



ACADIAN TIMBER CORP.
Q2 2021 INTERIM REPORT
JUNE 26, 2021

Q2 2021 Interim Report

Letter to Shareholders

Overview

Acadian Timber Corp.'s ("Acadian" or the "Company") operations and financial results for the three months ended June 26, 2021 (the "second quarter") benefited from favourable operating conditions and steady demand. Good operating conditions and sufficient trucking capacity during the quarter enabled Acadian to reduce its inventory and recover the volume shortfall of the first quarter. Demand remained strong for Acadian's softwood and hardwood sawlogs, and steady for Acadian's hardwood pulpwood.

Reflecting the seasonality of Acadian's business, Acadian generated \$2.9 million of Free Cash Flow² and declared dividends of \$4.8 million to our shareholders during the second quarter. Our balance sheet continues to be solid with \$20.1 million of net liquidity as at June 26, 2021, 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 or contractors. Acadian continued to monitor COVID-19 related developments in the regions in which it operates and updated its COVID-19 operating plans accordingly.

Acadian generated sales of \$18.4 million, compared to \$11.5 million in the prior year period with sales volume, excluding biomass, up 55%. Acadian recovered the volume shortfall of the first quarter and benefited from an earlier start to harvesting operations following the spring thaw, and more operating days compared to the prior year period that had been impacted by operating restrictions caused by extreme fire risk. Weighted average selling price, excluding biomass, was flat year-over-year as increased sawlog pricing was offset by weaker pulpwood pricing and a stronger Canadian dollar.

Adjusted EBITDA² was \$3.8 million during the second quarter, compared to \$1.4 million in the prior year period and Adjusted EBITDA margin² for the quarter was 21%, compared to 12% in the prior year period.

Net income for the second quarter totaled \$5.9 million, or \$0.35 per share, compared to a net income of \$5.2 million, or \$0.31 per share in the same period of 2020. The increase in net income from the prior year period is due to increased operating earnings offset by a combination of lower non-cash fair value adjustments and unrealized foreign exchange gain on long-term debt in 2021 compared to 2020.

Market Outlook¹

Acadian expects continued steady demand for its softwood and hardwood sawlogs, hardwood pulpwood, and biomass.

While North American softwood lumber prices are moderating as supply and demand come into balance, demand for softwood lumber is expected to remain strong given the continued positive outlook for U.S. home construction and improvements, supported by low interest rates, income and job growth, aging and underbuilt housing stock, and favorable home buying demographics. Consensus forecast for U.S. housing starts is 1.55 million for 2021 and 1.52 million for 2022.

Accordingly, softwood sawmills are running steady in our operating regions, and Acadian is continuing to experience steady demand for its softwood sawlogs.

Demand for hardwood sawlogs has been strong as both appearance and industrial grade lumber is in high demand and roundwood inventories at hardwood sawmills are low. Acadian expects strong demand and pricing for its hardwood sawlogs for the remainder of this year.

Regional hardwood pulpwood demand is expected to remain stable as the economy improves, while softwood pulpwood demand is expected to remain weak with continued high roundwood inventories regionally and significant competition from sawmill residuals that limit prospects for near term improvement.

Demand for biomass from Acadian's New Brunswick operation is expected to remain stable to positive, with steady demand

from the regional market supplemented by the return of export markets.

Carbon Credit Project

Over the past 18 months, Acadian has explored opportunities to participate in both compliance and voluntary carbon credit markets. During the quarter, Acadian executed its first carbon development and marketing agreement to develop voluntary carbon credits on the portion of its Maine Timberlands that is subject to a working forest conservation easement. This project commits Acadian to balancing harvest and growth, and requires long term planning, annual reporting, periodic carbon inventory verification, and maintenance of the existing sustainable forestry certification.

While this project is relatively small, and expected to contribute modestly to cash flow and have little impact on operations, it forms a foundation for further carbon credit development. As it takes about 12-18 months to develop and sell carbon credits, Acadian expects to begin receiving proceeds from sales in mid to late 2022.

Looking Ahead

Acadian continues to benefit from a strong balance sheet, diverse markets, and a highly capable team that remains focused on strong financial and operating performance. Looking ahead, Acadian will continue to focus on maximizing cash flows from its existing timberland assets through sustainable forest management and other land use activities. Acadian is also focused on developing opportunities to grow its business by acquiring timberlands on a value basis in areas where it can leverage its expertise to drive improved performance.

On a final note, Acadian's leadership transition has proceeded smoothly. Adam Shepanski is well-prepared to lead Acadian as its CEO going forward, and Susan Wood is well-positioned to serve as its CFO.

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



Erika Reilly

President and Chief Executive Officer

July 28, 2021

- 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 and Free Cash Flow are key performance measures in evaluating Acadian's operations and are important in enhancing investors' understanding of Acadian's operating performance. Adjusted EBITDA 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. Acadian's management defines Adjusted EBITDA as earnings before interest, taxes, fair value adjustments, recovery of or impairment of land and roads, realized gain/loss on sale of roads and other fixed assets, unrealized exchange gain/loss on debt, depreciation and amortization and Adjusted EBITDA margin as Adjusted EBITDA as a percentage of its total revenue. Free Cash Flow is defined as Adjusted EBITDA less interest paid, current income tax expense, and capital expenditures plus net proceeds from the sale of fixed assets (selling price less gains or losses included in Adjusted EBITDA). As these performance measures do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"), they may not be comparable to similar measures presented by other companies. Please refer to Management's Discussion and Analysis for further details.*

MANAGEMENT'S DISCUSSION AND ANALYSIS

July 28, 2021

INTRODUCTION

Acadian Timber Corp. ("Acadian", the "Company" or "we") is one of the largest timberland owners in Eastern Canada and the Northeastern U.S. and has a total of approximately 2.4 million acres of land under management. Acadian owns and manages approximately 761,000 acres of freehold timberlands in New Brunswick ("New Brunswick Timberlands" or "NB Timberlands"), approximately 300,000 acres of freehold timberlands in Maine ("Maine Timberlands") and provides timber services relating to approximately 1.3 million acres of Crown licensed timberlands in New Brunswick. Acadian's products include softwood and hardwood sawlogs, pulpwood, and biomass by-products, sold to approximately 90 regional customers.

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

Basis of Presentation

This management's discussion and analysis ("MD&A") discusses the financial condition and results of operations of the Company for the three months ended June 26, 2021 (herein referred to as the "second quarter") and the six months ended June 26, 2021 compared to the three months and six months ended June 27, 2020 and should be read in conjunction with the interim condensed consolidated financial statements and notes thereto for the second quarter and the audited annual consolidated financial statements and the related MD&A for the fiscal year ended December 31, 2020.

Our second quarter financial results are determined in accordance with IAS 34 "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") and are expressed in Canadian dollars unless otherwise noted. External economic and industry factors remain unchanged since the previous annual report, unless otherwise noted. This MD&A has been prepared based on information available as at July 28, 2021. Additional information is available on Acadian's website at www.acadiantimber.com and on SEDAR at www.sedar.com.

Non-IFRS Measures

Throughout this MD&A, reference is made to "Adjusted EBITDA", which Acadian's management defines as earnings before interest, taxes, fair value adjustments, recovery of or impairment of land and roads, realized gain/loss on sale of other fixed assets, unrealized exchange gain/loss on debt, depreciation, and amortization and to "Adjusted EBITDA margin", which is Adjusted EBITDA as a percentage of its total revenue. Reference is also made to "Free Cash Flow", which Acadian's management defines as Adjusted EBITDA less interest paid, current income tax expense, and capital expenditures plus net proceeds from the sale of fixed assets (selling price less gains or losses included in Adjusted EBITDA). Reference made to "Payout Ratio" is defined as dividends declared divided by Free Cash Flow. Management believes that Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow, and Payout Ratio are key performance measures in evaluating Acadian's operations and are important in enhancing investors' understanding of the Company's operating performance. Adjusted EBITDA and Adjusted EBITDA margin are used to evaluate operational performance. Free Cash Flow is used to evaluate Acadian's ability to 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, including the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as at December 31, 2020. There have been no changes in our disclosure controls and procedures during the six months ended June 26, 2021 that have materially affected, or are reasonably likely to materially affect, our disclosure controls and procedures.

Management, including the Chief Executive Officer and Chief Financial Officer, have also evaluated the design and effectiveness of our internal controls over financial reporting in accordance with Multilateral Instrument 52-109 using the COSO Framework 2013 as at December 31, 2020. There have been no changes in our internal controls over financial reporting during the six months ended June 26, 2021 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

REVIEW OF OPERATIONS

Summary of Second Quarter Results

The table below summarizes operating and financial data for Acadian:

<i>(CAD thousands, except per share information)</i>	Three Months Ended		Six Months Ended	
	June 26, 2021	June 27, 2020	June 26, 2021	June 27, 2020
Sales volume (000s m ³)	211.3	139.7	501.3	514.6
Sales	\$ 18,414	\$ 11,458	\$ 44,306	\$ 42,866
Operating earnings	3,763	1,283	10,503	9,546
Net income	5,898	5,229	11,722	1,518
Adjusted EBITDA ¹	\$ 3,827	\$ 1,354	\$ 10,701	\$ 9,683
Adjusted EBITDA margin ¹	21%	12%	24%	23%
Free Cash Flow ¹	\$ 2,864	\$ (208)	\$ 7,854	\$ 6,357
Dividends declared	4,839	4,839	9,678	9,678
Payout Ratio ¹	n/a	n/a	123%	152%
Per share – basic and diluted				
Net income	\$ 0.35	\$ 0.31	\$ 0.70	\$ 0.09
Free Cash Flow ¹	0.17	(0.01)	0.47	0.38
Dividends declared	0.29	0.29	0.58	0.58
Book value	17.42	17.14	17.41	17.14
Common shares outstanding ²	16,686,916	16,686,916	16,686,916	16,686,916
Weighted average shares outstanding ²	16,686,916	16,686,916	16,686,916	16,686,916

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

2. As at July 28, 2021 there were 16,686,916 common shares outstanding.

During the second quarter, Acadian generated sales of \$18.4 million, compared to \$11.5 million in the prior year period. Sales volume, excluding biomass, increased 55% over the prior year period due to favourable operating conditions and stable demand. Acadian recovered the volume shortfall of the first quarter and benefited from an earlier start following the spring thaw and more operating days compared to the prior year period that had been impacted by operating restrictions caused by extreme fire risk. Weighted average selling price, excluding biomass, was flat year-over-year as increased sawlog pricing was offset by weaker pulpwood pricing and a stronger Canadian dollar.

Operating costs and expenses were \$14.7 million during the second quarter, compared to \$10.2 million in the prior year period, reflecting higher sales volumes and timber services activity. Weighted average variable costs, excluding biomass, decreased 9%, as a result of lower processing costs and a stronger Canadian dollar compared to the prior year period.

Adjusted EBITDA was \$3.8 million during the second quarter, compared to \$1.4 million in the prior year period while the Adjusted EBITDA margin for the quarter was 21%, compared to 12% in the prior year period for the reasons discussed above. Free Cash Flow was \$2.9 million compared to \$0.2 million of negative Free Cash Flow in the same period in 2020.

Net income for the second quarter totaled \$5.9 million, or \$0.35 per share, compared to a net income of \$5.2 million, or \$0.31 per share in the same period in 2020. The increase in net income from the prior year period is due to increased operating earnings offset by a combination of lower non-cash fair value adjustments and unrealized foreign exchange gain

on long-term debt in 2021 compared to 2020.

During the first half of 2021, Acadian sales of \$44.3 million increased 3% compared to the prior year period. The weighted average selling price, excluding biomass, decreased 1%, and the sales volume was flat year-over-year. Operating costs and expenses of \$33.8 million were also flat year-over-year. Strong sawlogs prices, lower administrative costs, and increased timber services revenues resulted in Adjusted EBITDA of \$10.7 million compared to \$9.7 million during the first half of 2020. Adjusted EBITDA margin improved to 24% from 23%.

For the six months ended June 26, 2021, net income was \$11.7 million, or \$0.70 per share, which represents an increase of \$10.2 million compared to the prior period, primarily as a result of a non-cash unrealized foreign exchange gain on long term debt of \$3.5 million this year compared to a loss of \$5.2 million in 2020 combined with lower administrative costs and interest expense.

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		Six Months Ended	
	June 26, 2021	June 27, 2020	June 26, 2021	June 27, 2020
Net income	\$ 5,898	\$ 5,229	\$ 11,722	\$ 1,518
Add (deduct):				
Interest expense, net	727	1,172	1,482	2,463
Current income tax expense	179	656	1,285	1,558
Deferred income tax expense	1,302	1,493	2,070	2,045
Depreciation and amortization	64	71	126	137
Fair value adjustments and other	(2,055)	(4,237)	(2,480)	(3,218)
Unrealized exchange (gain) / loss on long-term debt	(2,288)	(3,030)	(3,504)	5,180
Adjusted EBITDA ¹	\$ 3,827	\$ 1,354	\$ 10,701	\$ 9,683
Add (deduct):				
Interest paid on debt, net	(696)	(819)	(1,408)	(1,673)
Additions to timber, land, roads, and other fixed assets	(88)	(87)	(157)	(95)
Gain on sale of timberlands	—	—	(72)	—
Proceeds from sale of timberlands	—	—	75	—
Current income tax expense	(179)	(656)	(1,285)	(1,558)
Free Cash Flow ¹	\$ 2,864	\$ (208)	\$ 7,854	\$ 6,357
Dividends declared	\$ 4,839	\$ 4,839	\$ 9,678	\$ 9,678
Payout Ratio ^{1,2}	n/a	n/a	123%	152%

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

2. *Seasonal fluctuations in volume render second quarter Payout Ratios not meaningful.*

Dividend Policy of the Company

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

Total dividends declared to shareholders during the three months ended June 26, 2021, were \$4.8 million, or \$0.29 per share, consistent with the same period in 2020. The Payout Ratio for the second quarter is not considered meaningful given the traditionally low level of activity during the quarter.

Operating and Market Conditions

Acadian's operations benefited from favourable operating conditions and stable demand for its products. Acadian was able to reduce its inventory and recover the volume shortfall of the first quarter. Demand for Acadian's softwood and hardwood sawlogs remained strong due to favourable end use markets. Demand for hardwood pulpwood was stable throughout the

quarter while softwood pulpwood markets remained weak due to high roundwood inventories and competition from sawmill residuals in the region. Acadian's sales volume, excluding biomass, of 190,000 m³ was up 55% compared to the same period in 2020.

Acadian's weighted average selling price, excluding biomass, was flat year-over-year. Strong sawlog prices and a higher value product mix compared to 2020 was offset by lower pulpwood prices and a stronger Canadian dollar. Hardwood sawlog prices increased 11% mainly driven by very strong demand while hardwood pulpwood price decreased 12% relative to the same period in 2020 due to elevated inventories and the stronger Canadian dollar. Biomass margins decreased year-over-year due to higher average hauling distances compared to the prior year period driven by customer mix.

Segmented Results of Operations

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

<i>Three Months Ended June 26, 2021</i>				
<i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	165.2	46.1	—	211.3
Sales	\$ 14,874	\$ 3,540	\$ —	\$ 18,414
Adjusted EBITDA ¹	\$ 3,839	\$ 424	\$ (436)	\$ 3,827
Adjusted EBITDA margin ¹	26%	12%	n/a	21%

<i>Three Months Ended June 27, 2020</i>				
<i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	119.6	20.1	—	139.7
Sales	\$ 9,482	\$ 1,976	\$ —	\$ 11,458
Adjusted EBITDA ¹	\$ 1,781	\$ 117	\$ (544)	\$ 1,354
Adjusted EBITDA margin ¹	19%	6%	n/a	12%

<i>Six Months Ended June 26, 2021</i>				
<i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	355.4	145.9	—	501.3
Sales	\$ 33,195	\$ 11,111	\$ —	\$ 44,306
Adjusted EBITDA ¹	\$ 8,918	\$ 2,452	\$ (669)	\$ 10,701
Adjusted EBITDA margin ¹	27%	22%	n/a	24%

<i>Six Months Ended June 27, 2020</i>				
<i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	373.8	140.8	—	514.6
Sales	\$ 31,179	\$ 11,687	\$ —	\$ 42,866
Adjusted EBITDA ¹	\$ 7,660	\$ 3,166	\$ (1,143)	\$ 9,683
Adjusted EBITDA margin ¹	25%	27%	n/a	23%

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

New Brunswick Timberlands

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

There were no recordable safety incidents amongst employees or contractors during the second quarter of 2021.

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

	Three Months Ended June 26, 2021				Three Months Ended June 27, 2020			
	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results (\$000)	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results (\$000s)
Softwood	41.0	54.9	33%	\$ 3,464	42.3	48.3	40%	\$ 2,506
Hardwood	78.8	88.9	54%	6,476	32.0	53.6	45%	4,248
Biomass	21.4	21.4	13%	878	17.7	17.7	15%	631
	141.2	165.2	100%	10,818	92.0	119.6	100%	7,385
Timber services and other				4,056				2,097
Sales				\$ 14,874				\$ 9,482
Adjusted EBITDA ¹				\$ 3,839				\$ 1,781
Adjusted EBITDA margin ¹				26%				19%

	Six Months Ended June 26, 2021				Six Months Ended June 27, 2020			
	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results (\$000)	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results (\$000s)
Softwood	139.2	141.4	40%	\$ 9,031	158.8	161.7	43%	\$ 9,138
Hardwood	159.8	163.0	46%	12,287	135.8	149.6	40%	12,013
Biomass	51.0	51.0	14%	2,087	62.5	62.5	17%	2,124
	350.0	355.4	100%	23,405	357.1	373.8	100%	23,275
Timber services and other				9,790				7,904
Sales				\$ 33,195				\$ 31,179
Adjusted EBITDA ¹				\$ 8,198				\$ 7,660
Adjusted EBITDA margin ¹				27%				25%

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

Sales for New Brunswick Timberlands were \$14.9 million during the second quarter, compared to \$9.5 million during the prior year period. Sales volume, excluding biomass, increased 41% relative to the same period in 2020, mainly due to higher softwood sawlogs and hardwood pulpwood sales. During the second quarter, New Brunswick's operations benefited from favourable operating conditions and recovered the volume shortfall of the first quarter, except for softwood pulpwood, for which demand remained weak. Biomass sales volume increased 21% due to strong deliveries to export markets. The weighted average selling price, excluding biomass, for the second quarter was \$69.13 per m³, or 4% higher than the prior year period, reflecting strong sawlog prices and a favourable product mix. Biomass pricing was up 15% year-over-year reflecting the higher average hauling distance to market driven by the customer mix.

Operating costs and expenses were \$11.1 million during the second quarter, compared to \$7.7 million in the prior year period due to higher harvesting and timber services activity. Favourable operating conditions during the quarter resulted in more operating days than in the prior year period. Weighted average variable costs, excluding biomass, decreased by 7% due to lower log processing costs compared to the prior year period.

Adjusted EBITDA for the quarter was \$3.8 million compared to \$1.8 million during the prior year period and Adjusted EBITDA margin increased to 26% from 19% in the prior year period. Adjusted EBITDA increase was driven by higher sales volumes and additional revenues from timber services.

During the first half of 2021, New Brunswick Timberlands' sales of \$33.2 million increased 6% compared to the prior year period. The weighted average selling price, excluding biomass, increased 3%, however the sales volume, excluding biomass, decreased 2% year-over-year. The volume decrease reflects the lower softwood pulpwood deliveries due to the increased availability of sawmill residuals in the region. Operating costs and expenses of \$24.4 million during the first half of 2021 were

\$0.8 million higher than the prior year period due to higher timber services activity. As a result of higher sales and lower administration costs, Adjusted EBITDA increased to \$8.9 million from \$7.7 million during the first half of 2020, and Adjusted EBITDA margin improved to 27% from 25%.

Maine Timberlands

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

There were no recordable safety incidents amongst employees or contractors during the second quarter of 2021.

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

	Three Months Ended June 26, 2021				Three Months Ended June 27, 2020			
	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results (\$000s)	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results (\$000s)
Softwood	27.6	27.5	60%	\$ 1,855	10.4	10.2	51%	\$ 810
Hardwood	10.0	18.3	40%	1,552	7.3	9.8	49%	1,025
Biomass	0.3	0.3	0%	3	0.1	0.1	0%	—
	37.9	46.1	100%	3,410	17.8	20.1	100%	1,835
Timber services and other				130				141
Sales				\$ 3,540				\$ 1,976
Adjusted EBITDA ¹				\$ 424				\$ 117
Adjusted EBITDA margin ¹				12%				6%

	Six Months Ended June 26, 2021				Six Months Ended June 27, 2020			
	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results (\$000s)	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results (\$000s)
Softwood	103.6	103.5	71%	\$ 7,573	102.4	102.4	73%	\$ 8,065
Hardwood	36.9	41.8	29%	3,305	37.7	38.2	27%	3,360
Biomass	0.6	0.6	0%	8	0.2	0.2	0%	2
	141.1	145.9	100%	10,886	140.3	140.8	100%	11,427
Timber services and other				225				260
Sales				\$ 11,111				\$ 11,687
Adjusted EBITDA ¹				\$ 2,452				\$ 3,166
Adjusted EBITDA margin ¹				22%				27%

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

Sales for Maine Timberlands during the second quarter totaled \$3.5 million, compared to \$2.0 million for the same period last year. Sales volume, excluding biomass, increased by 129% as a result of favourable operating conditions and stable demand.

The weighted average selling price, excluding biomass, in Canadian dollar terms was \$74.26 per m³, compared to \$91.45 per m³ in 2020. In U.S. dollar terms, the weighted average selling price, excluding biomass, was \$60.38 per m³, compared to \$65.16 per m³ in 2020 with higher sawlog prices offset by lower hardwood pulpwood prices. The 19% price decrease in Canadian dollar terms is mainly due to changes in the foreign exchange rate compared to the prior year period.

Operating costs and expenses for the second quarter were \$3.1 million, compared to \$1.9 million during the same period in 2020 as a result of higher sales volumes. Weighted average variable costs, excluding biomass, decreased 17%, benefiting from a stronger Canadian dollar and lower softwood sawlogs costs related to a higher proportion of roadside sales.

Adjusted EBITDA for the quarter was \$0.4 million compared to \$0.1 million during the prior year period and Adjusted EBITDA margin was 12% compared to 6% in the prior year period. Adjusted EBITDA was impacted by higher volumes partially offset

by the stronger Canadian dollar.

During the first half of 2021, Maine Timberlands' sales were \$11.1 million compared to \$11.7 million in the prior year period. Maine Timberlands' weighted average selling price, excluding biomass, decreased 8% in Canadian dollar terms, and 1% in U.S. dollar terms, however the sales volume, excluding biomass, increased 3% year-over-year. Operating costs and expenses of \$8.8 million during the first half of 2021 were flat year-over-year. Adjusted EBITDA was \$2.5 million compared to \$3.2 million during the first half of 2020 while Adjusted EBITDA margin was 22% compared to 27% in 2020.

Carbon Credit Project

Over the past 18 months, Acadian has explored opportunities to participate in both compliance and voluntary carbon credit markets. During the quarter, Acadian executed its first carbon development and marketing agreement to develop voluntary carbon credits on the portion of its Maine Timberlands that is subject to a working forest conservation easement. This project commits Acadian to balancing harvest and growth, and requires long term planning, annual reporting, periodic carbon inventory verification, and maintenance of the existing sustainable forestry certification.

While this project is relatively small, and expected to contribute modestly to cash flow and have little impact on operations, it forms a foundation for further carbon credit development. As it takes about 12-18 months to develop and sell carbon credits, Acadian expects to begin receiving proceeds from sales in mid to late 2022.

Financial Position

Acadian had net liquidity of \$20.1 million as at June 26, 2021, including funds available under the revolving facility.

As at June 26, 2021, Acadian's balance sheet consisted of total assets of \$506.0 million (December 31, 2020 – \$513.4 million), represented primarily by timber, land, roads and other fixed assets of \$484.7 million (December 31, 2020 – \$487.9 million), with the balance in cash and current assets of \$15.2 million (December 31, 2020 – \$19.4 million), and intangible assets of \$6.1 million (December 31, 2020 – \$6.1 million). Timber has been recorded at fair value as determined through an independent third-party appraisal at December 31, 2020 and adjusted for growth estimates, harvest activity and the impact of changes in foreign exchange rates during the first six months of the year. Silviculture costs have been expensed as incurred.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and capital resources are discussed in the Company's MD&A for the year ended December 31, 2020.

MARKET OUTLOOK

The following contains forward-looking information about Acadian Timber Corp.'s outlook for the remainder of 2021. Reference should be made to "Cautionary Statement Regarding Forward-Looking Information and Statements" for further details. For a description of material factors that could cause actual results to differ materially from the forward-looking information in the following, please see the Risk Factors section of Acadian's most recent Annual Report and Annual Information Form available on our website at www.acadiantimber.com or www.sedar.com.

Acadian expects continued steady demand for its softwood and hardwood sawlogs, hardwood pulpwood and biomass.

While North American softwood lumber prices are moderating as supply and demand come into balance, demand for softwood lumber is expected to remain strong given the continued positive outlook for U.S. home construction and improvements, supported by low interest rates, income and job growth, aging and underbuilt housing stock, and favorable home buying demographics. Consensus forecast for U.S. housing starts is 1.55 million for 2021 and 1.52 million for 2022.

Accordingly, softwood sawmills are running steady in our operating regions, and Acadian is continuing to experience steady demand for its softwood sawlogs.

Demand for hardwood sawlogs has been strong as both appearance and industrial grade lumber is in high demand and roundwood inventories at hardwood sawmills are low. Acadian expects strong demand and pricing for its hardwood sawlogs for the remainder of this year.

Regional hardwood pulpwood demand is expected to remain stable as the economy improves, while softwood pulpwood demand is expected to remain weak with continued high roundwood inventories regionally and significant competition from sawmill residuals that limit prospects for near term improvement.

Demand for biomass from Acadian's New Brunswick operation is expected to remain stable to positive with steady demand from the regional market supplemented by the return of export markets.

SELECTED CONSOLIDATED QUARTERLY INFORMATION

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

(CAD thousands, except per share data and where indicated)	2021		2020				2019	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales volume (000s m ³)	211.3	290.0	321.2	302.3	139.7	374.9	339.4	313.5
Sales	\$ 18,414	\$ 25,892	\$ 24,929	\$ 23,236	\$ 11,458	\$ 31,408	\$ 25,835	\$ 25,357
Adjusted EBITDA ¹	3,827	6,874	7,288	4,514	1,354	8,329	6,586	5,123
Free Cash Flow ¹	2,864	4,990	5,648	3,149	(208)	6,565	5,296	4,186
Net Income (loss)	5,898	5,824	15,314	5,248	5,229	(3,711)	16,228	(10,869)
Per share – basic and diluted	\$ 0.35	\$ 0.35	\$ 0.92	\$ 0.31	\$ 0.31	\$ (0.22)	\$ 0.97	\$ (0.65)

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

Results are impacted by seasonality. Harvest activity is highest during the winter months, when the ground is frozen, providing a solid base for the harvesting and hauling equipment. There is a significant decrease in activity during the spring when the ground thaws. Harvesting activity resumes in the early summer when the ground dries and continues through the fall. At the end of the first quarter of 2021, temporary road closures caused by unseasonably warm weather resulted in fewer operating weeks compared to the same period in the prior year. Similarly, the financial results of the second quarter of 2020 were significantly impacted by an earlier end to winter operations, followed by highly unusual dry and hot weather that led to extreme fire risk and operating restrictions later in the quarter.

Net income can be significantly impacted by non-cash items such as fluctuations in foreign exchange 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 Asset Management Inc. 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 audited 2020 consolidated financial statements.

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

Related Party Transactions

There were no related party transactions during the second quarter.

Contractual Obligations

The Company has no material capital or operating lease obligations, however, it has two significant contractual obligations related to the supply of fibre to Twin Rivers Paper Company ("Twin Rivers") which expires in 2026, subject to a five-year extension, and the provision of timber services under a Crown License Agreement at the direction of Twin Rivers with a term equal to the term of the Crown License, including any renewal terms.

The table below summarizes the Company's long-term debt obligations as at June 26, 2021:

<i>(CAD thousands)</i>	Total	<i>Payments Due by Period</i>			
		Remainder 2021	1 to 3 Years (2022-2024)	4 to 5 Years (2025-2026)	After 5 Years (>2026)
Term facilities					
Tranche due March 6, 2025 ¹	\$ 18,134	—	—	18,134	—
Tranche due March 6, 2025 ¹	21,207	—	—	21,207	—
Tranche due March 6, 2027 ¹	39,341	—	—	—	39,341
Tranche due March 6, 2030 ¹	19,670	—	—	—	19,670
	\$ 98,352	\$ —	\$ —	\$ 39,341	\$ 59,011
Interest payments	\$ 15,296	\$ 1,384	\$ 8,303	\$ 3,573	\$ 2,036

1. Represents principal of the U.S. dollar denominated term facilities with a U.S. to Canadian dollar conversion rate of 1.2294, excluding the unamortized deferred financing costs.

RISK FACTORS

Risk factors are discussed in the Company's MD&A for the year ended December 31, 2020.

Cautionary Statement Regarding Forward-Looking Information and Statements

This MD&A contains forward-looking information and statements within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. 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 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; 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 or U.S. income tax law; the 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 10, 2021, the Annual Information Form dated March 26, 2021 and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: forecasts in the housing market; anticipated financial performance; anticipated market conditions; business prospects; the economic situation of key customers; strategies; regulatory developments; exchange rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services; and the ability to obtain financing on acceptable terms. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are made as of the date of this MD&A and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this MD&A. Acadian assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as may be required by applicable law.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

<i>As at</i> <i>(CAD thousands)</i>	Note	June 26, 2021	December 31, 2020
Assets			
Current assets			
Cash		\$ 7,853	\$ 10,258
Accounts receivable and other assets		6,744	7,731
Current income taxes receivable		—	415
Inventory		614	957
		15,211	19,361
Timber	3	386,375	388,005
Land, roads, and other fixed assets		98,286	99,892
Intangible asset		6,140	6,140
Total assets		\$ 506,012	\$ 513,398
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 6,237	\$ 8,640
Current income taxes payable		338	—
Dividends payable to shareholders		4,839	4,839
		11,414	13,479
Long-term debt	4	97,755	101,185
Deferred income tax liabilities		106,176	105,493
Shareholders' equity		290,667	293,241
Total liabilities and shareholders' equity		\$ 506,012	\$ 513,398

See accompanying notes to interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME

(unaudited)

<i>(CAD thousands, except per share data)</i>	Note	Three Months Ended		Six Months Ended	
		June 26, 2021	June 27, 2020	June 26, 2021	June 27, 2020
Sales		\$ 18,414	\$ 11,458	\$ 44,306	\$ 42,866
Operating costs and expenses					
Cost of sales		12,269	7,768	29,716	28,629
Selling, administration and other		2,058	2,086	3,698	4,303
Silviculture		260	250	263	251
Depreciation and amortization		64	71	126	137
		14,651	10,175	33,803	33,320
Operating earnings		3,763	1,283	10,503	9,546
Interest expense, net		(727)	(1,172)	(1,482)	(2,463)
Other items					
Fair value adjustments and other		2,055	4,237	2,480	3,218
Unrealized exchange gain / (loss) on long-term debt		2,288	3,030	3,504	(5,180)
Gain on sale of timberlands		—	—	72	—
Earnings before income taxes		7,379	7,378	15,077	5,121
Current income tax expense	7	(179)	(656)	(1,285)	(1,558)
Deferred income tax expense	7	(1,302)	(1,493)	(2,070)	(2,045)
Net income		\$ 5,898	\$ 5,229	\$ 11,722	\$ 1,518
Net income per share – basic and diluted		\$ 0.35	\$ 0.31	\$ 0.70	\$ 0.09

See accompanying notes to interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

<i>(CAD thousands)</i>	Three Months Ended		Six Months Ended	
	June 26, 2021	June 27, 2020	June 26, 2021	June 27, 2020
Net income	\$ 5,898	\$ 5,229	\$ 11,722	\$ 1,518
Other comprehensive (loss) / income				
Items that may be reclassified subsequently to net income:				
Unrealized foreign currency translation (loss) / gain	(3,185)	(4,169)	(4,618)	7,455
Comprehensive income	\$ 2,713	\$ 1,060	\$ 7,104	\$ 8,973

See accompanying notes to interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited)

<i>Six Months Ended June 26, 2021</i> <i>(CAD thousands)</i>		Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Shareholders' Equity
	Note					
Balance as at December 31, 2020		\$ 139,394	\$ 86,626	\$ 42,121	\$ 25,100	\$ 293,241
Changes during the period						
Net income		—	11,722	—	—	11,722
Other comprehensive loss		—	—	—	(4,618)	(4,618)
Shareholders' dividends declared	8	—	(9,678)	—	—	(9,678)
Balance as at June 26, 2021		\$ 139,394	\$ 88,670	\$ 42,121	\$ 20,482	\$ 290,667

See accompanying notes to interim condensed consolidated financial statements.

<i>Six Months Ended June 27, 2020</i> <i>(CAD thousands)</i>		Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Shareholders' Equity
	Note					
Balance as at December 31, 2019		\$ 139,394	\$ 83,903	\$ 35,679	\$ 27,725	\$ 286,701
Changes during the period						
Net income		—	1,518	—	—	1,518
Other comprehensive income		—	—	—	7,455	7,455
Shareholders' dividends declared	8	—	(9,678)	—	—	(9,678)
Balance as at June 27, 2020		\$ 139,394	\$ 75,743	\$ 35,679	\$ 35,180	\$ 285,996

See accompanying notes to interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

<i>(CAD thousands)</i>	Three Months Ended		Six Months Ended	
	June 26, 2021	June 27, 2020	June 26, 2021	June 27, 2020
Cash provided by (used for):				
Operating activities				
Net income	\$ 5,898	\$ 5,229	\$ 11,722	\$ 1,518
Adjustments to net income:				
Income tax expense	1,481	2,149	3,355	3,603
Depreciation and amortization	64	71	126	137
Fair value adjustments and other	(2,055)	(4,237)	(2,480)	(3,218)
Unrealized exchange (gain) / loss on long-term debt	(2,288)	(3,030)	(3,504)	5,180
Gain on sale of timberlands	—	—	(72)	—
Income taxes paid	(2,118)	—	(532)	—
Net change in non-cash working capital balances and other	596	3,664	(1,260)	3,358
	1,578	3,846	7,355	10,578
Financing activities				
Repayment of short-term debt	—	(1,156)	—	(8,169)
Issuance of long-term debt	—	—	—	19,795
Repayment of long-term debt	—	—	—	(9,729)
Deferred financing costs	—	(17)	—	(527)
Dividends paid to shareholders	(4,839)	(4,839)	(9,678)	(9,678)
	(4,839)	(6,012)	(9,678)	(8,308)
Investing activities				
Additions to timber, land, roads, and other fixed assets	(88)	(87)	(157)	(95)
Proceeds from sale of timberlands	—	—	75	—
	(88)	(87)	(82)	(95)
(Decrease) increase in cash during the period	(3,349)	(2,253)	(2,405)	2,175
Cash, beginning of period	11,202	12,029	10,258	7,601
Cash, end of period	\$ 7,853	\$ 9,776	\$ 7,853	9,776

See accompanying notes to 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		Six Months Ended	
	June 26, 2021	June 27, 2020	June 26, 2021	June 27, 2020
Accounts receivable and other assets	\$ 1,124	\$ 5,782	\$ 987	\$ 5,343
Inventory	2,061	2,139	343	991
Accounts payable and accrued liabilities	(1,526)	(3,545)	(2,403)	(3,739)
Other	(1,063)	(712)	(187)	763
	\$ 596	\$ 3,664	\$ (1,260)	\$ 3,358

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

1. GENERAL

Acadian Timber Corp. (the “Company”) is governed by the *Canada Business Corporations Act* pursuant to articles of arrangement dated January 1, 2010. The Company is a reporting issuer and its common shares are publicly traded on the Toronto Stock Exchange under the stock symbol “ADN”. The principal and head office of the Company is located at 365 Canada Road, Edmundston, New Brunswick, E3V 1W2.

The Company and all of its consolidated 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 90 regional customers.

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

As at June 26, 2021, Macer Forest Holdings Inc. owns 7,513,262 shares representing approximately 45% of the outstanding shares of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies adopted and disclosed in Note 2 of Acadian’s audited 2020 consolidated financial statements. These interim condensed consolidated financial statements should be read in conjunction with Acadian’s audited annual consolidated financial statements for the fiscal year ended December 31, 2020.

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.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of Acadian on July 28, 2021.

Future Accounting Standards

Amendment to IAS 41 Agriculture

In May 2020, the IASB issued an amendment to IAS 41 Agriculture as part of Annual Improvements to IFRS Standards 2018–2020. The amendment removes the requirement for an entity to exclude taxation cash flows when calculating the fair value of its biological assets. An entity will be permitted to use post-tax cash flows and a post-tax rate to discount those cash flows. The amendment is effective for annual periods beginning on or after January 1, 2022. The impact of the adoption of this amendment has not yet been determined.

3. TIMBER

<i>(CAD thousands)</i>		
Balance as at December 31, 2019	\$	377,992
Disposals		(4)
Gains arising from growth		28,919
Reduction arising from harvest		(24,997)
Gain from fair value price and other changes		8,506
Foreign exchange		(2,411)
Balance as at December 31, 2020	\$	388,005
Disposals		(3)
Gains arising from growth		14,075
Reduction arising from harvest		(11,459)
Foreign exchange		(4,243)
Balance as at June 26, 2021	\$	386,375

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

4. LONG-TERM DEBT

<i>As at</i>		
<i>(CAD thousands)</i>	June 26, 2021	December 31, 2020
Term facilities	\$ 98,352	\$ 101,843
Less:		
Deferred debt issuance costs	(597)	(658)
Total	\$ 97,755	\$ 101,185

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

As at June 26, 2021, Acadian had borrowed U.S. \$80.0 million under the Term Facilities (December 31, 2020 – U.S. \$80.0 million). U.S. \$1.7 million of the Revolving Facility is reserved to support the minimum cash balance requirement of the Term Facilities. As security for these facilities, Acadian granted the lenders a security interest over all its assets. The facilities are subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness and granting liens or selling assets without the consent of the lenders. The credit facilities are also subject to the maintenance of a maximum loan-to-value ratio. Acadian is in compliance with all covenants as at June 26, 2021, and December 31, 2020.

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

The fair value of the Term Facilities as at June 26, 2021 is \$102.0 million (December 31, 2020 – \$105.5 million). The fair value of debt is determined using the discounted cash flow approach and is measured under Level 2 of the fair value hierarchy. Future cash flows are estimated based on the terms under the Term Facilities and discounted at a rate reflecting appropriate market fundamentals relating to the debt.

5. SHAREHOLDERS' EQUITY

Acadian is authorized to issue an unlimited number of common shares. The common shares have no stated par value. As at June 26, 2021 and December 31, 2020, 16,686,916 common shares were issued and outstanding.

6. SEGMENTED INFORMATION

Acadian's presentation of reportable segments is based on how management has organized the business in making operating and capital allocation decisions and assessing performance. Acadian has two operating segments: NB Timberlands and Maine Timberlands. 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 June 26, 2021</i>		NB		Corporate	
<i>(CAD thousands)</i>		Total	Timberlands	Timberlands	and Other
Sales					
Softwood	\$ 5,319	\$ 3,464	\$ 1,855	\$ —	
Hardwood	8,028	6,476	1,552	—	
Biomass	881	878	3	—	
Timber services and other sales	4,186	4,056	130	—	
Total sales	18,414	14,874	3,540	—	
Operating costs and expenses					
Cost of sales	12,269	9,660	2,609	—	
Selling, administration and other	2,058	1,115	507	436	
Silviculture	260	260	—	—	
Depreciation and amortization	64	38	26	—	
	14,651	11,073	3,142	436	
Operating earnings / (loss)	3,763	3,801	398	(436)	
Interest expense, net	(727)				
Fair value adjustments and other	2,055				
Unrealized exchange gain on long-term debt	2,288				
Earnings before income taxes	7,379				
Current income tax expense	(179)				
Deferred income tax expense	(1,302)				
Net income	\$ 5,898				

<i>As at June 26, 2021</i>		NB		Corporate	
<i>(CAD thousands)</i>		Total	Timberlands	Timberlands	and Other
Non-current assets	\$ 490,801	\$ 325,269	\$ 165,483	\$ 49	
Total assets	506,012	334,319	168,976	2,717	
Total liabilities	\$ 215,345	\$ 4,133	\$ 32,903	\$ 178,309	

<i>Three Months Ended June 27, 2020</i>		NB		Maine	Corporate
<i>(CAD thousands)</i>		Total	Timberlands	Timberlands	and Other
Sales					
Softwood	\$ 3,316	\$ 2,506	\$ 810	\$ —	—
Hardwood	5,273	4,248	1,025	—	—
Biomass	631	631	—	—	—
Timber services and other sales	2,238	2,097	141	—	—
Total sales	11,458	9,482	1,976	—	—
Operating costs and expenses					
Cost of sales	7,768	6,286	1,482	—	—
Selling, administration and other	2,086	1,215	327	544	—
Silviculture	250	200	50	—	—
Depreciation and amortization	71	41	30	—	—
	10,175	7,742	1,889	544	—
Operating earnings / (loss)	1,283	1,740	87	(544)	—
Interest expense, net	(1,172)				
Fair value adjustments and other	4,237				
Unrealized exchange gain on long-term debt	3,030				
Earnings before income taxes	7,378				
Current income tax expense	(656)				
Deferred income tax expense	(1,493)				
Net income	\$ 5,229				
As at June 27, 2020					
<i>(CAD thousands)</i>					
	Total	NB Timberlands	Maine Timberlands	Corporate and Other	
Non-current assets	\$ 488,203	\$ 307,177	\$ 181,026	\$ —	—
Total assets	505,478	313,069	183,999	8,410	—
Total liabilities	\$ 219,482	\$ 3,359	\$ 34,748	\$ 181,375	—

<i>Six Months Ended June 26, 2021</i>		NB		Maine	Corporate			
<i>(CAD thousands)</i>		Total	Timberlands	Timberlands	and Other			
Sales								
Softwood	\$	16,604	\$	9,031	\$	7,573	\$	—
Hardwood		15,592		12,287		3,305		—
Biomass		2,095		2,087		8		—
Timber services and other sales		10,015		9,790		225		—
Total sales		44,306		33,195		11,111		—
Operating costs and expenses								
Cost of sales		29,716		21,978		7,738		—
Selling, administration and other		3,698		2,038		991		669
Silviculture		263		261		2		—
Depreciation and amortization		126		75		51		—
		33,803		24,352		8,782		669
Operating earnings / (loss)		10,503		8,843		2,329		(669)
Interest expense, net		(1,482)						
Fair value adjustments and other		2,480						
Unrealized exchange gain on long-term debt		3,504						
Gain on sale of timberlands		72						
Earnings before income taxes		15,077						
Current income tax expense		(1,285)						
Deferred income tax expense		(2,070)						
Net income	\$	11,722						

<i>Six Months Ended June 27, 2020</i>		NB		Maine	Corporate			
<i>(CAD thousands)</i>		Total	Timberlands	Timberlands	and Other			
Sales								
Softwood	\$	17,203	\$	9,138	\$	8,065	\$	—
Hardwood		15,373		12,013		3,360		—
Biomass		2,126		2,124		2		—
Timber services and other sales		8,164		7,904		260		—
Total sales		42,866		31,179		11,687		—
Operating costs and expenses								
Cost of sales		28,629		20,803		7,826		—
Selling, administration and other		4,303		2,515		645		1,143
Silviculture		251		201		50		—
Depreciation and amortization		137		81		56		—
		33,320		23,600		8,577		1,143
Operating earnings / (loss)		9,546		7,579		3,110		(1,143)
Interest expense, net		(2,463)						
Fair value adjustments and other		3,218						
Unrealized exchange loss on long-term debt		(5,180)						
Earnings before income taxes		5,121						
Current income tax expense		(1,558)						
Deferred income tax expense		(2,045)						
Net income	\$	1,518						

Approximately 46% and 36% of total sales during the three months and six months ended June 26, 2021, respectively, were originated with customers domiciled in the U.S. and the balance in Canada (June 27, 2020 – 38% and 33%). Approximately 34% and 37% of total sales were denominated in U.S. dollars during the same periods (June 27, 2020 – 27% and 36%)

Acadian sells its products to many forest products companies in North America. For the three months and six months ended June 26, 2021, sales to the largest and next largest customer accounted for 17% and 14%, and 15% and 12%, respectively (June 27, 2020 – 14% and 13% and 19% and 11%, respectively).

7. INCOME TAXES

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

<i>(CAD thousands)</i>	Three Months Ended		Six Months Ended	
	June 26, 2021	June 27, 2020	June 26, 2021	June 27, 2020
Income taxes at statutory rate	\$ 2,140	\$ 2,139	\$ 4,372	\$ 1,485
Foreign tax rate differential	(10)	(14)	(20)	(30)
Non-taxable portion of (gains) losses	(318)	(237)	(510)	731
Imposition of new legislation	—	701	—	701
Unrecognized tax attributes (benefit of prior years)	(331)	(440)	(487)	716
Total income tax expense	\$ 1,481	\$ 2,149	\$ 3,355	\$ 3,603

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 and six months ended June 26, 2021 were \$4.8 million and \$9.7 million, respectively (June 27, 2020 – \$4.8 million and \$9.7 million) or \$0.29 and \$0.58 per share (June 27, 2020 – \$0.29 and \$0.58 per share).

BOARD AND MANAGEMENT

BOARD OF DIRECTORS

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

Erika Reilly
President and CEO Acadian
Timber Corp. and Senior VP
Brookfield Asset Management

MANAGEMENT

Erika Reilly
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

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

Please direct your inquiries to:
Adam Sheparsi
Chief Financial Officer
t. 506.737-2045
e. ir@acadiantimber.com

TRANSFER AGENT AND REGISTRAR

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

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
www.astfinancial.com/ca-en

SHARE INFORMATION

Toronto Stock Exchange: ADN
Fully Diluted Shares Outstanding (June 26, 2021): 16,686,916
Targeted 2021 Quarterly Dividend: \$0.29 per share
Record Date: Last business day of each quarter
Payment Date: On or about the 15th day of each subsequent month

www.acadiantimber.com

This management discussion and analysis ("MD&A") contains forward-looking information and statements within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, such forward-looking statements may contain such words as "may," "will," "intend," "should," "suggest," "expect," "believe," "outlook," "forecast," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the negative of these terms or other similar terminology. Forward-looking information is included in the Letter to Shareholders which precedes this MD&A and includes statements made in this MD&A in sections entitled "Dividend Policy of the Company," "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 the Annual Report dated February 10, 2021, the Annual Information Form dated March 26, 2021, and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: forecasts in the housing market; anticipated financial performance; anticipated market conditions; business prospects; the economic situation of key customers; strategies; regulatory developments; exchange rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services; and the ability to obtain financing on acceptable terms. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are made as of the date of this MD&A, and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this MD&A. Acadian assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as may be required by applicable law.

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