

## Q1 2020 Interim Report

### Letter to Shareholders

#### Overview<sup>1</sup>

Acadian Timber Corp. (“Acadian”) delivered solid financial results for the three-month period ending March 28, 2020 (the “first quarter”). During the first quarter, we generated \$6.6 million of Free Cash Flow and declared dividends of \$4.8 million to our shareholders, resulting in a Payout Ratio of 74%, which is in line with expectations given the seasonality of our operations. Acadian’s first quarter results were not impacted by the significant and rapid economic contraction caused by COVID-19.

In response to COVID-19, our top priority has been the well-being of our people. We have been updating our health and safety protocols on a regular basis, based on guidance from regional health authorities. Employees have adapted well to performing office work from home and there has been limited disruption to field work as this work is conducted outdoors and in a manner, for the most part, that naturally allows for ‘social distancing’. We are pleased to report that none of our people have contracted the virus as of the date of this letter.

The initial market disruption caused by COVID-19 took place as we entered our seasonally slow period. Harvest operations for the winter season wrapped up at the end of March and since then we have been assessing market conditions while planning and preparing for operations startup, which typically occurs in late May through early June, subject to ground conditions.

We are staying close to our customers to gauge demand for our products and we will respond accordingly. The forest products industry in the regions in which we operate has been deemed essential and commercial trucks continue to be permitted to cross borders. Our largest customers that produce pulp for specialty paper or tissue products are showing resilience and continue to operate, while a few small sawmill customers have taken temporary COVID-19 related downtime. We expect to have a clear understanding as to the demand for our products as we resume operations and we will be prepared to make necessary adjustments to respond to market conditions.

Acadian is heading into this downturn with a strong balance sheet. During the quarter we completed the refinancing of our debt facilities on favourable terms, eliminating the October 1, 2020 refinancing risk and increasing our term debt by US\$7.5 million fortifying liquidity. Acadian’s liquidity position as of March 28, 2020 is \$22.4 million, including funds available under its revolving facility. Subsequent to the end of the period, we put in place an additional \$2.0 million revolving facility in order to increase cash management flexibility.

#### Results of Operations<sup>1</sup>

Acadian’s operations experienced one recordable safety incident during the quarter among employees and four recordable incidents among contractors. All individuals are expected to make full recoveries. We remain very committed to maintaining a culture across the organization that emphasizes the importance of strong safety performance.

During the first quarter, Acadian generated sales of \$31.4 million, compared to \$30.9 million in the prior year period, with the improvement due to a 1% increase in the weighted average selling price, excluding biomass, and increased timber services activity.

Acadian generated Adjusted EBITDA<sup>2</sup> of \$8.3 million during the first quarter, down from \$8.9 million in the prior year period and the Adjusted EBITDA margin<sup>2</sup> for the quarter, at 27%, was down slightly from 29% in the prior year period due to lower margins from the operations in Maine.

Acadian recorded a net loss of \$3.7 million in the first quarter compared to net income of \$6.2 million in the prior year period. The variance is primarily due to a non-cash unrealized foreign exchange revaluation loss on U.S. dollar denominated long-term debt of \$8.2 million, compared to an unrealized gain in the prior year period of \$2.0 million.

### **Outlook<sup>1</sup>**

The market outlook for the remainder of 2020 is highly uncertain as it is dependent on several non-economic factors, including COVID-19 related containment measures across North America.

In the near-term, we are assessing market conditions and working closely with our customers to gauge demand for our products while we are planning and preparing for second quarter operations startup which typically occurs in late May through early June.

Acadian's largest customers continue to operate with several experiencing steady demand for their products, such as specialty paper and tissue products, through this downturn. This demand supports upstream activities such as chipping and the value of sawmill residuals. Having said this, the outlook for North American lumber consumption in 2020, the end use market for softwood sawtimber, has been negatively impacted by the pandemic.

We are prepared to adjust operations as market conditions evolve through the remainder of the year and will seek to manage risk while preserving the ability to increase activities as market conditions return to 'normal'.

### **Closing Remarks**

With well diversified end use markets, a strong balance sheet and an experienced and resilient team, Acadian is well positioned to navigate the current challenging market conditions. On behalf of the board and management of Acadian, I would like to thank all our shareholders for their ongoing support.

### **Erika Reilly**

Interim President and Chief Executive Officer

May 6, 2020

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

# Management's Discussion and Analysis

## INTRODUCTION

Acadian Timber Corp. ("Acadian", the "Company" or "we") is a leading supplier of primary forest products in Eastern Canada and the Northeastern U.S. With a total of approximately 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 ("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 85 regional customers.

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

## Basis of Presentation

This management's discussion and analysis ("MD&A") discusses the financial condition and results of operations of the Company for the three-month period ended March 28, 2020 (herein referred to as the "first quarter") compared to the three-month period ended March 30, 2019, and should be read in conjunction with the interim condensed consolidated financial statements and notes thereto.

Our first quarter financial results are determined in accordance with IAS 34 "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") and are expressed in Canadian dollars unless otherwise noted. External economic and industry factors remain unchanged since the previous annual report, unless otherwise noted. This MD&A has been prepared based on information available as at May 6, 2020. Additional information is available on Acadian's website at [www.acadiantimber.com](http://www.acadiantimber.com) and on SEDAR's website at [www.sedar.com](http://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) and to "Payout Ratio" which Acadian's management defines as dividends declared divided by Free Cash Flow. Management believes that Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow, and Payout Ratio are key performance measures in evaluating Acadian's operations and are important in enhancing investors' understanding of the Company's operating performance. Adjusted EBITDA and Adjusted EBITDA margin are used to evaluate operational performance. Free Cash Flow is used to evaluate Acadian's ability to generate sustainable cash flows from our operations while Payout Ratio is used to evaluate Acadian's ability to fund its distribution using Free Cash Flow. As these measures do not have a standardized meaning prescribed by IFRS, they may not be comparable to similar measures presented by other companies. As a result, we have provided reconciliations of net income (loss) 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, 2019. There have been no changes in our disclosure controls and procedures during the period ended March 28, 2020 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, 2019. There have been no changes in our internal controls over financial reporting during the three-month period ended March 28, 2020 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)</i>	<b>March 28, 2020</b>		March 30, 2019	
Sales volume (000s m <sup>3</sup> )		<b>374.9</b>		384.2
Sales	\$	<b>31,408</b>	\$	30,938
Operating earnings		<b>8,263</b>		8,746
Net (loss) / income		<b>(3,711)</b>		6,182
Adjusted EBITDA <sup>1</sup>	\$	<b>8,329</b>	\$	8,857
Adjusted EBITDA margin <sup>1</sup>		<b>27%</b>		29%
Free Cash Flow	\$	<b>6,565</b>	\$	6,490
Dividends declared		<b>4,839</b>		4,840
Payout Ratio <sup>1</sup>		<b>74%</b>		75%
Per share – basic and diluted				
Net (loss) / income	\$	<b>(0.22)</b>	\$	0.37
Free Cash Flow <sup>1</sup>		<b>0.39</b>		0.39
Dividends declared		<b>0.29</b>		0.29
Book value		<b>17.37</b>		17.30
Common shares outstanding		<b>16,686,916</b>		16,686,916
Weighted average shares outstanding		<b>16,686,916</b>		16,686,950

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

For the three months ended March 28, 2020, Acadian generated sales of \$31.4 million compared with sales of \$30.9 million during the prior year period. The year-over-year change reflects a 2% decrease in the sales volume of logs, excluding biomass, more than offset by a 1% increase in the weighted average selling price, excluding biomass, and increased timber services activity.

Operating costs and expenses were \$23.1 million during the first quarter, compared to \$22.2 million during the prior year period. Lower operating costs associated with lower harvest volumes were offset by increased costs per m<sup>3</sup> in Maine, due in part to longer haul distances, and by expenses related to increased timber services activity.

Adjusted EBITDA and the Adjusted EBITDA margin for the first quarter were \$8.3 million and 27%, respectively, compared to \$8.9 million and 29%, respectively, during the prior year period with the decrease primarily due to lower margins from the operations in Maine.

The net loss for the first quarter totaled \$3.7 million, or \$0.22 per share, compared to net income of \$6.2 million, or \$0.37 per share in the same period of 2019. Operating earnings decreased \$0.5 million compared to the prior year period for the reasons discussed above and the Canadian dollar weakened compared to the U.S. dollar during the quarter resulting in a non-cash unrealized foreign exchange loss on long term debt of \$8.2 million compared to a gain of \$2.0 million in the prior year period.

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

<i>(CAD thousands)</i>	<b>March 28, 2020</b>		March 30, 2019	
Net income (loss)	\$	<b>(3,711)</b>	\$	6,182
Add (deduct):				
Interest expense, net		<b>1,291</b>		1,009
Current income tax expense		<b>902</b>		1,700
Deferred income tax expense		<b>552</b>		86
Depreciation and amortization		<b>66</b>		72
FV adjustments and other		<b>1,019</b>		1,842
Unrealized exchange loss / (gain) on long-term debt		<b>8,210</b>		(2,034)
Adjusted EBITDA <sup>1</sup>	\$	<b>8,329</b>	\$	8,857
Add (deduct):				
Interest paid on debt, net		<b>(854)</b>		(668)
Additions to timber, land, roads and other fixed assets		<b>(8)</b>		—
Gain on sale of timberlands		—		(39)
Proceeds on sale of timberlands		—		40
Current income tax expense		<b>(902)</b>		(1,700)
Free Cash Flow <sup>1</sup>	\$	<b>6,565</b>	\$	6,490
Dividends declared	\$	<b>4,839</b>	\$	4,840
Payout Ratio <sup>1</sup>		<b>74%</b>		75%

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

### **Dividend Policy of the Company**

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

For the three-month period ended March 28, 2020, the Board of Directors has declared dividends of \$0.29 per share or \$4.8 million consistent with the same period of 2019. This represents a Payout Ratio of 74%, which is in line with expectations given the seasonality of our operations.

### **Operating and Market Conditions**

Acadian's operations benefited from favourable winter operating conditions and good demand and pricing for most of our products. Acadian's New Brunswick operations focused more heavily on timber services activity during the quarter than in the same period in the prior year and, as a result, Acadian's sales volume, excluding biomass, of 330 thousand m<sup>3</sup> was down 2% year-over-year, but sales from timber services and other were up 15%.

Acadian's weighted average selling price, excluding biomass, increased 1% over the prior year period. Softwood sawlog prices decreased 2% year-over-year due to weakness in North American lumber prices and high customer inventories. Hardwood sawlog prices decreased 6% due to a higher proportion of lower value hardwood sawlogs in

the mix while hardwood pulpwood prices climbed 2% on continued strong demand. Biomass margins improved relative to the same period in 2019.

### Segmented Results of Operations

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

<i>Three Months Ended March 28, 2020</i>				
<i>(CAD thousands)</i>	<b>NB Timberlands</b>	<b>Maine Timberlands</b>	<b>Corporate</b>	<b>Consolidated</b>
Sales volumes (000s m <sup>3</sup> )	<b>254.2</b>	<b>120.7</b>	—	<b>374.9</b>
Sales	\$ <b>21,697</b>	\$ <b>9,711</b>	\$ —	\$ <b>31,408</b>
Adjusted EBITDA <sup>1</sup>	\$ <b>5,878</b>	\$ <b>3,050</b>	\$ <b>(599)</b>	\$ <b>8,329</b>
Adjusted EBITDA margin <sup>1</sup>	<b>27%</b>	<b>31%</b>	n/a	<b>27%</b>

  

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

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

#### *New Brunswick Timberlands*

New Brunswick Timberlands owns and manages approximately 761,000 acres of freehold timberlands and provides harvesting and management services to third parties relating to approximately 1.3 million acres of Crown licensed timberlands. Approximately 90% of harvest operations are currently performed by third-party contractors and approximately 10% by New Brunswick Timberlands employees.

During the first quarter of 2020, our New Brunswick operations experienced one recordable safety incident among employees and three recordable incidents among contractors.

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

	<b>Three Months Ended March 28, 2020</b>				<b>Three Months Ended March 30, 2019</b>			
	<b>Harvest (000s m<sup>3</sup>)</b>	<b>Sales (000s m<sup>3</sup>)</b>	<b>Sales Mix</b>	<b>Results (\$000)</b>	<b>Harvest (000s m<sup>3</sup>)</b>	<b>Sales (000s m<sup>3</sup>)</b>	<b>Sales Mix</b>	<b>Results (\$000s)</b>
Softwood	<b>116.5</b>	<b>113.4</b>	<b>45%</b>	\$ <b>6,632</b>	140.7	138.9	52%	\$ 8,332
Hardwood	<b>103.8</b>	<b>96.0</b>	<b>38%</b>	<b>7,765</b>	103.7	85.3	32%	6,590
Biomass	<b>44.8</b>	<b>44.8</b>	<b>17%</b>	<b>1,493</b>	43.4	43.4	16%	1,499
	<b>265.1</b>	<b>254.2</b>	<b>100%</b>	<b>15,890</b>	287.8	267.6	100%	16,421
Timber services and other				<b>5,807</b>				5,028
Sales				\$ <b>21,697</b>				\$ 21,449
Adjusted EBITDA <sup>1</sup>				\$ <b>5,878</b>				\$ 5,762
Adjusted EBITDA margin <sup>1</sup>				<b>27%</b>				27%

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

Sales for New Brunswick Timberlands during the first quarter totaled \$21.7 million compared to \$21.4 million during the prior year period. The weighted average selling price, excluding biomass, during the first quarter was \$68.75 per m<sup>3</sup>, or 3% higher than the prior year period price of \$66.56 per m<sup>3</sup> reflecting a sales mix more heavily weighted to hardwood which attracts higher average prices than softwood. Softwood sales volumes were down due to a greater focus on timber services activity. Revenues from timber services and other sales increased 15% during the quarter.

Operating costs of \$15.9 million during the first quarter were in line with the prior year period with the decrease in operating costs as a result of lower harvest volumes offset by increased per m<sup>3</sup> variable log harvest costs as a result of longer haul distances and by increased timber services activity.

Adjusted EBITDA was \$5.9 million during the first quarter of 2020, almost unchanged from \$5.8 million in the prior year period and the Adjusted EBITDA margin for the quarter of 27% was consistent with the prior year period.

#### Maine Timberlands

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

During the first quarter of 2020, there were no recordable safety incidents at our Maine Timberlands among employees and one recordable safety incident among the contractors.

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

	Three Months Ended March 28, 2020				Three Months Ended March 30, 2019			
	Harvest (000s m <sup>3</sup> )	Sales (000s m <sup>3</sup> )	Sales Mix	Results (\$000s)	Harvest (000s m <sup>3</sup> )	Sales (000s m <sup>3</sup> )	Sales Mix	Results (\$000s)
Softwood	92.0	92.2	76%	\$ 7,255	87.2	86.3	74%	\$ 7,036
Hardwood	30.4	28.4	24%	2,335	30.0	26.9	23%	2,281
Biomass	0.1	0.1	0%	2	3.4	3.4	3%	5
	122.5	120.7	100%	9,592	120.6	116.6	100%	9,322
Other Sales				119				167
Sales				\$ 9,711				\$ 9,489
Adjusted EBITDA <sup>1</sup>				\$ 3,050				\$ 3,343
Adjusted EBITDA margin <sup>1</sup>				31%				35%

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

Sales for the first quarter totaled \$9.7 million for Maine Timberlands compared to \$9.5 million during the same period last year. The sales volume, excluding biomass, increased 7% year-over-year reflecting improved contractor capacity and good operating conditions, however the weighted average selling price, excluding biomass, fell 3% compared to the prior year period.

The weighted average selling price, excluding biomass, in Canadian dollar terms was \$79.54 per m<sup>3</sup>, compared to \$82.28 per m<sup>3</sup> in the same period of 2019. In U.S. dollar terms, the weighted average selling price, excluding biomass, was \$59.38 per m<sup>3</sup>, a decrease of 4% year-over-year. Maine Timberlands continued to benefit from solid demand for softwood and hardwood pulpwood with U.S. dollar prices for these products increasing by 9% and 7%, respectively year-over-year. This benefit was, however, more than offset by a 10% decrease in U.S. dollar softwood sawlog prices due to pricing pressure resulting from the weakness in North American lumber prices.

Operating costs for the first quarter were \$6.7 million compared to \$6.2 million during the same period in 2019 with higher per m<sup>3</sup> harvest costs partially offset by a decrease in administrative costs due to the elimination of fees related to the management agreement with Brookfield Timberlands Management LP. Variable harvest costs per m<sup>3</sup>, excluding biomass, increased 5% compared with the prior year as a result of transportation costs associated with longer haul distances combined with slightly higher harvesting costs.

Adjusted EBITDA for the quarter was \$3.0 million, compared to \$3.3 million during the prior year period and the adjusted EBITDA margin fell to 31% from 35% in the prior year period, due to lower per m<sup>3</sup> operating margins.

## Financial Position

Our net liquidity was \$22.4 million as at March 28, 2020, including funds available under the revolving facility. In addition, subsequent to the quarter end, Acadian established a \$2.0 million revolving facility denominated in Canadian dollars with a major Canadian bank in order to increase cash management flexibility.

On March 6, 2020, Acadian's loan agreement with The Metropolitan Life Insurance Company (the "Loan Agreement") was amended to, among other things, extend the maturity date and increase the amount available under the term credit facility. The Loan Agreement includes a term credit facility in an amount up to US\$72.5 million that will mature on October 1, 2020 of which US\$65.25 million is drawn and term credit facilities totaling up to US\$80.0 million with maturity dates ranging from March 6, 2025 to March 6, 2030, of which US\$14.75 million is drawn (the "Term Facilities"), with the remainder to be used to repay the term facility amount maturing on October 1, 2020. The Loan Agreement also includes a revolving credit facility of up to US\$10.0 million, of which US\$1.8 million is reserved to support the minimum cash requirement of the Term Facilities.

As at March 28, 2020, Acadian's balance sheet consisted of total assets of \$516.1 million (December 31, 2019 – \$498.7 million), represented primarily by timber, land, roads and other fixed assets of \$481.9 million (December 31, 2019 – \$469.6 million), with the balance in cash and current assets of \$28.1 million (December 31, 2019 – \$23.0 million), and intangible assets of \$6.1 million (December 31, 2019 – \$6.1 million). Timber has been recorded at fair value as determined through an independent third-party appraisal at December 31, 2019. 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 2020. Reference should be made to "Forward-Looking Statements" on page 13. 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](http://www.acadiantimber.com) or [www.sedar.com](http://www.sedar.com).*

The market outlook for the remainder of 2020 is highly uncertain as it is dependent on several non-economic factors, including COVID-19 related containment measures across North America.

In the near-term, we are assessing market conditions and working closely with our customers to gauge demand for our products while we are planning and preparing for second quarter operations startup which typically occurs in late May through early June.

Acadian's largest customers continue to operate with several experiencing steady demand for their products, such as specialty paper and tissue products, through this downturn. This demand supports upstream activities such as chipping and the value of sawmill residuals. Having said this, the outlook for North American lumber consumption in 2020, the end use market for softwood sawtimber, has been negatively impacted by the pandemic.

We are prepared to adjust operations as market conditions evolve through the remainder of the year and will seek to manage risk while preserving the ability to increase activities as market conditions return to 'normal'.



## 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.

	2020	2019				2018		
<i>(CAD thousands, except per share data and where indicated)</i>	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales volume (000s m <sup>3</sup> )	374.9	339.4	313.5	214.0	384.2	323.7	332.0	231.6
Sales	\$ 31,408	\$ 25,835	\$ 25,357	\$ 17,918	\$ 30,938	\$ 24,167	\$ 26,634	\$ 16,099
Adjusted EBITDA <sup>1</sup>	8,329	6,586	5,123	3,038	8,857	4,631	6,059	2,582
Free Cash Flow <sup>1</sup>	6,565	5,296	4,186	2,750	6,490	3,525	5,133	1,997
Net income (loss)	(3,711)	16,228	(10,869)	5,784	6,182	16,441	5,946	1,888
Per share – basic and diluted	\$ (0.22)	\$ 0.97	\$ (0.65)	\$ 0.35	\$ 0.37	\$ 0.98	\$ 0.36	\$ 0.11

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

### Critical Accounting Policies and Estimates

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

The critical estimates and judgements made in the preparation of Acadian’s consolidated financial statements include, among other things, future prices and margins, future sales volumes, future harvest rates and sustainable yields, and discount rates utilized in the valuation of Acadian’s timber, roads and land. In making estimates and judgements, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgements have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making these estimates and judgements in these consolidated financial statements. Actual results could differ from those estimates. For further reference on critical accounting policies, see our significant accounting policies contained in Note 2 of Acadian’s 2019 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 had previously entered into various transactions on market terms with related parties, which had been measured at exchange value and recognized in the consolidated financial statements. The Company’s one significant related party prior to August 20, 2019 was Brookfield Asset Management Inc. and its affiliates (collectively “Brookfield”). Prior to August 20, 2019, Brookfield owned 7,513,262 common shares of the Company representing 45% of the Company’s outstanding shares. The common shares previously owned by Brookfield were sold to Macer Forest Holdings Inc. (“Macer”) on August 20, 2019, resulting in Macer becoming a related party. There were no related party transactions with Macer during the first quarter.

As at March 28, 2020, Macer owned 7,513,262 common shares, representing approximately 45% of the Company’s outstanding shares.

Upon inception, Acadian entered into an agreement with Brookfield whereby Brookfield provided a number of administrative and advisory services to Acadian. The agreement with Brookfield was terminated by Acadian on September 9, 2019. Fees for services provided under this agreement for the three months ended March 30, 2019, totaled \$0.6 million.

### Contractual Obligations

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

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

<i>(CAD thousands)</i>	Total	Less Than One Year (2019-2020)	1 to 3 Years (2020-2022)	3 to 5 Years (2023-2025)	After 5 Years (>2025)
<b>Debt</b>					
Term facility due October 2020 <sup>1</sup>	\$ 91,720	\$ 91,720	\$ —	\$ —	\$ —
Term facility due March 2025 <sup>2</sup>	20,734	—	—	20,734	—
Revolving facility <sup>2</sup>	1,195	—	—	1,195	—
	\$ 113,649	\$ 91,720	\$ —	\$ 21,929	\$ —

1. Represents principal of a U.S. dollar denominated term facilities with a U.S. to Canadian dollar conversion rate of 1.4057, excluding the unamortized deferred financing costs and unamortized gain resulting from the refinancing of the long-term debt.
2. Represents amounts borrowed from the U.S. dollar denominated revolving facility with a U.S. to Canadian conversion rate of 1.4057.

### Risk Factors

#### COVID-19

The recent outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have affected economies and financial markets around the world resulting in an economic slowdown. This outbreak may also cause staff shortages, affect customer demand, and increase government regulations or intervention, all of which may negatively impact the Company and its financial results and conditions and the Company’s accounting estimates and assumptions including the valuation of timberlands. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments as well as the impact on the financial results and condition of the Company in future periods.

## Additional Quarterly Information

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

### New Brunswick Timberlands

	2020 Q1			2019 Q4			2019 Q3			2019 Q2		
	Harvest (000sm <sup>3</sup> )	Sales (000sm <sup>3</sup> )	Results (\$000s)	Harvest (000sm <sup>3</sup> )	Sales (000sm <sup>3</sup> )	Results (\$000s)	Harvest (000sm <sup>3</sup> )	Sales (000sm <sup>3</sup> )	Results (\$000s)	Harvest (000sm <sup>3</sup> )	Sales (000sm <sup>3</sup> )	Results (\$000s)
Softwood	116.5	113.4	\$ 6,632	104.3	108.5	\$ 6,207	103.7	102.7	\$ 5,864	47.0	61.7	\$ 3,621
Hardwood	103.8	96.0	7,765	109.3	97.1	7,325	109.1	111.1	8,188	51.5	77.6	6,071
Biomass	44.8	44.8	1,493	44.6	44.6	1,352	24.9	24.9	818	30.7	30.7	1,237
	265.1	254.2	\$ 15,890	258.2	250.2	\$ 14,884	237.7	238.7	\$ 14,870	129.2	170.0	\$ 10,929
Timber services and other sales			5,807			3,921			4,599			3,520
Sales			\$ 21,697			\$ 18,805			\$ 19,469			\$ 14,449
Adjusted EBITDA <sup>1</sup>			\$ 5,878			\$ 5,211			\$ 4,789			\$ 2,837
Adjusted EBITDA margin <sup>1</sup>			27%			28%			25%			20%

	2019 Q1			2018 Q4			2018 Q3			2018 Q2		
	Harvest (000sm <sup>3</sup> )	Sales (000sm <sup>3</sup> )	Results (\$000s)	Harvest (000sm <sup>3</sup> )	Sales (000sm <sup>3</sup> )	Results (\$000s)	Harvest (000sm <sup>3</sup> )	Sales (000sm <sup>3</sup> )	Results (\$000s)	Harvest (000sm <sup>3</sup> )	Sales (000sm <sup>3</sup> )	Results (\$000s)
Softwood	140.7	138.9	\$ 8,332	110.7	94.2	\$ 5,242	99.5	98.4	\$ 5,417	47.2	53.3	\$ 2,930
Hardwood	103.7	85.3	6,590	103.1	102.4	7,881	105.0	96.8	7,063	68.2	81.9	6,467
Biomass	43.4	43.4	1,499	56.4	56.4	1,743	58.3	58.3	1,848	51.1	51.1	1,503
	287.8	267.6	\$ 16,421	270.2	253.0	\$ 14,866	262.8	253.5	\$ 14,328	166.5	186.3	\$ 10,900
Timber services and other sales			5,028			3,741			5,792			2,017
Sales			\$ 21,449			\$ 18,607			\$ 20,120			\$ 12,917
Adjusted EBITDA <sup>1</sup>			\$ 5,762			\$ 4,057			\$ 4,495			\$ 2,160
Adjusted EBITDA margin <sup>1</sup>			27%			22%			22%			17%

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

### Maine Timberlands

	2020 Q1			2019 Q4			2019 Q3			2019 Q2		
	Harvest (000sm <sup>3</sup> )	Sales (000sm <sup>3</sup> )	Results (\$000s)	Harvest (000sm <sup>3</sup> )	Sales (000sm <sup>3</sup> )	Results (\$000s)	Harvest (000sm <sup>3</sup> )	Sales (000sm <sup>3</sup> )	Results (\$000s)	Harvest (000sm <sup>3</sup> )	Sales (000sm <sup>3</sup> )	Results (\$000s)
Softwood	92.0	92.2	\$ 7,255	71.1	71.1	\$ 5,325	49.0	49.0	\$ 3,551	26.9	28.0	\$ 1,884
Hardwood	30.4	28.4	2,335	17.9	18.2	1,532	26.1	25.5	2,164	12.6	15.9	1,449
Biomass	0.1	0.1	2	—	—	—	0.3	0.3	4	0.1	0.1	3
	122.5	120.7	\$ 9,592	89.0	89.2	\$ 6,857	75.4	74.8	\$ 5,719	39.6	44.0	\$ 3,336
Other sales			119			173			169			133
Sales			\$ 9,711			\$ 7,030			\$ 5,888			\$ 3,469
Adjusted EBITDA <sup>1</sup>			\$ 3,050			\$ 2,119			\$ 711			\$ 540
Adjusted EBITDA margin <sup>1</sup>			31%			30%			12%			16%

	2019 Q1			2018 Q4			2018 Q3			2018 Q2		
	Harvest (000sm <sup>3</sup> )	Sales (000sm <sup>3</sup> )	Results (\$000s)	Harvest (000sm <sup>3</sup> )	Sales (000sm <sup>3</sup> )	Results (\$000s)	Harvest (000sm <sup>3</sup> )	Sales (000sm <sup>3</sup> )	Results (\$000s)	Harvest (000sm <sup>3</sup> )	Sales (000sm <sup>3</sup> )	Results (\$000s)
Softwood	87.2	86.3	\$ 7,036	46.4	46.0	\$ 3,571	50.0	50.6	\$ 4,468	25.4	25.3	\$ 1,914
Hardwood	30.0	26.9	2,281	19.9	22.3	1,831	24.7	23.2	1,859	9.5	13.2	1,156
Biomass	3.4	3.4	5	2.4	2.4	4	4.7	4.7	7	6.8	6.8	11
	120.6	116.6	\$ 9,322	68.7	70.7	\$ 5,406	79.4	78.5	\$ 6,334	41.7	45.3	\$ 3,081
Other sales			167			154			180			101
Sales			\$ 9,489			\$ 5,560			\$ 6,514			\$ 3,182
Adjusted EBITDA <sup>1</sup>			\$ 3,343			\$ 892			\$ 1,914			\$ 569
Adjusted EBITDA margin <sup>1</sup>			35%			16%			29%			18%

Corporate

	2020 Q1	2019 Q4	2019 Q3	2019 Q2
	Results (\$000s)	Results (\$000s)	Results (\$000s)	Results (\$000s)
Sales	\$ —	\$ —	\$ —	\$ —
Adjusted EBITDA <sup>1</sup>	\$ (599)	\$ (744)	\$ (377)	\$ (339)

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

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

## Cautionary Statement Regarding Forward-Looking Information and Statements

*This management discussion and analysis (“MD&A”) contains forward-looking information and statements within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, “Acadian”), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, such forward-looking statements may contain such words as “may,” “will,” “intend,” “should,” “suggest,” “expect,” “believe,” “outlook,” “forecast,” “predict,” “remain,” “anticipate,” “estimate,” “potential,” “continue,” “plan,” “could,” “might,” “project,” “targeting” or the negative of these terms or other similar terminology. Forward-looking information is included in the Letter to Shareholders which precedes this MD&A and includes statements made in this MD&A in sections entitled “Dividend Policy of the Company,” and “Market Outlook” and without limitation other statements regarding management’s beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, growth strategy and prospects, access to capital, liquidity and trading volumes, dividends, taxes, capital expenditures, projected costs, market trends and similar statements concerning anticipated future events, results, achievements, circumstances, performance or expectations that are not historical facts. These statements, which reflect management’s current expectations regarding future events and operating performance, are based on information currently available to management and speak only as of the date of this MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon, and will not necessarily be accurate indications of whether or not such results will be achieved. Factors that could cause actual results to differ materially from the results discussed in the forward-looking statements include, but are not limited to: general economic and market conditions; changes in US housing starts; product demand; concentration of customers; commodity pricing; interest rate and foreign currency fluctuations; seasonality; weather and natural conditions; regulatory, trade or environmental policy changes; changes in Canadian or U.S. income tax law; economic situation of key customers; disease outbreak; Acadian’s ability to source and secure potential investment opportunities; the availability of potential acquisitions that suit Acadian’s growth profile; and other risks and factors discussed under the heading “Risk Factors” in the Annual Report dated February 12, 2020 and in each of the Annual Information Form dated March 27, 2020 and the Management Information Circular dated March 27, 2020, and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR at [www.sedar.com](http://www.sedar.com). Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: forecasts in the housing market; anticipated financial performance; anticipated market conditions; business prospects; the economic situation of key customers; strategies; regulatory developments; exchange rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services; and the ability to obtain financing on acceptable terms. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are made as of the date of this MD&A, and should not be relied upon as representing Acadian’s views as of any date subsequent to the date of this MD&A. Acadian assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as may be required by applicable law.*

## Interim Condensed Consolidated Balance Sheets

(unaudited)

<i>As at</i> <i>(CAD thousands)</i>	Note	<b>March 28, 2020</b>	December 31, 2019
<b>Assets</b>			
Current assets			
Cash		\$ 12,029	\$ 7,601
Accounts receivable and other assets		12,041	11,602
Current taxes receivable		1,343	2,245
Inventory		2,693	1,545
		<b>28,106</b>	22,993
Timber	9	<b>387,000</b>	377,992
Land, roads and other fixed assets		94,895	91,584
Intangible assets		6,140	6,140
<b>Total assets</b>		<b>\$ 516,141</b>	<b>\$ 498,709</b>
<b>Liabilities and shareholders' equity</b>			
Current liabilities			
Short-term debt	3	\$ 1,195	\$ 7,793
Accounts payable and accrued liabilities		8,996	9,190
Dividends payable to shareholders		4,839	4,839
Current portion of long-term debt	3	—	93,084
		<b>15,030</b>	114,906
Long-term debt	3	<b>111,050</b>	—
Deferred income tax liability		<b>100,286</b>	97,102
Shareholders' equity		<b>289,775</b>	286,701
<b>Total liabilities and shareholders' equity</b>		<b>\$ 516,141</b>	<b>\$ 498,709</b>

See accompanying notes to interim condensed consolidated financial statements.

## Interim Condensed Consolidated Statements of Net Income (Loss)

(unaudited)

<i>Three Months Ended</i>					
<i>(CAD thousands, except per share data)</i>		Note	<b>March 28, 2020</b>		March 30, 2019
Sales		6	\$ 31,408	\$	30,938
Operating costs and expenses					
Cost of sales			20,861		19,921
Selling, administration and other			2,217		2,199
Reforestation			1		—
Depreciation and amortization			66		72
			<b>23,145</b>		22,192
Operating earnings					
			<b>8,263</b>		8,746
Interest expense, net			<b>(1,291)</b>		(1,009)
Other items					
Fair value adjustments and other			<b>(1,019)</b>		(1,842)
Unrealized exchange gain / (loss) on long-term debt			<b>(8,210)</b>		2,034
Gain on sale of timberlands			—		39
Earnings (loss) before income tax					
			<b>(2,257)</b>		7,968
Current income tax expenses		7	<b>(902)</b>		(1,700)
Deferred income tax expenses		7	<b>(552)</b>		(86)
Net income (loss)					
			\$ <b>(3,711)</b>	\$	6,182
Net income (loss) per share – basic and diluted					
			\$ <b>(0.22)</b>	\$	0.37

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>	<b>March 28, 2020</b>		March 30, 2019	
Net income (loss)	\$	<b>(3,711)</b>	\$	6,182
Other comprehensive income (loss)				
Item that may be reclassified subsequently to net income:				
Unrealized foreign currency translation gain / (loss)		<b>11,624</b>		(3,102)
Comprehensive income	\$	<b>7,913</b>	\$	3,080

See accompanying notes to interim condensed consolidated financial statements.



## Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

<i>Three Months Ended March 28, 2020</i> <i>(CAD thousands)</i>	Note	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Shareholders' Equity
Balance as at December 31, 2019		\$ 139,394	\$ 83,903	\$ 35,679	\$ 27,725	\$ 286,701
Changes in period						
Net income (loss)		—	(3,711)	—	—	(3,711)
Other comprehensive income (loss)		—	—	—	11,624	11,624
Shareholders' dividends declared	8	—	(4,839)	—	—	(4,839)
<b>Balance as at March 28, 2020</b>		<b>\$ 139,394</b>	<b>\$ 75,353</b>	<b>\$ 35,679</b>	<b>\$ 39,349</b>	<b>\$ 289,775</b>

See accompanying notes to interim condensed consolidated financial statements.

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

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>	<b>March 28, 2020</b>	March 30, 2019
Cash provided by (used for):		
<b>Operating activities</b>		
Net income (loss)	\$ (3,711)	\$ 6,182
Adjustment to net income (loss):		
Deferred income tax expense	552	86
Depreciation and amortization	66	72
Fair value adjustments and other	1,019	1,842
Unrealized exchange (gain) / loss on long-term debt	8,210	(2,034)
Gain on sale of timberlands	—	(39)
Accretion of long-term debt	400	316
Net change in non-cash working capital balances and other	196	(1,390)
	<b>6,732</b>	5,035
<b>Financing activities</b>		
Repayment of operating loans	(7,013)	—
Issuance of long-term debt	19,795	—
Repayment of long-term debt	(9,729)	—
Deferred financing costs	(510)	—
Dividends paid to shareholders	(4,839)	(4,714)
Purchase of common shares under NCIB	—	(37)
	<b>(2,296)</b>	(4,751)
<b>Investing activities</b>		
Additions to timber, land, roads and other fixed assets	(8)	—
Proceeds from sale of timberlands	—	40
	<b>(8)</b>	40
Increase in cash during the period	4,428	324
Cash beginning of period	7,601	22,320
<b>Cash end of period</b>	<b>\$ 12,029</b>	<b>\$ 22,644</b>

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>	<b>March 28, 2020</b>	March 30, 2019
Accounts receivable and other assets	\$ (439)	\$ (3,043)
Inventory	(1,148)	(1,306)
Accounts payable and accrued liabilities	(194)	41
Current tax receivable / payable	902	2,343
Other	1,075	575
	<b>\$ 196</b>	<b>\$ (1,390)</b>

# 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 2408, 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 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 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.

On August 20, 2019, Brookfield Asset Management Inc. (“Brookfield”) sold its 45% interest in the Company comprising 7,513,262 common shares to Macer Forest Holdings Inc. (“Macer”). As at March 28, 2020, Macer owns 7,513,262 shares representing approximately 45% of the outstanding shares of the Company.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board and using the accounting policies adopted and disclosed in note 2 of Acadian’s 2019 annual report. These interim condensed consolidated financial statements should be read in conjunction with Acadian’s 2019 annual report.

The recent outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have affected economies and financial markets around the world resulting in an economic slowdown. This outbreak may also cause staff shortages, affect customer demand, and increase government regulations or intervention, all of which may negatively impact the Company and its financial results and conditions and the Company’s accounting estimates and assumptions including the valuation of timberlands. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments as well as the impact on the financial results and condition of the Company in future periods.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of Acadian on May 6, 2020.

### NOTE 3. LONG-TERM DEBT

Long-term debt consists of the following:

<i>As at</i> <i>(CAD thousands)</i>	<b>March 28, 2020</b>	December 31, 2019
Term facilities	\$ <b>112,454</b>	\$ 94,169
Less:		
Gain resulting from refinancing, net of accretion	<b>(677)</b>	(830)
Deferred debt issuance costs	<b>(727)</b>	(255)
	\$ <b>111,050</b>	\$ 93,084
Revolving facility	<b>1,195</b>	7,793
<b>Total</b>	\$ <b>112,245</b>	\$ 100,877

Acadian has U.S. dollar denominated credit facilities with MetLife Insurance Company. These credit facilities include term credit facilities and a revolving credit facility of up to U.S. \$10.0 million (the "Revolving Facility") for general corporate purposes. The Revolving Facility bears interest at floating rates based on 90-day LIBOR plus applicable margin. Floating interest rates give rise to interest rate risk as earnings and cash flows may be negatively impacted by fluctuations in interest rates.

The term credit facilities ("Term Facilities") include a U.S. \$72.5 million loan, maturing on October 1, 2020, that bears interest at a fixed rate of 3.01%, of which U.S. \$65.25 million was outstanding at March 28, 2020. In addition, on March 6, 2020, Acadian established new term credit facilities with MetLife Insurance Company totaling U.S. \$80.0 million with maturity dates ranging from March 6, 2025 to March 6, 2030 and interest rates ranging from 2.7% to 3.0%, of which U.S.\$14.75 million is drawn at March 28, 2020 with an interest rate of 2.72% and is due March 6, 2025. The remainder of these facilities will be used to repay the term facility amount maturing on October 1, 2020. There are no scheduled repayments of principal required prior to the maturity dates of the Term Facilities.

As at March 28, 2020, Acadian had borrowed U.S. \$80.0 million under the Term Facilities (December 31, 2019 – U.S. \$72.5 million) and U.S. \$0.8 million (December 31, 2019 – U.S. \$6.0 million) under the Revolving Facility. As well, U.S. \$1.8 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 of its assets. The facilities are subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness and granting liens or selling assets without the consent of the lenders. The credit facilities are also subject to the maintenance of a maximum loan-to-value ratio. Acadian is in compliance with all covenants as at March 28, 2020 and December 31, 2019.

The fair value of the Term Facilities as at March 28, 2020 is \$112.5 million (December 31, 2019 – \$94.3 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.

#### NOTE 4. SHAREHOLDERS' EQUITY

Acadian is authorized to issue an unlimited number of common shares. The common shares have no stated par value. Common shares issued and outstanding are as follows:

	March 28, 2020	December 31, 2019
Outstanding, beginning of period	16,686,916	16,688,416
Purchased under NCIB	—	(1,500)
Outstanding, end of period	16,686,916	16,686,916
Weighted average shares outstanding	16,686,916	16,686,924

#### NOTE 5. RELATED PARTY TRANSACTIONS

In the normal course of operations, the Company had previously entered into various transactions on market terms with related parties, which have been measured at exchange value and recognized in the interim condensed consolidated financial statements. The Company's one significant related party prior to August 20, 2019 was Brookfield. Prior to August 20, 2019, Brookfield owned 7,513,262 common shares of the Company representing 45% of the Company's outstanding shares. The common shares previously owned by Brookfield were sold to Macer on August 20, 2019, resulting in Macer becoming a related party. There were no related party transactions with Macer during the three-month period ended March 28, 2020 (March 30, 2019 - \$nil). As at March 28, 2020, Macer owned 7,513,262 common shares, representing approximately 45% of the Company's outstanding shares.

Upon inception, Acadian entered into a management agreement with Brookfield whereby Brookfield provided a number of administrative and advisory services to Acadian. The agreement with Brookfield was terminated by Acadian on September 9, 2019. Fees for services provided up to and including September 9, 2019, and in the year ended December 31, 2019, totaled \$2.2 million including \$0.6 million for the three months ended March 30, 2019. In addition, Acadian paid fees of \$18.0 million to Brookfield in connection with the termination of the management agreement during the year ended December 31, 2019. As at March 28, 2020, no fees (December 31, 2019 - \$nil) remain outstanding.

## 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. Sales, net income, assets and liabilities by reportable segments are as follows:

<i>Three Months Ended March 28, 2020</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Sales				
Softwood	\$ 13,887	\$ 6,632	\$ 7,255	\$ —
Hardwood	10,100	7,765	2,335	—
Biomass	1,495	1,493	2	—
Timber services and other sales	5,926	5,807	119	—
Total sales	31,408	21,697	9,711	—
Operating costs and expenses				
Cost of sales	20,861	14,517	6,344	—
Selling, administration and other	2,217	1,300	318	599
Reforestation	1	1	—	—
Depreciation and amortization	66	40	26	—
	23,145	15,858	6,688	599
Operating earnings / (loss)	8,263	5,839	3,023	(599)
Fair value adjustments and other	(1,019)	115	(1,456)	322
Earnings / (loss) before the undernoted	7,244	5,954	1,567	(277)
Unrealized exchange loss on long-term debt	(8,210)	—	—	—
Interest expense, net	(1,291)	—	—	—
Loss before income taxes	(2,257)	—	—	—
Current income tax expense	(902)	—	—	—
Deferred income tax expense	(552)	—	—	—
Net loss	\$ (3,711)	\$ —	\$ —	\$ —
<hr/>				
<i>As at March 28, 2020</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	\$ 488,035	\$ 303,390	\$ 184,645	\$ —
Total assets	516,141	318,971	191,015	6,155
Total liabilities	\$ 226,366	\$ 6,598	\$ 35,638	\$ 184,130

<i>Three Months Ended March 30, 2019</i>					
<i>(CAD thousands)</i>		Total	NB Timberlands	Maine Timberlands	Corporate and Other
<b>Sales</b>					
Softwood	\$ 15,368	\$ 8,332	\$ 7,036	\$ —	
Hardwood	8,871	6,590	2,281	—	
Biomass	1,504	1,499	5	—	
Timber services and other sales	5,195	5,028	167	—	
<b>Total sales</b>	<b>30,938</b>	<b>21,449</b>	<b>9,489</b>	<b>—</b>	
<b>Operating costs and expenses</b>					
Cost of sales	19,922	14,241	5,681	—	
Selling, administration and other	2,198	1,446	504	248	
Depreciation and amortization	72	44	28	—	
	<b>22,192</b>	<b>15,731</b>	<b>6,213</b>	<b>248</b>	
Operating earnings / (loss)	8,746	5,718	3,276	(248)	
Gain on sale of timberlands	39	—	39	—	
Fair value adjustments and other	(1,842)	(296)	(1,403)	(143)	
<b>Earnings / (loss) before the undernoted</b>	<b>6,943</b>	<b>5,422</b>	<b>1,912</b>	<b>(391)</b>	
Unrealized exchange gain on long-term debt	2,034	—	—	—	
Interest expense, net	(1,009)	—	—	—	
Earnings before income taxes	7,968	—	—	—	
Current income tax expense	(1,700)	—	—	—	
Deferred income tax expense	(86)	—	—	—	
<b>Net income</b>	<b>\$ 6,182</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

<i>As at March 30, 2019</i>					
<i>(CAD thousands)</i>		Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	\$ 453,880	\$ 283,811	\$ 170,069	\$ —	
Total assets	490,859	300,611	177,548	12,700	
Total liabilities	\$ 202,244	\$ 6,429	\$ 32,949	\$ 162,866	

During the three months ended March 28, 2020, approximately 31% of total sales (March 30, 2019 – 33%) were originated with customers domiciled in the U.S. and the balance in Canada. During the same period, approximately 39% of total sales (March 30, 2019 – 39%) were denominated in U.S. dollars.

Acadian sells its products to many forest products companies in North America. For the three months ended March 28, 2020, sales to the largest and next largest customer accounted for 21% and 12%, respectively, of Acadian's total sales (March 30, 2019 – 21% and 15%, respectively).

Acadian outsources much of its harvesting, transportation and other services that comprise the majority of Acadian's cost of sales. For the three months ended March 28, 2020, Acadian's top three suppliers accounted for approximately 20%, 16% and 10%, respectively, of Acadian's total harvesting and delivery costs (March 30, 2019 – 14%, 9% and 7%, respectively).

## NOTE 7. INCOME TAXES

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

<i>Three Months Ended</i> <i>(CAD thousands)</i>	<b>March 28, 2020</b>		March 30, 2019	
Income tax expense				
Income taxes at statutory rate	\$	(654)	\$	2,311
Foreign tax rate differential		(16)		(19)
Permanent differences		968		(250)
Benefit of previously unrecognized tax attributes		1,156		(256)
Total income tax expense	\$	1,454	\$	1,786

## NOTE 8. DIVIDENDS TO SHAREHOLDERS

Acadian pays quarterly dividends to the extent determined prudent by the Board of Directors. Total dividends declared for the three months ended March 28, 2020 were \$4.8 million (March 30, 2019 – \$4.8 million) or \$0.29 per share (March 30, 2019 – \$0.29 per share).

## NOTE 9. TIMBER

<i>(CAD thousands)</i>		
Balance as at December 31, 2018	\$	367,901
Disposals		(6)
Gains arising from growth		30,354
Reduction arising from harvest		(28,570)
Gain from fair value price and other charges		14,842
Foreign exchange		(6,529)
Balance as at December 31, 2019	\$	377,992
Gains arising from growth		7,050
Reduction arising from harvest		(8,759)
Foreign exchange		10,717
<b>Balance as at March 28, 2020</b>	<b>\$</b>	<b>387,000</b>

## NOTE 10. SUBSEQUENT EVENTS

On April 8, 2020, the Internal Revenue Service (“IRS”) issued final regulations which impact the U.S. tax treatment of certain hybrid arrangements. As a result of the final regulations, the Company expects to record a one-time deferred income tax expense of \$0.8 million in the quarter ended June 27, 2020 to reverse the benefit of deductions taken in prior periods.

Subsequent to the end of the quarter, Acadian entered into a \$2.0 million revolving credit facility with a major Canadian bank. The Revolving Facility bears interest at floating rates based on bank prime rates plus applicable margin and is due on demand.



## BOARD AND MANAGEMENT

### BOARD OF DIRECTORS

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

Reid Carter  
*Corporate Director*

Malcolm Cockwell  
*Managing Director  
Haliburton Forest*

Bruce Robertson  
*Vice President  
The Woodbridge Company Limited*

Karen Oldfield  
*Corporate Director*

Heather Fitzpatrick  
*President and CEO  
Halmont Properties Corporation.*

Peter Schleifenbaum  
*Founder  
Haliburton Forest*

### MANAGEMENT

Erika Reilly  
*Interim President and  
Chief Executive Officer  
Acadian Timber Corp.*

Adam Sheparsi  
*Chief Financial Officer  
Acadian Timber Corp.*

Normand Haché  
*Senior Vice President,  
Marketing and Operations  
Acadian Timber Corp.*

## CORPORATE AND SHAREHOLDER INFORMATION

### HEAD OFFICE

Suite 2408 – 1055 West Georgia Street  
PO Box 11179, Royal Centre  
Vancouver, B.C. V6E 3R5

Please direct your inquiries to:  
Adam Sheparsi  
Chief Financial Officer  
t. 506.737-2045 ext. 2345  
e. [ir@acadiantimber.com](mailto: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:

AST Trust Company (Canada)  
P.O. Box 700, Station A  
Montreal, QC H3B 3K3  
t. 1-800-387-0825 (toll free in North America)  
f. 1-888-249-6189  
e. [inquiries@astfinancial.com](mailto:inquiries@astfinancial.com)  
[www.astfinancial.com/ca-en](http://www.astfinancial.com/ca-en)

### SHARE INFORMATION

Toronto Stock Exchange: ADN  
Fully Diluted Shares Outstanding (March 28, 2020): 16,686,916  
Targeted 2020 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](http://www.acadiantimber.com)

*This management discussion and analysis ("MD&A") contains forward-looking information and statements within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, such forward-looking statements may contain such words as "may," "will," "intend," "should," "suggest," "expect," "believe," "outlook," "forecast," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the negative of these terms or other similar terminology. Forward-looking information is included in the Letter to Shareholders which precedes this MD&A and includes statements made in this MD&A in sections entitled "Dividend Policy of the Company," "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; disease outbreak; changes in U.S. housing starts; product demand; concentration of customers; commodity pricing; interest rate and foreign currency fluctuations; seasonality; weather and natural conditions; regulatory, trade or environmental policy changes; changes in Canadian and U.S. income tax law; the economic situation of key customers; Acadian'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 27, 2020 and the Management Information Circular dated March 27, 2020, and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR at [www.sedar.com](http://www.sedar.com). Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: forecasts in the housing market; anticipated financial performance; anticipated market conditions; business prospects; the economic situation of key customers; strategies; regulatory developments; exchange rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services; and the ability to obtain financing on acceptable terms. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are made as of the date of this MD&A, and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this MD&A. Acadian assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as may be required by applicable law.*