



## Q3 2020 Interim Report

### Letter to Shareholders

#### Overview

Acadian Timber Corp.'s ("Acadian") operations and financial results for the three-month period ended September 26, 2020 (the "third quarter") showed relative stability in an unbalanced regional market environment. A strong softwood lumber market, that experienced unprecedented softwood lumber prices, drove strong demand for our softwood sawlogs, while demand for hardwood pulpwood declined sharply. Acadian was able to continue to supply its hardwood pulpwood customers, benefiting from its strong customer relationships, but at lower volumes.

Acadian generated \$3.1 million of Free Cash Flow<sup>2</sup> and declared dividends of \$4.8 million to our shareholders during the third quarter. Our balance sheet continues to be solid with the refinancing of Acadian's long-term debt complete and \$20.4 million of net liquidity as at September 26, 2020, which includes funds available under our credit facilities.

#### Results of Operations

Health and safety remained a key focus during the quarter. Acadian experienced no recordable safety incidents among employees and four incidents among contractors. Acadian continued to emphasize the importance of strong safety performance to all members of the organization. Acadian also continued to monitor COVID-19 related developments in the regions in which we operate and updated our COVID-19 operational plans accordingly.

During the quarter, both the New Brunswick and Maine operations completed a surveillance audit under the 2015-2019 standard of the Sustainable Forest Initiative<sup>®</sup> with no non-conformances. The Maine operation also renewed its outcome-based forestry agreement with the Maine Forest Service.

Acadian generated sales of \$23.2 million, compared to \$25.4 million in the prior year period. Sales volume, excluding biomass, decreased 9% and the weighted average selling price, excluding biomass, decreased 3% year-over-year. An increase in biomass sales during the quarter partially offset lower overall log sales volume and price.

Adjusted EBITDA<sup>2</sup> was \$4.5 million during the third quarter, compared to \$5.1 million in the prior year period and Adjusted EBITDA margin<sup>2</sup> for the quarter was 19%, compared to 20% in the prior year period. Excluding a \$0.3 million gain from the sale of timberlands in 2019, Adjusted EBITDA margin<sup>2</sup> was 19%, or flat year-over-year.

Net income for the third quarter totaled \$5.2 million compared to a net loss of \$10.9 million in the same period of 2019. The variance from the prior year period is primarily due to the termination fee paid to Brookfield in 2019 which, after income tax, reduced net income by \$12.8 million. Net income was also impacted by a combination of gains on non-cash items such as unrealized foreign exchange on long-term debt and fair value adjustments in 2020 compared to 2019.

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

Acadian's main products include softwood sawlogs and pulpwood, hardwood sawlogs and pulpwood, and biomass, from which our customers manufacture solid wood, pulp and paper products, engineered wood products, and fuels. This product diversity leads to more stable performance over cycles.

The outlook for softwood sawlogs is positive with an expected increase in North American softwood lumber consumption in 2021. Consensus estimates are for 1.30 million housing starts in 2020 increasing to 1.37 million in 2021 supported by favourable demographics, lower interest rates and old, underbuilt housing stock.

Local markets for hardwood sawlogs are expected to strengthen for the remainder of the year as less product is being produced in light of weak hardwood pulpwood markets, matched with strengthening demand for hardwood lumber.

Hardwood and softwood pulpwood demand is expected to remain weak for the remainder of the year, until hardwood pulp markets improve and regional supply is brought in balance with demand.

Biomass markets in New Brunswick continue to be supported by steady demand while biomass markets in Maine remain limited.

## Closing Remarks

Acadian benefits from a strong balance sheet, diverse markets and a highly capable team that remains committed to continuously improving our financial and operating performance. We continue to be focused on understanding and responding to changing market conditions.

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

A handwritten signature in black ink, appearing to read 'E. Reilly', with a stylized flourish at the end.

Erika Reilly  
President and Chief Executive Officer  
October 28, 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. 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 the section headed Non-IFRS Measures in the 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 months ended September 26, 2020 (herein referred to as the "third quarter") and the nine-month period ended September 26, 2020 compared to the three and nine-month periods ended September 28, 2019, and should be read in conjunction with the interim condensed consolidated financial statements and notes thereto for the third quarter and year-to-date ended September 26, 2020 and the audited annual consolidated financial statements and the related MD&A for the fiscal year ended December 31, 2019.

Our third quarter financial results are determined in accordance with IAS 34 "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") and are expressed in Canadian dollars unless otherwise noted. External economic and industry factors remain unchanged since the previous annual report, unless otherwise noted. This MD&A has been prepared based on information available as at September 26, 2020. Additional information is available on Acadian's website at [www.acadiantimber.com](http://www.acadiantimber.com) and on SEDAR 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, amortization and one-time costs related to the termination of the management agreement with Brookfield Timberlands Management LP and to "Adjusted EBITDA margin", which is Adjusted EBITDA as a percentage of its total revenue. Reference is also made to "Free Cash Flow", which Acadian's management defines as Adjusted EBITDA less interest paid, current income tax expense, and capital expenditures plus net proceeds from the sale of fixed assets (selling price less gains or losses included in Adjusted EBITDA). Reference made to "Payout Ratio" is defined as dividends declared divided by Free Cash Flow. Management believes that Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow, and Payout Ratio are key performance measures in evaluating Acadian's operations and are important in enhancing investors' understanding of the Company's operating performance. Adjusted EBITDA and Adjusted EBITDA margin are used to evaluate operational performance. Free Cash Flow is used to evaluate Acadian's ability to generate sustainable cash flows from our operations while Payout Ratio is used to evaluate Acadian's ability to fund its distribution using Free Cash Flow. As these measures do not have a standardized meaning prescribed by IFRS, they may not be comparable to similar measures presented by other companies. As a result, we have provided reconciliations of net income as determined in accordance with IFRS, to Adjusted EBITDA and Free Cash Flow in the "Adjusted EBITDA and Free Cash Flow" section of this MD&A.

## Assessment and Changes in Disclosure Controls and Internal Controls

Management has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as at December 31, 2019. There have been no changes in our disclosure controls and procedures during the period ended September 26, 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 nine-month period ended September 26, 2020 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## REVIEW OF OPERATIONS

### Summary of Third Quarter Results

The table below summarizes operating and financial data for Acadian:

<i>(CAD thousands)</i>	Three Months Ended		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Sales volume (000s m <sup>3</sup> )	<b>302.3</b>	313.5	<b>816.9</b>	911.7
Sales	\$ <b>23,236</b>	\$ 25,357	\$ <b>66,102</b>	\$ 74,213
Operating earnings	<b>4,445</b>	4,718	<b>13,991</b>	15,937
Net income / (loss)	<b>5,248</b>	(10,869)	<b>6,766</b>	1,097
Adjusted EBITDA <sup>1</sup>	<b>4,514</b>	5,123	<b>14,197</b>	17,018
Adjusted EBITDA margin <sup>1</sup>	<b>19%</b>	20%	<b>21%</b>	23%
Free Cash Flow <sup>1</sup>	<b>3,149</b>	4,186	<b>9,506</b>	13,426
Dividends declared	<b>4,840</b>	4,840	<b>14,518</b>	14,519
Payout Ratio <sup>1</sup>	<b>154%</b>	116%	<b>153%</b>	108%
Per share – basic and diluted				
Net income / (loss)	\$ <b>0.31</b>	\$ (0.65)	\$ <b>0.41</b>	\$ 0.07
Free Cash Flow <sup>1</sup>	<b>0.19</b>	0.25	<b>0.57</b>	0.80
Dividends declared	<b>0.29</b>	0.29	<b>0.87</b>	0.87
Book value	<b>16.98</b>	16.33	<b>16.98</b>	16.33
Common shares outstanding	<b>16,686,916</b>	16,686,916	<b>16,686,916</b>	16,686,916
Weighted average shares outstanding	<b>16,686,916</b>	16,686,916	<b>16,686,916</b>	16,686,927

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

2. As at October 28, 2020 there were 16,686,916 common shares outstanding.

Operating conditions were favorable during the quarter, but market conditions were mixed. For the three months ended September 26, 2020, Acadian generated sales of \$23.2 million, compared to \$25.4 million in the prior year period. Sales volume, excluding biomass, decreased 9% and the weighted average selling price, excluding biomass, decreased 3% year-over-year. While demand for softwood sawlogs increased during the quarter, demand for hardwood pulpwood declined as hardwood pulp markets weakened.

Operating costs and expenses were \$18.8 million during the third quarter, compared to \$20.6 million during the prior year period. This year-over-year decrease reflects lower harvesting activity and administrative costs. Weighted average variable costs, excluding biomass, decreased 2% reflecting a lower cost product mix in the period.

Adjusted EBITDA was \$4.5 million during the third quarter, compared to \$5.1 million in the prior year period and Adjusted EBITDA margin for the quarter was 19%, compared to 20% in the prior year period, or 19% excluding a \$0.3 million gain in timberland sales in 2019. Free Cash Flow was \$3.1 million compared to \$4.2 million in the same period of 2019.

Net income for the third quarter totaled \$5.2 million, or \$0.31 per share, compared to net loss of \$10.9 million, or \$0.65 per share in the same period of 2019. The variance from the prior year period is primarily due to the termination fee paid to Brookfield in 2019 which, after income tax, reduced net income by \$12.8 million or \$0.77 per share. Net income was also impacted by a combination of gains on non-cash items such as unrealized foreign exchange on long-term debt and fair value adjustments in 2020 compared to 2019.

During the first nine months of 2020, Acadian generated sales of \$66.1 million compared to \$74.2 million in the prior year period. The 11% decrease reflects an abbreviated operating period during the second quarter and reduced demand for hardwood pulpwood during the third quarter compared to 2019. The weighted average selling price, excluding biomass, remained relatively stable with a 1% decrease. Operating costs and expenses of \$52.1 million were \$6.2 million lower than the prior year period due to lower harvesting activity and administrative costs. As a result, year-to-date Adjusted EBITDA was \$14.2 million compared to \$17.0 million during the first nine months of 2019. Adjusted EBITDA margin of 21% compares to 23% in 2019, or 22% on a comparable basis, excluding 2019 land sales.

For the nine months ended September 26, 2020, net income was \$6.8 million, or \$0.41 per share, which represents an increase of \$5.7 million year-over-year. The variance is primarily related to the one-time termination fee paid to Brookfield in the third quarter of 2019 and year-to-date unrealized foreign exchange movements on U.S. 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:

<i>(CAD thousands)</i>	Three Months Ended		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Net income / (loss)	\$ 5,248	\$ (10,869)	\$ 6,766	\$ 1,097
Add / (deduct)				
Interest expense, net	1,142	1,010	3,605	2,989
Current income tax (recovery) / expense	312	(1,667)	1,870	(335)
Deferred income tax (recovery) / expense	626	(2,313)	2,671	(632)
Depreciation and amortization	69	71	206	215
Fair value adjustments and other	(643)	(139)	(3,861)	(1,409)
Management agreement termination fee	—	18,000	—	18,000
Unrealized exchange (gain) / loss on long-term debt	(2,240)	1,030	2,940	(2,907)
Adjusted EBITDA <sup>1</sup>	\$ 4,514	\$ 5,123	\$ 14,197	\$ 17,018
Add / (deduct)				
Interest paid on debt, net	(796)	(708)	(2,470)	(2,049)
Additions to timber, land, roads and other fixed assets	(257)	(68)	(352)	(86)
Gain on sale of timberlands	—	(333)	—	(864)
Gain on disposal of other fixed assets	—	(1)	—	(2)
Proceeds on sale of timberlands	—	353	—	920
Proceeds on sale of other fixed assets	—	1	—	2
Current tax effect of termination fee	—	(1,848)	—	(1,848)
Current income tax (expense) / recovery	(312)	1,667	(1,870)	335
Free Cash Flow <sup>1</sup>	\$ 3,149	\$ 4,186	\$ 9,506	\$ 13,426
Dividends declared	\$ 4,840	\$ 4,840	\$ 14,518	\$ 14,519
Payout Ratio <sup>1</sup>	154%	116%	153%	108%

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 1 of this MD&A.

### Dividend Policy of the Company

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

For the three-month period ended September 26, 2020, the Board of Directors declared dividends of \$4.8 million, or \$0.29 per share, consistent with the same period of 2019. For the nine-month period ended September 26, 2020, the Board of Directors declared dividends of \$14.5 million or \$0.87 per share, consistent with the same period of 2019 and represents a Payout Ratio of 154%. Acadian's cash position is expected to support the current dividend.

### Operating and Market Conditions

Operating conditions were favorable during the third quarter, with good weather conditions and adequate contractor capacity. Market conditions, however, were mixed. Softwood sawlog markets, particularly for spruce and fir, were strong, with market prices responding to increased demand during the quarter. Offsetting this, hardwood pulpwood markets weakened as the negative effects of COVID-19 impacted select end use markets. In addition, regional consumption was impacted by the substitution of softwood for hardwood pulpwood and the ongoing market disruption caused by the Androscoggin Mill explosion in Jay, Maine that occurred earlier this year. Hardwood sawlog markets began to strengthen in response to reduced supply. Meanwhile, softwood pulpwood markets remained stable through the quarter in New Brunswick and weak in Maine. Acadian's sales volume, excluding biomass, of 261,000 m<sup>3</sup> was down 9% year-over-year.

The weighted average selling price, excluding biomass, for the third quarter decreased 3% compared to the prior year period. Hardwood pulpwood price decreased 4% for the reasons described above, and softwood pulpwood price decreased 10%. While prices for softwood pulpwood were stable in New Brunswick, Maine experienced a decrease of 17% in Canadian dollar terms in the third quarter compared to the same period last year due to continued elevated softwood pulpwood inventories in the region. These decreases in pulpwood prices were partially offset by sawlog prices and an improved product mix. Biomass margins improved relative to the same period in 2019, benefitting from lower average hauling distances compared to last year.

## Segmented Results of Operations

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

<i>Three Months Ended September 26, 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>236.9</b>		<b>65.4</b>	—	<b>302.3</b>
Sales	\$	<b>18,025</b>	\$	<b>5,211</b>	\$ —	<b>23,236</b>
Adjusted EBITDA <sup>1</sup>	\$	<b>4,240</b>	\$	<b>793</b>	\$ (519)	<b>4,514</b>
Adjusted EBITDA margin <sup>1</sup>		<b>24%</b>		<b>15%</b>	n/a	<b>19%</b>

<i>Three Months Ended September 28, 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> )		238.7		74.8	—	313.5
Sales	\$	19,469	\$	5,888	\$ —	25,357
Adjusted EBITDA <sup>1</sup>	\$	4,789	\$	711	\$ (377)	5,123
Adjusted EBITDA margin <sup>1</sup>		25%		12%	n/a	20%

<i>Nine Months Ended September 26, 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>610.7</b>		<b>206.2</b>	—	<b>816.9</b>
Sales	\$	<b>49,204</b>	\$	<b>16,898</b>	\$ —	<b>66,102</b>
Adjusted EBITDA <sup>1</sup>	\$	<b>11,900</b>	\$	<b>3,959</b>	\$ (1,662)	<b>14,197</b>
Adjusted EBITDA margin <sup>1</sup>		<b>24%</b>		<b>23%</b>	n/a	<b>21%</b>

<i>Nine Months Ended September 28, 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> )		676.3		235.4	—	911.7
Sales	\$	55,367	\$	18,846	\$ —	74,213
Adjusted EBITDA <sup>1</sup>	\$	13,388	\$	4,594	\$ (964)	17,018
Adjusted EBITDA margin <sup>1</sup>		24%		24%	n/a	23%

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 3 of this MD&A.

### *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.

There were four recordable safety incidents among contractors and no incidents among employees during the third quarter. Acadian remains committed to the safety of our employees and contractors, and conducted a comprehensive review of its safety program during the quarter. Acadian is pleased to report that its precommercial thinning crew has operated five years without a safety incident and the crew members were recognized during the quarter for this positive performance.

New Brunswick Timberlands successfully completed a surveillance audit under the 2015-2019 standard of the Sustainable Forest Initiative® during the quarter with no non-conformances.

The tables below summarize operating and financial results for New Brunswick Timberlands:

	Three Months Ended September 26, 2020				Three Months Ended September 28, 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	123.7	122.5	52%	\$ 7,050	103.7	102.7	43%	\$ 5,864
Hardwood	75.7	73.7	31%	5,249	109.1	111.1	47%	8,188
Biomass	40.7	40.7	17%	1,156	24.9	24.9	10%	818
	<b>240.1</b>	<b>236.9</b>	<b>100%</b>	<b>13,455</b>	<b>237.7</b>	<b>238.7</b>	<b>100%</b>	<b>14,870</b>
Timber services and other				4,570				4,599
Sales				\$ 18,025				\$ 19,469
Adjusted EBITDA <sup>1</sup>				\$ 4,240				\$ 4,789
Adjusted EBITDA margin <sup>1</sup>				24%				25%

	Nine Months Ended September 26, 2020				Nine Months Ended September 28, 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	282.5	284.2	47%	\$ 16,188	291.4	303.3	45%	\$ 17,817
Hardwood	211.5	223.3	37%	17,262	264.3	274.0	41%	20,849
Biomass	103.2	103.2	16%	3,280	99.0	99.0	14%	3,554
	<b>597.2</b>	<b>610.7</b>	<b>100%</b>	<b>36,730</b>	<b>654.7</b>	<b>676.3</b>	<b>100%</b>	<b>42,220</b>
Timber services and other				12,474				13,147
Sales				\$ 49,204				\$ 55,367
Adjusted EBITDA <sup>1</sup>				\$ 11,900				\$ 13,388
Adjusted EBITDA margin <sup>1</sup>				24%				24%

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 3 of this MD&A.

Sales for our New Brunswick Timberlands were \$18.0 million compared to \$19.5 million during the prior year period. Sales volume, excluding biomass, decreased by 8% primarily due to lower hardwood pulpwood sales, partially offset by higher softwood sawlog sales. Biomass sales volume increased 63% during the quarter due to strong domestic sales. The weighted average selling price, excluding biomass, for the third quarter was \$62.70 per m<sup>3</sup>, or 5% lower than the prior year period, as a result of lower hardwood pulpwood volumes and price compared to the prior year.

Operating costs and expenses were \$13.8 million during the third quarter, compared to \$14.9 million in the prior year period due to lower harvesting activity and administrative costs. Weighted average variable costs, excluding biomass, decreased 8% due to lower hardwood deliveries and shorter haul distances to markets compared to the prior year period.

Adjusted EBITDA was \$4.2 million during the third quarter of 2020 compared to \$4.8 million in the prior year period reflecting lower hardwood pulpwood sales and a \$0.2 million gain on the sale of timberlands in 2019. Adjusted EBITDA margin was 24% compared to 25% in the prior year period, or 23% excluding the 2019 land sale.

During the first nine months of 2020, New Brunswick Timberlands' sales of \$49.2 million was 11% lower than the prior year period. Sales volume, excluding biomass, decreased 12% due to an abbreviated operating period during the second quarter and reduced demand for hardwood pulpwood during the third quarter relative to the nine months of 2019. The weighted average selling price, excluding biomass, decreased 2% with relatively stable prices across all products offset by less higher value hardwood pulpwood in the mix. Operating costs and expenses of \$37.4 million during the first nine months of 2020 were \$5.2 million lower than the prior year period due to lower harvesting activity and administrative costs. Adjusted EBITDA was \$11.9 million compared to 13.4 million during the first nine months of 2019 for the reasons discussed, while Adjusted EBITDA margin remained stable at 24%.

## Maine Timberlands

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

There were no recordable safety incidents among employees or contractors during the third quarter. Maine Timberlands also successfully completed a surveillance audit under the 2015-2019 standard of the Sustainable Forest Initiative® and the renewal of its outcome-based forestry agreement with the Maine Forest Service during the quarter.

The tables below summarize operating and financial results for Maine Timberlands:

	Three Months Ended September 26, 2020				Three Months Ended September 28, 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	38.5	38.6	59%	\$ 2,741	49.0	49.0	66%	\$ 3,551
Hardwood	31.8	26.8	41%	2,305	26.1	25.5	34%	2,164
Biomass	—	—	0%	2	0.3	0.3	0%	4
	<b>70.3</b>	<b>65.4</b>	<b>100%</b>	<b>5,048</b>	<b>75.4</b>	<b>74.8</b>	<b>100%</b>	<b>5,719</b>
Other Sales				163				169
Sales				\$ 5,211				\$ 5,888
Adjusted EBITDA <sup>1</sup>				\$ 793				\$ 711
Adjusted EBITDA margin <sup>1</sup>				15%				12%

	Nine Months Ended September 26, 2020				Nine Months Ended September 28, 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	140.9	141.0	68%	\$ 10,806	163.1	163.3	69%	\$ 12,471
Hardwood	69.5	65.0	32%	5,665	68.7	68.3	29%	5,894
Biomass	0.2	0.2	0%	4	3.8	3.8	2%	12
	<b>210.6</b>	<b>206.2</b>	<b>100%</b>	<b>16,475</b>	<b>235.6</b>	<b>235.4</b>	<b>100%</b>	<b>18,377</b>
Other Sales				423				469
Sales				\$ 16,898				\$ 18,846
Adjusted EBITDA <sup>1</sup>				\$ 3,959				\$ 4,594
Adjusted EBITDA margin <sup>1</sup>				23%				24%

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 3 of this MD&A.

Sales for our Maine Timberlands totaled \$5.2 million compared to \$5.9 million for the same period last year. Sales volume, excluding biomass, decreased by 12% as customers were slow to take softwood pulpwood deliveries due to continued high inventories in the region.

The weighted average selling price, excluding biomass, remained stable due to a favourable product mix overall offset by lower quality softwood and hardwood sawtimber in the mix. In Canadian dollar terms the weighted average selling price was \$77.27 per m<sup>3</sup>, up 1% compared to the same period of 2019. In U.S. dollar terms, the weighted average selling price, excluding biomass, was \$57.95 per m<sup>3</sup>, flat year-over-year.

Operating costs and expenses for the third quarter were \$4.4 million, compared to \$5.3 million during the same period of 2019 primarily due to lower harvest activity and administrative costs. Variable harvest costs per m<sup>3</sup>, excluding biomass, were higher than in the prior year period due to a higher cost mix, with less softwood pulpwood harvested, and longer hauling distances to market.

Adjusted EBITDA for the quarter was \$0.8 million compared to \$0.7 million during the prior year period and Adjusted EBITDA margin was 15% compared to 12% in the prior year period. Lower sales were more than offset by the lower costs during the quarter.

During the first nine months of 2020, sales were \$16.9 million compared to \$18.8 million in the prior year period. The weighted average selling price, excluding biomass, increased 1%, while sales volume, excluding biomass, decreased 11% year-over-year reflecting low demand for pulpwood during the first nine months of 2020. Operating costs and expenses of \$13.0 million during the nine-month period were \$1.7 million lower than the prior year period due to lower harvesting activity and lower administrative costs in 2020. Adjusted EBITDA of \$4.0 million compares to \$4.6 million during the first nine months of 2019, with 2019 including a \$0.4 million gain related to timberland sales. Adjusted EBITDA margin was 23% compared to 24% in 2019, or 22% excluding 2019 land sales.



## Financial Position

Our net liquidity was \$20.4 million as at September 26, 2020, including funds available under the credit facilities.

As at September 26, 2020, Acadian's balance sheet consisted of total assets of \$506.4 million (December 31, 2019 – \$498.7 million), represented primarily by timber, land, roads and other fixed assets of \$478.9 million (December 31, 2019 – \$469.6 million), with the balance in cash and current assets of \$21.3 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 and adjusted for growth estimates and harvest during the first nine months of the year. Reforestation costs have been expensed as incurred.

## MARKET OUTLOOK

*The following contains forward-looking statements about Acadian Timber Corp.'s market outlook for the remainder of 2020. Reference should be made to "Forward-Looking Statements" section below. 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).*

Acadian's main products include softwood sawlogs and pulpwood, hardwood sawlogs and pulpwood, and biomass, from which our customers manufacture solid wood, pulp and paper products, engineered wood products, and fuels. This product diversity leads to more stable performance over cycles.

The outlook for softwood sawlogs is positive with an expected increase in North American softwood lumber consumption in 2021. Consensus estimates are for 1.30 million housing starts in 2020 increasing to 1.37 million in 2021 supported by favourable demographics, lower interest rates and old, underbuilt housing stock.

Local markets for hardwood sawlogs are expected to strengthen for the remainder of the year as less product is being produced in light of weak hardwood pulpwood markets, matched with strengthening demand for hardwood lumber.

Hardwood and softwood pulpwood demand is expected to remain weak for the remainder of the year, until hardwood pulp markets improve and regional supply is brought in balance with demand.

Biomass markets in New Brunswick continue to be supported by steady demand while biomass markets in Maine remain limited.

## 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.

<i>(CAD thousands, except per share data and where indicated)</i>	2020			2019				2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales volume (000s m <sup>3</sup> )	302.3	139.7	374.9	339.4	313.5	214.0	384.2	323.7
Sales	\$ 23,236	\$ 11,458	\$ 31,408	\$ 25,835	\$ 25,357	\$ 17,918	\$ 30,938	\$ 24,167
Adjusted EBITDA <sup>1</sup>	4,514	1,354	8,329	6,586	5,123	3,038	8,857	4,631
Free Cash Flow <sup>1</sup>	3,149	(208)	6,565	5,296	4,186	2,750	6,490	3,525
Net income (loss)	5,248	5,229	(3,711)	16,228	(10,869)	5,784	6,182	16,441
Per share – basic and diluted	\$ 0.31	\$ 0.31	\$ (0.22)	\$ 0.97	\$ (0.65)	\$ 0.35	\$ 0.37	\$ 0.98

1. Non-IFRS Measure. See “Non-IFRS Measures” on page 3 of this MD&A.

Results are affected by seasonality, in particular harvesting operations are significantly impacted by weather conditions that restrict production due to prohibitively wet conditions that impact the second quarter of each year or extremely hot conditions which may impact operations during the summer months. Net income can be significantly impacted by non-cash items such as significant fluctuations in foreign exchange as the company’s long-term debt is denominated in US dollars, and the fair value adjustment of the company’s timberlands which are revalued at each reporting period. The Company also incurred a one-time termination fee in the third quarter of 2019 associated with the termination of the management agreement with Brookfield which after income tax was \$12.8 million.

### 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 nine-month period ended September 26, 2020.

As at September 26, 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 asset management and administrative services functions to Acadian. The agreement with Brookfield was terminated by Acadian on September 9, 2019. Fees for services provided under this agreement for the nine-months ended September 28, 2019 totaled \$2.2 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 which reflects the refinancing that occurred on October 1, 2020 is as follows:

<i>(CAD thousands)</i>	Total
Debt	
Term facility due March 2025	\$ 19,759
Term facility due March 2025	23,108
Term facility due March 2027	42,867
Term facility due March 2030	21,433
Revolving facilities	—
	\$ 107,167

### Risk Factors

Risk factors are discussed in the Company’s MD&A for the year ended December 31, 2019, with the addition of the following.

#### COVID-19

The 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.

## Cautionary Statement Regarding Forward-Looking Information and Statements

*This MD&A contains forward-looking information and statements within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian, 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.*

Approved by the Board of Directors: October 28, 2020  
Edmundston, New Brunswick, Canada

# Interim Condensed Consolidated Balance Sheets

(unaudited)

<i>As at</i> <i>(CAD thousands)</i>	Note	September 26, 2020	December 31, 2019
<b>Assets</b>			
Current assets			
Cash		\$ 7,406	\$ 7,601
Accounts receivable and other assets		11,433	11,602
Current income taxes receivable		1,299	2,245
Inventory		1,178	1,545
		<b>21,316</b>	<b>22,993</b>
Timber	9	385,927	377,992
Land, roads and other fixed assets		93,017	91,584
Intangible assets		6,140	6,140
Total assets		<b>\$ 506,400</b>	<b>\$ 498,709</b>
<b>Liabilities and shareholders' equity</b>			
Current liabilities			
Short-term debt	3	\$ -	\$ 7,793
Accounts payable and accrued liabilities		10,979	9,190
Dividends payable to shareholders	8	4,839	4,839
Current portion of long-term debt	3	-	93,084
		<b>15,818</b>	<b>114,906</b>
Long-term debt	3	106,468	—
Deferred income tax liability		100,783	97,102
Shareholders' equity		283,331	286,701
Total liabilities and shareholders' equity		<b>\$ 506,400</b>	<b>\$ 498,709</b>

See accompanying notes to unaudited interim condensed consolidated financial statements.

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

(unaudited)

<i>(CAD thousands, except per share data)</i>	Note	Three Months Ended		Nine Months Ended	
		September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Sales	6	\$ 23,236	\$ 25,357	\$ 66,102	\$ 74,213
Operating costs and expenses					
Cost of sales		16,075	17,404	44,704	49,900
Selling, administration and other		1,971	2,789	6,274	7,412
Reforestation		676	375	927	749
Depreciation and amortization		69	71	206	215
		18,791	20,639	52,111	58,276
Operating earnings		4,445	4,718	13,991	15,937
Interest expense, net		(1,142)	(1,010)	(3,605)	(2,989)
Other items					
Fair value adjustments and other		643	139	3,861	1,409
Unrealized exchange gain / (loss) on long-term debt		2,240	(1,030)	(2,940)	2,907
Management agreement termination fee	5	-	(18,000)	-	(18,000)
Gain on sale of timberlands		-	333	-	864
Gain on disposal of other fixed assets		-	1	-	2
Earnings (loss) before income tax		6,186	(14,849)	11,307	130
Current income tax recovery / (expense)	7	(312)	1,667	(1,870)	335
Deferred income tax recovery / (expense)	7	(626)	2,313	(2,671)	632
Net income / (loss)		\$ 5,248	\$ (10,869)	\$ 6,766	\$ 1,097
Net income / (loss) per share – basic and diluted		\$ 0.31	\$ (0.65)	\$ 0.41	\$ 0.07

See accompanying notes to unaudited interim condensed consolidated financial statements.

# Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(unaudited)

<i>(CAD thousands)</i>	Three Months Ended		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Net income / (loss)	\$ 5,248	\$ (10,869)	\$ 6,766	\$ 1,097
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income:				
Unrealized foreign currency translation gain / (loss)	(3,073)	1,500	4,382	(4,447)
Gain on revaluation of roads and land	-	(9)	-	(23)
Deferred income tax recovery	-	3	-	7
Comprehensive income / (loss)	\$ 2,175	\$ (9,375)	\$ 11,148	\$ (3,366)

See accompanying notes to unaudited interim condensed consolidated financial statements.

## Interim Condensed Consolidated Statements of Changes in Equity

(unaudited)

<i>Nine Months Ended September 26, 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		-	6,766	-	-	6,766
Other comprehensive income		-	-	-	4,382	4,382
Shareholders' dividends declared	8	-	(14,518)	-	-	(14,518)
<b>Balance as at September 26, 2020</b>		<b>\$ 139,394</b>	<b>\$ 76,151</b>	<b>\$ 35,679</b>	<b>\$ 32,107</b>	<b>\$ 283,331</b>

See accompanying notes to unaudited interim condensed consolidated financial statements.

<i>Nine Months Ended September 28, 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		—	1,097	—	—	1,097
Common shares repurchased under NCIB	4	(37)	—	—	—	(37)
Other comprehensive loss		—	—	(16)	(4,447)	(4,463)
Shareholders' dividends declared	8	—	(14,519)	—	—	(14,519)
<b>Balance as at September 28, 2019</b>		<b>\$ 139,394</b>	<b>\$ 72,514</b>	<b>\$ 30,256</b>	<b>\$ 30,326</b>	<b>\$ 272,490</b>

See accompanying notes to unaudited interim condensed consolidated financial statements.



# Interim Condensed Consolidated Statements of Cash Flows

(unaudited)

<i>(CAD thousands)</i>	Three Months Ended		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Cash provided by (used for):				
<b>Operating activities</b>				
Net income / (loss)	\$ 5,248	\$ (10,869)	\$ 6,766	\$ 1,097
Adjustment to net income:				
Deferred income tax expense / (recovery)	626	(2,313)	2,671	(632)
Depreciation and amortization	69	71	206	215
Fair value adjustments and other	(643)	(139)	(3,861)	(1,409)
Unrealized exchange (gain) / loss on long-term debt	(2,240)	1,030	2,940	(2,907)
Gain on sale of timberlands	–	(333)	–	(864)
Gain on disposal of other fixed assets	–	(1)	–	(2)
Accretion of long-term debt	315	276	1,038	861
Net change in non-cash working capital balances and other	(648)	(1,079)	3,545	(2,114)
	2,727	(13,357)	13,305	(5,755)
<b>Financing activities</b>				
Repayment of operating loans	–	–	(8,169)	–
Issuance of long-term debt	–	9,930	19,795	9,930
Repayment of long-term debt	–	–	(9,729)	–
Deferred financing costs	–	–	(527)	–
Dividends paid to shareholders	(4,840)	(4,840)	(14,518)	(14,394)
Purchase of common shares under NCIB	–	–	–	(37)
	(4,840)	5,090	(13,148)	(4,501)
<b>Investing activities</b>				
Additions to timber, land, roads and other fixed assets	(257)	(68)	(352)	(86)
Proceeds from sale of timberlands	–	353	–	920
Proceeds from sale of other fixed assets	–	1	–	2
	(257)	286	(352)	836
Decrease in cash during the period	(2,370)	(7,981)	(195)	(9,420)
Cash beginning of period	9,776	20,881	7,601	22,320
<b>Cash end of period</b>	\$ 7,406	\$ 12,900	\$ 7,406	\$ 12,900

See accompanying notes to unaudited interim condensed consolidated financial statements.

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

<i>(CAD thousands)</i>	Three Months Ended		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Accounts receivable and other assets	\$ (5,174)	\$ (3,166)	\$ 169	\$ (2,961)
Inventory	(624)	21	367	1,658
Accounts payable and accrued liabilities	5,528	6,374	1,789	3,499
Current taxes receivable	(613)	(4,332)	946	(3,342)
Other	234	24	274	(968)
	\$ (648)	\$ (1,079)	\$ 3,545	\$ (2,114)

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

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 September 26, 2020, Macer owns 7,513,262 shares representing approximately 45% of the outstanding shares of the Company.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board 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 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 are 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 unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of Acadian on October 28, 2020.

## NOTE 3. LONG-TERM DEBT

Long-term debt consists of the following:

<i>As at</i> <i>(CAD thousands)</i>	<b>September 26, 2020</b>		December 31, 2019	
Term facilities	\$	<b>107,167</b>	\$	94,169
Less:				
Gain resulting from refinancing, net of accretion		<b>(14)</b>		(830)
Deferred debt issuance costs		<b>(685)</b>		(255)
	\$	<b>106,468</b>	\$	93,084
Revolving facilities		-		7,793
Total	\$	<b>106,468</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, which matured on October 1, 2020, that bears interest at a fixed rate of 3.01%, of which U.S. \$65.25 million was outstanding at September 26, 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 September 26, 2020 with an interest rate of 2.72% and is due March 6, 2025. The remainder of these facilities was used to repay the term facility amount that matured on October 1, 2020. There are no scheduled repayments of principal required prior to the maturity dates of the Term Facilities.

As at September 26, 2020, Acadian had borrowed U.S. \$80.0 million under the Term Facilities (December 31, 2019 – U.S. \$72.5 million). The Revolving Facility was undrawn at September 26, 2020 (December 31, 2019 – U.S. \$6.0 million). 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 September 26, 2020 and December 31, 2019.

The fair value of the Term Facilities as at September 26, 2020 is \$108.2 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.

Acadian has a \$2.0 million Canadian dollar denominated revolving credit facility with a major Canadian bank for general corporate purposes. The Revolving Facility bears interest at floating rates based on bank prime rates plus applicable margin and is due on demand.

#### 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:

	September 26, 2020	September 28, 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	16,686,927

#### 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 nine-month period ended September 26, 2020 (September 28, 2019 - \$nil). As at September 26, 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 \$1.0 million for the three months ended September 28, 2019. In addition, Acadian paid fees of \$18.0 million to Brookfield in connection with the termination of the management agreement during the three months ended September 28, 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. Sales, net income, assets and liabilities by reportable segments are as follows:

<i>Three Months Ended September 26, 2020</i>				
<i>(CAD thousands)</i>				
	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Sales				
Softwood	\$ 9,791	\$ 7,050	\$ 2,741	\$ -
Hardwood	7,554	5,249	2,305	-
Biomass	1,158	1,156	2	-
Timber services and other sales	4,733	4,570	163	-
<b>Total sales</b>	<b>23,236</b>	<b>18,025</b>	<b>5,211</b>	<b>-</b>
Operating costs and expenses				
Cost of sales	16,075	12,029	4,046	-
Selling, administration and other	1,971	1,145	307	519
Reforestation	676	611	65	-
Depreciation and amortization	69	42	27	-
	<b>18,791</b>	<b>13,827</b>	<b>4,445</b>	<b>519</b>
Operating earnings / (loss)	4,445	4,198	766	(519)
Fair value adjustments and other	643	275	405	(37)
Earnings / (loss) before the undernoted	5,088	4,473	1,171	(556)
Unrealized exchange gain on long-term debt	2,240			
Interest expense, net	(1,142)			
Earnings before income taxes	6,186			
Current income tax expense	(312)			
Deferred income tax expense	(626)			
<b>Net income</b>	<b>\$ 5,248</b>			
<i>As at September 26, 2020</i>				
<i>(CAD thousands)</i>				
	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	\$ 485,084	\$ 307,600	\$ 177,484	\$ -
Total assets	506,400	318,454	181,168	6,778
Total liabilities	\$ 223,069	\$ 8,582	\$ 34,772	\$ 179,715

<i>Three Months Ended September 28, 2019</i>							
<i>(CAD thousands)</i>		Total	NB Timberlands	Maine Timberlands	Corporate and Other		
Sales							
Softwood	\$	9,415	\$ 5,864	\$ 3,551	\$	—	
Hardwood		10,352	8,188	2,164		—	
Biomass		822	818	4		—	
Timber services and other sales		4,768	4,599	169		—	
<hr/>							
Total sales		25,357	19,469	5,888		—	
Cost of sales		17,404	12,847	4,557		—	
Selling, administration and other		2,789	1,784	628		377	
Reforestation		375	275	100		—	
Depreciation and amortization		71	43	28		—	
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		20,639	14,949	5,313		377	
<hr/>							
Operating earnings / (loss)		4,718	4,520	575		(377)	
Gain on sale of timberlands		333	227	106		—	
Gain on disposal of other fixed assets		1	—	1		—	
Fair value adjustments and other		139	582	(451)		8	
Management agreement termination fee		(18,000)	(11,988)	(6,012)		—	
<hr/>							
Loss before the undernoted		(12,809)	(6,659)	(5,781)		(369)	
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Unrealized exchange loss on long-term debt		(1,030)					
Interest expense, net		(1,010)					
<hr/>							
Loss before income taxes		(14,849)					
Current income tax recovery		1,667					
Deferred income tax recovery		2,313					
<hr/>							
Net loss	\$	(10,869)					
<hr/>							
<i>As at September 28, 2019</i>							
<i>(CAD thousands)</i>		Total	NB Timberlands	Maine Timberlands	Corporate and Other		
Timber, land, roads and other fixed assets and intangible assets	\$	457,078	\$ 287,652	\$ 169,426	\$	—	
Total assets		483,962	301,261	172,421		10,280	
Total liabilities	\$	211,472	\$ 8,930	\$ 33,933	\$	168,609	

<i>Nine Months Ended September 26, 2020</i>		NB	Maine	Corporate
<i>(CAD thousands)</i>		Timberlands	Timberlands	and Other
	Total			
Sales				
Softwood	\$ 26,994	\$ 16,188	\$ 10,806	\$ -
Hardwood	22,927	17,262	5,665	-
Biomass	3,284	3,280	4	-
Timber services and other sales	12,897	12,474	423	-
<b>Total sales</b>	<b>66,102</b>	<b>49,204</b>	<b>16,898</b>	<b>-</b>
Operating costs and expenses				
Cost of sales	44,704	32,832	11,872	-
Selling, administration and other	6,274	3,660	952	1,662
Reforestation	927	812	115	-
Depreciation and amortization	206	123	83	-
	<b>52,111</b>	<b>37,427</b>	<b>13,022</b>	<b>1,662</b>
Operating earnings / (loss)	13,991	11,777	3,876	(1,662)
Fair value adjustments and other	3,861	3,356	317	188
<b>Earnings / (loss) before the undernoted</b>	<b>17,852</b>	<b>15,133</b>	<b>4,193</b>	<b>(1,474)</b>
Unrealized exchange loss on long-term debt	(2,940)			
Interest expense, net	(3,605)			
<b>Earnings before income taxes</b>	<b>11,307</b>			
Current income tax expense	(1,870)			
Deferred income tax expense	(2,671)			
<b>Net income</b>	<b>\$ 6,766</b>			

<i>Nine Months Ended September 28, 2019</i>								
<i>(CAD thousands)</i>		Total	NB Timberlands	Maine Timberlands	Corporate and Other			
Sales								
Softwood	\$	30,288	\$	17,817	\$	12,471	\$	—
Hardwood		26,743		20,849		5,894		—
Biomass		3,566		3,554		12		—
Timber services and other sales		13,616		13,147		469		—
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Total sales		74,213		55,367		18,846		—
Cost of sales		49,900		37,045		12,855		—
Selling, administration and other		7,412		4,755		1,693		964
Reforestation		749		649		100		—
Depreciation and amortization		215		130		85		—
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		58,276		42,579		14,733		964
<hr/>								
Operating earnings / (loss)		15,937		12,788		4,113		(964)
Gain on sale of timberlands		864		470		394		—
Gain on disposal of other fixed assets		2		—		2		—
Fair value adjustments and other		1,409		2,336		(636)		(291)
Management agreement termination fee		(18,000)		(11,988)		(6,012)		—
<hr/>								
Earnings / (loss) before the undernoted		212		3,606		(2,139)		(1,255)
Unrealized exchange gain on long-term debt		2,907						
Interest expense, net		(2,989)						
<hr/>								
Earnings before income taxes		130						
Current income tax recovery		335						
Deferred income tax recovery		632						
<hr/>								
Net income	\$	1,097						

During the three months ended September 26, 2020, approximately 27% of total sales (2019 – 38%) were originated with customers domiciled in the U.S. and the balance in Canada. During the same period, approximately 26% of total sales (2019 – 34%) were denominated in U.S. dollars.

Acadian outsources much of its harvesting, transportation and other services that comprise the majority of Acadian's cost of sales. For the three months ended September 26, 2020, Acadian's top three suppliers accounted for approximately 11%, 11% and 6%, respectively, of Acadian's total harvesting and delivery costs (2019 – 12%, 10% and 4%, respectively).

Acadian sells its products to many forest products companies in North America. For the three months ended September 26, 2020, sales to the largest and next largest customer accounted for 25% and 12%, respectively, of Acadian's total sales (2019 – 17% and 13%, respectively).

#### NOTE 7. INCOME TAXES

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

<i>(CAD thousands)</i>	Three months ended			Nine months ended				
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019				
Income tax expense / (recovery)								
Income taxes at statutory rate	\$	1,794	\$	(4,309)	\$	3,279	\$	37
Foreign tax rate differential		(12)		60		(42)		24
Permanent differences		(308)		(8)		423		(824)
Imposition of new legislation		(35)		—		666		—
Benefit of previously unrecognized tax attributes		(323)		261		393		(217)
Changes in estimates related to prior years		(184)		—		(184)		—
Other		6		16		6		13
<hr/>								
Total income tax expense / (recovery)	\$	938	\$	(3,980)	\$	4,541	\$	(967)

## 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 September 26, 2020 were \$4.8 million (September 28, 2019 – \$4.8 million) or \$0.29 per share (September 28, 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		21,605
Reduction arising from harvest		(17,725)
Foreign exchange		4,055
<b>Balance as at September 26, 2020</b>	<b>\$</b>	<b>385,927</b>



## BOARD AND MANAGEMENT

### BOARD OF DIRECTORS

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.*

### MANAGEMENT

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

Adam Shepariski  
*Chief Financial Officer  
Acadian Timber Corp.*

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

## CORPORATE AND SHAREHOLDER INFORMATION

### HEAD OFFICE

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

Please direct your inquiries to:  
Adam Shepariski  
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 (September 26, 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.*