



ACADIAN TIMBER CORP.
Q1 2023 INTERIM REPORT
MARCH 25, 2023

Q1 2023 Interim Report

Letter to Shareholders

Overview

During the three months ended March 25, 2023 (the “first quarter”), Acadian Timber Corp. (“Acadian” or the “Company”) continued to benefit from strong regional demand and pricing for both sawlogs and pulpwood in New Brunswick and Maine. However, operations were impacted by limited contractor capacity and unseasonably warm weather conditions in Maine. As a result, Acadian’s sales volumes decreased compared to the same period in 2022, with the impact partially offset by an increase in weighted average selling price, excluding biomass.

Acadian generated \$3.7 million of Free Cash Flow² and declared dividends of \$4.9 million to our shareholders during the first quarter. Our balance sheet continues to be solid with \$17.2 million of net liquidity² as at March 25, 2023, 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. Acadian’s operations experienced no recordable safety incidents during the quarter among contractors and one among employees. The individual has made a full recovery and returned to work. We remain committed to maintaining a culture across the organization that emphasizes the importance of strong safety performance.

Acadian generated sales of \$22.4 million, compared to \$26.6 million in the prior year period, with sales volume, excluding biomass, down 37%. The lower volumes were primarily a result of lower softwood sawlog volumes as compared to the prior year period, however, decreased volumes were experienced across all products due to reduced contractor capacity and unfavourable weather conditions. Weighted average selling price, excluding biomass, increased 15% year-over-year, benefiting from strong sawlog and pulpwood prices driven by strong demand.

Adjusted EBITDA² was \$5.6 million during the first quarter compared to \$6.9 million in the prior year period and Adjusted EBITDA margin² for the quarter was 25% compared to 26% in the prior year period.

Net income for the first quarter totaled \$5.6 million, or \$0.33 per share, compared to net income of \$4.2 million, or \$0.25 per share in the same period of 2022. The increase in net income from the prior year period is mainly due to higher fair value adjustments and higher gains on sale of timberlands and other fixed assets as compared to the prior year period, offset by lower operating income due to decreased harvesting activity.

Carbon Credit Project¹

Carbon credits associated with our first carbon credit development project on the portion of our Maine Timberlands that is subject to a working forest conservation easement are expected to be registered in the second quarter of 2023. Although this is delayed relative to our original expectations, the credits will be immediately available for sale following registration.

This project has provided valuable experience to the Acadian management team and has formed the foundation for potential further carbon credit developments in the future.

Outlook¹

We remain confident that the stability of the northeastern forestry sector, combined with the long-term demand for new homes and repair and remodel activity, will support the demand for our products. Consensus forecast for U.S. housing starts remains consistent with pre-pandemic levels at approximately 1.24 million starts in 2023. However, we note that inflation concerns persist and U.S. interest rates continue to increase, which has put near-term pressure on end use markets.

Labour shortages throughout the region are expected to continue limiting logging and trucking contractor capacity. The impact of limited contractor capacity on our financial results is being compounded by inflation, through elevated contractor

rates and fuel surcharges. The industry in general, and Acadian in particular, is working to recruit and train additional contractors. This will be a long-term initiative, the results of which should start to show later this year.

Because demand for Acadian's sawlogs is mainly driven by regional supply and demand, the stable demand and pricing regime experienced in the first quarter of 2023 are expected to continue as we progress through the year. Specifically, despite recent weakness in both softwood and hardwood lumber pricing, both softwood and hardwood sawtimber prices are expected to remain stable. Regional inventories of hardwood pulpwood are slowly building, but markets are expected to remain stable in the near term. Softwood pulpwood markets are expected to remain at the improved levels experienced in 2022.

Looking Ahead

As we enter the second quarter, we are optimistic that continued stable regional demand and pricing for our products will support solid results for the remainder of the year. We have made progress towards increasing contractor capacity and expect to harvest our entire planned volume over the course of the year. In the meantime, we will continue to work with our contractors to meet the demand of our customers.

As always, we will remain focused on merchandizing our products to obtain the highest margins available and making improvements throughout the business to maximize cash flows from our existing timberland assets, while exploring opportunities to grow.

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



Adam Sheparsi

President and Chief Executive Officer

May 3, 2023

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 the Company's operating performance. Adjusted EBITDA and Adjusted EBITDA margin are indicative of the underlying profitability of Acadian's operating segments and 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 net income before interest, income taxes, fair value adjustments, recovery of or impairment of land and roads and depreciation and amortization, and "Adjusted EBITDA margin" as Adjusted EBITDA as a percentage of Acadian's sales. 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 timberlands and other fixed assets (proceeds less gains or losses).*

MANAGEMENT'S DISCUSSION AND ANALYSIS

(All figures in Canadian dollars unless otherwise stated)

May 3, 2023

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 March 25, 2023 (herein referred to as the "first quarter") compared to the three months ended March 26, 2022 and should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto for the first quarter and the audited annual consolidated financial statements and the related MD&A for the fiscal year ended December 31, 2022.

Our first quarter unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" using the accounting policies adopted and disclosed in Note 2 of Acadian's audited 2022 consolidated financial statements and are expressed in Canadian dollars unless otherwise noted. External economic and industry factors remain unchanged since the previous annual report, unless otherwise noted. This MD&A has been prepared based on information available as at May 3, 2023. 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 net income before interest, income taxes, fair value adjustments, recovery of or impairment of land and roads and depreciation and amortization, and to "Adjusted EBITDA margin", which is Adjusted EBITDA as a percentage of sales. 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 timberlands and other fixed assets (proceeds less gains or losses). Reference made to "Payout Ratio" is defined as dividends declared divided by Free Cash Flow and "Payout Ratio with DRIP" is defined as dividends paid in cash divided by Free Cash Flow. Management believes that Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow, and Payout Ratios 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 indicative of the underlying profitability of Acadian's operating segments and 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 Ratios are used to evaluate Acadian's ability to fund its distribution using Free Cash Flow. 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. Reference is also made to net liquidity which includes cash and funds available under credit facilities less amounts reserved to support the minimum cash balance related to long-term debt.

As these measures do not have a standardized meaning prescribed by IFRS, they may not be comparable to similar measures presented by other companies.

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, 2022. There have been no changes in our disclosure controls and procedures during the three months ended March 25, 2023 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, 2022. There have been no changes in our internal controls over financial reporting during the three months ended March 25, 2023 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

REVIEW OF OPERATIONS

Summary of First Quarter Results

The table below summarizes operating and financial data for Acadian:

<i>(CAD thousands, except per share information)</i>	March 25, 2023	March 26, 2022
Sales volume (000s m ³)	205.2	301.2
Sales	\$ 22,362	\$ 26,631
Operating income	5,304	6,838
Net income	5,621	4,158
Adjusted EBITDA ¹	\$ 5,601	\$ 6,909
Adjusted EBITDA margin ¹	25%	26%
Free Cash Flow ¹	\$ 3,723	\$ 5,014
Dividends declared	4,918	4,839
Dividends paid in cash	3,721	4,839
Payout Ratio ¹	132%	97%
Payout Ratio with DRIP ¹	100%	n/a
Per share – basic and diluted		
Net income	\$ 0.33	\$ 0.25
Free Cash Flow ¹	0.22	0.30
Dividends declared	0.29	0.29
Book value	18.07	17.39
Common shares outstanding	16,958,881	16,686,916
Weighted average shares outstanding ²	16,945,764	16,686,916

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

2. As at May 3, 2023 there were 17,034,042 common shares outstanding.

During the first quarter, Acadian generated sales of \$22.4 million, compared to \$26.6 million in the prior year period. The weighted average selling price, excluding biomass, increased 15% year-over-year benefiting from strong sawlog prices and improved pulpwood prices, driven by strong demand. Sales volume, excluding biomass, decreased 37% primarily due to limited contractor availability and unfavourable weather conditions in Maine. Biomass sales volume increased 23% due to favourable market conditions.

Operating costs and expenses were \$17.1 million during the first quarter, compared to \$19.8 million during the prior year period. This year-over-year decrease reflects lower harvesting activity and lower land management costs, partially offset by increased timber services in New Brunswick. Weighted average variable costs, excluding biomass, increased 14% over the

prior year period as a result of higher contractor costs during the first quarter of 2023.

Adjusted EBITDA was \$5.6 million during the first quarter compared to \$6.9 million in the prior year period. Adjusted EBITDA margin for the quarter was 25% compared to 26% in the prior year period. Free Cash Flow was \$3.7 million, \$1.3 million lower than the same period in the prior year.

Net income for the first quarter totaled \$5.6 million, or \$0.33 per share, compared to \$4.2 million, or \$0.25 per share, in the same period of 2022. The increase in net income was primarily due to higher fair value adjustments and higher gains on sale of timberlands and other fixed assets, partially offset by lower operating income due to decreased harvesting activity, as compared to the prior year period.

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:

<i>(CAD thousands)</i>	March 25, 2023	March 26, 2022
Net income	\$ 5,621	\$ 4,158
Add / (deduct):		
Interest expense, net	809	737
Income tax expense	2,281	1,685
Depreciation and amortization	73	57
Fair value adjustments and other	(3,183)	272
Adjusted EBITDA ¹	\$ 5,601	\$ 6,909
Add / (deduct):		
Interest paid on debt, net	(779)	(708)
Additions to timber, land, roads, and other fixed assets	(31)	(64)
Gain on sale of timberlands and other fixed assets	(224)	(14)
Proceeds from sale of timberlands and other fixed assets	230	14
Current income tax expense	(1,074)	(1,123)
Free Cash Flow ¹	\$ 3,723	\$ 5,014
Dividends declared	\$ 4,918	\$ 4,839
Dividends paid in cash	\$ 3,721	\$ 4,839
Payout Ratio ¹	132%	97%
Payout Ratio with DRIP ¹	100%	n/a

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 March 25, 2023 were \$4.9 million, or \$0.29 per share, compared to \$4.8 million and \$0.29 per share during the same period in 2022. The Payout Ratio of Acadian, which represents the amount of dividends declared as a percentage of the Free Cash Flow generated, was 132% for the three months ended March 25, 2023, and the Payout Ratio with DRIP, which represents the amount of dividends paid in cash as a percentage of Free Cash Flow generated, was 100%.

During the first quarter of 2022, Acadian implemented a dividend reinvestment plan ("DRIP") effective with eligible shareholders of record March 31, 2022, whereby Canadian resident shareholders may elect to automatically have their dividends reinvested in additional shares. During the three months ended March 25, 2023, Acadian issued 73,457 common

shares in accordance with the DRIP.

Macer Forest Holdings Inc. (“Macer”), which owns approximately 46% of the outstanding common shares of Acadian, participates in the DRIP for 50% of dividends payable to it.

Operating and Market Conditions

Acadian’s operations during the quarter benefited from strong demand for its products. Softwood and hardwood sawlog demand remained strong due to favourable end use markets. Demand for hardwood pulpwood remained strong as a result of low regional supply. Acadian’s sales volume, excluding biomass, of 173,000 m³ was down 37% compared to the same period in 2022, however, due to limited contractor availability and unfavourable weather conditions in Maine.

Strong prices across all products drove a 15% increase in weighted average selling price, excluding biomass. Pricing for hardwood sawlogs and softwood sawlogs increased 19% and 9%, respectively, due to favourable market dynamics. Hardwood pulpwood and softwood pulpwood pricing increased 24% and 22%, respectively, relative to the same period in 2022, driven by the higher regional demand. Biomass pricing decreased 4% year-over-year, due to changes in customer mix.

Segmented Results of Operations

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

<i>Three Months Ended March 25, 2023</i> <i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	155.1	50.1	—	205.2
Sales	\$ 17,907	\$ 4,455	\$ —	\$ 22,362
Adjusted EBITDA ¹	\$ 4,883	\$ 1,099	\$ (381)	\$ 5,601
Adjusted EBITDA margin ¹	27%	25%	n/a	25%

<i>Three Months Ended March 26, 2022</i> <i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	203.4	97.8	—	301.2
Sales	\$ 18,009	\$ 8,622	\$ —	\$ 26,631
Adjusted EBITDA ¹	\$ 4,668	\$ 2,752	\$ (511)	\$ 6,909
Adjusted EBITDA margin ¹	26%	32%	n/a	26%

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 92% of harvest operations are performed by third-party contractors and approximately 8% by New Brunswick Timberlands employees.

During the first quarter of 2023, Acadian’s New Brunswick operations experienced one recordable safety incident among employees and no recordable incidents among contractors. The individual has made a full recovery and has returned to work.

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

<i>Three Months Ended March 25, 2023</i> <i>(CAD thousands)</i>	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results
Softwood	86.9	85.1	55%	\$ 6,248
Hardwood	62.2	44.2	28%	4,861
Biomass	25.8	25.8	17%	1,310
	174.9	155.1	100%	12,419
Timber services and other sales				5,488
Sales				\$ 17,907
Adjusted EBITDA ¹				\$ 4,883
Adjusted EBITDA margin ¹				27%

<i>Three Months Ended March 26, 2022</i> <i>(CAD thousands)</i>	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results
Softwood	128.1	125.6	62%	\$ 8,174
Hardwood	68.2	51.8	25%	4,505
Biomass	26.0	26.0	13%	1,156
	222.3	203.4	100%	13,835
Timber services and other sales				4,174
Sales				\$ 18,009
Adjusted EBITDA ¹				\$ 4,668
Adjusted EBITDA margin ¹				26%

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

Sales for New Brunswick Timberlands were \$17.9 million compared to \$18.0 million during the prior year period. Sales volume, excluding biomass, decreased by 27%. Softwood sawlog and softwood pulpwood sales volumes decreased by 38% and 8%, respectively, primarily due to reduced trucking capacity. Hardwood sawlog sales volumes increased 3% as a result of merchandising improvements. Hardwood pulpwood sales volumes decreased 20%, also due to reduced trucking capacity. Biomass sales volume remained consistent with the same period in the prior year.

The weighted average selling price, excluding biomass, for the first quarter was \$85.96 per m³, or 20% higher than the prior year period, as a result of strong sawlog and pulpwood pricing, and biomass pricing was up 14% year-over-year, all driven by strong demand.

Operating costs and expenses were \$13.3 million during the first quarter, compared to \$13.4 million in the prior year period primarily due to lower harvesting activity partially offset by higher timber services activity and increased weighted average variable costs. Weighted average variable costs, excluding biomass, increased 19% as a result of higher contractor costs compared to the prior year period.

Adjusted EBITDA for the quarter was \$4.9 million compared to \$4.7 million during the prior year period and Adjusted EBITDA margin was 27% compared to 26% in the prior year period. The Adjusted EBITDA increase was mainly the result of higher timber services activity.

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 first quarter of 2023.

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

<i>Three Months Ended March 25, 2023</i> <i>(CAD thousands)</i>	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results
Softwood	29.3	28.2	56%	\$ 2,636
Hardwood	15.5	15.4	31%	1,551
Biomass	6.5	6.5	13%	60
	51.3	50.1	100%	4,247
Other sales				208
Sales				\$ 4,455
Adjusted EBITDA ¹				\$ 1,099
Adjusted EBITDA margin ¹				25%

<i>Three Months Ended March 26, 2022</i> <i>(CAD thousands)</i>	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results
Softwood	77.1	76.9	79%	\$ 6,787
Hardwood	22.3	20.7	21%	1,726
Biomass	0.2	0.2	0%	4
	99.6	97.8	100%	8,517
Other sales				105
Sales				\$ 8,622
Adjusted EBITDA ¹				\$ 2,752
Adjusted EBITDA margin ¹				32%

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

Sales for Maine Timberlands during the first quarter totaled \$4.5 million compared to \$8.6 million in the prior year period. Sales volume, excluding biomass, decreased 55% reflecting reduced contractor availability and unfavourable weather conditions.

The weighted average selling price, excluding biomass, in Canadian dollar terms was \$96.05 per m³, compared to \$87.29 per m³ during the same period of 2022. In U.S. dollar terms, the weighted average selling price, excluding biomass, was \$70.76 per m³, compared to \$68.86 per m³ in 2022 with higher sawlog and pulpwood prices benefiting from favourable market dynamics.

Operating costs and expenses for the first quarter were \$3.4 million, compared to \$5.9 million during the same period in 2022, primarily due to lower harvesting activity. Weighted average variable costs, excluding biomass, increased 10% in Canadian dollar terms as a result of higher contractor costs and a weaker Canadian dollar.

Adjusted EBITDA for the quarter was \$1.1 million compared to \$2.8 million during the prior year period and Adjusted EBITDA margin was 25% compared to 32% in the prior year period.

Carbon Credit Project¹

During 2021, 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

¹ *The following contains forward-looking information about Acadian Timber Corp.'s outlook for the remainder of 2023. Reference should be made to the section entitled "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 to balancing harvest and growth, and requires long term planning, annual reporting, periodic carbon inventory verification, and maintenance of the existing sustainable forestry certification.

Carbon credits are expected to be registered in the second quarter of 2023. Following registration, the credits will be immediately available for sale.

The impact to Acadian's financial results is subject to the successful marketing of the credits and to the timing of, and prices obtained from, contracts negotiated with third parties, which are not yet in place.

LIQUIDITY AND CAPITAL RESOURCES

Acadian had net liquidity of \$17.2 million as at March 25, 2023, which includes cash and funds available under credit facilities less amounts reserved to support the minimum cash balance related to long-term debt.

Normal course issuer bid

On February 8, 2023, the Corporation renewed its Normal Course Issuer Bid ("NCIB") by filing a notice of intention with the TSX to purchase for cancellation up to 847,944 common shares during the period commencing February 14, 2023 and ending February 13, 2024, representing 5% of the 16,958,881 common shares outstanding as of January 31, 2023. The previous NCIB expired February 13, 2023. During the three months ended March 25, 2023, the Company did not purchase any of its common shares.

Liquidity and capital resources are discussed in the Company's MD&A for the year ended December 31, 2022.

OUTLOOK²

We remain confident that the stability of the northeastern forestry sector, combined with the long-term demand for new homes and repair and remodel activity, will support the demand for our products. Consensus forecast for U.S. housing starts remains consistent with pre-pandemic levels at approximately 1.24 million starts in 2023. However, we note that inflation concerns persist and U.S. interest rates continue to increase, which has put near-term pressure on end use markets.

Labour shortages throughout the region are expected to continue limiting logging and trucking contractor capacity. The impact of limited contractor capacity on our financial results is being compounded by inflation, through elevated contractor rates and fuel surcharges. The industry in general, and Acadian in particular, is working to recruit and train additional contractors. This will be a long-term initiative, the results of which should start to show later this year.

Because demand for Acadian's sawlogs is mainly driven by regional supply and demand, the stable demand and pricing regime experienced in the first quarter of 2023 are expected to continue as we progress through the year. Specifically, despite recent weakness in both softwood and hardwood lumber pricing, both softwood and hardwood sawtimber prices are expected to remain stable. Regional inventories of hardwood pulpwood are slowly building, but markets are expected to remain stable in the near term. Softwood pulpwood markets are expected to remain at the improved levels experienced in 2022.

² The following contains forward-looking information about Acadian Timber Corp.'s outlook for the remainder of 2023. Reference should be made to the section entitled "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.

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)	2023	2022				2021		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3 ²	Q2 ²
Sales volume (000s m ³)	205.2	230.5	229.4	156.7	301.2	290.1	270.9	211.3
Sales	\$ 22,362	\$ 23,755	\$ 23,594	\$ 16,493	\$ 26,631	\$ 25,946	\$ 24,488	\$ 19,403
Adjusted EBITDA ¹	5,601	4,058	4,480	2,747	6,909	6,315	5,394	3,904
Free Cash Flow ¹	3,723	2,000	3,260	1,877	5,014	5,149	3,853	2,941
Net income	5,621	22,002	4,831	4,516	4,158	6,541	344	5,975
Per share – basic and diluted	\$ 0.33	\$ 1.30	\$ 0.29	\$ 0.27	\$ 0.25	\$ 0.39	\$ 0.02	\$ 0.36

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

2. During the fourth quarter of 2021, the Company determined that certain timber services contracts should be accounted for on a gross basis rather than a net basis, and that the timing of recognition should be as the services are delivered and not when all services have been completed. These changes were applied to the selected consolidated quarterly information for Q2 and Q3 2021 presented above. The changes increased sales by \$1.0 million and \$1.8 million, and increased Adjusted EBITDA, Free Cash Flow and Net Income by \$77 thousand and \$257 thousand, in the second quarter and third quarter of 2021, respectively.

Results are impacted by seasonality. Harvest activity is highest during the winter months, when the ground is frozen, providing a solid base for 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.

Net income can be significantly impacted by non-cash items such as fluctuations in foreign exchange 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. Effective January 1, 2022, Acadian commenced accounting for its U.S. dollar-denominated debt as a net investment hedge of its U.S. subsidiary, which resulted in the application of hedge accounting. This resulted in the unrealized foreign exchange gains or losses on Acadian’s U.S. dollar-denominated debt being recorded in other comprehensive income rather than through profit and loss during for all quarters presented for 2022. During the fourth quarter of 2022, Acadian recorded a fair value adjustment gain on timberlands which increased net income by \$18.8 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 2022 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 first quarter other than shares issued to Macer in accordance with the DRIP, as included within Dividend Policy of the Company.

Contractual Obligations

The Company has two significant contractual obligations. The Fibre Supply Agreement between the Company and Twin Rivers Paper Company (“Twin Rivers”) was transferred to Groupe Label during the first quarter of 2023 as part of the sale of the lumber mill in Plaster Rock, New Brunswick from Twin Rivers to Groupe Label. The agreement expires in 2026, subject to a five-year extension at the option of Groupe Label. The provision of timber services under a Crown License Agreement at the direction of Twin Rivers has 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 March 25, 2023:

<i>(CAD thousands)</i>	<i>Payments Due by Period</i>				
	Total	Less Than One Year (2023)	1 to 3 Years (2024-2026)	4 to 5 Years (2027-2028)	After 5 Years (>2028)
Term facilities					
Tranche due March 6, 2025 ¹	\$ 20,300	—	20,300	—	—
Tranche due March 6, 2025 ¹	23,741	—	23,741	—	—
Tranche due March 6, 2027 ¹	44,042	—	—	44,042	—
Tranche due March 6, 2030 ¹	22,021	—	—	—	22,021
	\$ 110,104	\$ —	\$ 44,041	\$ 44,042	\$ 22,021
Interest payments	\$ 12,476	\$ 3,098	\$ 7,099	\$ 1,516	\$ 763

1. Represents principal of the U.S. dollar denominated term facilities with a U.S. to Canadian dollar conversion rate of 1.3763, excluding the unamortized deferred financing costs.

RISK FACTORS

Risk factors are discussed in the Company’s MD&A for the year ended December 31, 2022.

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. Forward-looking information is included in this MD&A and includes statements made in the sections entitled "Carbon Credit Project" and "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. 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. Actual results may vary. These forward-looking statements include, but are not limited to:

- *Expectations regarding the number and timing of carbon credits that will be successfully registered and available for sale. Estimates are based on a model which has been subject to third-party verification procedures but is subject to review by the registry.*
- *Expectations regarding product demand and end use markets, including expectations for U.S. housing starts, which may be impacted by changes in interest rates, U.S. population demographics and the inventory of homes for sale. Expectations regarding product demand are based on anticipated market conditions, anticipated regional inventory levels of key customers, and the economic situation of key customers. Estimates for U.S. housing starts are based on forecasts published by major financial institutions.*
- *Expectations regarding future contractor availability, which may be impacted by regional supply of trained contractors and changes in the demographics of the available workforce.*

Other risks and factors are discussed under the heading "Risk Factors" in this MD&A and in each of the Annual Information Form dated March 24, 2023 and the Management Information Circular dated March 24, 2023 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. 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 based on information currently available to management 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	March 25, 2023	December 31, 2022
Assets			
Current assets			
Cash		\$ 3,751	\$ 6,230
Accounts receivable and other assets		10,280	8,265
Inventory		3,750	1,850
		17,781	16,345
Timber	3	442,244	437,365
Land, roads, and other fixed assets		88,587	87,986
Intangible asset		6,140	6,140
Total assets		\$ 554,752	\$ 547,836
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 11,022	\$ 11,206
Current income taxes payable		690	20
Dividends payable to shareholders		4,918	4,897
		16,630	16,123
Long-term debt	4	109,720	107,937
Deferred income tax liabilities, net		121,920	120,053
Total liabilities		248,270	244,113
Shareholders' equity	5	306,482	303,723
Total liabilities and shareholders' equity		\$ 554,752	\$ 547,836

See accompanying notes to interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME

(unaudited)

<i>Three Months Ended</i>				
<i>(CAD thousands, except per share data)</i>		Note		
			March 25, 2023	
			March 26, 2022	
Sales			\$ 22,362	\$ 26,631
Operating costs and expenses				
Cost of sales			15,126	17,669
Selling, administration and other			1,858	2,066
Silviculture			1	1
Depreciation and amortization			73	57
			17,058	19,793
Operating income			5,304	6,838
Interest expense, net			(809)	(737)
Other items				
Fair value adjustments and other			3,183	(272)
Gain on sale of timberlands and other fixed assets			224	14
Income before income taxes			7,902	5,843
Income tax expense		9	(2,281)	(1,685)
Net income			\$ 5,621	\$ 4,158
Net income per share – basic and diluted			\$ 0.33	\$ 0.25

See accompanying notes to interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

<i>Three Months Ended</i> <i>(CAD thousands)</i>	March 25, 2023	March 26, 2022
Net income	\$ 5,621	\$ 4,158
Other comprehensive income / (loss)		
Items that may be reclassified subsequently to net income:		
Unrealized foreign currency translation gain / (loss)	859	(553)
Comprehensive income	\$ 6,480	\$ 3,605

See accompanying notes to interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited)

<i>Three Months Ended March 25, 2023</i> <i>(CAD thousands)</i>	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Shareholders' Equity
Note					
Balances as at December 31, 2022	\$ 142,765	\$ 101,992	\$ 31,345	\$ 27,621	\$ 303,723
Changes during the period					
Net income	—	5,621	—	—	5,621
Other comprehensive gain	—	—	—	859	859
Shareholders' dividends declared	10	(4,918)	—	—	(4,918)
Common shares issued - DRIP		1,197	—	—	1,197
Balances as at March 25, 2023	\$ 143,962	\$ 102,695	\$ 31,345	\$ 28,480	\$ 306,482

<i>Three Months Ended March 26, 2022</i> <i>(CAD thousands)</i>	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Shareholders' Equity
Note					
Balances as at December 31, 2021	\$ 139,394	\$ 85,953	\$ 41,638	\$ 24,500	\$ 291,485
Changes during the period					
Net income	—	4,158	—	—	4,158
Other comprehensive loss	—	—	—	(553)	(553)
Shareholders' dividends declared	10	(4,839)	—	—	(4,839)
Balances as at March 26, 2022	\$ 139,394	\$ 85,272	\$ 41,638	\$ 23,947	\$ 290,251

See accompanying notes to interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

<i>Three Months Ended</i> <i>(CAD thousands)</i>	March 25, 2023	March 26, 2022
Cash provided by (used for):		
Operating activities		
Net income	\$ 5,621	\$ 4,158
Adjustments to net income:		
Income tax expense	2,281	1,685
Depreciation and amortization	73	57
Fair value adjustments and other	(3,183)	272
Gain on sale of timberlands and other fixed assets	(224)	(14)
Income taxes paid	(395)	(336)
Net change in non-cash working capital balances and other	(3,130)	(1,199)
	1,043	4,623
Financing activities		
Dividends paid to shareholders	(3,721)	(4,839)
Investing activities		
Additions to timber, land, roads, and other fixed assets	(31)	(64)
Proceeds from sale of timberlands and other fixed assets	230	14
	199	(50)
Decrease in cash during the period	(2,479)	(266)
Cash, beginning of period	6,230	7,316
Cash, end of period	\$ 3,751	\$ 7,050

See accompanying notes to interim condensed consolidated financial statements.

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

<i>Three Months Ended</i> <i>(CAD thousands)</i>	March 25, 2023	March 26, 2022
Accounts receivable and other assets	\$ (2,015)	\$ (957)
Inventory	(1,900)	(1,488)
Accounts payable and accrued liabilities	(184)	458
Other	969	788
	\$ (3,130)	\$ (1,199)

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 subsidiaries (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 (“Crown Lands”). 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 March 25, 2023, Macer Forest Holdings Inc. owns 7,774,856 shares representing approximately 46% 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 2022 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, 2022.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of Acadian on May 3, 2023.

Adoption of New Accounting Standards

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors re: Definition of Accounting Estimates

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The adoption of these amendments did not have a material impact on the consolidated financial statements.

3. TIMBER

<i>(CAD thousands)</i>	
Balance as at December 31, 2021	\$ 394,063
Disposals	(1)
Gains arising from growth	34,705
Reduction arising from harvest	(24,080)
Gain from fair value price and other changes	23,253
Foreign exchange	9,425
Balance as at December 31, 2022	\$ 437,365
Gains arising from growth	7,933
Reduction arising from harvest	(5,644)
Foreign exchange	2,590
Balance as at March 25, 2023	\$ 442,244

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 with the assistance of licensed independent third-party appraisers. Fair value adjustments are recognized in net income.

4. DEBT

<i>As at</i>		
<i>(CAD thousands)</i>	March 25, 2023	December 31, 2022
Term facilities	\$ 110,104	\$ 108,352
Less:		
Deferred debt issuance costs	(384)	(415)
Total	\$ 109,720	\$ 107,937

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. As a result of the decommissioning of LIBOR, effective April 1, 2023, interest will be based on the Secured Overnight Financing Rate. Floating interest rates give rise to interest rate risk as net income 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 March 25, 2023, Acadian had borrowed U.S. \$80.0 million (December 31, 2022 – U.S. \$80.0 million) under the Term Facilities and U.S. \$nil (December 31, 2022 – \$nil) under the Revolving Facility. 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 March 25, 2023, and December 31, 2022.

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 March 25, 2023 or December 31, 2022.

The fair value of the Term Facilities as at March 25, 2023 is \$102.8 million (December 31, 2022 – \$99.1 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.

Acadian has in place a dividend reinvestment plan ("DRIP") whereby Canadian resident shareholders may elect to automatically have their dividends reinvested in additional shares. Shares issued under the DRIP are issued directly from the treasury of the Company at a price equal to the volume-weighted average trading price of the Company's shares on the TSX for the five trading days immediately preceding the relevant dividend payment date, which is typically on or about the 15th of April, July, October and January. During the three months ended March 25, 2023, Acadian issued 73,457 common shares in accordance with the DRIP.

On February 8, 2023, the Corporation renewed its Normal Course Issuer Bid ("NCIB") by filing a notice of intention with the TSX to purchase for cancellation up to 847,944 common shares during the period commencing February 14, 2023 and ending February 13, 2024, representing 5% of the 16,958,881 common shares outstanding as of January 31, 2023. The previous NCIB expired February 13, 2023. During the three months ended March 25, 2023, the Company did not purchase any of its common shares.

The Company's issued and outstanding common shares are as follows:

	Number of Shares	Share Capital (CAD thousands)
Balance as at December 31, 2022	16,885,424	\$ 142,765
Common shares issued - DRIP	73,457	1,197
Balance as at March 25, 2023	16,958,881	\$ 143,962

6. NET INCOME PER SHARE

Basic net income per share is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the period. There are no dilutive potential shares.

<i>Three Months Ended</i>	March 25, 2023	March 26, 2022
Weighted average number of common shares – basic and diluted	16,945,764	16,686,916

7. 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. Adjusted EBITDA is used to evaluate the operating performance of reportable segments. Adjusted EBITDA is defined as net income before interest, taxes, fair value adjustments and other, recovery of or impairment of land and roads, and depreciation and amortization.

Sales, Adjusted EBITDA and assets by reportable segments are as follows:

<i>Three Months Ended March 25, 2023</i>		NB		Meine
<i>(CAD thousands)</i>		Total	Timberlands	Timberlands
Sales				
Softwood	\$ 8,884	\$ 6,248	\$ 2,636	
Hardwood	6,412	4,861	1,551	
Biomass	1,370	1,310	60	
Timber services and other sales	5,696	5,488	208	
Total sales	22,362	17,907	4,455	
Operating costs and expenses				
Cost of sales	15,126	12,199	2,927	
Selling, administration and other	1,477	1,022	455	
Silviculture	1	1	—	
Depreciation and amortization	69	46	23	
	16,673	13,268	3,405	
	5,689	4,639	1,050	
Corporate and other expenses	(385)			
Operating income	5,304			
Interest expense, net	(809)			
Fair value adjustments and other	3,183			
Gain on sale of timberlands and other fixed assets	224			
Income before income taxes	\$ 7,902			

<i>Three Months Ended March 25, 2023</i>		NB		Meine
<i>(CAD thousands)</i>		Timberlands	Timberlands	Timberlands
Operating income		\$ 4,639	\$ 1,050	
Add: Depreciation and amortization		46	23	
Add: Gain on sale of timberlands and other fixed assets		198	26	
Adjusted EBITDA		\$ 4,883	\$ 1,099	

<i>As at March 25, 2023</i>		NB		Meine
<i>(CAD thousands)</i>		Timberlands	Timberlands	Timberlands
Non-current assets		\$ 333,821	\$ 203,080	
Total assets		\$ 347,396	\$ 205,426	

<i>Three Months Ended March 26, 2022</i>		NB	Maine
<i>(CAD thousands)</i>		Timberlands	Timberlands
	Total		
Sales			
Softwood	\$ 14,961	\$ 8,174	\$ 6,787
Hardwood	6,231	4,505	1,726
Biomass	1,160	1,156	4
Timber services and other sales	4,279	4,174	105
Total sales	26,631	18,009	8,622
Operating costs and expenses			
Cost of sales	17,669	12,299	5,370
Selling, administration and other	1,555	1,055	500
Silviculture	1	1	—
Depreciation and amortization	57	35	22
	19,282	13,390	5,892
	7,349	4,619	2,730
Corporate and other expenses	(511)		
Operating income	6,838		
Interest expense, net	(737)		
Fair value adjustments and other	(272)		
Gain on sale of timberlands and other fixed assets	14		
Income before income taxes	\$ 5,843		

<i>Three Months Ended March 26, 2022</i>		NB	Maine
<i>(CAD thousands)</i>		Timberlands	Timberlands
Operating income		\$ 4,619	\$ 2,730
Add: Depreciation and amortization		35	22
Add: Gain on sale of timberlands and other fixed assets		14	—
Adjusted EBITDA		\$ 4,668	\$ 2,752

<i>As at December 31, 2022</i>		NB	Maine
<i>(CAD thousands)</i>		Timberlands	Timberlands
Non-current assets		\$ 332,408	\$ 199,007
Total assets		\$ 346,062	\$ 200,917

Approximately 29% of total sales during the three months ended March 25, 2023 were originated with customers domiciled in the U.S. and the balance in Canada (March 26, 2022 – 29%). Approximately 26% of total sales were denominated in U.S. dollars during the same period (March 26, 2022 – 40%).

Acadian sells its products to many forest products companies in North America. For the three months ended March 25, 2023, sales to the largest and next largest customer accounted for 27% and 10%, respectively (March 26, 2022 – 19% and 16%, respectively).

8. FINANCIAL INSTRUMENTS

Financial Risk management - Foreign Currency Risk

Acadian has designated a hedging relationship between part of the net investment in its Maine subsidiary and its U.S. dollar-denominated debt, which mitigates the foreign currency risk arising from the subsidiary's net assets. The long-term debt is designated as a hedging instrument for the changes in the value of the net investment that is attributable to changes in the Canadian dollar/U.S. dollar spot rate.

To assess hedge effectiveness, Acadian determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate (the offset method). Acadian's policy is to hedge the net investment only to the extent of the debt principal.

There was no ineffectiveness to be recorded from the hedge during the quarter.

The change in the carrying amount of long-term debt as a result of foreign currency movements during the quarter, as recognized in OCI, and the change in the hedged item was \$1.8 million for the three months ended March 25, 2023 (March 26, 2022 – \$1.4 million).

9. INCOME TAXES

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

<i>Three Months Ended</i> <i>(CAD thousands)</i>	March 25, 2023	March 26, 2022
Current income tax expense	\$ 1,074	\$ 1,123
Deferred income tax expense	1,207	562
Total income tax expense	\$ 2,281	\$ 1,685

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

<i>Three Months Ended</i> <i>(CAD thousands)</i>	March 25, 2023	March 26, 2022
Income taxes at statutory rate	\$ 2,291	\$ 1,694
Foreign tax rate differential	(10)	(9)
Total income tax expense	\$ 2,281	\$ 1,685

10. DIVIDENDS TO SHAREHOLDERS

Acadian pays quarterly dividends to the extent determined prudent by the Board of Directors. Total dividends declared for the three months ended March 25, 2023 were \$4.9 million (March 26, 2022 – \$4.8 million) or \$0.29 per share (March 26, 2022 – \$0.29 per share).

11. SUBSEQUENT EVENT

On April 15, 2023, Acadian issued 75,161 common shares at a price of \$15.887, in accordance with the DRIP.

BOARD AND MANAGEMENT

BOARD OF DIRECTORS

Malcolm Cockwell
Managing Director
Haliburton Forest

Bruce Robertson
Vice President
The Woodbridge Company
Limited

Karen Oldfield
Interim President and CEO
Nova Scotia Health

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.

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. 506-737-2345
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:

TSX Trust Company
P.O. Box 700, Station B
Montreal, QC H3B 3K3
t. 1-800-387-0825 (toll free in North America)
f. 1-888-249-6189
e. shareholderinquiries@tmx.com
www.tsxtrust.com

SHARE INFORMATION

Toronto Stock Exchange: ADN
Fully Diluted Shares Outstanding (March 25, 2023): 16,945,764
Targeted 2023 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

The 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. Forward-looking information is included in this MD&A and includes statements made in the sections entitled "Carbon Credit Project" and "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. 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. Actual results may vary. These forward-looking statements include, but are not limited to: expectations regarding product demand and end use markets, including expectations for U.S. housing starts, which may be impacted by changes in interest rates, U.S. population demographics and the inventory of homes for sale. Expectations regarding product demand are based on anticipated market conditions, anticipated regional inventory levels of key customers, and the economic situation of key customers. Estimates for U.S. housing starts are based on forecasts published by major financial institutions; and expectations regarding the number and timing of carbon credits that will be successfully verified, registered and available for sale. Estimates are based on a preliminary model which is subject to third-party verification procedures. Other risks and factors are discussed under the heading "Risk Factors" in this MD&A and in each of the Annual Information Form dated March 24, 2023 and the Management Information Circular dated March 24, 2023 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. 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 based on information currently available to management 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