



ACADIAN TIMBER CORP.

Q3 2023 INTERIM REPORT

SEPTEMBER 30, 2023

# Q3 2023 INTERIM REPORT

## Letter to Shareholders

### Overview

Acadian Timber Corp. (“Acadian” or the “Company”) generated solid financial results for the three months ended September 30, 2023 (the “third quarter”), benefiting from continued stable regional demand and pricing for its products. While excessive rainfall impacted operations in Maine, operating conditions were favourable in New Brunswick. Increases in contractor availability have allowed for continued progress in recovering the volume shortfall experienced early in the year.

Acadian generated \$4.3 million of Free Cash Flow<sup>2</sup> and declared dividends of \$5.0 million to our shareholders during the third quarter. Our balance sheet continues to be solid with \$15.9 million of net liquidity<sup>2</sup> as at September 30, 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 employees or contractors.

Acadian generated sales of \$26.6 million during the third quarter, compared to \$23.6 million in the prior year period, with sales volume, excluding biomass, up 13%. The higher volumes were primarily a result of increased contractor availability, partially offset by unfavourable weather in Maine. Weighted average selling price, excluding biomass, increased 1% year-over-year, benefiting from strong softwood sawlog and pulpwood prices driven by solid demand, partially offset by decreased hardwood sawlog prices stemming from weakness in the hardwood lumber pricing.

Adjusted EBITDA<sup>2</sup> was \$4.9 million during the third quarter compared to \$4.5 million in the prior year period and Adjusted EBITDA margin<sup>2</sup> for the quarter was 18% compared to 19% in the prior year period.

Net income for the third quarter totaled \$6.4 million, or \$0.37 per share, compared to \$4.8 million, or \$0.29 per share, in the same period of 2022. The increase in net income compared to the prior year period was primarily the result of higher operating income and non-cash fair value adjustments, as well as lower income tax expense.

### Carbon Credit Project<sup>1</sup>

On June 8, 2023, 770,071 voluntary carbon credits were registered on the American Carbon Registry and made available for sale under the project name Anew – Katahdin Forestry Project, and are recorded as inventory in our September 30, 2023 interim condensed consolidated financial statements. These carbon credits are associated with our first carbon credit development project on the portion of our Maine Timberlands that is subject to a working forest conservation easement. Our focus has now turned to the marketing and sale of these credits as well as the registration of future tranches.

The total volume of credits expected to be generated from the project over the 10-year crediting period is 1.9 million credits. Actual credit issuances will be adjusted each reporting period based on actual harvesting, natural disturbances, and other factors, as well as periodic updating for inventory and verification activities.

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.

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

North American interest rates remain elevated and near-term pressure on end use markets persists. However, inflationary pressures have begun to show signs of easing and the consensus forecast for U.S. housing starts has risen to approximately 1.42 million starts in 2023. 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.

Although labour markets remain tight, we continued to experience increased contractor availability during the third quarter. Management will continue to focus on further increasing our harvesting capacity through the remainder of the year and into 2024. In the short to medium term, inflation is expected to continue to impact our financial results through elevated contractor rates and fuel surcharges.

Demand for Acadian's sawlogs is mainly driven by regional supply and demand, meaning that the stable demand experienced during the first three quarters is expected to continue through the balance of 2023. Pricing for softwood sawtimber is expected to remain stable, but pricing for hardwood sawtimber may continue to weaken, reflecting weakness in hardwood lumber pricing. Demand for hardwood pulpwood is expected to remain steady and softwood pulpwood markets are expected to remain at the improved levels experienced to date in 2023.

### Looking Ahead

We look forward to finishing the year with solid financial and operating performance. The business is supported by a strong balance sheet, diverse markets, and a dedicated, highly capable team. The progress made increasing contractor availability will benefit Acadian for the rest of 2023 and into the winter harvest season of 2024.

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 other lines of business such as carbon credits as well as evaluating 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 Sheparski**

President and Chief Executive Officer

November 1, 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). 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 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

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

November 1, 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") and 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 timber products include softwood and hardwood sawlogs, pulpwood, and biomass by-products, sold to approximately 90 regional customers. Acadian also develops carbon credits for sale in voluntary carbon credit markets.

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 and nine months ended September 30, 2023 (herein referred to as the "third quarter") compared to the three months and nine months ended September 24, 2022 and should be read in conjunction with the unaudited 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, 2022.

Our third 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 as updated in Note 2 of the third quarter unaudited interim condensed 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 November 1, 2023. Additional information is available on Acadian's website at [www.acadiantimber.com](http://www.acadiantimber.com) and on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).

## 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 nine months ended September 30, 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 nine months ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## REVIEW OF OPERATIONS

### Summary of Third Quarter and Year-to-Date 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 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Sales volume (000s m <sup>3</sup> )	<b>272.9</b>	229.4	<b>662.3</b>	687.3
Sales	\$ <b>26,593</b>	\$ 23,594	\$ <b>69,662</b>	\$ 66,718
Operating income	<b>4,733</b>	4,406	<b>15,254</b>	13,928
Net income	<b>6,408</b>	4,831	<b>17,841</b>	13,505
Adjusted EBITDA <sup>1</sup>	\$ <b>4,916</b>	\$ 4,480	\$ <b>16,168</b>	\$ 14,136
Adjusted EBITDA margin <sup>1</sup>	<b>18%</b>	19%	<b>23%</b>	21%
Free Cash Flow <sup>1</sup>	\$ <b>4,312</b>	\$ 3,260	\$ <b>12,188</b>	\$ 10,151
Dividends declared	<b>4,961</b>	4,876	<b>14,819</b>	14,571
Dividends paid in cash	<b>3,721</b>	3,721	<b>11,166</b>	12,281
Payout Ratio <sup>1</sup>	<b>115%</b>	150%	<b>122%</b>	144%
Payout Ratio with DRIP <sup>1</sup>	<b>86%</b>	114%	<b>92%</b>	121%
Per share – basic and diluted				
Net income	\$ <b>0.37</b>	\$ 0.29	\$ <b>1.05</b>	\$ 0.81
Free Cash Flow <sup>1</sup>	<b>0.25</b>	0.19	<b>0.71</b>	0.61
Dividends declared	<b>0.29</b>	0.29	<b>0.87</b>	0.87
Book value	<b>18.15</b>	17.55	<b>18.15</b>	17.55
Common shares outstanding	<b>17,108,241</b>	16,812,357	<b>17,108,241</b>	16,812,357
Weighted average shares outstanding <sup>2</sup>	<b>17,092,341</b>	16,797,722	<b>17,054,970</b>	16,740,531

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

2. As at November 1, 2023 there were 17,182,558 common shares outstanding.

During the third quarter, Acadian generated sales of \$26.6 million, compared to \$23.6 million in the prior year period. The weighted average selling price, excluding biomass, increased 1% year-over-year, benefiting from strong softwood sawlog and pulpwood prices driven by strong demand, partially offset by decreased hardwood sawlog prices stemming from weakness in hardwood lumber pricing.

Sales volume, excluding biomass, was 13% higher compared to the prior year period as a result of increased contractor availability, partially offset by unfavourable weather in Maine. Biomass sales volume was 67% higher due to favourable market conditions.

Operating costs and expenses were \$21.9 million during the third quarter, compared to \$19.2 million during the prior year period, reflecting higher sales volumes. Weighted average variable costs, excluding biomass, were consistent with the prior year period, with increased contractor rates being offset by lower fuel prices.

Net income for the third quarter totaled \$6.4 million, or \$0.37 per share, compared to \$4.8 million, or \$0.29 per share, in the same period of 2022. The increase in net income compared to the prior year period was primarily the result of higher operating income and non-cash fair value adjustments, as well as lower income tax expense.

Adjusted EBITDA was \$4.9 million during the third quarter compared to \$4.5 million in the prior year period, reflecting higher operating income and gain on sale of timberlands. Adjusted EBITDA margin for the quarter was 18% compared to 19% in the prior year period. Free Cash Flow was \$4.3 million, or \$1.1 million higher than the prior year period, being driven by higher Adjusted EBITDA as per above and lower current income tax expense.

During the first nine months of 2023, Acadian generated sales of \$69.7 million, compared to \$66.7 million in the prior year period. Sales volume, excluding biomass, was 8% lower than the first nine months of 2022 but was offset by an 8% increase in the weighted average selling price.

Operating costs and expenses of \$54.4 million were \$1.6 million higher year-over-year due to higher weighted average variable costs, excluding biomass, resulting primarily from higher contractor rates, partially offset by lower fuel prices. Adjusted EBITDA of \$16.2 million was \$2.1 million higher compared to the prior year period.

For the nine months ended September 30, 2023, net income was \$17.8 million, or \$1.05 per share, which represents an increase of \$4.3 million compared to the prior year period, primarily the result of higher operating income, gain on sale of timberlands and non-cash fair value adjustments.

### 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>	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Net income	\$ 6,408	\$ 4,831	\$ 17,841	\$ 13,505
Add / (deduct):				
Interest expense, net	795	795	2,375	2,295
Income tax expense	1,200	1,807	5,816	5,327
Depreciation and amortization	106	74	262	194
Fair value adjustments and other	(3,593)	(3,027)	(10,126)	(7,185)
Adjusted EBITDA <sup>1</sup>	\$ 4,916	\$ 4,480	\$ 16,168	\$ 14,136
Add / (deduct):				
Interest paid on debt, net	(764)	(765)	(2,238)	(2,204)
Additions to timber, land, roads, and other fixed assets	(373)	(148)	(550)	(251)
Gain on sale of timberlands and other fixed assets	(77)	—	(652)	(14)
Proceeds from sale of timberlands and other assets	80	—	670	14
Current income tax recovery (expense)	530	(307)	(1,210)	(1,530)
Free Cash Flow <sup>1</sup>	\$ 4,312	\$ 3,260	\$ 12,188	\$ 10,151
Dividends declared	\$ 4,961	4,876	14,819	14,571
Dividends paid in cash	\$ 3,721	3,721	11,166	12,281
Payout Ratio <sup>1</sup>	115%	150%	122%	144%
Payout Ratio with DRIP <sup>1</sup>	86%	114%	92%	121%

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 15<sup>th</sup> day following each dividend record date.

Total dividends declared to shareholders during the three months ended September 30, 2023 were \$5.0 million, or \$0.29 per share, consistent with the same period of 2022.

Acadian has in place a dividend reinvestment plan (“DRIP”) effective with eligible shareholders, whereby Canadian resident shareholders may elect to automatically have their dividends reinvested in additional shares issued directly from the treasury of the Company. During the three months and nine months ended September 30, 2023, Acadian issued 74,199 and 222,817 common shares, respectively, 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**

During the third quarter, Acadian benefited from continued stable regional demand and pricing for its products. While excessive rainfall impacted operations in Maine, operating conditions were favourable in New Brunswick. Some contractor availability challenges persist, but recent increases in availability resulted in sales volume, excluding biomass, of 231,000 m<sup>3</sup>, which is 13% higher than the same period in 2022.

The weighted average selling price, excluding biomass, for the third quarter was 1% higher compared to the prior year period. Pricing for softwood sawlogs increased 5% compared to the prior year period driven by stable demand, while hardwood sawlog pricing decreased 12% due to declines in end use markets. Demand was strong for softwood pulpwood, resulting in a pricing increase of 19% year-over-year. Hardwood pulpwood pricing increased 2% over the same period of 2022. Biomass prices were 25% lower due to unfavourable market conditions.

## Segmented Results of Operations

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

<b>Three Months Ended September 30, 2023</b>				
<i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m <sup>3</sup> )	<b>235.0</b>	<b>37.9</b>	—	<b>272.9</b>
Sales	\$ <b>22,836</b>	\$ <b>3,757</b>	\$ —	\$ <b>26,593</b>
Adjusted EBITDA <sup>1</sup>	\$ <b>5,495</b>	\$ <b>(149)</b>	\$ <b>(430)</b>	\$ <b>4,916</b>
Adjusted EBITDA margin <sup>1</sup>	<b>24%</b>	<b>-4%</b>	<b>n/a</b>	<b>18%</b>

<b>Three Months Ended September 24, 2022</b>				
<i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m <sup>3</sup> )	191.8	37.6	—	229.4
Sales	\$ 19,917	\$ 3,677	\$ —	\$ 23,594
Adjusted EBITDA <sup>1</sup>	\$ 4,577	\$ 234	\$ (331)	\$ 4,480
Adjusted EBITDA margin <sup>1</sup>	23%	6%	n/a	19%

<b>Nine Months Ended September 30, 2023</b>				
<i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m <sup>3</sup> )	<b>537.6</b>	<b>124.7</b>	—	<b>662.3</b>
Sales	\$ <b>57,311</b>	\$ <b>12,351</b>	\$ —	\$ <b>69,662</b>
Adjusted EBITDA <sup>1</sup>	\$ <b>15,373</b>	\$ <b>2,084</b>	\$ <b>(1,289)</b>	\$ <b>16,168</b>
Adjusted EBITDA margin <sup>1</sup>	<b>27%</b>	<b>17%</b>	<b>n/a</b>	<b>23%</b>

<b>Nine Months Ended September 24, 2022</b>				
<i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m <sup>3</sup> )	518.4	168.9	—	687.3
Sales	\$ 51,470	\$ 15,248	\$ —	\$ 66,718
Adjusted EBITDA <sup>1</sup>	\$ 11,955	\$ 3,350	\$ (1,169)	\$ 14,136
Adjusted EBITDA margin <sup>1</sup>	23%	22%	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.

During the third quarter of 2023, Acadian's New Brunswick operations experienced no recordable safety incidents among employees or contractors.



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

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Harvest (000s m <sup>3</sup> )				
Softwood	<b>133.3</b>	103.7	<b>278.8</b>	280.1
Hardwood	<b>67.9</b>	64.9	<b>177.3</b>	175.6
Biomass	—	23.0	<b>25.8</b>	52.5
Total	<b>201.2</b>	191.6	<b>481.9</b>	508.2
Sales (000s m <sup>3</sup> )				
Softwood	<b>129.9</b>	105.9	<b>275.2</b>	287.2
Hardwood	<b>63.5</b>	62.9	<b>187.9</b>	178.7
Biomass	<b>41.6</b>	23.0	<b>74.5</b>	52.5
Total	<b>235.0</b>	191.8	<b>537.6</b>	518.4
Sales Mix				
Softwood	<b>55%</b>	55%	<b>51%</b>	56%
Hardwood	<b>27%</b>	33%	<b>35%</b>	34%
Biomass	<b>18%</b>	12%	<b>14%</b>	10%
Total	<b>100%</b>	100%	<b>100%</b>	100%
Results (\$000s)				
Softwood	<b>\$ 9,701</b>	\$ 7,231	<b>\$ 20,185</b>	\$ 19,428
Hardwood	<b>5,333</b>	5,580	<b>18,093</b>	15,726
Biomass	<b>1,336</b>	1,064	<b>2,966</b>	2,372
Total	<b>\$ 16,370</b>	\$ 13,875	<b>\$ 41,244</b>	\$ 37,526
Timber services and other	<b>6,466</b>	6,042	<b>16,067</b>	13,944
Sales	<b>\$ 22,836</b>	\$ 19,917	<b>\$ 57,311</b>	\$ 51,470
Adjusted EBITDA <sup>1</sup>	<b>\$ 5,495</b>	\$ 4,577	<b>\$ 15,373</b>	\$ 11,955
Adjusted EBITDA margin <sup>1</sup>	<b>24%</b>	23%	<b>27%</b>	23%

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

Sales for New Brunswick Timberlands in the third quarter were \$22.8 million compared to \$19.9 million during the prior year period. Sales volume, excluding biomass, increased by 15% primarily due to increased contractor availability. Biomass sales volume increased by 81% as compared to the prior year period due to favourable market conditions.

The weighted average selling price, excluding biomass, for the third quarter was \$77.74 per m<sup>3</sup>, or 3% higher than the prior year period, as a result of stable softwood sawlog and pulpwood prices, driven by strong demand, partially offset by lower hardwood sawlog pricing due to unfavourable end use markets. Biomass prices were 25% lower year-over-year due to changes in product and customer mix.

Operating costs and expenses were \$17.5 million during the third quarter, compared to \$15.4 million in the prior year period, reflecting higher sales volumes. Weighted average variable costs, excluding biomass, were consistent with the prior year period, with increased contractor rates being offset by lower fuel prices.

Adjusted EBITDA for the quarter was \$5.5 million compared to \$4.6 million in the prior year period and Adjusted EBITDA margin was 24% compared to 23% in the prior year period primarily as a result of higher operating income.

During the first nine months of 2023, New Brunswick Timberlands' sales of \$57.3 million were 11% higher than the prior year period. Sales volume, excluding biomass, was consistent with the prior year period, with increases in contractor availability allowing for continued recovery of the volume shortfall of the first quarter. The weighted average selling price, excluding biomass, increased 10% as a result of increases across all products, as compared to the same period of 2022.

Operating costs and expenses of \$42.7 million during the first nine months of 2023 were \$3.0 million higher than the prior year period, due primarily to increased volumes. Weighted average variable costs, excluding biomass, increased 3% from the prior year period, with increased contractor rates being partially offset by lower fuel prices. Adjusted EBITDA was \$15.4 million compared to \$12.0 million in the first nine months of 2022, and Adjusted EBITDA margin increased to 27% from 23%.

#### 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 2023.

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

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Harvest (000s m <sup>3</sup> )				
Softwood	20.9	24.6	77.9	121.2
Hardwood	16.1	11.9	42.3	39.6
Biomass	—	2.0	6.5	5.2
Total	37.0	38.5	126.7	166.0
Sales (000s m <sup>3</sup> )				
Softwood	20.6	24.6	72.8	121.2
Hardwood	17.3	11.0	45.4	42.5
Biomass	—	2.0	6.5	5.2
Total	37.9	37.6	124.7	168.9
Sales Mix				
Softwood	54%	66%	59%	72%
Hardwood	46%	29%	36%	25%
Biomass	—	5%	5%	3%
Total	100%	100%	100%	100%
Results (\$000s)				
Softwood	\$ 2,114	\$ 2,328	\$ 7,487	\$ 10,777
Hardwood	1,415	1,090	4,149	3,943
Biomass	—	3	60	13
Total	\$ 3,529	\$ 3,421	\$ 11,696	\$ 14,733
Timber services and other	228	256	655	515
Sales	\$ 3,757	\$ 3,677	\$ 12,351	\$ 15,248
Adjusted EBITDA <sup>1</sup>	\$ (149)	\$ 234	\$ 2,084	\$ 3,350
Adjusted EBITDA margin <sup>1</sup>	-4%	6%	17%	22%

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

Sales for Maine Timberlands during the third quarter totaled \$3.8 million compared to \$3.7 million in the prior year period. Sales volume, excluding biomass, increased 6% reflecting increased contractor availability partially offset by unfavourable weather conditions, as compared to the same period in the prior year.

In U.S dollar terms, the weighted average selling price, excluding biomass, was \$69.45 per m<sup>3</sup>, compared to \$73.57 per m<sup>3</sup> during the same period of 2022. The 6% decrease was driven primarily by lower softwood sawlog prices. The weighted average selling price, excluding biomass, in Canadian dollar terms was \$93.08 per m<sup>3</sup>, compared to \$95.98 per m<sup>3</sup> during the same period of 2022, or 3% lower, being positively impacted by changes in foreign exchange rates.

Operating costs and expenses for the third quarter were \$3.9 million, compared to \$3.5 million during the same period in 2022, reflecting higher harvesting activity. Weighted average variable costs, excluding biomass, were consistent with the prior year period, with higher contractor rates offset by lower fuel prices.

Adjusted EBITDA for the quarter was \$(0.1) million compared to \$0.2 million in the prior year period as a result of lower operating income and Adjusted EBITDA margin was (4)%, compared to 6% in the prior year period.

During the first nine months of 2023, Maine Timberlands' sales were \$12.4 million compared to \$15.2 million in the first nine months of 2022. Maine Timberlands' weighted average selling price, excluding biomass, increased 10% in Canadian dollar terms, and 4% in U.S. dollar terms, however sales volume, excluding biomass, was 28% lower due to limited contractor availability earlier in the year and unfavourable weather conditions.

Operating costs and expenses of \$10.5 million during the first nine months of 2023 were \$1.5 million lower than the prior year period, as a result of lower harvesting activity partially offset by higher contractor rates. Adjusted EBITDA was \$2.1 million compared to \$3.4 million in the first nine months of 2022, and Adjusted EBITDA margin decreased to 17% from 22%.

#### **Carbon Credit Project<sup>1</sup>**

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 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.

On June 8, 2023, 770,071 voluntary carbon credits were registered on the American Carbon Registry and made available for sale under the project name Anew – Katahdin Forestry Project, and are recorded as inventory in our September 30, 2023 interim condensed consolidated financial statements.

The total volume of credits expected to be generated from the project over the 10-year crediting period is 1.9 million credits. Actual credit issuances will be adjusted each reporting period based on actual harvesting, natural disturbances, and other factors, as well as periodic updating for inventory and verification activities.

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 \$15.9 million as at September 30, 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 and nine months ended September 30, 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.

## OUTLOOK<sup>1</sup>

North American interest rates remain elevated and near-term pressure on end use markets persists. However, inflationary pressures have begun to show signs of easing and the consensus forecast for U.S. housing starts has risen to approximately 1.42 million starts in 2023. 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.

Although labour markets remain tight, we continued to experience increased contractor availability during the third quarter. Management will continue to focus on further increasing our harvesting capacity through the remainder of the year and into 2024. In the short to medium term, inflation is expected to continue to impact our financial results through elevated contractor rates and fuel surcharges.

Demand for Acadian's sawlogs is mainly driven by regional supply and demand, meaning that the stable demand experienced during the first three quarters is expected to continue through the balance of 2023. Pricing for softwood sawtimber is expected to remain stable, but pricing for hardwood sawtimber may continue to weaken, reflecting weakness in hardwood lumber pricing. Demand for hardwood pulpwood is expected to remain steady and softwood pulpwood markets are expected to remain at the improved levels experienced to date in 2023.

## SELECTED CONSOLIDATED QUARTERLY INFORMATION

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

	2023			2022				2021
<i>(CAD thousands, except per share data and where indicated)</i>	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales volume (000s m <sup>3</sup> )	<b>272.9</b>	184.2	205.2	230.5	229.4	156.7	301.2	290.1
Sales	<b>\$ 26,593</b>	\$ 20,707	\$ 22,362	\$ 23,755	\$ 23,594	\$ 16,493	\$ 26,631	\$ 25,946
Adjusted EBITDA <sup>1</sup>	<b>4,916</b>	5,651	5,601	4,058	4,480	2,747	6,909	6,315
Free Cash Flow <sup>1</sup>	<b>4,312</b>	4,108	3,723	2,000	3,260	1,877	5,014	5,149
Net income	<b>6,408</b>	5,813	5,621	22,002	4,831	4,516	4,158	6,541
Per share – basic and diluted	<b>\$ 0.37</b>	\$ 0.34	\$ 0.33	\$ 1.30	\$ 0.29	\$ 0.27	\$ 0.25	\$ 0.39

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. 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.

<sup>1</sup>The following contains forward-looking information about Acadian Timber Corp.'s outlook for the remainder of 2023 and future expectations. 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](http://www.acadiantimber.com) or [www.sedarplus.ca](http://www.sedarplus.ca).

## 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 and Note 2 of Acadian's September 30, 2023 interim condensed 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 other than shares issued to Macer in accordance with the DRIP, described under the heading Dividend Policy of the Company.

## Contractual Obligations

The Company has two significant contractual obligations, being the Fibre Supply Agreement and the Crown License Agreement. The Fibre Supply Agreement between the Company and Twin Rivers Paper Company ("Twin Rivers") was transferred to Groupe Lebel 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 Lebel. The agreement expires in 2026, subject to a five-year extension at the option of Groupe Lebel. The provision of timber services under the 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 September 30, 2023:

(CAD thousands)	Payments Due by Period				
	Total	Remainder (2023)	1 to 3 Years (2024-2026)	4 to 5 Years (2027-2028)	After 5 Years (>2028)
<b>Term facilities</b>					
Tranche due March 6, 2025 <sup>1</sup>	\$ 19,942	—	19,942	—	—
Tranche due March 6, 2025 <sup>1</sup>	23,322	—	23,322	—	—
Tranche due March 6, 2027 <sup>1</sup>	43,264	—	—	43,264	—
Tranche due March 6, 2030 <sup>1</sup>	21,632	—	—	—	21,632
	\$108,160	\$ —	\$ 43,264	\$ 43,264	\$ 21,632
<b>Interest payments</b>	\$ 9,973	\$ 761	\$ 6,973	\$ 1,489	\$ 750

1. Represents principal of the U.S. dollar denominated term facilities with a U.S. to Canadian dollar conversion rate of 1.352 and excludes 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. Actual credit issuances will be adjusted each reporting period based on actual harvesting, natural disturbances and other factors, as well as periodic updating for inventory and verification activities.*
- *Expectations regarding product demand, pricing 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 and pricing 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.sedarplus.ca](http://www.sedarplus.ca). 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	September 30, 2023	December 31, 2022
<b>Assets</b>			
Current assets			
Cash		\$ 2,719	\$ 6,230
Accounts receivable and other assets		11,982	8,265
Current income taxes receivable		1,945	—
Inventories	3	15,406	1,850
		\$ 32,052	16,345
Timber	4	433,650	437,365
Land, roads, and other fixed assets		88,200	87,986
Intangible asset		6,140	6,140
Total assets		\$ 560,042	\$ 547,836
<b>Liabilities and shareholders' equity</b>			
Current liabilities			
Accounts payable and accrued liabilities		\$ 12,218	\$ 11,206
Current income taxes payable		—	20
Dividends payable to shareholders		4,961	4,897
		\$ 17,179	16,123
Long-term debt	5	107,837	107,937
Deferred income tax liabilities, net		124,584	120,053
Total liabilities		249,600	244,113
Shareholders' equity	6	310,442	303,723
Total liabilities and shareholders' equity		\$ 560,042	\$ 547,836

See accompanying notes to interim condensed consolidated financial statements.



## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME

(unaudited)

	Note	Three Months Ended		Nine Months Ended	
		September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
<i>(CAD thousands, except per share data)</i>					
Sales		\$ 26,593	\$ 23,594	\$ 69,662	\$ 66,718
Operating costs and expenses					
Cost of sales		18,584	16,266	46,648	45,368
Selling, administration and other		2,104	2,027	6,065	5,921
Silviculture		1,066	821	1,433	1,307
Depreciation and amortization		106	74	262	194
		21,860	19,188	54,408	52,790
Operating income		4,733	4,406	15,254	13,928
Interest expense, net		(795)	(795)	(2,375)	(2,295)
Other items					
Fair value adjustments and other		3,593	3,027	10,126	7,185
Gain on sale of timberlands and other fixed assets		77	—	652	14
Income before income taxes		7,608	6,638	23,657	18,832
Income tax expense	10	(1,200)	(1,807)	(5,816)	(5,327)
Net income		\$ 6,408	\$ 4,831	\$ 17,841	\$ 13,505
Net income per share – basic and diluted	7	\$ 0.37	\$ 0.29	\$ 1.05	\$ 0.81

See accompanying notes to interim condensed consolidated financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

<i>(CAD thousands)</i>	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Net income	\$ 6,408	\$ 4,831	\$ 17,841	\$ 13,505
Other comprehensive income				
Items that may be reclassified subsequently to net income:				
Unrealized foreign currency translation gain	1,455	1,775	85	2,455
Comprehensive income	\$ 7,863	\$ 6,606	\$ 17,926	\$ 15,960

*See accompanying notes to interim condensed consolidated financial statements.*

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited)

Nine Months Ended September 30, 2023 (CAD thousands)	Note	Common				Shareholders' Equity
		Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	
Balances as at December 31, 2022		\$ 142,765	\$ 101,992	\$ 31,345	\$ 27,621	\$ 303,723
Changes during the period						
Net income		—	17,841	—	—	17,841
Other comprehensive gain		—	—	—	85	85
Shareholders' dividends declared	11	—	(14,819)	—	—	(14,819)
Common shares issued - DRIP	6	3,612	—	—	—	3,612
<b>Balances as at September 30, 2023</b>		<b>\$ 146,377</b>	<b>\$ 105,014</b>	<b>\$ 31,345</b>	<b>\$ 27,706</b>	<b>\$ 310,442</b>

Nine Months Ended September 24, 2022 (CAD thousands)	Note	Common				Shareholders' Equity
		Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	
Balances as at December 31, 2021		\$ 139,394	\$ 85,953	\$ 41,638	\$ 24,500	\$ 291,485
Changes during the period						
Net income		—	13,505	—	—	13,505
Other comprehensive gain		—	—	—	2,455	2,455
Shareholders' dividends declared	11	—	(14,571)	—	—	(14,571)
Common shares issued - DRIP	6	2,228	—	—	—	2,228
<b>Balances as at September 24, 2022</b>		<b>\$ 141,622</b>	<b>\$ 84,887</b>	<b>\$ 41,638</b>	<b>\$ 26,955</b>	<b>\$ 295,102</b>

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 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Cash provided by (used for):				
<b>Operating activities</b>				
Net income	\$ 6,408	\$ 4,831	\$ 17,841	\$ 13,505
Adjustments to net income:				
Income tax expense	1,200	1,807	5,816	5,327
Depreciation and amortization	106	74	262	194
Fair value adjustments and other	(3,593)	(3,027)	(10,126)	(7,185)
Gain on sale of timberlands and other fixed assets	(77)	—	(652)	(14)
Income taxes paid	(800)	(1,175)	(3,168)	(1,858)
Net change in non-cash working capital balances and other	(489)	(1,666)	(2,438)	(1,001)
	2,755	844	7,535	8,968
<b>Financing activities</b>				
Dividends paid to shareholders	(3,721)	(3,721)	(11,166)	(12,281)
<b>Investing activities</b>				
Additions to timber, land, roads, and other fixed assets	(373)	(148)	(550)	(251)
Proceeds from sale of timberlands and other fixed assets	80	—	670	14
	(293)	(148)	120	(237)
Decrease in cash during the period	(1,259)	(3,025)	(3,511)	(3,550)
Cash, beginning of period	3,978	6,791	6,230	7,316
<b>Cash, end of period</b>	<b>\$ 2,719</b>	<b>\$ 3,766</b>	<b>\$ 2,719</b>	<b>\$ 3,766</b>

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

<i>(CAD thousands)</i>	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Accounts receivable and other assets	\$ (5,512)	\$ (7,646)	\$ (3,717)	\$ (5,126)
Log inventory	(371)	(217)	733	507
Accounts payable and accrued liabilities	5,153	5,978	1,012	3,444
Other	241	219	(466)	174
	\$ (489)	\$ (1,666)	\$ (2,438)	\$ (1,001)

# 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. Acadian’s timber products include softwood and hardwood sawlogs, pulpwood and biomass by-products sold to approximately 90 regional customers. Acadian also develops carbon credits for sale in voluntary carbon credit markets.

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 30, 2023, Macer Forest Holdings Inc. owns 7,915,083 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, except as included below under “Carbon credit inventory”. 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 November 1, 2023.

### Carbon credit inventory

During the quarter, Acadian completed its first registration of carbon credits on a voluntary carbon registry system, participation in which requires Acadian to balance harvest and growth, and requires long term planning, annual reporting, periodic carbon inventory verification, and maintenance of the existing sustainable forestry certification.

The value of carbon credits expected to be developed is initially recorded at fair value as part of the timber asset in accordance with IAS 41 Agriculture. Once registered on a carbon registry system and made available for sale, the amount attributable to the carbon credits initially recorded within the timber asset is reclassified to inventory.

Carbon credit inventory is subsequently measured at the lower of cost and net realizable value.

### 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 will not have a material impact on the consolidated financial statements.

### 3. INVENTORIES

<i>As at</i> <i>(CAD thousands)</i>	<b>September 30, 2023</b>	December 31, 2022
Carbon credits	\$ 14,289	\$ —
Log inventory	1,117	1,850
<b>Total</b>	<b>\$ 15,406</b>	<b>\$ 1,850</b>

During the nine months ended September 30, 2023, 770,071 carbon credits were registered on a carbon registry system and made available for sale. There were no sales during the period.

### 4. TIMBER

<i>(CAD thousands)</i>	
Balance as at December 31, 2021	\$ 388,005
Disposals	(17)
Gains arising from growth	34,705
Reduction arising from harvest	(24,080)
Gain from fair value price and other changes	23,253
Foreign exchange	15,499
<b>Balance as at December 31, 2022</b>	<b>\$ 437,365</b>
Disposals	(1)
Transfer to carbon credit inventory (Note 3)	(14,113)
Gains arising from growth	27,874
Reduction arising from harvest	(17,213)
Foreign exchange	(262)
<b>Balance as at September 30, 2023</b>	<b>\$ 433,650</b>

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 as well as transfers of registered carbon credits to inventory. 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. Once registered on a carbon registry system and made available for sale, the amount attributable to the carbon credits initially recorded within the timber asset determined by reference to the annual appraisal of the timberlands is reclassified to inventory.

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.

### 5. LONG TERM DEBT

<i>As at</i> <i>(CAD thousands)</i>	<b>September 30, 2023</b>	December 31, 2022
Term facilities	\$ 108,160	\$ 108,352
Less:		
Deferred debt issuance costs	(323)	(415)
<b>Total</b>	<b>\$ 107,837</b>	<b>\$ 107,937</b>

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%. Effective April 1, the Revolving Facility bears interest at floating rates based on the Secured Overnight Financing Rate plus applicable margin, as a result of the decommissioning of LIBOR. 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 September 30, 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 September 30, 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 September 30, 2023, or December 31, 2022.

The fair value of the Term Facilities as at September 30, 2023 is \$100.1 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.

## 6. 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 and nine months ended September 30, 2023, Acadian issued 74,199 and 222,817 common shares, respectively, 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 and nine months ended September 30, 2023, the Company did not purchase any of its common shares.

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

<i>(CAD thousands)</i>	Number of Shares	Share Capital
Balance as at December 31, 2022	16,885,424	\$ 142,765
Common shares issued - DRIP	222,817	3,612
<b>Balance as at September 30, 2023</b>	<b>17,108,241</b>	<b>\$ 146,377</b>

## 7. 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.

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Weighted average number of common shares – basic and diluted	<b>17,092,341</b>	16,797,722	<b>17,054,970</b>	16,740,531

## 8. 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, income taxes, fair value adjustments, recovery of or impairment of land and roads and depreciation and amortization.

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

<b>Three Months Ended September 30, 2023</b> <b>(CAD thousands)</b>	<b>Total</b>	<b>NB Timberlands</b>	<b>Maine Timberlands</b>
Sales			
Softwood	\$ 11,815	\$ 9,701	\$ 2,114
Hardwood	6,748	5,333	1,415
Biomass	1,336	1,336	—
Timber services and other sales	6,694	6,466	228
Total sales	26,593	22,836	3,757
Operating costs and expenses			
Cost of sales	18,584	15,399	3,185
Selling, administration and other	1,674	1,161	513
Silviculture	1,066	858	208
Depreciation and amortization	102	65	37
	21,426	17,483	3,943
	5,167	5,353	(186)
Corporate and other expenses	(434)		
Operating income	4,733		
Interest expense, net	(795)		
Fair value adjustments and other	3,593		
Gain on sale of timberlands and other fixed assets	77		
Income before income taxes	\$ 7,608		

<b>Three Months Ended September 30, 2023</b> <b>(CAD thousands)</b>	<b>NB Timberlands</b>	<b>Maine Timberlands</b>
Operating income	\$ 5,353	\$ (186)
Add: Depreciation and amortization	65	37
Add: Gain on sale of timberlands and other fixed assets	77	—
Adjusted EBITDA	\$ 5,495	\$ (149)

<b>As at September 30, 2023</b> <b>(CAD thousands)</b>	<b>NB Timberlands</b>	<b>Maine Timberlands</b>
Non-current assets	\$ 339,329	\$ 202,711
Total assets	\$ 352,999	\$ 204,017



<i>Three Months Ended September 24, 2022</i>			
<i>(CAD thousands)</i>			
	Total	NB Timberlands	Maine Timberlands
<b>Sales</b>			
Softwood	\$ 9,559	\$ 7,231	\$ 2,328
Hardwood	6,670	5,580	1,090
Biomass	1,067	1,064	3
Timber services and other sales	6,298	6,042	256
<b>Total sales</b>	<b>23,594</b>	<b>19,917</b>	<b>3,677</b>
<b>Operating costs and expenses</b>			
Cost of sales	16,266	13,541	2,725
Selling, administration and other	1,696	1,180	516
Silviculture	821	619	202
Depreciation and amortization	70	45	25
	<b>18,853</b>	<b>15,385</b>	<b>3,468</b>
	<b>4,741</b>	<b>4,532</b>	<b>209</b>
Corporate and other expenses	(335)		
Operating income	4,406		
Interest expense, net	(795)		
Fair value adjustments and other	3,027		
Income before income taxes	\$ 6,638		

<i>Three Months Ended September 24, 2022</i>			
<i>(CAD thousands)</i>			
		NB Timberlands	Maine Timberlands
Operating income		\$ 4,532	\$ 209
Add: Depreciation and amortization		45	25
Adjusted EBITDA		\$ 4,577	\$ 234

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

<b>Nine Months Ended September 30, 2023</b>			
<b>(CAD thousands)</b>			
	<b>Total</b>	<b>NB Timberlands</b>	<b>Maine Timberlands</b>
Sales			
Softwood	\$ 27,672	\$ 20,185	\$ 7,487
Hardwood	22,242	18,093	4,149
Biomass	3,026	2,966	60
Timber services and other sales	16,722	16,067	655
Total sales	69,662	57,311	12,351
Operating costs and expenses			
Cost of sales	46,648	37,984	8,664
Selling, administration and other	4,776	3,313	1,463
Silviculture	1,433	1,195	238
Depreciation and amortization	249	164	85
	53,106	42,656	10,450
	16,556	14,655	1,901
Corporate and other expenses	(1,302)		
Operating income	15,254		
Interest expense, net	(2,375)		
Fair value adjustments and other	10,126		
Gain on sale of timberlands and other fixed assets	652		
Income before income taxes	\$ 23,657		

<b>Nine Months Ended September 30, 2023</b>		
<b>(CAD thousands)</b>		
	<b>NB Timberlands</b>	<b>Maine Timberlands</b>
Operating income	\$ 14,655	\$ 1,901
Add: Depreciation and amortization	164	85
Add: Gain on sale of timberlands and other fixed assets	554	98
Adjusted EBITDA	\$ 15,373	\$ 2,084

<i>Nine Months Ended September 24, 2022</i>			
<i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands
<b>Sales</b>			
Softwood	\$ 30,205	\$ 19,428	\$ 10,777
Hardwood	19,669	15,726	3,943
Biomass	2,385	2,372	13
Timber services and other sales	14,459	13,944	515
<b>Total sales</b>	<b>66,718</b>	<b>51,470</b>	<b>15,248</b>
<b>Operating costs and expenses</b>			
Cost of sales	45,368	35,174	10,194
Selling, administration and other	4,752	3,250	1,502
Silviculture	1,307	1,105	202
Depreciation and amortization	190	119	71
	51,617	39,648	11,969
	15,101	11,822	3,279
Corporate and other expenses	(1,173)		
<b>Operating income</b>	<b>13,928</b>		
Interest expense, net	(2,295)		
Fair value adjustments and other	7,185		
Gain on sale of timberlands and other fixed assets	14		
<b>Income before income taxes</b>	<b>\$ 18,832</b>		

<i>Nine Months Ended September 24, 2022</i>		
<i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands
Operating income	\$ 11,822	\$ 3,279
Add: Depreciation and amortization	119	71
Add: Gain on sale of timberlands and other fixed assets	14	—
<b>Adjusted EBITDA</b>	<b>\$ 11,955</b>	<b>\$ 3,350</b>

Approximately 28% and 33% of total sales during the three months and nine months ended September 30, 2023 were originated with customers domiciled in the U.S. and the balance in Canada (September 24, 2022 – 33% and 35%). Approximately 21% and 26% of total sales were denominated in U.S. dollars during the same period (September 24, 2022 – 26% and 35%).

Acadian sells its products to many forest products companies in North America. For the three months and nine months ended September 30, 2023, sales to the largest and next largest customer accounted for 32% and 11%, and 20% and 12%, respectively (September 24, 2022 – 25% and 8%, and 20% and 11% respectively).

## 9. 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 period, as recognized in OCI, and the change in the hedged item, was \$2.6 million and \$(0.2) million for the three months and nine months ended September 30, 2023.

## 10. INCOME TAXES

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

<i>(CAD thousands)</i>	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Current income tax (recovery) expense	\$ (530)	\$ 307	\$ 1,210	\$ 1,530
Deferred income tax expense	1,730	1,500	4,606	3,797
Total income tax expense	\$ 1,200	\$ 1,807	\$ 5,816	\$ 5,327

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

<i>(CAD thousands)</i>	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Income taxes at statutory rate	\$ 2,207	\$ 1,926	\$ 6,861	\$ 5,462
Foreign tax rate differential	(16)	(3)	(40)	(19)
Changes in estimates related to prior years	(991)	(116)	(1,005)	(116)
Total income tax expense	\$ 1,200	\$ 1,807	\$ 5,816	\$ 5,327

## 11. 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 30, 2023 were \$5.0 million and \$14.8 million, respectively (September 24, 2022 – \$4.9 million and \$14.6 million) or \$0.29 and \$0.87 per share (September 24, 2022 – \$0.29 and \$0.87 per share).

## 12. SUBSEQUENT EVENT

On October 15, 2023, Acadian issued 74,317 common shares 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](mailto:ir@acadiantimber.com)

### TRANSFER AGENT AND REGISTRAR

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

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](mailto:shareholderinquiries@tmx.com)  
[www.tsxtrust.com](http://www.tsxtrust.com)

### SHARE INFORMATION

Toronto Stock Exchange: ADN  
Fully Diluted Shares Outstanding (September 30, 2023): 17,108,241  
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](http://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 the number and timing of carbon credits that will be successfully registered and available for sale. Actual credit issuances will be adjusted each reporting period based on actual harvesting, natural disturbances and other factors, as well as periodic updating for inventory and verification activities; expectations regarding product demand, pricing 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 and pricing 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 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.sedarplus.ca](http://www.sedarplus.ca). 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.*

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ACADIAN**TIMBER**