



ACADIAN TIMBER CORP.
Q3 2021 INTERIM REPORT
SEPTEMBER 25, 2021

Q3 2021 Interim Report

Letter to Shareholders

Overview

Acadian Timber Corp. (“Acadian” or the “Company”) generated strong operating and financial results for the three months ended September 25, 2021 (the “third quarter”), benefiting from steady prices and strong demand for its sawlogs. Acadian generated \$3.6 million of Free Cash Flow² and declared dividends of \$4.8 million to our shareholders during the third quarter. Our balance sheet continues to be solid with \$23.0 million of net liquidity as at September 25, 2021, which includes funds available under our credit facilities.

Results of Operations

Acadian is committed to health and safety as our number one priority. We believe that emphasizing and achieving a good safety record is a leading indicator of success in the broader business and we are very proud there have been no recordable safety incidents among employees or contractors for the first three quarters of the year. 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 \$22.7 million, compared to \$23.2 million in the prior year period with sales volume, excluding biomass, down 9% as a result of lower pulpwood sales. Weighted average selling price, excluding biomass, increased 8% year-over-year benefiting from increased sawlog pricing driven by favourable market dynamics.

Adjusted EBITDA² was \$5.1 million during the third quarter, compared to \$4.5 million in the prior year period and Adjusted EBITDA margin² for the quarter was 23%, compared to 19% in the prior year period.

Net income for the third quarter totaled \$0.1 million, or \$0.01 per share, compared to a net income of \$5.2 million, or \$0.31 per share in the same period of 2020. The decrease in net income from the prior year period is mainly due to a non-cash unrealized foreign exchange loss on long term debt of \$3.1 million compared to a gain of \$2.2 million in the prior year period.

Market Outlook¹

Acadian expects North American softwood lumber demand to remain steady as we progress through the remainder of 2021 supported by the sustained positive outlook for US home construction and improvements. Housing fundamentals continue to be supported by low interest rates, income and job growth, ageing and underbuilt housing stock, and favorable home buyer demographics. Consensus forecast for U.S. housing starts is 1.57 million for 2021 and 1.53 million for 2022.

The dynamics of the softwood lumber market are expected to support steady demand for our softwood sawlogs as our sawmill customers are investing in their facilities and operating at steady levels. However, the strong regional production of lumber is expected to challenge the softwood pulpwood market, as residuals will continue to be abundant in the region.

Demand for hardwood sawlogs continues to be strong as both appearance grade 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 and into 2022. Regional hardwood pulpwood demand is expected to remain stable as the economy improves.

Demand for biomass from Acadian’s New Brunswick operation is expected to remain stable through the remainder of the year and into 2022, with steady demand from the regional market supplemented by the return of export markets.

Looking Ahead

Acadian looks forward to finishing the year with a strong safety record and solid operating performance.

We will be focused on developing opportunities to grow the business in areas where we can leverage our expertise to drive improved performance, while remaining focused on maximizing cash flows from our existing timberland assets.

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



Adam Sheparsi

President and Chief Executive Officer

October 27, 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

September 25, 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 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 September 25, 2021 (herein referred to as the "third quarter") and the nine months ended September 25, 2021 compared to the three months and nine months ended September 26, 2020 and should be read in conjunction with the interim condensed consolidated financial statements and notes thereto for the third quarter and the audited annual consolidated financial statements and the related MD&A for the fiscal year ended December 31, 2020.

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 October 27, 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, income 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 long-term debt and 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 nine months ended September 25, 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 nine months ended September 25, 2021 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, except per share information)</i>	Three Months Ended		Nine Months Ended	
	September 25, 2021	September 26, 2020	September 25, 2021	September 26, 2020
Sales volume (000s m ³)	270.9	302.3	772.2	816.9
Sales	\$ 22,657	\$ 23,236	\$ 66,963	\$ 66,102
Operating earnings	4,754	4,445	15,257	13,991
Net income	87	5,248	11,809	6,766
Adjusted EBITDA ¹	5,137	4,514	15,838	14,197
Adjusted EBITDA margin ¹	23%	19%	24%	21%
Free Cash Flow ¹	3,596	3,149	11,450	9,506
Dividends declared	4,840	4,840	14,518	14,518
Payout Ratio ¹	135%	154%	127%	153%
Per share – basic and diluted				
Net income	\$ 0.01	\$ 0.31	\$ 0.71	\$ 0.41
Free Cash Flow ¹	0.22	0.19	0.69	0.57
Dividends declared	0.29	0.29	0.87	0.87
Book value	17.39	16.98	17.39	16.98
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 "Adjusted EBITDA and Free Cash Flow".

2. As at October 27, 2021 there were 16,686,916 common shares outstanding.

During the third quarter, Acadian generated sales of \$22.7 million, compared to \$23.2 million in the prior year period. The weighted average selling price, excluding biomass, increased 8% year-over-year benefiting from increased sawlog pricing driven by favourable market dynamics. Sales volume, excluding biomass, decreased 9% due to lower softwood pulpwood sales. Biomass sales volume decreased 22% due to lower domestic sales.

Operating costs and expenses were \$17.9 million during the third quarter, compared to \$18.8 million during the prior year period. This year-over-year decrease reflects lower harvesting and timber services activity. Weighted average variable costs, excluding biomass, increased 1% reflecting higher fuel costs, partially offset by a stronger Canadian dollar.

Adjusted EBITDA was \$5.1 million during the third quarter, compared to \$4.5 million in the prior year period and Adjusted EBITDA margin for the quarter was 23% compared to 19% in the prior year period. Free Cash Flow was \$3.6 million compared to \$3.1 million in the same period of 2020.

Net income for the third quarter totaled \$0.1 million, or \$0.01 per share, compared to \$5.2 million, or \$0.31 per share in the same period of 2020. The decrease in net income from the prior year period is mainly due to a non-cash unrealized foreign exchange loss on long-term debt of \$3.1 million compared to a gain of \$2.2 million in the prior year period.

During the first nine months of 2021, Acadian generated sales of \$67.0 million compared to \$66.1 million in the prior year period. A decrease in sales volume of 3% compared to the prior year period was more than offset by an increase of 2% in the weighted average selling price, excluding biomass. Operating costs and expenses of \$51.7 million were \$0.4 million lower than the prior year period. Lower softwood pulpwood volumes were offset by strong sawlog prices, increased timber services and a \$0.4 million gain on timberlands sales resulting in Adjusted EBITDA of \$15.8 million compared to \$14.2 million during the first nine months of 2020. Adjusted EBITDA margin improved to 24% from 21%.

For the nine months ended September 25, 2021, net income was \$11.8 million, or \$0.71 per share, which represents an increase of \$5.0 million compared to the prior period, primarily as a result of a non-cash unrealized foreign exchange gain on long-term debt of \$0.4 million this year compared to a loss of \$2.9 million in 2020 combined with lower administrative costs and interest expense.

Adjusted EBITDA and Free Cash Flow

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

(CAD thousands)	Three Months Ended		Nine Months Ended	
	September 25, 2021	September 26, 2020	September 25, 2021	September 26, 2020
Net income	\$ 87	\$ 5,248	\$ 11,809	\$ 6,766
Add (deduct):				
Interest expense, net	748	1,142	2,230	3,605
Current income tax expense	698	312	1,983	1,870
Deferred income tax expense	561	626	2,631	2,671
Depreciation and amortization	66	69	192	206
Fair value adjustments and other	(111)	(643)	(2,591)	(3,861)
Unrealized exchange loss / (gain) on long-term debt	3,088	(2,240)	(416)	2,940
Adjusted EBITDA ¹	\$ 5,137	\$ 4,514	\$ 15,838	\$ 14,197
Add (deduct):				
Interest paid on debt, net	(717)	(796)	(2,125)	(2,470)
Additions to timber, land, roads, and other fixed assets	(148)	(257)	(305)	(352)
Gain on sale of timberlands	(317)	—	(389)	—
Proceeds from sale of timberlands	339	—	414	—
Current income tax expense	(698)	(312)	(1,983)	(1,870)
Free Cash Flow ¹	\$ 3,596	\$ 3,149	\$ 11,450	\$ 9,506
Dividends declared	\$ 4,840	\$ 4,840	\$ 14,518	\$ 14,518
Payout Ratio ¹	135%	154%	127%	153%

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

Dividend Policy of the Company

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

Total dividends declared to shareholders during the three months ended September 25, 2021, were \$4.8 million, or \$0.29 per share, consistent with the same period of 2020. The Payout Ratio, which represents the amount of dividends declared as a percentage of the Free Cash Flow generated, was 135% during the quarter.

Operating and Market Conditions

Acadian's operations benefited from stable operating conditions and demand for its products. Softwood and hardwood sawlog markets remained strong due to favourable end use markets. Demand for hardwood pulpwood decreased during 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 239,000 m³ was down 9% compared to the same period in 2020.

The 8% increase in weighted average selling price, excluding biomass, was driven by strong sawlog prices and a higher value product mix, partially offset by lower hardwood pulpwood prices and a stronger Canadian dollar, compared to the prior year period. Pricing for hardwood sawlogs and softwood sawlogs increased 9% and 6%, respectively, driven by favourable market dynamics while hardwood pulpwood pricing decreased 5% 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 and fuel costs compared to the prior year period.

Segmented Results of Operations

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

<i>Three Months Ended September 25, 2021</i>				
<i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	209.2	61.7	—	270.9
Sales	\$ 17,506	\$ 5,151	\$ —	\$ 22,657
Adjusted EBITDA ¹	\$ 4,166	\$ 1,337	\$ (366)	\$ 5,137
Adjusted EBITDA margin ¹	24%	26%	n/a	23%

<i>Three Months Ended September 26, 2020</i>				
<i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	236.9	64.4	—	302.3
Sales	\$ 18,025	\$ 5,211	\$ —	\$ 23,236
Adjusted EBITDA ¹	\$ 4,240	\$ 793	\$ (519)	\$ 4,514
Adjusted EBITDA margin ¹	24%	15%	n/a	19%

<i>Nine Months Ended September 25, 2021</i>				
<i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	564.6	207.6	—	772.2
Sales	\$ 50,701	\$ 16,262	\$ —	\$ 66,963
Adjusted EBITDA ¹	\$ 13,084	\$ 3,789	\$ (1,035)	\$ 15,838
Adjusted EBITDA margin ¹	26%	23%	n/a	24%

<i>Nine Months Ended September 26, 2020</i>				
<i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	610.7	206.2	—	816.9
Sales	\$ 49,204	\$ 16,898	\$ —	\$ 66,102
Adjusted EBITDA ¹	\$ 11,900	\$ 3,959	\$ (1,662)	\$ 14,197
Adjusted EBITDA margin ¹	24%	23%	n/a	21%

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 third quarter of 2021.

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

	Three Months Ended September 25, 2021				Three Months Ended September 26, 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	98.6	99.3	47%	\$ 6,420	123.7	122.5	52%	\$ 7,050
Hardwood	80.3	78.2	37%	5,718	75.7	73.7	31%	5,249
Biomass	31.7	31.7	16%	1,162	40.7	40.7	17%	1,156
	210.6	209.2	100%	13,300	240.1	236.9	100%	13,455
Timber services and other				4,206				4,570
Sales				\$ 17,506				\$ 18,025
Adjusted EBITDA ¹				\$ 4,166				\$ 4,240
Adjusted EBITDA margin ¹				24%				24%

	Nine Months Ended September 25, 2021				Nine Months Ended September 26, 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	237.8	240.7	43%	\$ 15,451	282.5	284.2	47%	\$ 16,188
Hardwood	240.1	241.2	43%	18,005	211.5	223.3	37%	17,262
Biomass	82.7	82.7	14%	3,249	103.2	103.2	16%	3,280
	560.6	564.6	100%	36,705	597.2	610.7	100%	36,730
Timber services and other				13,996				12,474
Sales				\$ 50,701				\$ 49,204
Adjusted EBITDA ¹				\$ 13,084				\$ 11,900
Adjusted EBITDA margin ¹				26%				24%

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

Sales for New Brunswick Timberlands were \$17.5 million compared to \$18.0 million during the prior year period. Sales volume, excluding biomass, decreased by 10% primarily due to lower softwood pulpwood sales. Softwood pulpwood demand remained weak due to high inventories and competition from sawmill residuals. The overall volume decrease was partially offset by a 15% increase in sales volume of hardwood sawlogs, driven by very strong demand. Biomass sales volume decreased 22% during the quarter due to lower domestic sales. The weighted average selling price, excluding biomass, for the third quarter was \$68.40 per m³, or 9% higher than the prior year period, as a result of strong sawlog prices and a lower proportion of softwood pulpwood in the mix.

Operating costs and expenses were \$13.4 million during the third quarter, compared to \$13.8 million in the prior year period due to reduced harvesting and timber services activity combined with lower land management costs. Weighted average variable costs, excluding biomass, increased 8% reflecting higher fuel costs compared to the prior year period.

Adjusted EBITDA of \$4.2 million during the third quarter was consistent with the prior year period and Adjusted EBITDA margin was flat year-over-year at 24%.

During the first nine months of 2021, New Brunswick Timberlands' sales of \$50.7 million was 3% higher than the prior year period. Sales volume, excluding biomass, decreased 5% due to a weak demand for softwood pulpwood relative to the first

nine months of 2020. The weighted average selling price, excluding biomass, increased 5% due to strong sawlog prices and a favourable product mix. Operating costs and expenses of \$37.7 million during the first nine months of 2021 were \$0.3 million higher than the prior year period due to additional timber services activity. Adjusted EBITDA was \$13.1 million compared to \$11.9 million during the first nine months of 2020 and Adjusted EBITDA margin increased by 2%.

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 third quarter of 2021.

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

	Three Months Ended September 25, 2021				Three Months Ended September 26, 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	44.6	44.7	72%	\$ 3,518	38.5	38.6	59%	\$ 2,741
Hardwood	18.9	17.0	28%	1,460	31.8	26.8	41%	2,305
Biomass	—	—	0%	2	—	—	0%	2
	63.5	61.7	100%	4,980	70.3	65.4	100%	5,048
Timber services and other				171				163
Sales				\$ 5,151				\$ 5,211
Adjusted EBITDA ¹				\$ 1,337				\$ 793
Adjusted EBITDA margin ¹				26%				15%

	Nine Months Ended September 25, 2021				Nine Months Ended September 26, 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	148.2	148.2	71%	\$ 11,091	140.9	141.0	68%	\$ 10,806
Hardwood	55.8	58.8	28%	4,765	69.5	65.0	32%	5,665
Biomass	0.6	0.6	1%	10	0.2	0.2	0%	4
	204.6	207.6	100%	15,866	210.6	206.2	100%	16,475
Timber services and other				396				423
Sales				\$ 16,262				\$ 16,898
Adjusted EBITDA ¹				\$ 3,789				\$ 3,959
Adjusted EBITDA margin ¹				23%				23%

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

Sales for Maine Timberlands during the third quarter totaled \$5.2 million, flat with the prior year period. Sales volume, excluding biomass, decreased by 6% due to lower hardwood pulpwood deliveries partially offset by stronger softwood sawlog sales.

The weighted average selling price, excluding biomass, in Canadian dollar terms was \$80.87 per m³, compared to \$77.27 per m³ during the same period of 2020. In U.S dollar terms, the weighted average selling price, excluding biomass, was \$64.30 per m³, compared to \$57.95 per m³ in 2020 with higher sawlog prices benefiting from favourable market dynamics. The 11% price increase in U.S. dollar terms was partially offset by a stronger Canadian dollar.

Operating costs and expenses for the third quarter were \$4.2 million, compared to \$4.4 million during the same period in 2020, primarily due to lower harvest activity and a lower cost product mix. Weighted average variable costs, excluding biomass, decreased 11% as a result of a higher proportion of softwood with lower average costing compared to hardwood, combined with a stronger Canadian dollar.

Adjusted EBITDA for the quarter was \$1.3 million compared to \$0.8 million during the prior year period and Adjusted EBITDA margin was 26% compared to 15% in the prior year period. The third quarter results include \$0.3 million of gains recorded on timberlands sales compared to no timberland sales during the same quarter in 2020.

During the first nine months of 2021, Maine Timberlands' sales were \$16.3 million compared to \$16.9 million in the prior year period. Maine Timberlands' weighted average selling price, excluding biomass, decreased 4%, reflecting lower pulpwood prices and a stronger Canadian dollar, while sales volumes, excluding biomass, remained stable year-over-year. Operating costs and expenses of \$12.9 million during the nine-month period were \$0.1 million lower than the prior year period. Adjusted EBITDA was \$3.8 million compared to \$4.0 million during the first nine months of 2020, with the first nine months of 2021 including a \$0.4 million gain related to timberlands sales. Adjusted EBITDA margin was 23%, consistent with the same period of 2020.

Financial Position

Acadian had net liquidity of \$23.0 million as at September 25, 2021, including funds available under the revolving facility.

As at September 25, 2021, Acadian's balance sheet consisted of total assets of \$514.8 million (December 31, 2020 – \$513.4 million), represented primarily by timber, land, roads and other fixed assets of \$489.9 million (December 31, 2020 – \$487.9 million), with the balance in cash and current assets of \$18.7 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 nine 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 North American softwood lumber demand to remain steady as we progress through the remainder of 2021 supported by the sustained positive outlooks for US home construction and improvements. Housing fundamentals continue to be supported by low interest rates, income and job growth, ageing and underbuilt housing stock and favorable home buyer demographics. Consensus forecast for U.S. housing starts is 1.57 million for 2021 and 1.53 million for 2022.

The dynamics of the softwood lumber market are expected to support steady demand for our softwood sawlogs as our sawmill customers are investing in their facilities and operating at steady levels. However, the strong regional production of lumber is expected to challenge the softwood pulpwood market as residuals will continue to be abundant in the region.

Demand for hardwood sawlogs continues to be strong as both appearance grade 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 and into 2022. Regional hardwood pulpwood demand is expected to remain stable as the economy improves.

Demand for biomass from Acadian's New Brunswick operation is expected to remain stable through the remainder of the year and into 2022, 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.

<i>(CAD thousands, except per share data and where indicated)</i>	2021			2020				2019
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales volume (000s m ³)	270.9	211.3	290.0	321.2	302.3	139.7	374.9	339.4
Sales	\$ 22,657	\$ 18,414	\$ 25,892	\$ 24,929	\$ 23,236	\$ 11,458	\$ 31,408	\$ 25,835
Adjusted EBITDA ¹	5,137	3,827	6,874	7,288	4,514	1,354	8,329	6,586
Free Cash Flow ¹	3,596	2,864	4,990	5,648	3,149	(208)	6,565	5,296
Net Income (loss)	87	5,898	5,824	15,314	5,248	5,229	(3,711)	16,228
Per share – basic and diluted	\$ 0.01	\$ 0.35	\$ 0.35	\$ 0.92	\$ 0.31	\$ 0.31	\$ (0.22)	\$ 0.97

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. Net income for the third quarter of 2021 includes a non-cash unrealized foreign exchange loss on long-term debt of \$3.1 million compared to a gain of \$2.2 million in the same period in the prior year. Similarly, the first quarter of 2020 includes a non-cash unrealized foreign exchange loss on long term debt of \$8.2 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 third quarter.

Contractual Obligations

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

The table below summarizes the Company’s long-term debt obligations as at September 25, 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	\$ 18,703	—	—	18,703	—
Tranche due March 6, 2025 ¹	21,873	—	—	21,873	—
Tranche due March 6, 2027 ¹	40,576	—	—	—	40,576
Tranche due March 6, 2030 ¹	20,288	—	—	—	20,288
	\$ 101,440	\$ —	\$ —	\$ 40,576	\$ 60,864
Interest payments	\$ 15,062	\$ 713	\$ 8,564	\$ 3,686	\$ 2,099

1. Represents principal of the U.S. dollar denominated term facilities with a U.S. to Canadian dollar conversion rate of 1.2680, 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	September 25, 2021	December 31, 2020
Assets			
Current assets			
Cash		\$ 10,454	\$ 10,258
Accounts receivable and other assets		7,351	7,731
Current income taxes receivable		74	415
Inventory		853	957
		18,732	19,361
Timber	3	390,145	388,005
Land, roads, and other fixed assets		99,791	99,892
Intangible asset		6,140	6,140
Total assets		\$ 514,808	\$ 513,398
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 11,132	\$ 8,640
Dividends payable to shareholders		4,839	4,839
		15,971	13,479
Long-term debt	4	100,873	101,185
Deferred income tax liabilities, net		107,735	105,493
Shareholders' equity		290,229	293,241
Total liabilities and shareholders' equity		\$ 514,808	\$ 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		Nine Months Ended	
		September 25, 2021	September 26, 2020	September 25, 2021	September 26, 2020
Sales		\$ 22,657	\$ 23,236	\$ 66,963	\$ 66,102
Operating costs and expenses					
Cost of sales		15,204	16,075	44,920	44,704
Selling, administration and other		1,867	1,971	5,565	6,274
Silviculture		766	676	1,029	927
Depreciation and amortization		66	69	192	206
		17,903	18,791	51,706	52,111
Operating earnings		4,754	4,445	15,257	13,991
Interest expense, net		(748)	(1,142)	(2,230)	(3,605)
Other items					
Fair value adjustments and other		111	643	2,591	3,861
Unrealized exchange (loss) / gain on long-term debt		(3,088)	2,240	416	(2,940)
Gain on sale of timberlands		317	—	389	—
Earnings before income taxes		1,346	6,186	16,423	11,307
Current income tax expense	7	(698)	(312)	(1,983)	(1,870)
Deferred income tax expense	7	(561)	(626)	(2,631)	(2,671)
Net income		\$ 87	\$ 5,248	\$ 11,809	\$ 6,766
Net income per share – basic and diluted		\$ 0.01	\$ 0.31	\$ 0.71	\$ 0.41

See accompanying notes to interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 25, 2021	September 26, 2020	September 25, 2021	September 26, 2020
<i>(CAD thousands)</i>				
Net income	\$ 87	\$ 5,248	\$ 11,809	\$ 6,766
Other comprehensive income / (loss)				
Items that may be reclassified subsequently to net income:				
Unrealized foreign currency translation gain / (loss)	4,315	(3,073)	(303)	4,382
Comprehensive income	\$ 4,402	\$ 2,175	\$ 11,506	\$ 11,148

See accompanying notes to interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited)

<i>Nine Months Ended September 25, 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	—	11,809	—	—	11,809
Other comprehensive loss	—	—	—	(303)	(303)
Shareholders' dividends declared	8	(14,518)	—	—	(14,518)
Balance as at September 25, 2021	\$ 139,394	\$ 83,917	\$ 42,121	\$ 24,797	\$ 290,229

See accompanying notes to interim condensed consolidated financial statements.

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

See accompanying notes to interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

<i>(CAD thousands)</i>	Three Months Ended		Nine Months Ended	
	September 25, 2021	September 26, 2020	September 25, 2021	September 26, 2020
Cash provided by (used for):				
Operating activities				
Net income	\$ 87	\$ 5,248	\$ 11,809	\$ 6,766
Adjustments to net income:				
Income tax expense	1,259	938	4,614	4,541
Depreciation and amortization	66	69	192	206
Fair value adjustments and other	(111)	(643)	(2,591)	(3,861)
Unrealized exchange loss / (gain) on long-term debt	3,088	(2,240)	(416)	2,940
Gain on sale of timberlands	(317)	—	(389)	—
Income taxes paid	(1,110)	—	(1,642)	—
Net change in non-cash working capital balances and other	4,288	(645)	3,028	2,713
	7,250	2,727	14,605	13,305
Financing activities				
Repayment of short-term debt	—	—	—	(8,169)
Issuance of long-term debt	—	—	—	19,795
Repayment of long-term debt	—	—	—	(9,729)
Deferred financing costs	—	—	—	(527)
Dividends paid to shareholders	(4,840)	(4,840)	(14,518)	(14,518)
	(4,840)	(4,840)	(14,518)	(13,148)
Investing activities				
Additions to timber, land, roads, and other fixed assets	(148)	(257)	(305)	(352)
Proceeds from sale of timberlands	339	—	414	—
	191	(257)	109	(352)
Increase (decrease) in cash during the period	2,601	(2,370)	196	(195)
Cash, beginning of period	7,853	9,776	10,258	7,601
Cash, end of period	\$ 10,454	\$ 7,406	\$ 10,454	7,406

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		Nine Months Ended	
	September 25, 2021	September 26, 2020	September 25, 2021	September 26, 2020
Accounts receivable and other assets	\$ (607)	\$ (5,174)	\$ 380	\$ 169
Inventory	(239)	(624)	104	367
Accounts payable and accrued liabilities	4,895	5,528	2,492	1,789
Other	239	(375)	52	388
	\$ 4,288	\$ (645)	\$ 3,028	\$ 2,713

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 September 25, 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.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of Acadian on October 27, 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		(6)
Gains arising from growth		21,280
Reduction arising from harvest		(18,643)
Foreign exchange		(491)
Balance as at September 25, 2021	\$	390,145

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>	September 25, 2021	December 31, 2020
Term facilities	\$ 101,440	\$ 101,843
Less:		
Deferred debt issuance costs	(567)	(658)
Total	\$ 100,873	\$ 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 September 25, 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 September 25, 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 September 25, 2021.

The fair value of the Term Facilities as at September 25, 2021 is \$105.2 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 September 25, 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, operating earnings (loss), assets, and liabilities by reportable segments are as follows:

<i>Three Months Ended September 25, 2021</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Sales				
Softwood	\$ 9,938	\$ 6,420	\$ 3,518	\$ —
Hardwood	7,178	5,718	1,460	—
Biomass	1,164	1,162	2	—
Timber services and other sales	4,377	4,206	171	—
Total sales	22,657	17,506	5,151	—
Operating costs and expenses				
Cost of sales	15,204	11,599	3,605	—
Selling, administration and other	1,867	1,047	455	365
Silviculture	766	695	71	—
Depreciation and amortization	66	40	26	—
	17,903	13,381	4,157	365
Operating earnings / (loss)	4,754	4,125	994	(365)
Interest expense, net	(748)			
Fair value adjustments and other	111			
Unrealized exchange loss on long-term debt	(3,088)			
Gain on sale of timberlands	317			
Earnings before income taxes	1,346			
Current income tax expense	(698)			
Deferred income tax expense	(561)			
Net income	\$ 87			

<i>As at September 25, 2021</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Non-current assets	\$ 496,076	\$ 325,631	\$ 170,396	\$ 49
Total assets	514,808	339,589	173,088	2,131
Total liabilities	\$ 224,579	\$ 8,867	\$ 33,891	\$ 181,821

<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	—
Total sales	23,236	18,025	5,211	—
Operating costs and expenses				
Cost of sales	16,075	12,029	4,046	—
Selling, administration and other	1,971	1,145	307	519
Silviculture	676	611	65	—
Depreciation and amortization	69	42	27	—
	18,791	13,827	4,445	519
Operating earnings / (loss)	4,445	4,198	766	(519)
Interest expense, net	(1,142)			
Fair value adjustments and other	643			
Unrealized exchange gain on long-term debt	2,240			
Earnings before income taxes	6,186			
Current income tax expense	(312)			
Deferred income tax expense	(626)			
Net income	\$ 5,248			
As at December 31, 2020				
<i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Non-current assets	\$ 494,037	\$ 322,331	\$ 171,706	\$ —
Total assets	513,398	335,844	175,383	2,171
Total liabilities	\$ 220,157	\$ 7,287	\$ 33,814	\$ 179,056

<i>Nine Months Ended September 25, 2021</i>		NB		Maine	Corporate
<i>(CAD thousands)</i>		Total	Timberlands	Timberlands	and Other
Sales					
Softwood	\$ 26,542	\$ 15,451	\$ 11,091	\$ —	—
Hardwood	22,770	18,005	4,765	—	—
Biomass	3,259	3,249	10	—	—
Timber services and other sales	14,392	13,996	396	—	—
Total sales	66,963	50,701	16,262	—	—
Operating costs and expenses					
Cost of sales	44,920	33,577	11,343	—	—
Selling, administration and other	5,565	3,085	1,446	1,034	—
Silviculture	1,029	956	73	—	—
Depreciation and amortization	192	115	77	—	—
	51,706	37,733	12,939	1,034	—
Operating earnings / (loss)	15,257	12,968	3,323	(1,034)	—
Interest expense, net	(2,230)	—	—	—	—
Fair value adjustments and other	2,591	—	—	—	—
Unrealized exchange gain on long-term debt	416	—	—	—	—
Gain on sale of timberlands	389	—	—	—	—
Earnings before income taxes	16,423	—	—	—	—
Current income tax expense	(1,983)	—	—	—	—
Deferred income tax expense	(2,631)	—	—	—	—
Net income	\$ 11,809	—	—	—	—

<i>Nine Months Ended September 26, 2020</i>		NB		Maine	Corporate
<i>(CAD thousands)</i>		Total	Timberlands	Timberlands	and Other
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	—	—
Total sales	66,102	49,204	16,898	—	—
Operating costs and expenses					
Cost of sales	44,704	32,832	11,872	—	—
Selling, administration and other	6,274	3,660	952	1,662	—
Silviculture	927	812	115	—	—
Depreciation and amortization	206	123	83	—	—
	52,111	37,427	13,022	1,662	—
Operating earnings / (loss)	13,991	11,777	3,876	(1,662)	—
Interest expense, net	(3,605)	—	—	—	—
Fair value adjustments and other	3,861	—	—	—	—
Unrealized exchange loss on long-term debt	(2,940)	—	—	—	—
Earnings before income taxes	11,307	—	—	—	—
Current income tax expense	(1,870)	—	—	—	—
Deferred income tax expense	(2,671)	—	—	—	—
Net income	\$ 6,766	—	—	—	—

Approximately 32% and 35% of total sales during the three months and nine months ended September 25, 2021, respectively, were originated with customers domiciled in the U.S. and the balance in Canada (September 26, 2020 – 27% and 31%). Approximately 30% and 35% of total sales were denominated in U.S. dollars during the same periods (September 26, 2020 – 26% and 33%)

Acadian sells its products to many forest products companies in North America. For the three months and nine months ended September 25, 2021, sales to the largest and next largest customer accounted for 22% and 9%, and 18% and 11%, respectively (September 26, 2020 – 25% and 12% and 21% 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:

	Three Months Ended		Nine Months Ended	
	September 25, 2021	September 26, 2020	September 25, 2021	September 26, 2020
<i>(CAD thousands)</i>				
Income taxes at statutory rate	\$ 390	\$ 1,794	\$ 4,763	\$ 3,279
Foreign tax rate differential	(8)	(12)	(28)	(42)
Non-taxable portion of losses (gains)	428	(308)	(83)	423
Imposition of new legislation	—	(35)	—	666
Unrecognized tax attributes (benefit of prior years)	449	(323)	(38)	393
Changes in estimates related to prior years	—	(184)	—	(184)
Other	—	6	—	6
Total income tax expense	\$ 1,259	\$ 938	\$ 4,614	\$ 4,541

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 nine months ended September 25, 2021 were \$4.8 million and \$14.5 million, respectively (September 26, 2020 – \$4.8 million and \$14.5 million) or \$0.29 and \$0.87 per share (September 26, 2020 – \$0.29 and \$0.87 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
Corporate Director

Adam Shepariski
President and
Chief Executive Officer
Acadian Timber Corp.

MANAGEMENT

Adam Shepariski
President and
Chief Executive Officer
Acadian Timber Corp.

Susan Wood
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:
Susan Wood
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 (September 25, 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.

Acadian Timber Corp.
365 Canada Road
Edmundston, NB
E3V 1W2
acadiantimber.com



ACADIANTIMBER