "Adjusted EBITDA", which Acadian's management defines as net income before interest, income taxes, fair value adjustments, recovery of or impairment of land and roads and depreciation and amortization, and to "Adjusted EBITDA margin", which is Adjusted EBITDA as a percentage of sales. Reference is also made to "Free Cash Flow", which Acadian's management defines as Adjusted EBITDA less interest paid, current income tax expense, and capital expenditures plus net proceeds from the sale of timberlands and fixed assets (proceeds less gains or losses). 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 indicative of the underlying profitability of Acadian's operating segments and are used to evaluate operational performance. Free Cash Flow is used to evaluate Acadian's ability to generate sustainable cash flows from our operations while Payout Ratio is used to evaluate Acadian's ability to fund its distribution using Free Cash Flow. 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. Reference is also made to net liquidity which includes cash and funds available under credit facilities less amounts reserved to support the minimum cash balance related to long-term debt. As these measures do not have a standardized meaning prescribed by IFRS, they may not be comparable to similar measures presented by other companies.

Assessment and Changes in Disclosure Controls and Internal Controls

Management, including the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the design

and operation of the Company's disclosure controls and procedures as at December 31, 2021. There have been no changes in our disclosure controls and procedures during the three months ended March 26, 2022 that have materially affected, or are reasonably likely to materially affect, our disclosure controls and procedures.

Management, including the Chief Executive Officer and Chief Financial Officer, have 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, 2021. There have been no changes in our internal controls over financial reporting during the three months ended March 26, 2022 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 per share information)</i>	March 26, 2022		March 27, 2021	
Sales volume (000s m ³)		301.2		290.0
Sales	\$	26,631	\$	25,892
Operating income		6,838		6,740
Net income		4,158		5,824
Adjusted EBITDA ¹	\$	6,909	\$	6,874
Adjusted EBITDA margin ¹		26%		27%
Free Cash Flow ¹	\$	5,014	\$	4,990
Dividends declared		4,839		4,839
Payout Ratio ¹		97%		97%
Per share – basic and diluted				
Net income	\$	0.25	\$	0.35
Free Cash Flow ¹		0.30		0.30
Dividends declared		0.29		0.29
Book value		17.39		17.54
Common shares outstanding		16,686,916		16,686,916
Weighted average shares outstanding ²		16,686,916		16,686,916

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

2. As at May 4, 2022 there were 16,745,766 common shares outstanding.

During the first quarter, Acadian generated sales of \$26.6 million, compared to \$25.9 million in the prior year period. The weighted average selling price, excluding biomass, increased 6% year-over-year benefiting from strong sawlog prices and improved pulpwood prices, driven by strong demand. Sales volume, excluding biomass, increased 6% due to higher softwood sales. Biomass sales volume decreased 12% due to lower domestic sales.

Operating costs and expenses were \$19.8 million during the first quarter, compared to \$19.2 million during the prior year period. This year-over-year increase reflects higher harvesting activity, fuel prices, and land management costs, partially offset by decreased timber services in New Brunswick. Weighted average variable costs, excluding biomass, increased 3% as a result of higher fuel costs during the first quarter of 2022.

Adjusted EBITDA of \$6.9 million during the first quarter was in-line with the prior year period. Adjusted EBITDA margin for the quarter was 26% compared to 27% in the prior year period. Free Cash Flow was \$5.0 million, consistent with the prior year period.

Net income for the first quarter totaled \$4.2 million, or \$0.25 per share, compared to \$5.8 million, or \$0.35 per share, in the same period of 2021. The variance in net income compared to the prior year period was primarily the result of the application of hedge accounting during the first quarter of 2022, which resulted in changes in the unrealized foreign exchange gain of \$1.4 million on Acadian's U.S. dollar-denominated debt being recorded in other comprehensive income rather than through profit and loss.

Adjusted EBITDA and Free Cash Flow

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 26, 2022	March 27, 2021
Net income	\$ 4,158	\$ 5,824
Add / (deduct):		
Interest expense, net	737	755
Income tax expense	1,685	1,874
Depreciation and amortization	57	62
Fair value adjustments and other	272	(425)
Unrealized exchange gain on long-term debt	—	(1,216)
Adjusted EBITDA ¹	\$ 6,909	\$ 6,874
Add / (deduct):		
Interest paid on debt, net	(708)	(712)
Additions to timber, land, roads, and other fixed assets	(64)	(69)
Gain on sale of timberlands and other fixed assets	(14)	(72)
Proceeds from sale of timberlands and other assets	14	75
Current income tax expense	(1,123)	(1,106)
Free Cash Flow ¹	\$ 5,014	\$ 4,990
Dividends declared	\$ 4,839	\$ 4,839
Payout Ratio ¹	97%	97%

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

Dividend Policy of the Company

Acadian declares dividends from its available cash to the extent determined prudent by the Board of Directors. Dividends are paid on or about the 15th day following each dividend record date.

Total dividends declared to shareholders during the three months ended March 26, 2022 were \$4.8 million, or \$0.29 per share, consistent with the same period of 2021. The Payout Ratio, which represents the amount of dividends declared as a percentage of the Free Cash Flow generated, was 97% during the quarter.

During the quarter, Acadian implemented a dividend reinvestment plan ("DRIP") effective with eligible shareholders of record March 31, 2022, whereby Canadian resident shareholders may elect to automatically have their dividends reinvested in additional shares. Shares issued under the DRIP are issued directly from the treasury of the Company at a price equal to the volume-weighted average trading price of the Company's shares on the TSX for the five trading days immediately preceding the relevant dividend payment date, which is typically on or about the 15th of April, July, October and January. On April 15, 2022, subsequent to the first quarter, Acadian issued 58,850 common shares at a price of \$18.998 in accordance with the DRIP.

Operating and Market Conditions

Acadian's operations during the quarter benefited from strong demand for its products. Softwood and hardwood sawlog demand remained strong due to favourable end use markets. Demand for hardwood pulpwood remained relatively stable

while softwood pulpwood markets strengthened due to higher regional demand. Acadian's sales volume, excluding biomass, of 275,000 m³ was up 6% compared to the same period in 2021.

Strong sawlog prices and a higher value product mix drove a 6% increase in weighted average selling price, excluding biomass. Pricing for hardwood sawlogs and softwood sawlogs increased 19% and 9%, respectively, due to favourable market dynamics. Softwood pulpwood pricing increased 4% relative to the same period in 2021, driven by the higher regional demand. Biomass pricing improved 9% year-over-year, benefiting from favourable pricing on export sales.

Segmented Results of Operations

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

<i>Three Months Ended March 26, 2022</i> <i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	203.4	97.8	—	301.2
Sales	\$ 18,009	\$ 8,622	\$ —	\$ 26,631
Adjusted EBITDA ¹	\$ 4,668	\$ 2,752	\$ (511)	\$ 6,909
Adjusted EBITDA margin ¹	26%	32%	n/a	26%

<i>Three Months Ended March 27, 2021</i> <i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	190.2	99.8	—	290.0
Sales	\$ 18,321	\$ 7,571	\$ —	\$ 25,892
Adjusted EBITDA ¹	\$ 5,079	\$ 2,028	\$ (233)	\$ 6,874
Adjusted EBITDA margin ¹	28%	27%	n/a	27%

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

New Brunswick Timberlands

New Brunswick Timberlands owns and manages approximately 761,000 acres of freehold timberlands and provides harvesting and management services relating to approximately 1.3 million acres of Crown licensed timberlands. Approximately 92% of harvest operations are performed by third-party contractors and approximately 8% by New Brunswick Timberlands employees.

During the first quarter of 2022, Acadian's New Brunswick operations experienced one recordable safety incident among contractors and no recordable incidents among employees.

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

<i>Three Months Ended March 26, 2022</i> <i>(CAD thousands)</i>	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results
Softwood	128.1	125.6	62%	\$ 8,174
Hardwood	68.2	51.8	25%	4,505
Biomass	26.0	26.0	13%	1,156
	222.3	203.4	100%	13,835
Timber services and other sales				4,174
Sales				\$ 18,009
Adjusted EBITDA ¹				\$ 4,668
Adjusted EBITDA margin ¹				26%

<i>Three Months Ended March 27, 2021</i> <i>(CAD thousands)</i>	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results
Softwood	98.2	86.5	45%	\$ 5,567
Hardwood	81.0	74.1	39%	5,811
Biomass	29.6	29.6	16%	1,209
	208.8	190.2	100%	12,587
Timber services and other sales				5,734
Sales				\$ 18,321
Adjusted EBITDA ¹				\$ 5,079
Adjusted EBITDA margin ¹				28%

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

Sales for New Brunswick Timberlands were \$18.0 million compared to \$18.3 million during the prior year period. Sales volume, excluding biomass, increased by 10% primarily due to higher softwood sales. Softwood sawlog and softwood pulpwood sales increased by 39% and 84%, respectively, as a result of the strong softwood lumber market and a higher regional demand for softwood pulpwood compared to the prior year period. The volume increase was offset by a 30% decrease in sales volume of hardwood pulpwood, driven by reduced trucking capacity, and decreased timber services activity. Biomass sales volume decreased 12% during the quarter due to lower domestic sales.

The weighted average selling price, excluding biomass, for the first quarter was \$71.47 per m³, or 1% higher than the prior year period, as a result of strong sawlog prices partially offset by a higher proportion of softwood pulpwood in the mix. The margin on biomass was up 2% year-over-year.

Operating costs and expenses were \$13.4 million during the first quarter, compared to \$13.3 million in the prior year period due to higher harvesting activity, fuel prices, and land management costs, partially offset by reduced timber services activity. Weighted average variable costs, excluding biomass, increased 3% as a result of higher fuel costs compared to the prior year period.

Adjusted EBITDA for the quarter was \$4.7 million compared to \$5.1 million during the prior year period and Adjusted EBITDA margin was 26% compared to 28% in the prior year period. Adjusted EBITDA decrease was mainly impacted by lower timber services activity and the cost increases described above.

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 or contractors during the first quarter of 2022.

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

<i>Three Months Ended March 26, 2022</i> <i>(CAD thousands)</i>	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results
Softwood	77.1	76.9	79%	\$ 6,787
Hardwood	22.3	20.7	21%	1,726
Biomass	0.2	0.2	0%	4
	99.6	97.8	100%	8,517
Other sales				105
Sales				\$ 8,622
Adjusted EBITDA ¹				\$ 2,752
Adjusted EBITDA margin ¹				32%

<i>Three Months Ended March 27, 2021</i> <i>(CAD thousands)</i>	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results
Softwood	76.0	76.0	76%	\$ 5,718
Hardwood	26.9	23.5	24%	1,753
Biomass	0.3	0.3	0%	5
	103.2	99.8	100%	7,476
Other sales				95
Sales				\$ 7,571
Adjusted EBITDA ¹				\$ 2,028
Adjusted EBITDA margin ¹				27%

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

Sales for Maine Timberlands during the first quarter totaled \$8.6 million compared to \$7.6 million in the prior year period. Sales volume, excluding biomass, decreased 2% reflecting lower hardwood pulpwood and softwood sawlog deliveries due to reduced trucking capacity.

The weighted average selling price, excluding biomass, in Canadian dollar terms was \$87.29 per m³, compared to \$75.09 per m³ during the same period of 2021. In U.S dollar terms, the weighted average selling price, excluding biomass, was \$68.86 per m³, compared to \$59.28 per m³ in 2021 with higher sawlog and pulpwood prices benefiting from favourable market dynamics.

Operating costs and expenses for the first quarter were \$5.9 million, compared to \$5.6 million during the same period in 2021, primarily due to higher harvesting and land management costs. Weighted average variable costs, excluding biomass, increased 6% as a result of greater haul distances to markets and higher fuel costs.

Adjusted EBITDA for the quarter was \$2.8 million compared to \$2.0 million during the prior year period and Adjusted EBITDA margin was 32% compared to 27% in the prior year period.

LIQUIDITY AND CAPITAL RESOURCES

Acadian had net liquidity of \$19.5 million as at March 26, 2022, which includes cash and funds available under credit facilities less amounts reserved to support the minimum cash balance related to long-term debt.

Normal course issuer bid

On February 9, 2022, the Corporation filed a notice of intention with the Toronto Stock Exchange ("TSX") to purchase for cancellation up to 834,345 common shares during the period commencing February 14, 2022 and ending February 13, 2023, representing 5% of the 16,686,916 common shares outstanding as of February 3, 2022. During the three months ended March 26, 2022, the Company did not purchase any of its common shares.

Liquidity and capital resources are discussed in the Company's MD&A for the year ended December 31, 2021.

MARKET OUTLOOK¹

Interest rates have begun to rise, which may have an impact on longer term demand for end use products. However, a large cohort of the U.S. population is entering their home buying years, a low inventory of homes is for sale, and repair and remodel activity is steady; together, these are expected to drive strong demand in the short to medium term. Consensus forecast is for approximately 1.61 million U.S. housing starts in 2022 as compared to 1.60 million in 2021.

Inflation is expected to continue weighing on financial results as operating costs such as fuel have increased significantly. Although Acadian is in the process of recovering some of these additional costs from our customers, there is a delay in the flow through.

Positive end use market dynamics combined with benefits from new customer relationships is expected to support demand and pricing for softwood and hardwood sawlogs for the remainder of the year. Significant demand and pricing for high grade hardwood sawlogs is expected to have positive impacts as inventory is merchandized and delivered to customers during the second quarter.

Hardwood pulpwood demand is expected to remain stable through 2022 with increasing customer confidence and market demand for hardwood pulp. Meanwhile, markets for softwood pulpwood are beginning to improve, although an abundance of regional inventories of both softwood pulpwood and sawmill residuals may impact demand over the long term.

SELECTED CONSOLIDATED QUARTERLY INFORMATION

The table below sets forth selected consolidated quarterly information for the current and last seven quarters.

	2022	2021				2020		
<i>(CAD thousands, except per share data and where indicated)</i>								
	Q1	Q4	Q3 ²	Q2 ²	Q1	Q4	Q3	Q2
Sales volume (000s m ³)	301.2	290.1	270.9	211.3	290.0	321.2	302.3	139.7
Sales	\$ 26,631	\$ 25,946	\$ 24,488	\$ 19,403	\$ 25,892	\$ 24,929	\$ 23,236	\$ 11,458
Adjusted EBITDA ¹	6,909	6,315	5,394	3,904	6,874	7,288	4,514	1,354
Free Cash Flow ¹	5,014	5,149	3,853	2,941	4,990	5,648	3,149	(208)
Net income	4,158	6,541	344	5,975	5,824	15,314	5,248	5,229
Per share – basic and diluted	\$ 0.25	\$ 0.39	\$ 0.02	\$ 0.36	\$ 0.35	\$ 0.92	\$ 0.31	\$ 0.31

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

2. During the fourth quarter of 2021, the Company determined that certain timber services contracts should be accounted for on a gross basis rather than a net basis, and that the timing of recognition should be as the services are delivered and not when all services have been completed. These changes, when applied to the selected consolidated quarterly information for Q2 and Q3 2021 presented above, resulted in adjustments. The changes increased sales by \$1.0 million and \$1.8 million, and increased Adjusted EBITDA, Free Cash Flow and Net Income by \$77 thousand and \$257 thousand, in the second quarter and third quarters of 2021, respectively. The change was not applied to the 2020 quarterly information as the impact is not material.

Results are impacted by seasonality. Harvest activity is highest during the winter months, when the ground is frozen, providing a solid base for the harvesting and hauling equipment. There is a significant decrease in activity during the spring when the ground thaws. Harvesting activity resumes in the early summer when the ground dries and continues through the fall. The financial results of the second quarter of 2020 were significantly impacted by an earlier end to winter operations, followed

¹ The following contains forward-looking information about Acadian Timber Corp.’s outlook for the remainder of 2022. Reference should be made to the section entitled “Cautionary Statement Regarding Forward-Looking Information and Statements” for further details. For a description of material factors that could cause actual results to differ materially from the forward-looking information 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.

by highly unusual dry and hot weather that led to extreme fire risk and operating restrictions later in the quarter.

Net income can be significantly impacted by non-cash items such as fluctuations in foreign exchange and the fair value adjustment of the Company's timberlands which are revalued at each reporting period. Net income for the fourth quarter of 2020 includes a fair value adjustment of \$8.1 million compared to \$4.2 million in the same period of the 2021, as well as a non-cash unrealized foreign exchange gain on long-term debt of \$5.3 million compared to \$0.1 million in the same period of 2021. Similarly, the third quarter of 2021 includes a non-cash unrealized foreign exchange loss on long term debt of \$3.1 million compared to a gain of \$2.2 million in the prior year period. Effective January 1, 2022, Acadian commenced accounting for its U.S. dollar-denominated debt as a net investment hedge of its U.S. subsidiary, which resulted in the application of hedge accounting. This resulted in the unrealized foreign exchange gain on Acadian's U.S. dollar-denominated debt of \$1.4 million being recorded in other comprehensive income rather than through profit and loss for the first quarter of 2022. See Financial Instruments – Hedge Accounting included in Note 2 of the March 26, 2022 Interim Condensed Consolidated Financial Statements.

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 audited 2021 consolidated financial statements.

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

There were no related party transactions during the first quarter.

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") which expire in 2026, subject to a five-year extension at the option of Twin Rivers, and the provision of timber services under a Crown License Agreement at the direction of Twin Rivers with a term equal to the term of the Crown License, including any renewal terms.

The table below summarizes the Company's long-term debt obligations as at March 26, 2022:

<i>(CAD thousands)</i>	Total	<i>Payments Due by Period</i>			
		Remainder 2022	1 to 3 Years (2023-2025)	4 to 5 Years (2026-2027)	After 5 Years (>2027)
Term facilities					
Tranche due March 6, 2025 ¹	\$ 18,440	—	18,440	—	—
Tranche due March 6, 2025 ¹	21,566	—	21,566	—	—
Tranche due March 6, 2027 ¹	40,006	—	—	40,006	—
Tranche due March 6, 2030 ¹	20,003	—	—	—	20,003
	\$100,015	\$ —	\$ 40,006	\$ 40,006	\$ 20,003
Interest payments	\$ 13,444	\$ 2,111	\$ 7,537	\$ 2,509	\$ 1,287

1. Represents principal of the U.S. dollar denominated term facilities with a U.S. to Canadian dollar conversion rate of 1.2502, excluding the unamortized deferred financing costs.

RISK FACTORS

Risk factors are discussed in the Company's MD&A for the year ended December 31, 2021.

Cautionary Statement Regarding Forward-Looking Information and Statements

This 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. Forward-looking information is included in this MD&A and includes statements made in the section entitled "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. All forward-looking statements in this MD&A are qualified by these cautionary statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon, and will not necessarily be accurate indications of whether or not such results will be achieved. Actual results may vary. These forward-looking statements include, but are not limited to:

- Expectations regarding product demand and end use markets, including expectations for U.S. housing starts, which may be impacted by changes in interest rates, U.S. population demographics and the inventory of homes for sale. Expectations regarding product demand are based on anticipated market conditions, anticipated regional inventory levels of key customers, and the economic situation of key customers. Estimates for U.S. housing starts are based on forecasts published by major financial institutions.*

Other risks and factors are discussed under the heading "Risk Factors" in this MD&A and in each of the Annual Information Form dated March 25, 2022 and the Management Information Circular dated March 25, 2022 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. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are made as of the date of this MD&A based on information currently available to management and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this MD&A. Acadian assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as may be required by applicable law.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

<i>As at</i> <i>(CAD thousands)</i>	Note	March 26, 2022	December 31, 2021
Assets			
Current assets			
Cash		\$ 7,050	\$ 7,316
Accounts receivable and other assets		9,343	8,386
Current income taxes receivable		—	104
Inventory		2,938	1,450
		19,331	17,256
Timber	3	391,267	394,063
Land, roads, and other fixed assets		98,564	99,183
Intangible asset		6,140	6,140
Total assets		\$ 515,302	\$ 516,642
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 9,258	\$ 8,800
Current income taxes payable		709	—
Dividends payable to shareholders		4,839	4,839
		14,806	13,639
Long-term debt	4	99,510	100,888
Deferred income tax liabilities, net		110,735	110,630
Total liabilities		225,051	225,157
Shareholders' equity	5	290,251	291,485
Total liabilities and shareholders' equity		\$ 515,302	\$ 516,642

See accompanying notes to interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME

(unaudited)

<i>Three Months Ended</i>				
<i>(CAD thousands, except per share data)</i>		Note	March 26, 2022	March 27, 2021
Sales			\$ 26,631	\$ 25,892
Operating costs and expenses				
Cost of sales			17,669	17,447
Selling, administration and other			2,066	1,640
Silviculture			1	3
Depreciation and amortization			57	62
			19,793	19,152
Operating income			6,838	6,740
Interest expense, net			(737)	(755)
Other items				
Fair value adjustments and other			(272)	425
Unrealized exchange gain on long-term debt			—	1,216
Gain on sale of timberlands and other fixed assets			14	72
Income before income taxes			5,843	7,698
Income tax expense		8	(1,685)	(1,874)
Net income			\$ 4,158	\$ 5,824
Net income per share – basic and diluted			\$ 0.25	\$ 0.35

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>	Note	March 26, 2022	March 27, 2021
Net income		\$ 4,158	\$ 5,824
Other comprehensive loss			
Items that may be reclassified subsequently to net income:			
Unrealized foreign currency translation loss	7	(553)	(1,433)
Comprehensive income		\$ 3,605	\$ 4,391

See accompanying notes to interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited)

<i>Three Months Ended March 26, 2022</i> <i>(CAD thousands)</i>	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Shareholders' Equity
Note					
Balances as at December 31, 2021	\$ 139,394	\$ 85,953	\$ 41,638	\$ 24,500	\$ 291,485
Changes during the period					
Net income	—	4,158	—	—	4,158
Other comprehensive loss	—	—	—	(553)	(553)
Shareholders' dividends declared	9	(4,839)	—	—	(4,839)
Balances as at March 26, 2022	\$ 139,394	\$ 85,272	\$ 41,638	\$ 23,947	\$ 290,251

<i>Three Months Ended March 27, 2021</i> <i>(CAD thousands)</i>	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Shareholders' Equity
Note					
Balances as at December 31, 2020	\$ 139,394	\$ 86,626	\$ 42,121	\$ 25,100	\$ 293,241
Changes during the period					
Net income	—	5,824	—	—	5,824
Other comprehensive loss	—	—	—	(1,433)	(1,433)
Shareholders' dividends declared	9	(4,839)	—	—	(4,839)
Balances as at March 27, 2021	\$ 139,394	\$ 87,611	\$ 42,121	\$ 23,667	\$ 292,793

See accompanying notes to interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

<i>Three Months Ended</i> <i>(CAD thousands)</i>	March 26, 2022	March 27, 2021
Cash provided by (used for):		
Operating activities		
Net income	\$ 4,158	\$ 5,824
Adjustments to net income:		
Income tax expense	1,685	1,874
Depreciation and amortization	57	62
Fair value adjustments and other	272	(425)
Unrealized exchange gain on long-term debt	—	(1,216)
Gain on sale of timberlands and other fixed assets	(14)	(72)
Income taxes (paid) received	(336)	1,586
Net change in non-cash working capital balances and other	(1,199)	(1,856)
	4,623	5,777
Financing activities		
Dividends paid to shareholders	(4,839)	(4,839)
Investing activities		
Additions to timber, land, roads, and other fixed assets	(64)	(69)
Proceeds from sale of timberlands and other fixed assets	14	75
	(50)	6
(Decrease) / increase in cash during the period	(266)	944
Cash, beginning of period	7,316	10,258
Cash, end of period	\$ 7,050	\$ 11,202

See accompanying notes to interim condensed consolidated financial statements.

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

<i>Three Months Ended</i> <i>(CAD thousands)</i>	March 26, 2022	March 27, 2021
Accounts receivable and other assets	\$ (957)	\$ (137)
Inventory	(1,488)	(1,718)
Accounts payable and accrued liabilities	458	(877)
Other	788	876
	\$ (1,199)	\$ (1,856)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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 365 Canada Road, Edmundston, New Brunswick, E3V 1W2.

The Company and all of its consolidated subsidiaries (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 provide 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 26, 2022, Macer Forest Holdings Inc. owns 7,513,262 shares representing approximately 45% of the outstanding shares of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

These unaudited 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 audited 2021 consolidated financial statements. These interim condensed consolidated financial statements should be read in conjunction with Acadian’s audited annual consolidated financial statements for the fiscal year ended December 31, 2021.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of Acadian on May 4, 2022.

Financial Instruments – Hedge Accounting

Effective January 1, 2022, Acadian has designated a hedging relationship between part of the net investment in its Maine subsidiary and its U.S. dollar-denominated debt. At inception of designated hedging relationships, Acadian documents the risk management objective and strategy for undertaking the hedge. Acadian also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

When a financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in foreign exchange gains and losses is recognized in other comprehensive income (“OCI”) and presented in Currency Translation within equity. Any ineffective portion of the changes in foreign exchange gains and losses is recognized immediately in profit or loss. The amount recognized in OCI is fully or partially reclassified to profit or loss as a reclassification adjustment on disposal or partial disposal of the foreign operation.

Adoption of New Accounting Standards

Amendment to IAS 41 Agriculture

The amendment to IAS 41 Agriculture removes the requirement for an entity to exclude taxation cash flows when calculating the fair value of its biological assets. An entity is permitted to use post-tax cash flows and a post-tax rate to discount those cash flows. The amendment is effective for annual periods beginning on or after January 1, 2022. The adoption of this amendment did not have a material impact on the consolidated financial statements.

3. TIMBER

<i>(CAD thousands)</i>		
Balance as at December 31, 2020	\$	388,005
Disposals		(17)
Gains arising from growth		28,373
Reduction arising from harvest		(26,209)
Gain from fair value price and other changes		4,419
Foreign exchange		(508)
Balance as at December 31, 2021	\$	394,063
Disposals		—
Gains arising from growth		7,299
Reduction arising from harvest		(8,412)
Foreign exchange		(1,683)
Balance as at March 26, 2022	\$	391,267

Timber is measured at fair value. During the year, adjustments are made to standing timber assets to reflect the change in fair value due to gains arising from growth and reductions arising from harvest. Average selling price less costs of harvesting and selling is applied to expected volume growth to calculate gains arising from growth, and to the harvested volume to calculate reductions arising from harvest. On an annual basis, the fair value of standing timber assets is reassessed with the assistance of licensed independent third-party appraisers. Fair value adjustments are recognized in net income.

4. LONG-TERM DEBT

<i>As at</i>		
<i>(CAD thousands)</i>	March 26, 2022	December 31, 2021
Term facilities	\$ 100,016	\$ 101,424
Less:		
Deferred debt issuance costs	(506)	(536)
Total	\$ 99,510	\$ 100,888

Acadian has term credit facilities with MetLife Insurance Company, with maturity dates ranging from March 6, 2025 to March 6, 2030. These credit facilities include a revolving credit facility of up to U.S. \$10.0 million (the "Revolving Facility") for general corporate purposes and term credit facilities of U.S. \$80.0 million (the "Term Facilities"). The Term Facilities bear interest at rates ranging from 2.7% to 3.0%. The Revolving Facility bears interest at floating rates based on 90-day LIBOR plus applicable margin. Upon the decommissioning of LIBOR, interest is anticipated to be based on the Secured Overnight Financing Rate. Floating interest rates give rise to interest rate risk as net income and cash flows may be negatively impacted by fluctuations in interest rates. There are no scheduled repayments of principal required prior to the maturity dates of the Term Facilities.

As at March 26, 2022, Acadian had borrowed U.S. \$80.0 million (December 31, 2021 – U.S. \$80.0 million) under the Term Facilities and U.S. \$nil (December 31, 2021 – \$nil) under the Revolving Facility. U.S. \$1.7 million of the Revolving Facility is reserved to support the minimum cash balance requirement of the Term Facilities. As security for these facilities, Acadian granted the lenders a security interest over all 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 26, 2022, and December 31, 2021.

Acadian has a \$2.0 million Canadian dollar denominated revolving credit facility with a major Canadian bank for general corporate purposes. This facility bears interest at floating rates based on bank prime rates plus applicable margin and is due on demand. No amounts were drawn on this facility as at March 26, 2022 or December 31, 2021.

The fair value of the Term Facilities as at March 26, 2022 is \$96.1 million (December 31, 2021 – \$103.3 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 Facilities and discounted at a rate reflecting appropriate market fundamentals relating to the debt.

5. SHAREHOLDERS' EQUITY

Acadian is authorized to issue an unlimited number of common shares. The common shares have no stated par value. As at March 26, 2022 and December 31, 2021, 16,686,916 common shares were issued and outstanding.

During the quarter, Acadian implemented a dividend reinvestment plan ("DRIP") effective with eligible shareholders of record March 31, 2022, whereby Canadian resident shareholders may elect to automatically have their dividends reinvested in additional shares. Shares issued under the DRIP are issued directly from the treasury of the Company at a price equal to the volume-weighted average trading price of the Company's shares on the TSX for the five trading days immediately preceding the relevant dividend payment date, which is typically on or about the 15th of April, July, October and January. No shares were issued during the three months ended March 26, 2022 in connection with the DRIP.

On February 9, 2022, the Corporation filed a notice of intention with the Toronto Stock Exchange ("TSX") to purchase for cancellation up to 834,345 common shares during the period commencing February 14, 2022 and ending February 13, 2023, representing 5% of the 16,686,916 common shares outstanding as of February 3, 2022. During the three months ended March 26, 2022, the Company did not purchase any of its common shares.

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: NB Timberlands and Maine Timberlands. Adjusted EBITDA is used to evaluate the operating performance of reportable segments. Adjusted EBITDA is defined as net income before interest, taxes, fair value adjustments and other, recovery of or impairment of land and roads, realized gain/(loss) on sale of other fixed assets, and depreciation and amortization.

Sales, Adjusted EBITDA and assets by reportable segments are as follows:

<i>Three Months Ended March 26, 2022</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands
Sales			
Softwood	\$ 14,961	\$ 8,174	\$ 6,787
Hardwood	6,231	4,505	1,726
Biomass	1,160	1,156	4
Timber services and other sales	4,279	4,174	105
Total sales	26,631	18,009	8,622
Operating costs and expenses			
Cost of sales	17,669	12,299	5,370
Selling, administration and other	1,555	1,055	500
Silviculture	1	1	—
Depreciation and amortization	57	35	22
	19,282	13,390	5,892
	7,349	4,619	2,730
Corporate and other expenses	(511)		
Operating income	6,838		
Interest expense, net	(737)		
Fair value adjustments and other	(272)		
Gain on sale of timberlands and other fixed assets	14		
Income before income taxes	\$ 5,843		

<i>For the Three months ended March 26, 2022</i>		NB	Maine
<i>(CAD thousands)</i>		Timberlands	Timberlands
Operating income		\$ 4,619	\$ 2,730
Add: Depreciation and amortization		35	22
Add: Gain on sale of timberlands and other fixed assets		14	—
Adjusted EBITDA		\$ 4,668	\$ 2,752

<i>As at March 26, 2022</i>		NB	Maine
<i>(CAD thousands)</i>		Timberlands	Timberlands
Non-current assets		\$ 331,879	\$ 164,011
Total assets		\$ 344,452	\$ 168,855

<i>For the Three Months Ended March 27, 2021</i>		NB	Maine
<i>(CAD thousands)</i>		Timberlands	Timberlands
	Total		
Sales			
Softwood	\$ 11,285	\$ 5,567	\$ 5,718
Hardwood	7,564	5,811	1,753
Biomass	1,214	1,209	5
Timber services and other sales	5,829	5,734	95
Total sales	25,892	18,321	7,571
Operating costs and expenses			
Cost of sales	17,447	12,318	5,129
Selling, administration and other	1,407	923	484
Silviculture	3	1	2
Depreciation and amortization	62	37	25
	18,919	13,279	5,640
	6,973	5,042	1,931
Corporate and other expenses	(233)		
Operating income	6,740		
Interest expense, net	(755)		
Fair value adjustments and other	425		
Unrealized exchange gain on long-term debt	1,216		
Gain on sale of timberlands and other fixed assets	72		
Income before income taxes	\$ 7,698		

<i>For the three months ended March 27, 2021</i>		NB	Maine
<i>(CAD thousands)</i>		Timberlands	Timberlands
Operating income		\$ 5,042	\$ 1,931
Add: Depreciation and amortization		37	25
Add: Gain on sale of timberlands and other fixed assets		—	72
Adjusted EBITDA		\$ 5,079	\$ 2,028

<i>As at December 31, 2021</i>		NB	Maine
<i>(CAD thousands)</i>		Timberlands	Timberlands
Non-current assets		\$ 331,606	\$ 167,703
Total assets		\$ 343,251	\$ 171,971

Approximately 29% of total sales during the three months ended March 26, 2022 were originated with customers domiciled in the U.S. and the balance in Canada (March 27, 2021 – 30%). Approximately 40% of total sales were denominated in U.S. dollars during the same period (March 27, 2021 – 39%)

Acadian sells its products to many forest products companies in North America. For the three months ended March 26, 2022, sales to the largest and next largest customer accounted for 19% and 16%, respectively (March 27, 2021 – 19% and 14%, respectively).

7. FINANCIAL INSTRUMENTS

Financial Risk management - Foreign Currency Risk

Effective January 1, 2022, Acadian has designated a hedging relationship between part of the net investment in its Maine subsidiary and its U.S. dollar-denominated debt, which mitigates the foreign currency risk arising from the subsidiary's net assets. The long-term debt is designated as a hedging instrument for the changes in the value of the net investment that is attributable to changes in the Canadian dollar/U.S. dollar spot rate.

To assess hedge effectiveness, Acadian determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate (the offset method). Acadian's policy is to hedge the net investment only to the extent of the debt principal.

There was no ineffectiveness to be recorded from the hedge during the quarter.

The change in the carrying amount of long-term debt as a result of foreign currency movements during the quarter, as recognized in OCI, and the change in the hedged item was \$1.41 million for the three months ended March 26, 2022.

8. INCOME TAXES

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

<i>Three Months Ended</i> <i>(CAD thousands)</i>	March 26, 2022	March 27, 2021
Current income tax expense	\$ 1,123	\$ 1,106
Deferred income tax expense	562	768
Total income tax expense	\$ 1,685	\$ 1,874

Acadian's effective tax rate is different from the domestic statutory income tax rate due to the differences set out below:

<i>Three Months Ended</i> <i>(CAD thousands)</i>	March 26, 2022	March 27, 2021
Income taxes at statutory rate	\$ 1,694	\$ 2,232
Foreign tax rate differential	(9)	(10)
Non-taxable portion of gains	—	(192)
Unrecognized tax attributes (benefit of prior years)	—	(156)
Total income tax expense	\$ 1,685	\$ 1,874

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 March 26, 2022 were \$4.8 million (March 27, 2021 – \$4.8 million) or \$0.29 per share (March 27, 2021 – \$0.29 per share).

10. SUBSEQUENT EVENT

On April 15, 2022, Acadian issued 58,850 common shares at a price of \$18.998, in accordance with the DRIP.

BOARD AND MANAGEMENT

BOARD OF DIRECTORS

Malcolm Cockwell
Managing Director
Haliburton Forest

Bruce Robertson
Vice President
The Woodbridge Company Limited

Karen Oldfield
Interim President and CEO
Nova Scotia Health

Heather Fitzpatrick
President and CEO
Halmont Properties Corporation

Erika Reilly
Corporate Director

Adam Shepanski
President and
Chief Executive Officer
Acadian Timber Corp.

MANAGEMENT

Adam Shepanski
President and
Chief Executive Officer
Acadian Timber Corp.

Susan Wood
Chief Financial Officer
Acadian Timber Corp.

CORPORATE AND SHAREHOLDER INFORMATION

HEAD OFFICE

365 Canada Road
Edmundston, N.B. E3V 1W2

Please direct your inquiries to:
Susan Wood
Chief Financial Officer
t. 506-737-2345
e. ir@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:

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

SHARE INFORMATION

Toronto Stock Exchange: ADN
Fully Diluted Shares Outstanding (March 26, 2022): 16,686,916
Targeted 2022 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

The Management Discussion and Analysis contains forward-looking information and statements within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking information is included in this MD&A and includes statements made in the section entitled "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. All forward-looking statements in this MD&A are qualified by these cautionary statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon, and will not necessarily be accurate indications of whether or not such results will be achieved. Actual results may vary. These forward-looking statements include, but are not limited to: expectations regarding product demand and end use markets, including expectations for U.S. housing starts, which may be impacted by changes in interest rates, U.S. population demographics and the inventory of homes for sale; expectations regarding product demand are based on anticipated market conditions, anticipated regional inventory levels of key customers, and the economic situation of key customers; and estimates for U.S. housing starts are based on forecasts published by major financial institutions. Other risks and factors are discussed under the heading "Risk Factors" in this MD&A and in each of the Annual Information Form dated March 25, 2022 and the Management Information Circular dated March 25, 2022 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. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are made as of the date of this MD&A based on information currently available to management and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this MD&A. Acadian assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as may be required by applicable law.

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