Q2 2018 Interim Report

Letter to Shareholders

Overview

Acadian Timber Corp ("Acadian") continued to perform well during the three-month period ended June 30, 2018 (the "second quarter") posting Adjusted EBITDA[1] of $2.6 million, in-line with the prior year period. Acadian benefited from a 4% increase in log sales volumes during the period, resulting from favourable operating conditions and strong seasonal demand, the benefits of which were offset by a decline in higher and better use ("HBU") land sales in Maine. Log selling prices for most of our products benefited from improved demand while our weighted average log selling price per cubic metre remained in-line with the prior year period due to a change in the sales mix. During the quarter we generated $2.0 million of Free Cash Flow[1] consistent with the same period of 2017.

For the six-month period ended June 30, 2018, we have declared dividends of $0.5575 per share to our shareholders or $9.3 million compared to $9.2 million during the same period of 2017, reflecting a 3% increase in our quarterly dividend as approved by our Board of Directors in April 2018. This represents a payout ratio of 101%, which is slightly above our long-term annual target of 95% but in-line with expectations given the seasonality of our operations. We anticipate that over the long-term we will maintain the 95% target payout ratio.

Results of Operations

Acadian's operations had no recordable safety incidents during the quarter among employees and two minor incidents among contractors. We remain very committed to maintaining a culture across the organization that emphasizes the importance of strong safety performance.

During the second quarter, Acadian's net sales rose to $16.1 million from $14.3 million in the comparable period of 2017, reflecting the benefit of the previously mentioned 4% increase in total log sales volumes. Acadian's weighted average log selling price remained in-line with the prior year period as the benefit from increases in softwood sawlog and hardwood pulpwood prices of 6% and 3%, respectively, was offset by changes in the sales mix. The Adjusted EBITDA margin[1] for the quarter was 16%, down from 18% in the prior year period as the aforementioned increase in log sales volumes was more than offset by lower HBU land sales in Maine.

Our balance sheet continues to be solid with $99.5 million of net liquidity as at June 30, 2018, including funds available under our Revolving Facility and the stand-by equity commitment with Brookfield.

Outlook[2]

Acadian's key markets include softwood sawtimber, hardwood sawtimber and hardwood pulpwood. Northeast North American softwood dimension sawmills represent over one third of Acadian's end-use market and are the primary market for our softwood sawtimber. Economic forecasters continue to call for steady growth in housing starts, with year-over-year increases averaging over 10% in 2018 and 4% in 2019. The underlying fundamental driver of pent-up household formation remains highly compelling and forecasters continue to expect attractive growth in housing starts in future years despite weakening affordability and ongoing supply-side constraints of tight construction labour markets and more restrictive building regulations. North American sawtimber demand is expected to grow at over 3% per year over the next few years to support expanding domestic construction needs.

Benchmark Western Spruce-Pine-Fir and Southern Yellow Pine lumber prices were up over the sequential quarter by 17% and 6%, respectively, allowing producers to continue to pass on the full application of average export duties on U.S.-bound shipments to consumers. Reduced inventories in the supply chain at the beginning of the spring construction season, due to severe winter conditions and tight rail and truck transport availability during the first quarter, were replenished through the quarter as these constraints were largely alleviated. While lumber pricing volatility should be expected due to the uncertainty of ongoing application and pass through of duties or a potential future softwood lumber dispute settlement including quotas, forecasters continue to expect the underlying supply demand drivers will support strength in lumber pricing through 2019. By extension, Acadian anticipates continued strong support in end use markets for softwood sawtimber pricing through this period.

Since the final determination of combined export duties averaging 20.2% was announced by the U.S. Department of Commerce and finalized by the International Trade Commission in late Q4 2017, industry officials indicate there have been no material softwood negotiations between the U.S. and Canada. As there is little expectation that a softwood settlement will factor into the current broader North American Free Trade Agreement ("NAFTA") trade negotiations there remains little visibility on relief from duties in the near to medium term.

Hardwood sawtimber markets, typically oriented to millwork and higher value specialty markets, are expected to remain at healthy current levels throughout the remainder of the year. Hardwood pulpwood demand in the region remains stable with tight supply conditions continuing to support historically strong pricing. In New Brunswick, biomass markets have benefited from the expected recovery in export volumes, while Maine's biomass market remains under pressure from low cost natural gas as a more competitive feed stock for electricity generation. While investments in wood-based liquid biofuels and new wood pellet capacity in the state are encouraging, the projects are in early-stage development. We expect that the Maine recreational real estate market will remain active and therefore anticipate conditions will support the sale of additional properties throughout the remainder of 2018.

As always, Acadian management remains vigilant in pursuing operational cost efficiencies across the business. Recent initiatives to increase integration of administrative activities of our Maine and New Brunswick operations are also expected to achieve additional modest efficiency gains in coming quarters. With a strong balance sheet and highly capable operating team, we are well positioned to meet our ongoing quarterly distributable cash commitments. While no shares were repurchased under our existing normal course issuer bid, we will continue to seek opportunities to do so at the appropriate share valuation. On behalf of the board and management of Acadian, I would like to thank all our shareholders for their ongoing support.

Mark Bishop
President and Chief Executive Officer
August 1, 2018

---

1. Adjusted EBITDA margin and Free Cash Flow are key performance measures in evaluating Acadian's operations and are important in enhancing investors' understanding of Acadian's operating performance. Adjusted EBITDA is used to evaluate operational performance while Free Cash Flow is used to evaluate Acadian's ability to generate sustainable cash flows from our operations. 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). As these performance measures do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"), they may not be comparable to similar measures presented by other companies. Please refer to Management's Discussion and Analysis for further details.
2. This section contains forward-looking information within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Please refer to the section entitled "Forward-Looking Statements" in Management's Discussion and Analysis for further details.

Management's Discussion and Analysis

INTRODUCTION

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

Acadian owns and manages approximately 761,000 acres of freehold timberlands in New Brunswick ("NB Timberlands"), approximately 300,000 acres of freehold timberlands in Maine ("Maine Timberlands"), and provides timber services relating to approximately 1.3 million acres of Crown licensed timberlands ("NB Crown Lands"). Acadian also owns and operates a forest nursery in Second Falls, New Brunswick. Acadian's products include softwood and hardwood sawlogs, pulpwood and biomass by-products sold to approximately 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 months ended June 30, 2018 (herein referred to as the "second quarter") and the six-month period ended June 30, 2018 compared to the three and six month periods ended June 24, 2017, and should be read in conjunction with the interim condensed consolidated financial statements and notes thereto included at page 16 of this interim report.

On January 1, 2018, the Company adopted IFRS 15 "Revenue from Contracts with Customers", using the full retrospective approach which supersedes previous revenue standards (IAS 18 "Revenue") and related interpretations and will apply to all revenue arising from contracts with customers. The adoption on January 1, 2018 resulted in a change in presentation from net to gross for timber services which does not impact the Company's operating earnings or net income. As a result of this change in presentation, net sales for the three-month and six-month periods ended June 24, 2017 increased by $1.7 million and $6.6 million, respectively, with a corresponding increase in operating costs and expenses. Net sales are net of discounts and rebates to customers. Revenue is recognized when control passes to the customer, which is generally when timber is delivered to the customer and actual quantities delivered are determined. Sales are governed primarily by contract and in some cases by standard industry terms. Pursuant to the Crown Lands Services Agreement, Acadian provides harvesting, transportation and other services to Crown licensees and sub-licensees. Acadian receives payment for these services which are recognized upon delivery of the timber and when actual quantities delivered are determined.

Our second quarter financial results are determined in accordance with IAS 34 "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") and are expressed in Canadian dollars unless otherwise noted. External economic and industry factors remain unchanged since the previous annual report, unless otherwise noted. This MD&A has been prepared based on information available as at August 1, 2018. Additional information is available on Acadian's website at www.acadiantimber.com and on SEDAR's website at www.sedar.com.

Non-IFRS Measures

Throughout the MD&A, reference is made to "Adjusted EBITDA", which Acadian's management defines as earnings before interest, taxes, fair value adjustments, recovery of or impairment of land and roads, realized gain/loss on sale of roads and other fixed assets, unrealized exchange gain/loss on debt, depreciation and amortization and to "Adjusted EBITDA margin", which is Adjusted EBITDA as a percentage of its total revenue. Reference is also made to "Free Cash Flow", which Acadian's management defines as Adjusted EBITDA less interest paid, current income tax expense, and capital expenditures plus net proceeds from the sale of fixed assets (selling price less gains or losses included in Adjusted EBITDA). Management believes that Adjusted EBITDA, Adjusted EBITDA margin and Free Cash Flow are key performance measures in evaluating Acadian's operations and are important in enhancing investors' understanding of the Company's operating performance. Adjusted EBITDA is used to evaluate operational performance while Free Cash Flow is used to evaluate Acadian's ability to generate sustainable cash flows from our operations. As these measures do not have a standardized meaning prescribed by IFRS, they may not be comparable to similar measures presented by other companies. As a result, we have provided reconciliations of net income as determined in accordance with IFRS, to Adjusted EBITDA and Free Cash Flow in the "Adjusted EBITDA and Free Cash Flow" section of this MD&A.

Assessment and Changes in Disclosure Controls and Internal Controls

Management has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as at December 31, 2017. There have been no changes in our disclosure controls and procedures during the period ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our disclosure controls and procedures.

Management has also evaluated the design and effectiveness of our internal controls over financial reporting in accordance with Multilateral Instrument 52-109 using the COSO framework 2013 as at December 31, 2017. There have been no changes in our internal controls over financial reporting during the period ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

REVIEW OF OPERATIONS

Summary of Second Quarter Results

The table below summarizes operating and financial data for Acadian:

	Three Months Ended		Six Months Ended	
(CAD thousands, except where indicated)	**June 30, 2018**	June 24, 2017	**June 30, 2018**	June 24, 2017
Sales volume (000s m³)	**231.6**	217.4	**651.3**	573.4
Net sales[1]	**$ 16,099**	$ 14,329	**$ 49,047**	$ 42,341
Net income	**1,888**	4,011	**3,874**	8,769
Adjusted EBITDA[2]	**2,582**	$ 2,622	**11,452**	$ 10,652
Free Cash Flow[2]	**1,997**	$ 2,034	**9,255**	$ 9,422
Dividends declared	**4,727**	4,601	**9,328**	9,202
Payout ratio	**237%**	226%	**101%**	98%
Per share – basic and diluted				
Net income	**$ 0.11**	$ 0.24	**0.23**	$ 0.52
Free Cash Flow[2]	**0.12**	0.12	**0.55**	0.56
Dividends declared	**0.2825**	0.275	**0.5575**	0.55
Book Value	**16.51**	15.90	**16.51**	15.90
Common Shares Outstanding	**16,731,216**	16,731,216	**16,731,216**	16,731,216

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

During the second quarter, Acadian's net sales rose to $16.1 million from $14.3 million in the comparable period of 2017, driven by favourable operating conditions and strong seasonal demand which resulted in a 4% increase in total log sales volumes. Acadian's weighted average log selling price remained in-line with the prior year period as the benefit from increases in softwood sawlog and hardwood pulpwood prices of 6% and 3%, respectively, was offset by changes in the sales mix.

The impact of the increase in log sales volumes was offset by lower sales of higher and better use ("HBU") land in Maine, resulting in Adjusted EBITDA of $2.6 million, consistent with the prior year period. The Adjusted EBITDA margin for the quarter was 16%, down from 18% in the prior year period.

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

Net income was $1.9 million, or $0.11 per share, for the second quarter, compared to $4.0 million, or $0.24 per share, for the same period in 2017 due to the impact of foreign exchange revaluation of U.S. dollar denominated long-term debt.

During the first half of 2018, Acadian's net sales improved to $49.0 million from $42.3 million during the prior year period, primarily attributable to a 12% increase in log sales volumes driven by favourable harvest conditions, particularly for spruce and fir stands. The weighted average log selling price remained in-line with the prior year period as improvements in the selling prices for most products were offset by changes in the sales mix. As a result, Adjusted EBITDA improved to $11.5 million from $10.7 million during the first half of 2017, despite HBU sales decreasing $1.0 million from the prior year period. The Adjusted EBITDA margin of 23% is down from 25% in the prior year period as the increase in log sales volumes was more than offset by lower HBU land sales in Maine. For the six months ended June 30, 2018, net income was $3.9 million, or $0.23 per share, which represents a decrease of $4.9 million over the same period of 2017 primarily due to the impact of foreign exchange revaluation of U.S. dollar denominated long-term debt.

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

	Three Months Ended		Six Months Ended	
(CAD thousands)	**June 30, 2018**	June 24, 2017	**June 30, 2018**	June 24, 2017
Net income	**$ 1,888**	$ 4,011	**$ 3,874**	$ 8,769
Add / (deduct):				
Interest expense, net	**1,003**	744	**1,961**	1,491
Current income tax (recovery) / expense	**(96)**	120	**1,269**	267
Deferred income tax expense	**1,450**	1,224	**1,514**	2,514
Depreciation and amortization	**77**	77	**161**	155
Fair value adjustments and other	**(3,391)**	(2,764)	**(1,266)**	(1,289)
Unrealized exchange loss / (gain) on long-term debt	**1,651**	(790)	**3,939**	(1,255)
Adjusted EBITDA[1]	**$ 2,582**	$ 2,622	**$ 11,452**	$ 10,652
Add / (deduct):				
Interest paid on debt, net	**(682)**	(717)	**(1,366)**	(1,438)
Additions to timber, land, roads and other fixed assets	**(26)**	(50)	**(31)**	(164)
Gain on sale of timberlands	**(286)**	(958)	**(463)**	(1,455)
Loss on disposal of roads and other fixed assets	**—**	—	**248**	—
Proceeds on sale of timberlands	**305**	1,257	**497**	2,094
Proceeds on sale of roads and other fixed assets	**8**	—	**187**	—
Current income tax recovery / (expense)	**96**	(120)	**(1,269)**	(267)
Free Cash Flow[1]	**$ 1,997**	$ 2,034	**$ 9,255**	$ 9,422
Dividends declared	**$ 4,727**	$ 4,601	**$ 9,328**	$ 9,202
Payout ratio	**237%**	226%	**101%**	98%

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

Dividend Policy of the Company

Acadian declares dividends from its available cash to the extent determined prudent by the Board of Directors. These dividends represent cash received from Acadian's indirect interest in the Maine Timberlands and the New Brunswick Timberlands, less estimated cash amounts required for expenses and other obligations of Acadian, cash redemptions of shares and any tax liability. Dividends are paid on or about the 15th day following each dividend declaration date.

Total dividends declared to shareholders during the three months ended June 30, 2018 were $4.7 million, or $0.2825 per share, 3% higher than the prior year period. The payout ratio of Acadian for the first six months of 2018, which represents the amount of dividends declared as a percentage of the Free Cash Flow generated, was 101% which is slightly above our long-term annual target of 95%, but in-line with expectations given the seasonality of our operations. We anticipate that over the long-term we will maintain the 95% target payout ratio.

Operating and Market Conditions

Acadian's operations performed well during the second quarter, continuing to benefit from strong and stable market dynamics in New Brunswick, improved log markets in Maine compared to the prior year, and favourable operating conditions. As a result, log harvest volumes, excluding biomass, of 174 thousand m^3 for the quarter were up 4% year-over-year.

Acadian's weighted average log selling price remained in-line with the prior year period as the benefit from increases in softwood sawlog and hardwood pulpwood prices of 6% and 3%, respectively, was offset by changes in the sales mix. Demand for softwood sawlogs and hardwood pulpwood in New Brunswick remained strong, with prices increasing 4%. Markets in Maine continued to strengthen with prices in U.S. dollar terms for softwood sawlogs increasing 14% and hardwood pulpwood prices improving 9% compared to the prior year period.

Stronger export markets for biomass products resulted in a 16% increase in sales volumes compared to the same period in the prior year. Overall, the gross margin earned on Acadian's biomass products increased meaningfully by 121% compared to the second quarter of 2017.

Segmented Results of Operations

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

Three Months Ended June 30, 2018 (CAD thousands)	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m^3)	**186.3**	**45.3**	**—**	**231.6**
Net sales	**$ 12,917**	**$ 3,182**	**$ —**	**$ 16,099**
Adjusted EBITDA[1]	**$ 2,160**	**$ 569**	**$ (147)**	**$ 2,582**
Adjusted EBITDA margin[1]	**17%**	**18%**	**n/a**	**16%**

Three Months Ended June 24, 2017 (CAD thousands)	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m^3)	170.8	46.6	—	217.4
Net sales[2]	$ 11,483	$ 2,846	$ —	$ 14,329
Adjusted EBITDA[1]	$ 2,028	$ 909	$ (315)	$ 2,622
Adjusted EBITDA margin[1,2]	18%	32%	n/a	18%

Six Months Ended June 30, 2018 (CAD thousands)	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m^3)	**479.6**	**171.7**	**—**	**651.3**
Net sales	**$ 36,037**	**$ 13,010**	**$ —**	**$ 49,047**
Adjusted EBITDA[1]	**$ 8,017**	**$ 4,033**	**$ (598)**	**$ 11,452**
Adjusted EBITDA margin[1]	**22%**	**31%**	**n/a**	**23%**

Six Months Ended June 24, 2017 (CAD thousands)	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m^3)	437.3	136.1	—	573.4
Net sales[2]	$ 32,736	$ 9,605	$ —	$ 42,341
Adjusted EBITDA[1]	$ 8,156	$ 3,065	$ (569)	$ 10,652
Adjusted EBITDA margin[1,2]	25%	32%	n/a	25%

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

NB Timberlands

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

There were no recordable safety incidents among employees and two minor lost time incidents among contractors during the second quarter of 2018.

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

	Three Months Ended June 30, 2018				Three Months Ended June 24, 2017			
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Sales Mix**	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Sales Mix**	**Results** *($000s)*
Softwood	**47.2**	**53.3**	**29%**	**$ 2,930**	27.8	39.4	23%	$ 2,038
Hardwood	**68.2**	**81.9**	**44%**	**6,467**	62.0	92.1	54%	7,186
Biomass	**51.1**	**51.1**	**27%**	**1,503**	39.3	39.3	23%	783
	166.5	**186.3**	**100%**	**10,900**	129.1	170.8	100%	10,007
Timber services and other sales[1]				**2,017**				1,476
Net sales[1]				**$ 12,917**				$ 11,483
Adjusted EBITDA[2]				**$ 2,160**				$ 2,028
Adjusted EBITDA margin[1,2]				**17%**				18%

	Six Months Ended June 30, 2018				Six Months Ended June 24, 2017			
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Sales Mix**	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Sales Mix**	**Results** *($000s)*
Softwood	**205.8**	**210.7**	**44%**	**$ 11,815**	163.1	165.9	38%	$ 9,296
Hardwood	**161.2**	**164.9**	**34%**	**13,033**	177.3	186.8	43%	14,788
Biomass	**104.0**	**104.0**	**22%**	**2,954**	84.6	84.6	19%	1,748
	471.0	**479.6**	**100%**	**27,802**	425.0	437.3	100%	25,832
Timber services and other sales[1]				**8,235**				6,904
Net sales[1]				**$ 36,037**				$ 32,736
Adjusted EBITDA[2]				**$ 8,017**				$ 8,156
Adjusted EBITDA margin[1,2]				**22%**				25%

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

Net sales for our New Brunswick Timberlands increased to $12.9 million from $11.5 million during the prior year period. Log sales volumes, excluding biomass, increased 3% to 135 thousand m^3 from 132 thousand m^3 in the second quarter of 2017 reflecting favourable operating conditions and strong seasonal demand for softwood sawlogs and improved demand for softwood pulpwood. In addition, timber services and other sales increased 37% compared to the prior year period primarily due to the timing of harvest activities.

The weighted average log selling price during the quarter was $69.47 per m^3, down from $70.13 per m^3 in the prior year period. Demand for softwood sawlogs and hardwood pulpwood in New Brunswick remained strong with prices increasing 4%, however, the benefit of this was more than offset by lower volumes of higher-valued hardwood sawlogs and higher volumes of lower-valued softwood pulpwood, relative to the prior year period. Prices for these products were favourable compared to the prior year period.

Biomass product sales volumes increased by 30% year-over-year as shipments to export markets resumed in early 2018. The return of the export markets also resulted in a meaningful 135% increase in gross margin earned compared to the second quarter of 2017.

Operating costs for the quarter were $10.8 million, compared to $9.5 million in the second quarter of 2017 primarily due to higher harvest volumes and timing of operating activities. Variable log harvest costs per m^3 decreased 5% primarily due to a change in the harvest mix.

Adjusted EBITDA was $2.2 million during the second quarter of 2018, compared to $2.0 million in the prior year period, due to the impact of the increase in log sales volumes and higher margins for biomass products. The Adjusted EBITDA margin of 17% for the quarter was slightly lower than the prior year period reflecting timing of operating activities.

During the six-month period ended June 30, 2018, net sales totaled $36.0 million which represents a $3.3 million increase compared to the same period last year. New Brunswick benefited from a 6% increase in log sales volumes and a 23% increase in biomass sales volumes, which were partially offset by the impact of lower weighted average log selling prices due to changes in the sales mix. Costs were $28.0 million, or $3.5 million higher than the prior year due to the increase in sales volumes and higher transportation costs. As a result, Adjusted EBITDA was $8.0 million, a decrease of $0.2 million compared to the same period last year, while Adjusted EBITDA margin decreased to 22% from 25%.

Maine Timberlands

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

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

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

	Three Months Ended June 30, 2018				Three Months Ended June 24, 2017			
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Sales Mix**	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Sales Mix**	**Results** *($000s)*
Softwood	**25.4**	**25.3**	**56%**	**$ 1,914**	16.6	16.5	35%	$ 1,155
Hardwood	**9.5**	**13.2**	**29%**	**1,156**	13.8	19.5	42%	1,544
Biomass	**6.8**	**6.8**	**15%**	**11**	10.6	10.6	23%	16
	41.7	**45.3**	**100%**	**3,081**	41.0	46.6	100%	2,715
Other sales				**101**				131
Net sales				**$ 3,182**				$ 2,846
Adjusted EBITDA[1]				**$ 569**				$ 909
Adjusted EBITDA margin[1]				**18%**				32%

	Six Months Ended June 30, 2018				Six Months Ended June 24, 2017			
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Sales Mix**	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Sales Mix**	**Results** *($000s)*
Softwood	**117.0**	**116.5**	**67%**	**$ 9,235**	79.4	79.1	58%	$ 5,906
Hardwood	**43.4**	**43.9**	**26%**	**3,410**	43.2	45.2	33%	3,436
Biomass	**11.3**	**11.3**	**7%**	**18**	11.8	11.8	9%	18
	171.7	**171.7**		**12,663**	134.4	136.1	100%	9,360
Other sales				**347**				245
Net sales				**$ 13,010**				$ 9,605
Adjusted EBITDA[1]				**$ 4,033**				$ 3,065
Adjusted EBITDA margin[1]				**31%**				32%

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

Net sales totaled $3.2 million compared to $2.8 million for the same period last year as log sales volumes increased 7% to 38 thousand m^3 from 36 thousand m^3 in the prior year period. This increase was primarily driven by strong seasonal demand for softwood sawlogs which had been impacted in the prior year period by high customer inventories and limited markets for sawmill residuals.

The weighted average log selling price in Canadian dollar terms was $79.82 per m^3, up from $74.84 per m^3 in the same period of 2017. The weighted average log selling price in U.S. dollar terms was $61.85 per m^3, up 11% year-over-year, reflecting meaningfully improved demand and prices for softwood sawlogs and hardwood pulpwood.

Costs for the second quarter of $2.9 million were in-line with the same period in 2017 as longer hauling distances resulted in higher transportation costs which were offset by the impact of foreign exchange.

Adjusted EBITDA for the quarter was $0.6 million compared to $0.9 million in the prior year period as lower HBU land sales more than offset the increase in log sales volumes and prices. As a result, the Adjusted EBITDA margin decreased to 18%, relative to 32% in 2017.

During the six month period ended June 30, 2018, net sales totaled $13.0 million, or $3.4 million higher than the first half of 2017, primarily due to a 29% increase in log sales volumes due to favourable winter harvest conditions and a 5% increase in the weighted average log selling price which was lower in the prior year due to high customer inventories. Costs were $9.3 million, or $1.3 million higher than the same period of 2017 largely due to higher sales volumes, partially offset by the benefit of shorter hauling distances. Adjusted EBITDA was $4.0 million, an increase of $1.0 million compared to the prior year period due to the aforementioned factors, partially offset by lower HBU land sales. As a result, the Adjusted EBITDA margin decreased slightly to 31% from 32% in the prior year period.

Financial Position

Our financial position continues to be solid with $99.5 million of net liquidity as at June 30, 2018, including funds available under our Revolving Facility and the stand-by equity commitment with Brookfield.

As at June 30, 2018, Acadian's balance sheet consisted of total assets of $462.5 (December 31, 2017 – $462.2 million), represented primarily by timber, land, roads and other fixed assets of $426.6 million (December 31, 2017 – $419.9 million) with the balance in cash and current assets of $29.8 million (December 31, 2017 – $36.2 million), and intangible assets of $6.1 million (December 31, 2017 – $6.1 million). Timber has been recorded at fair value as determined through an independent third party appraisal at December 31, 2017 and adjusted for growth estimates and harvest during the first six months of the year. Reforestation costs have been expensed as incurred.

MARKET OUTLOOK

The following contains forward-looking statements about Acadian Timber Corp.'s market outlook for the remainder of 2018. Reference should be made to "Forward-Looking Statements" on page 15. 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. Economic forecasters continue to call for steady growth in housing starts, with year-over-year increases averaging over 10% in 2018 and 4% in 2019. The underlying fundamental driver of pent-up household formation remains highly compelling and forecasters continue to expect attractive growth in housing starts in future years despite weakening affordability and ongoing supply-side constraints of tight construction labour markets and more restrictive building regulations. North American sawtimber demand is expected to grow at over 3% per year over the next few years to support expanding domestic construction needs.

Benchmark Western Spruce-Pine-Fir and Southern Yellow Pine lumber prices were up over the sequential quarter by 17% and 6% respectively allowing producers to continue to pass on the full application of average export duties on U.S.-bound shipments to consumers. Reduced inventories in the supply chain at the beginning of the spring construction season due to severe winter conditions and tight rail and truck transport availability during the first quarter were replenished through the quarter as these constraints were largely alleviated. While lumber pricing volatility should be expected due to the uncertainty of ongoing application and pass through of duties or a potential future softwood lumber dispute settlement including quotas, forecasters continue to expect the underlying supply demand drivers will support strength in lumber pricing through 2019. By extension, Acadian anticipates continued strong support in end use markets for softwood sawtimber pricing through this period.

Since the final determination of combined export duties averaging 20.2% was announced by the U.S. Department of Commerce and finalized by the International Trade Commission in late Q4 2017, industry officials indicate there have been no material softwood negotiations between the U.S. and Canada. As there is little expectation that a softwood settlement will factor into the current broader North American Free Trade Agreement ("NAFTA") trade negotiations there remains little visibility on relief from duties in the near to medium term.

Hardwood sawtimber markets, typically oriented to millwork and higher value specialty markets, are expected to remain at healthy current levels throughout the remainder of the year. Hardwood pulpwood demand in the region remains stable with tight supply conditions continuing to support historically strong pricing. In New Brunswick, biomass markets have benefited from the expected recovery in export volumes, while Maine's biomass market remains under pressure from low cost natural gas as a more competitive feed stock for electricity generation. While investments in wood-based liquid biofuels and new wood pellet capacity in the state are encouraging, the projects are in early-stage development. We expect that the Maine recreational real estate market will remain active and therefore anticipate conditions will support the sale of additional properties throughout the remainder of 2018.

SUPPLEMENTAL INFORMATION

This supplemental information contains information required by applicable continuous disclosure guidelines and is provided to facilitate additional analysis.

Selected Consolidated Quarterly Information

The table below sets forth selected consolidated quarterly information for the current and last seven quarters. See "Additional Quarterly Information" section for the segmented quarterly results.

	2018		2017				2016	
(CAD thousands, except per share data and where indicated)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales volume (000s m³)	**231.6**	419.7	297.6	381.0	217.4	356.0	351.2	351.7
Net sales[1]	**$ 16,099**	$ 32,948	$ 25,805	$ 27,238	$ 14,329	$ 28,012	$ 27,267	$ 23,885
Adjusted EBITDA[2]	**2,582**	8,870	6,005	6,687	2,622	8,030	7,049	5,153
Free Cash Flow[2]	**1,997**	7,258	4,756	5,302	2,034	7,388	6,276	4,195
Net income	**1,888**	1,986	12,348	9,702	4,011	4,758	3,121	2,779
Per share – basic and diluted	**$ 0.11**	$ 0.12	$ 0.74	$ 0.58	$ 0.24	$ 0.28	$ 0.18	$ 0.17

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

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reported period. The critical estimates and judgements applied in preparing Acadian's financial statements affect the assessment of net recoverable amounts, net realizable values and fair values, depreciation rates and useful lives, determination of functional currency and the selection of accounting policies.

The critical estimates and judgements made in the preparation of Acadian's financial statements include, among other things, future prices and margins, future sales volumes, future harvest rates and sustainable yields, and discount rates utilized in the valuation of Acadian's timber, roads and land. In making estimates and judgements, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgements have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making these estimates and judgements in these consolidated financial statements. Actual results could differ from those estimates. For further reference on critical accounting policies, see our significant accounting policies contained in Note 2 of Acadian's 2017 annual report.

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

Related Party Transactions

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

As at June 30, 2018, Brookfield owned 7,513,262 common shares, representing approximately 45% of the Company's outstanding shares.

A summary of the significant related party transactions is provided below.

a) Upon inception, Acadian entered into an agreement with Brookfield whereby Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided in the three and six months ended June 30, 2018 totaled $0.6 million (2017 – $0.6 million) and $1.2 million (2017 - $1.2 million), respectively. As at June 30, 2018, fees of $nil (December 31, 2017 – $nil) remain outstanding.

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

Further to the related party transactions noted above, the total net receivables due from related parties as at June 30, 2018 is $44 thousand (December 31, 2017 – $49 thousand) and net payables due to related parties is $94 thousand (December 31, 2017 – $500 thousand). Acadian also has a U.S. $50 million stand-by-equity commitment with Brookfield. In September 2017, Brookfield agreed to extend the stand-by equity commitment to July 2019.

Contractual Obligations

The Company has no material capital or operating lease obligations, however, it has two significant contractual obligations related to the supply of fibre to Twin Rivers Paper Company ("Twin Rivers") for periods up to 20 years and the provision of timber services under a Crown License Agreement at the direction of Twin Rivers.

A summary of the Company's debt obligations is as follows:

		Payments Due by Period				
(CAD thousands)	Total Available	Total	Less Than One Year (2018)	1 to 3 Years (2019-2021)	3 to 5 Years (2022-2024)	After 5 Years (>2024)
Debt						
Term facility[1]	$ 95,229	$ 95,229	$ —	$ 95,229	$ —	$ —
Revolving facility[2]	13,135	—	—	—	—	—
	$ 108,364	$ 95,229	$ —	$ 95,229	$ —	$ —
Interest payments[3]		$ 6,449	$ 2,866	$ 3,583	$ —	$ —

1. Represents principal of a U.S. dollar denominated term loan with a U.S. to Canadian dollar conversion of 1.3135, 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 1.3135
3. Interest payments are determined assuming a fixed interest rate at 3.01% with a U.S. to Canadian dollar conversion of 1.3135

Additional Quarterly Information

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

NB Timberlands

	2018 Q2			2018 Q1			2017 Q4			2017 Q3		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m³)	(000s m³)	($000s)	(000s m³)	(000s m³)	($000s)	(000s m³)	(000s m³)	($000s)	(000s m³)	(000s m³)	($000s)
Softwood	**47.2**	**53.3**	**$ 2,930**	158.6	157.4	$ 8,885	103.2	97.1	$ 5,371	113.0	115.2	$ 6,265
Hardwood	**68.2**	**81.9**	**6,467**	93.0	83.0	6,566	68.8	66.9	5,111	99.5	103.2	7,396
Biomass	**51.1**	**51.1**	**1,503**	52.9	52.9	1,451	31.6	31.6	549	70.2	70.2	863
	166.5	**186.3**	**10,900**	304.5	293.3	16,902	203.6	195.6	11,031	282.7	288.6	14,524
Timber services and other sales[1]			**2,017**			6,218			7,272			6,100
Net sales[1]			**$ 12,917**			$ 23,120			$ 18,303			$ 20,624
Adjusted EBITDA[2]			**$ 2,160**			$ 5,857			$ 4,463			$ 5,454
Adjusted EBITDA margin[1,2]			**17%**			25%			24%			26%

Maine Timberlands

	2018 Q2			2018 Q1			2017 Q4			2017 Q3		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m³)	(000s m³)	($000s)	(000s m³)	(000s m³)	($000s)	(000s m³)	(000s m³)	($000s)	(000s m³)	(000s m³)	($000s)
Softwood	**25.4**	**25.3**	**$ 1,914**	91.6	91.2	$ 7,321	47.0	46.8	$ 3,752	35.0	34.9	$ 2,592
Hardwood	**9.5**	**13.2**	**1,156**	33.9	30.7	2,254	44.5	49.7	3,620	56.8	50.2	3,799
Biomass	**6.8**	**6.8**	**11**	4.5	4.5	7	5.5	5.5	9	7.3	7.3	11
	41.7	**45.3**	**3,081**	130.0	126.4	9,582	97.0	102.0	7,381	99.1	92.4	6,402
Other sales			**101**			246			121			212
Net sales			**$ 3,182**			$ 9,828			$ 7,502			$ 6,614
Adjusted EBITDA[2]			**$ 569**			$ 3,464			$ 2,135			$ 1,551
Adjusted EBITDA margin[2]			**18%**			35%			28%			23%

Corporate

	2018 Q2	2018 Q1	2017 Q4	2017 Q3
	Results	Results	Results	Results
	($000s)	($000s)	($000s)	($000s)
Net sales	**$ —**	$ —	$ —	$ —
Adjusted EBITDA[2]	**$ (147)**	$ (451)	$ (593)	$ (318)

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

NB Timberlands

	2017 Q2			2017 Q1			2016 Q4			2016 Q3		
	Harvest	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**
	(000s m^3)	(000s m^3)	($000s)	(000s m^3)	(000s m^3)	($000s)	*(000s m^3)*	*(000s m^3)*	*($000s)*	(000s m^3)	(000s m^3)	($000s)
Softwood	27.8	39.4	$ 2,038	135.3	126.5	$ 7,258	117.6	113.5	$ 6,189	97.4	99.2	$ 5,258
Hardwood	62.0	92.1	7,186	115.3	94.7	7,602	115.4	104.7	8,251	98.5	91.2	6,663
Biomass	39.3	39.3	783	45.3	45.3	965	51.7	51.7	980	92.3	92.3	1,660
	129.1	170.8	10,007	295.9	266.5	15,825	284.7	269.9	15,420	288.2	282.7	13,581
Timber services and other sales[1]			1,476			5,428			5,658			5,290
Net sales[1]			$ 11,483			$ 21,253			$ 21,078			$ 18,871
Adjusted EBITDA[2]			$ 2,028			$ 6,128			$ 5,867			$ 4,608
Adjusted EBITDA margin[1,2]			18%			29%			28%			24%

Maine Timberlands

	2017 Q2			2017 Q1			2016 Q4			2016 Q3		
	Harvest	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**	**Harvest**	**Sales**	**Results**
	(000s m^3)	(000s m^3)	($000s)	(000s m^3)	(000s m^3)	($000s)	*(000s m^3)*	*(000s m^3)*	*($000s)*	*(000s m^3)*	*(000s m^3)*	*($000s)*
Softwood	16.6	16.5	$ 1,155	62.8	62.6	$ 4,751	52.8	52.7	$ 4,037	36.3	36.2	$ 2,878
Hardwood	13.8	19.5	1,544	29.4	25.7	1,892	25.9	26.6	2,094	29.7	25.6	1,977
Biomass	10.6	10.6	16	1.2	1.2	2	2.0	2.0	4	7.2	7.2	23
	41.0	46.6	2,715	93.4	89.5	6,645	80.7	81.3	6,135	73.2	69.0	4,878
Other sales			131			114			54			136
Net sales			$ 2,846			$ 6,759			$ 6,189			$ 5,014
Adjusted EBITDA[2]			$ 909			$ 2,156			$ 1,393			$ 749
Adjusted EBITDA margin[2]			32%			32%			23%			15%

Corporate

	2017 Q2	2017 Q1	2016 Q4	2016 Q3
	Results	**Results**	**Results**	**Results**
	($000s)	*($000s)*	*($000s)*	*($000s)*
Net sales	$ —	$ —	$ —	$ —
Adjusted EBITDA[2]	$ (315)	$ (254)	$ (211)	$ (204)

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

Forward-Looking Statements

This management discussion and analysis ("MD&A") contains forward-looking information within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, such statements may contain such words as "may," "will," "intend," "should," "expect," "believe," "outlook," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the negative of these terms or other similar terminology. Forward-looking information in this MD&A includes statements made in sections entitled "Dividend Policy of the Company,""Liquidity and Capital Resources" and "Market Outlook" and without limitation other statements regarding management's beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, growth strategy and prospects, access to capital, liquidity and trading volumes, dividends, taxes, capital expenditures, projected costs, market trends and similar statements concerning anticipated future events, results, achievements, circumstances, performance or expectations that are not historical facts. These statements, which reflect management's current expectations regarding future events and operating performance, are based on information currently available to management and speak only as of the date of this MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon, and will not necessarily be accurate indications of whether or not such results will be achieved. Factors that could cause actual results to differ materially from the results discussed in the forward-looking statements include, but are not limited to: general economic and market conditions; product demand; concentration of customers; commodity pricing; interest rate and foreign currency fluctuations; seasonality; weather and natural conditions; regulatory, trade or environmental policy changes; changes in Canadian income tax law; economic situation of key customers; Brookfield's ability to source and secure potential investment opportunities; the availability of potential acquisitions that suit Acadian's growth profile; and other risks and factors discussed under the heading "Risk Factors" in this Annual Report and in each of the Annual Information Form dated March 28, 2018 and the Management Information Circular dated March 28, 2018, and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: anticipated financial performance; anticipated market conditions; business prospects; the economic situation of key customers; strategies; regulatory developments; exchange rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services and the ability to obtain financing on acceptable terms. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are made as of the date of this MD&A, and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this MD&A. Acadian assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as may be required by applicable law.

Interim Condensed Consolidated Statements of Net Income

(unaudited)

		Three Months Ended		Six Months Ended	
(CAD thousands, except per share data)	Note	**June 30, 2018**	June 24, 2017	**June 30, 2018**	June 24, 2017
Net sales	*6*	**$ 16,099**	$ 14,329	**$ 49,047**	$ 42,341
Operating costs and expenses					
Cost of sales	*6*	**11,174**	9,868	**32,668**	28,108
Selling, administration and other	*6*	**2,214**	2,399	**4,720**	4,638
Reforestation		**415**	398	**422**	398
Depreciation and amortization		**77**	77	**161**	155
		13,880	12,742	**37,971**	33,299
Operating earnings		**2,219**	1,587	**11,076**	9,042
Interest expense, net		**(1,003)**	(744)	**(1,961)**	(1,491)
Other items					
Fair value adjustments and other		**3,391**	2,764	**1,266**	1,289
Unrealized exchange (loss) / gain on long-term debt		**(1,651)**	790	**(3,939)**	1,255
Gain on sale of timberlands		**286**	958	**463**	1,455
Loss on disposal of roads and other fixed assets		**—**	—	**(248)**	—
Earnings before income taxes		**3,242**	5,355	**6,657**	11,550
Current income tax recovery / (expense)	*7*	**96**	(120)	**(1,269)**	(267)
Deferred income tax expense	*7*	**(1,450)**	(1,224)	**(1,514)**	(2,514)
Net income		**$ 1,888**	$ 4,011	**$ 3,874**	$ 8,769
Net income per share - basic and diluted		**$ 0.11**	$ 0.24	**$ 0.23**	$ 0.52

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Comprehensive Income

(unaudited)

	Three Months Ended		Six Months Ended	
(CAD thousands)	**June 30, 2018**	June 24, 2017	**June 30, 2018**	June 24, 2017
Net income	**$ 1,888**	$ 4,011	**$ 3,874**	$ 8,769
Other comprehensive income / (loss)				
Items that may be reclassified subsequently to net income:				
Unrealized foreign currency translation gain / (loss)	**2,088**	(1,118)	**5,454**	(1,740)
Deferred income tax recovery	**246**	271	**—**	364
	2,334	(847)	**5,454**	(1,376)
Comprehensive income	**$ 4,222**	$ 3,164	**$ 9,328**	$ 7,393

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Balance Sheets

(unaudited)

As at *(CAD thousands)*	Note	**June 30, 2018**	December 31, 2017
Assets			
Current assets			
Cash and cash equivalents		**$ 22,866**	$ 23,951
Accounts receivable and other assets	*5*	**6,115**	11,007
Inventory		**801**	1,226
		29,782	36,184
Timber	*10*	**336,577**	330,879
Land, roads and other fixed assets		**90,046**	89,013
Intangible assets		**6,140**	6,140
		$ 462,545	$ 462,216
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	*5*	**$ 5,557**	$ 12,476
Dividends payable to shareholders	*9*	**4,727**	4,601
		10,284	17,077
Long-term debt	*2, 3*	**92,456**	90,866
Deferred income tax liability		**83,654**	80,188
Shareholders' equity	*4*	**276,151**	274,085
		$ 462,545	$ 462,216

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Equity

(unaudited)

Six Months Ended June 30, 2018 *(CAD thousands)*	Note	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Shareholders' Equity
Balance as at December 31, 2017		$ 140,067	$ 76,375	$ 33,877	$ 23,766	$ 274,085
Impact of adopting IFRS 9, net of income taxes	2	—	2,066	—	—	2,066
Adjusted opening balance under IFRS 9		140,067	78,441	33,877	23,766	276,151
Changes in period						
Net income		—	**3,874**	—	—	**3,874**
Other comprehensive income		—	—	—	**5,454**	**5,454**
Shareholders' dividends declared	9	—	**(9,328)**	—	—	**(9,328)**
Balance as at June 30, 2018		**$ 140,067**	**$ 72,987**	**$ 33,877**	**$ 29,220**	**$ 276,151**

See accompanying notes to interim condensed consolidated financial statements.

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

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows

(unaudited)

	Three Months Ended		Six Months Ended	
(CAD thousands)	**June 30, 2018**	June 24, 2017	**June 30, 2018**	June 24, 2017
Cash and cash equivalents provided by (used for):				
Operating activities				
Net income	**$ 1,888**	$ 4,011	**$ 3,874**	$ 8,769
Adjustments to net income:				
Deferred income tax expense	**1,450**	1,224	**1,514**	2,514
Depreciation and amortization	**77**	77	**161**	155
Fair value adjustments and other	**(3,391)**	(2,764)	**(1,266)**	(1,289)
Unrealized exchange loss / (gain) on long-term debt	**1,651**	(790)	**3,939**	(1,255)
Gain on sale of timberlands	**(286)**	(958)	**(463)**	(1,455)
Loss on disposal of roads and other fixed assets	**—**	—	**248**	—
Net change in non-cash working capital balances and other	**3,527**	1,256	**(543)**	2,134
	4,916	2,056	**7,464**	9,573
Financing activities				
Dividends paid to shareholders	**(4,601)**	(4,601)	**(9,202)**	(8,784)
	(4,601)	(4,601)	**(9,202)**	(8,784)
Investing activities				
Additions to timber, land, roads and other fixed assets	**(26)**	(504)	**(31)**	(618)
Acquisition of Katahdin Timberlands LLC	**—**	—	**—**	(1,276)
Proceeds from sale of timberlands	**305**	1,257	**497**	2,094
Proceeds from sale of roads and other fixed assets	**8**	—	**187**	—
	287	753	**653**	200
Increase / (decrease) in cash and cash equivalents during the period	**602**	(1,792)	**(1,085)**	989
Cash and cash equivalents, beginning of period	**22,264**	22,435	**23,951**	19,654
Cash and cash equivalents, end of period	**$ 22,866**	$ 20,643	**$ 22,866**	$ 20,643

See accompanying notes to interim consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
(CAD thousands)	**June 30, 2018**	June 24, 2017	**June 30, 2018**	June 24, 2017
Accounts receivable and other assets	**$ 4,894**	$ 6,679	**$ 4,892**	$ 674
Inventory	**1,488**	2,835	**425**	917
Accounts payable and accrued liabilities	**(2,570)**	(7,072)	**(6,793)**	1,366
Other	**(285)**	(1,186)	**933**	(823)
	$ 3,527	$ 1,256	**$ (543)**	$ 2,134

Notes to the Interim Condensed Consolidated Financial Statements

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

NOTE 1. GENERAL

Acadian Timber Corp. (the "Company") is governed by the *Canada Business Corporations Act* pursuant to articles of arrangement dated January 1, 2010. The Company is a reporting issuer and its common shares are publicly traded on the Toronto Stock Exchange under the stock symbol "ADN". The principal and head office of the Company is located at Suite 1800, 1055 West Georgia Street, Vancouver, British Columbia, V6E 3R5.

The Company and all of its consolidated operations (collectively, "Acadian"), own and manage approximately 761,000 acres of freehold timberlands in New Brunswick ("NB Timberlands") and approximately 300,000 acres of freehold timberlands in Maine ("Maine Timberlands") and provides timber services relating to approximately 1.3 million acres of Crown licensed timberlands in New Brunswick. Acadian also owns and operates a forest nursery in Second Falls, New Brunswick. Acadian's products include softwood and hardwood sawlogs, pulpwood and biomass by-products sold to approximately 85 regional customers.

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

As at June 30, 2018, affiliates of Brookfield Asset Management Inc. (collectively "Brookfield") own 7,513,262 common shares representing approximately 45% of the outstanding common shares of the Company. The ultimate parent of the Company is Brookfield Asset Management Inc.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and using the accounting policies adopted and disclosed in note 2 of Acadian's 2017 annual report, except for the adoption of IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers* that were adopted on January 1, 2018 and are disclosed below. These interim condensed consolidated financial statements should be read in conjunction with Acadian's 2017 annual report.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of Acadian on August 1, 2018.

New and Amended Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Retrospective application is required, but comparative information is not compulsory. As a result of the adoption of this standard, the Company recognized a gain of $2.9 million ($2.1 million net of income taxes), relating to a 2015 modification of Acadian's term facility with the Metropolitan Life Insurance Company, in retained earnings on January 1, 2018. This modification did not result in derecognition of the loan as the revised terms were neither qualitatively nor quantitatively different from the original terms. The effect of applying the IFRS 9 approach will decrease long-term debt and hence increase shareholders' equity by $2.9 million and increase interest charges by approximately $0.3 million per quarter over the remaining term of the loan, but does not impact the Company's operating cash flows.

IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

IFRS 15 supersedes previous revenue standards (IAS 18, *Revenue*) and related interpretations and it applies to all revenue arising from contracts with customers. On January 1, 2018, the Company adopted IFRS 15 using the full retrospective approach. The adoption of this standard on January 1, 2018 resulted in a change in presentation from net to gross for timber services, which does not impact the Company's operating earnings or net income. As a result of this change in presentation, net sales for the three- and six-month periods ended June 24, 2017 increased by $1.7 million and $6.6 million, respectively, with a corresponding increase in operating costs and expenses. Net sales are net of discounts and rebates to customers. Revenue is recognized when control passes to the customer, which is generally when timber is delivered to the customer and actual quantities delivered are determined. Sales are governed primarily by contract and in some cases by standard industry terms. Pursuant to the Crown Lands Services Agreement, Acadian provides harvesting, transportation and other services to Crown licensees and sub-licensees. Acadian receives payment for these services which are recognized upon delivery of the timber and when actual quantities delivered are determined.

Future Accounting Policies

IFRS 16, ***Leases***

IFRS 16, which was issued in January 2016, will replace current lease accounting standards. It proposes to record all leases on the balance sheet with certain limited exceptions. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Limited earlier adoption is permitted. The Company has no material capital or operating lease obligations, but has not yet begun the process of evaluating the impact of this standard on its interim condensed consolidated financial statements.

NOTE 3. LONG-TERM DEBT

Debt consists of the following:

As at *(CAD thousands)*	**June 30, 2018**	December 31, 2017
Term facility, due October 2020	**$ 95,229**	$ 91,156
Less:		
Impact of adopting IFRS 9, net of accretion	**(2,536)**	—
Deferred debt issuance costs	**(237)**	(290)
Total	**$ 92,456**	$ 90,866

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

As at June 30, 2018 and December 31, 2017, Acadian had borrowed US$72.5 million under the Term Facility and nil under the Revolving Facility; however, US$1.6 million of the Revolving Facility is reserved to support the minimum cash balance requirement of the Term Facility. As security for these facilities, Acadian granted the lenders a security interest over all of its assets. The facilities are subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness and granting liens or selling assets without the consent of the lenders. The credit facilities are also subject to the maintenance of a maximum loan-to-value ratio. Acadian is in compliance with all covenants as at June 30, 2018 and December 31, 2017.

The fair value of the Term Facility as at June 30, 2018 is $93.9 million (December 31, 2017 – $90.9 million). The fair value of debt is determined using the discounted cash flow approach and is measured under Level 2 of the fair value hierarchy. Future cash flows are estimated based on the terms under the Term Facility and discounted at a rate reflecting appropriate market fundamentals relating to the debt.

NOTE 4. SHAREHOLDERS' EQUITY

Acadian is authorized to issue an unlimited number of common shares. The common shares have no stated par value. As of March 2, 2017, Acadian implemented a normal course issuer bid that permits the Company to acquire a block of shares if they become available. During the quarter, no purchases were made.

Common shares outstanding as at June 30, 2018 and December 31, 2017 were 16,731,216.

NOTE 5. RELATED PARTY TRANSACTIONS

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

As at June 30, 2018, Brookfield owned 7,513,262 common shares, representing approximately 45% of the Company's outstanding shares.

A summary of the significant related party transactions is provided below.

a) Upon inception, Acadian entered into an agreement with Brookfield whereby Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided in the three and six months ended June 30, 2018 totaled $0.6 million (2017 – $0.6 million) and $1.2 million (2017 – $1.2 million), respectively. As at June 30, 2018, fees of $nil (December 31, 2017 – $nil) remain outstanding.

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

Further to the related party transactions noted above, the total net receivables due from related parties as at June 30, 2018 is $44 thousand (December 31, 2017 – $49 thousand) and net payables due to related parties is $94 thousand (December 31, 2017 – $500 thousand). Acadian also has a U.S. $50 million stand-by-equity commitment with Brookfield. In September 2017, Brookfield agreed to extend the stand-by equity commitment to July 2019.

NOTE 6. SEGMENTED INFORMATION

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

Three Months Ended June 30, 2018 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 4,844	$ 2,930	$ 1,914	$ —
Hardwood	7,623	6,467	1,156	—
Biomass	1,514	1,503	11	—
Timber services and other sales	2,118	2,017	101	—
Total net sales	16,099	12,917	3,182	—
Operating costs	(13,388)	(10,354)	(2,887)	(147)
Reforestation	(415)	(402)	(13)	—
Depreciation and amortization	(77)	(50)	(27)	—
Operating earnings / (loss)	2,219	2,111	255	(147)
Gain on sale of timberlands	286	—	286	—
Fair value adjustments and other	3,391	2,122	970	299
Earnings before the undernoted	5,896	4,233	1,511	152
Unrealized exchange loss on long-term debt	(1,651)			
Interest expense, net	(1,003)			
Earnings before income taxes	3,242			
Current income tax recovery	96			
Deferred income tax expense	(1,450)			
Net income	$ 1,888			

As at June 30, 2018 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	$ 432,763	$ 283,261	$ 149,502	$ —
Total assets	462,545	291,744	152,582	18,219
Total liabilities	186,394	3,411	26,743	156,240

Three Months Ended June 24, 2017 (CAD thousands) (Note 2)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 3,193	$ 2,038	$ 1,155	$ —
Hardwood	8,730	7,186	1,544	—
Biomass	799	783	16	—
Timber services and other sales[1]	1,607	1,476	131	—
Total net sales[1]	14,329	11,483	2,846	—
Operating costs[1]	(12,267)	(9,090)	(2,862)	(315)
Reforestation	(398)	(366)	(32)	—
Depreciation and amortization	(77)	(44)	(33)	—
Operating earnings / (loss)	1,587	1,983	(81)	(315)
Gain on sale of timberlands	958	—	958	—
Fair value adjustments and other	2,764	1,903	861	—
Earnings / (loss) before the under noted	5,309	3,886	1,738	(315)
Unrealized exchange gain on long-term debt	790			
Interest expense, net	(744)			
Earnings before income taxes	5,355			
Current income tax expense	(120)			
Deferred income tax expense	(1,224)			
Net income	$ 4,011			

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

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

Six Months Ended June 30, 2018 *(CAD thousands)*	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	**$ 21,050**	**$ 11,815**	**$ 9,235**	**$ —**
Hardwood	**16,443**	**13,033**	**3,410**	**—**
Biomass	**2,972**	**2,954**	**18**	**—**
Timber services and other sales	**8,582**	**8,235**	**347**	**—**
Total net sales	**49,047**	**36,037**	**13,010**	**—**
Operating costs	**(37,388)**	**(27,615)**	**(9,175)**	**(598)**
Reforestation	**(422)**	**(404)**	**(18)**	**—**
Depreciation and amortization	**(161)**	**(100)**	**(61)**	**—**
Operating earnings / (loss)	**11,076**	**7,918**	**3,756**	**(598)**
Gain on sale of timberlands	**463**	**—**	**463**	**—**
Loss on disposal of roads and other fixed assets	**(248)**	**—**	**(248)**	**—**
Fair value adjustments and other	**1,266**	**1,631**	**(770)**	**405**
Earnings / (loss) before the under noted	**12,557**	**9,549**	**3,201**	**(193)**
Unrealized exchange loss on long-term debt	**(3,939)**			
Interest expense, net	**(1,961)**			
Earnings before income taxes	**6,657**			
Current income tax expense	**(1,269)**			
Deferred income tax expense	**(1,514)**			
Net income	**$ 3,874**			

Six Months Ended June 24, 2017 *(CAD thousands)* (Note 2)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 15,202	$ 9,296	$ 5,906	$ —
Hardwood	18,224	14,788	3,436	—
Biomass	1,766	1,748	18	—
Timber services and other sales[1]	7,149	6,904	245	—
Total net sales[1]	42,341	32,736	9,605	—
Operating costs[1]	(32,746)	(24,214)	(7,963)	(569)
Reforestation	(398)	(366)	(32)	—
Depreciation and amortization	(155)	(89)	(66)	—
Operating earnings / (loss)	9,042	8,067	1,544	(569)
Gain on sale of timberlands	1,455	—	1,455	—
Fair value adjustments	1,289	987	302	—
Earnings / (loss) before the under noted	11,786	9,054	3,301	(569)
Unrealized exchange gain on long-term debt	1,255			
Interest expense, net	(1,491)			
Earnings before income taxes	11,550			
Current income tax expense	(267)			
Deferred income tax expense	(2,514)			
Net income	$ 8,769			

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

During the three months ended June 30, 2018, approximately 49% of total sales (2017 – 46%) were originated with customers domiciled in the U.S. and the balance in Canada. During the same period, approximately 32% of total sales (2017 – 28%) were denominated in U.S. dollars.

Acadian outsources much of its harvesting, transportation and other services which comprise the majority of Acadian's cost of sales. For the three months ended June 30, 2018, Acadian's top three suppliers accounted for approximately 19%, 12% and 9%, respectively, of Acadian's total harvesting and delivery costs (2017 – 15%, 13% and 12%, respectively).

Acadian sells its products to many forest product companies in North America. For the three months ended June 30, 2018, sales to the largest and next largest customer accounted for 24% and 12%, respectively (2017 – 18% and 10%, respectively).

NOTE 7. INCOME TAXES

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

	Three months ended		Six months ended	
(CAD thousands)	**June 30, 2018**	June 24, 2017	**June 30, 2018**	June 24, 2017
Income tax expense				
Income tax at statutory rate	**$ 940**	$ 1,553	**$ 1,931**	$ 3,349
Foreign tax rate differential	**(14)**	191	**(31)**	364
Permanent differences	**(21)**	(560)	**349**	(1,071)
Expense of previously unrecognized tax attributes	**470**	156	**554**	182
Other	**(21)**	4	**(20)**	(43)
Total income tax expense	**$ 1,354**	$ 1,344	**$ 2,783**	$ 2,781

NOTE 8. EMPLOYEE BENEFIT PLANS

NB Timberlands and Maine Timberlands each have defined contribution pension plans covering substantially all employees. During the three- and six-month periods ended June 30, 2018, contributions recorded as expenses amounted to $57 thousand (2017 – $54 thousand) and $121 thousand (2017 – $117 thousand), respectively.

NOTE 9. DIVIDENDS TO SHAREHOLDERS

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

Total dividends declared for the three months ended June 30, 2018 were $4.7 million (2017 – $4.6 million) or $0.2825 per share (2017 – $0.275 per share). For the six months ended June 30, 2018, total dividends declared were $9.3 million (2017 – $9.2 million) or $0.5575 per share (2017 – $0.55 per share).

NOTE 10. TIMBER

(CAD thousands)	
Fair value at December 31, 2016	$ 328,477
Additions	490
Disposals	(59)
Gains arising from growth	28,239
Reduction arising from harvest	(26,429)
Gain from fair value price and other changes	7,963
Foreign exchange	(7,802)
Balance at December 31, 2017	$ 330,879
Disposals	(2)
Gains arising from growth	14,856
Reduction arising from harvest	(13,913)
Foreign exchange	4,757
Balance at June 30, 2018	**$ 336,577**

Board and Management

BOARD OF DIRECTORS

Phil Brown
Executive Managing Director of Partner Recruitment
Momentum Search Group

Reid Carter
Managing Partner
Brookfield Asset Management Inc.

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

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

Saul Shulman
Chief Executive Officer
MLG Management Inc.

Ben Vaughan
Senior Managing Partner
Brookfield Asset Management Inc.

MANAGEMENT

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

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

Mabel Wong
Chief Financial Officer of Acadian and Managing Director of the Manager

Luc Ouellet
Senior Vice President, Operations

Marcia McKeague
Vice President, Maine Woodland Operations

Corporate and Shareholder Information

HEAD OFFICE OF THE MANAGER

Brookfield Timberlands Management LP
(wholly-owned subsidiary of Brookfield Asset Management Inc.)
Suite 1800 – 1055 West Georgia Street, PO Box 11179, Royal Centre
Vancouver, B.C. V6E 3R5
Please direct your inquiries to:
Jon Syrnyk
Investor Relations and Communications
t. 604.661.9622 f. 604.687.3419
e. jsyrnyk@acadiantimber.com

TRANSFER AGENT AND REGISTRAR

Shareholder inquiries relating to dividends, address changes and shareholder account information should be directed to the Company's transfer agent:

AST Trust Company (Canada)
P.O. Box 4229, Station A
Toronto, ON M5W 0G1
t. 1-800-387-0825 (toll free in North America)
f. 1-888-249-6189
e. inquiries@canstockta.com
www.canstockta.com

SHARE INFORMATION

Toronto Stock Exchange: ADN
Fully Diluted Shares Outstanding (June 30, 2018): 16,731,216
Targeted 2018 Quarterly Dividend: $0.2825 per share
Record Date: Last business day of each quarter
Payment Date: On or about the 15th day of each subsequent month

www.acadiantimber.com

This management discussion and analysis ("MD&A") contains forward-looking information within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, such statements may contain such words as "may," "will," "intend," "should," "expect," "believe," "outlook," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the negative of these terms or other similar terminology. Forward-looking information in this MD&A includes statements made in sections entitled "Dividend Policy of the Company,""Liquidity and Capital Resources" and "Market Outlook" and without limitation other statements regarding management's beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, growth strategy and prospects, access to capital, liquidity and trading volumes, dividends, taxes, capital expenditures, projected costs, market trends and similar statements concerning anticipated future events, results, achievements, circumstances, performance or expectations that are not historical facts. These statements, which reflect management's current expectations regarding future events and operating performance, are based on information currently available to management and speak only as of the date of this MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon, and will not necessarily be accurate indications of whether or not such results will be achieved. Factors that could cause actual results to differ materially from the results discussed in the forward-looking statements include, but are not limited to: general economic and market conditions; product demand; concentration of customers; commodity pricing; interest rate and foreign currency fluctuations; seasonality; weather and natural conditions; regulatory, trade or environmental policy changes; changes in Canadian income tax law; economic situation of key customers; Brookfield's ability to source and secure potential investment opportunities; the availability of potential acquisitions that suit Acadian's growth profile; and other risks and factors discussed under the heading "Risk Factors" in this Annual Report and in each of the Annual Information Form dated March 28, 2018 and the Management Information Circular dated March 28, 2018, and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: 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.

ACADIAN TIMBER

Printed in Canada