ACADIAN TIMBER CORP.

Q2 2024 INTERIM REPORT

JUNE 29, 2024

Q2 2024 Interim Report

Letter to Shareholders

Overview[1]

Acadian Timber Corp. ("Acadian" or the "Company") generated strong financial results for the three months ended June 29, 2024 (the "second quarter") following the sale of 600,000 voluntary carbon credits and steady operational performance. Acadian benefited from favourable weather that allowed for an early start to operations after the spring thaw and improved contractor availability. Acadian also continued to benefit from stable regional demand and prices for its timber products.

Acadian generated $16.4 million of Free Cash Flow[2] and declared dividends of $5.0 million to our shareholders during the second quarter. Our balance sheet continues to be solid with $25.8 million of net liquidity[2] as at June 29, 2024, 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 three recordable safety incidents during the quarter among contractors, which were minor in nature, and none among employees. We remain committed to maintaining a culture across the organization that emphasizes the importance of strong safety performance and incident reduction will be a primary focus for the remainder of 2024 and beyond.

Acadian generated sales of $41.2 million in the second quarter, compared to $20.7 million in the prior year period, of which $19.7 million relates to the sale of voluntary carbon credits, as further discussed below. Timber sales and services increased $0.8 million year-over-year as a result of a 17% increase in sales volumes, excluding biomass, which was partially offset by lower timber services activity. The higher sales volumes were primarily a result of increased contractor availability and favourable weather conditions which allowed for an early start to operations after the spring thaw.

Weighted average selling price, excluding biomass, decreased 8% year-over-year. Softwood sawlog pricing decreased primarily due to a lower value product mix and hardwood sawlog pricing decreased due to weakness in hardwood lumber markets. Softwood pulpwood pricing increased as a result of strong demand while hardwood pulpwood pricing remained relatively flat, as compared to the prior year period.

Adjusted EBITDA[2] was $20.6 million during the second quarter compared to $5.7 million in the prior year period and Adjusted EBITDA margin[2] for the quarter was 50% compared to 27%.

Net income for the second quarter totaled $7.9 million, or $0.46 per share, compared to $5.8 million, or $0.34 per share in the same period of 2023. Higher operating income was partially offset by lower non-cash fair value adjustments and lower gains on sale of timberlands and other fixed assets, as well as higher income tax expense, as compared to the prior year period.

Carbon Credit Project[1]

An agreement was reached during the first quarter of 2024 to sell approximately 752,100 of Acadian's registered voluntary carbon credits, which relate to the first reporting period of its ongoing carbon credit project in Maine. Acadian delivered 152,100 of these credits in March. The remaining 600,000 credits were delivered in May and are included in our second quarter results.

Acadian's project is registered on the ACR under the name Anew – Katahdin Forestry Project, and requires balancing harvest and growth, long-term planning, periodic carbon inventory verification, and maintenance of Acadian's sustainable forestry certification.

The project is expected to generate an additional 1.1 million credits over the remainder of the 10-year crediting period. The registration process for the second and third tranches of carbon credits for this project is expected to be completed in the second half of 2024 and is expected to result in approximately 360,000 credits being made available for sale. 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[1]

While North American interest rates remain elevated and near-term pressure on end use markets persists, inflation shows signs of easing. U.S. housing starts for the first half of 2024 were lower than originally expected, but June starts indicated improvement. The consensus forecast for U.S. housing starts is steady at approximately 1.39 million starts in 2024, as compared to 1.42 million in 2023. We remain confident that the stability of the northeastern forestry sector, combined with long-term demand for new homes and repair and remodel activity, will support the long-term demand for our products as has been demonstrated in recent years.

Although labour markets remained tight in Maine, we continued to experience increased contractor availability in New Brunswick through the second quarter. Management will continue to focus on further increasing harvesting capacity through the remainder of 2024 while controlling operating costs. In the short to medium term, inflation is expected to impact our financial results through elevated contractor rates and fuel surcharges, offset by the stable pricing of primary forest products like sawlogs and pulpwood.

Demand and pricing for Acadian's sawlogs is mainly driven by regional supply and demand. Regional sawlog inventories have been replenished following the favourable operating conditions experienced in the spring which, combined with weak lumber markets, may impact near-term demand. Pricing for softwood sawtimber may experience downward pressure and while some stabilization in hardwood lumber pricing was noted during the quarter, hardwood sawtimber pricing may remain lower for the foreseeable future. Demand and pricing for softwood and hardwood pulpwood is expected to be steady, mainly impacted by supply in the region.

During 2023, purchasers of voluntary carbon credits increased their focus on carbon credits of high quality, and expended greater time and effort performing due diligence. This shift may have delayed some sales, however, underlying demand and pricing for voluntary carbon credits are expected to remain stable. The protocol for developing compliance market carbon credits from managed forests in Canada was recently finalized. Acadian is evaluating the protocol and the opportunities to develop eligible carbon credits that it may present.

Looking Ahead[1]

As we enter the second half of the year, we are optimistic that our progress in improving harvesting and trucking capacity will continue and short-term regional demand will remain sufficiently stable to achieve our planned harvesting and sales volumes for the year. Furthermore, with nearly all of our registered carbon credits sold, we are working diligently to register the second and third tranches of carbon credits.

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 Sheparski

President and Chief Executive Officer

July 31, 2024

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, non-cash cost of sales related to carbon credits, 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. "Free Cash Flow" is defined as Adjusted EBITDA less interest paid, current income tax expense, and capital expenditures excluding acquisitions of timberlands, 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. Please refer to the section entitled "Non-IFRS Measures" in Management's Discussion and Analysis for further details.*

MANAGEMENT'S DISCUSSION AND ANALYSIS

(All figures in Canadian dollars unless otherwise stated)

July 31, 2024

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 777,000 acres of freehold timberlands in New Brunswick, approximately 300,000 acres of freehold timberlands in Maine 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 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 and six months ended June 29, 2024 (herein referred to as the "second quarter") compared to the three and six months ended June 24, 2023 and should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto for the second quarter and the audited annual consolidated financial statements and the related MD&A for the fiscal year ended December 31, 2023.

Our second 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 2023 consolidated financial statements and as updated in Note 2 of the second quarter unaudited 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 July 31, 2024. Additional information is available on Acadian's website at www.acadiantimber.com and on SEDAR+ at 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, non-cash cost of sales related to carbon credits, 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 excluding acquisitions of timberlands, 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 cash equivalents 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, 2023. There have been no changes in our disclosure controls and procedures during the six months ended June 29, 2024 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, 2023. There have been no changes in our internal controls over financial reporting during the six months ended June 29, 2024 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

REVIEW OF OPERATIONS

Summary of Second Quarter Results

The table below summarizes operating and financial data for Acadian:

(CAD thousands,	**Three Months Ended**		**Six Months Ended**	
except volume and per share information)	**June 29, 2024**	June 24, 2023	**June 29, 2024**	June 24, 2023
Timber sales volume (000s m^3)	**210.5**	184.2	**457.5**	389.4
Carbon credit sales volume (000s credits)	**600.0**	—	**752.1**	—
Timber sales and services	**$ 21,533**	$ 20,707	**$ 45,412**	$ 43,069
Carbon credit sales	**19,658**	—	**24,588**	—
Operating income	**8,947**	5,217	**16,545**	10,521
Net income	**7,913**	5,813	**13,938**	11,433
Adjusted EBITDA[1]	**$ 20,556**	$ 5,651	**$ 31,155**	$ 11,252
Adjusted EBITDA margin[1]	**50%**	27%	**45%**	26%
Free Cash Flow[1]	**$ 16,370**	$ 4,108	**$ 24,140**	$ 7,831
Dividends declared	**5,044**	4,940	**10,048**	9,859
Dividends paid in cash	**2,589**	3,724	**6,312**	7,445
Payout Ratio[1]	**31%**	120%	**42%**	126%
Payout Ratio with DRIP[1]	**16%**	91%	**26%**	95%
Per share – basic and diluted				
Net income	**$ 0.46**	$ 0.34	**$ 0.81**	$ 0.67
Free Cash Flow[1]	**0.94**	0.24	**1.39**	0.46
Dividends declared	**0.29**	0.29	**0.58**	0.58
Book value	**18.91**	17.98	**18.91**	17.98
Common shares outstanding[2]	**17,392,634**	17,034,042	**17,392,634**	17,034,042
Weighted average shares outstanding	**17,368,399**	17,016,697	**17,311,912**	16,988,945

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 4 of this report.
2. As at July 31, 2024 there were 17,536,815 common shares outstanding.

During the second quarter, Acadian generated sales of $41.2 million, compared to $20.7 million in the prior year period. The sale of 600,000 voluntary carbon credits contributed $19.7 million to total sales. Timber sales volume, excluding biomass, increased 17% year-over-year primarily as a result of increased contractor availability and favourable weather conditions. Biomass sales volume was negligible during the second quarter due to limited processing capacity.

Weighted average selling price of timber, excluding biomass, decreased 8% year-over-year. Softwood sawlog pricing decreased primarily due to a lower value product mix and hardwood sawlog pricing decreased due to weakness in hardwood lumber markets. Softwood pulpwood pricing increased as a result of strong demand while hardwood pulpwood pricing remained relatively flat, as compared to the prior year period.

Operating costs and expenses were $32.2 million during the second quarter, compared to $15.5 million during the prior year period. The year-over-year increase reflects the addition of costs related to carbon credit sales as well as higher timber sales volumes. Weighted average variable harvesting costs, excluding biomass, decreased 4% over the prior year period as a result of a higher proportion of softwood products, which carry lower variable costs and shorter hauling distances, partially offset by higher contractor rates.

Adjusted EBITDA was $20.6 million during the second quarter compared to $5.7 million in the prior year period, as a result of carbon credit sales. Adjusted EBITDA margin for the quarter was 50% compared to 27% in the prior year period. Free Cash Flow was $16.4 million, which is $12.3 million higher than the same period in the prior year.

Net income for the second quarter totaled $7.9 million, or $0.46 per share, compared to $5.8 million, or $0.34 per share in the same period of 2023. Higher operating income was partially offset by lower non-cash fair value adjustments and lower gains on sale of timberlands and other fixed assets, as well as higher income tax expense, as compared to the prior year period.

During the first half of 2024, Acadian generated sales of $70.0 million as compared to $43.1 million in the prior year period. The sale of 752,100 voluntary carbon credits contributed $24.6 million to total sales. Timber sales volume, excluding biomass, was 26% higher than the first half of 2023 but was partially offset by a 5% decrease in the weighted average selling price, excluding biomass, as well as lower timber services activity. Operating costs and expenses of $53.5 million were $20.9 million higher year-over-year due to the addition of costs related to carbon credit sales as well as increased timber sales volumes. Weighted average variable harvesting costs remained consistent with the same period in the prior year. Adjusted EBITDA of $31.2 million was $19.9 million higher compared to the prior year period.

For the six months ended June 29, 2024, net income was $13.9 million, or $0.81 per share, which represents an increase of $2.5 million compared to the prior year period, primarily the result of higher operating income, partially offset by lower non-cash fair value adjustments and lower gains on sale of timberlands and other fixed assets, as well as higher income tax expense.

Adjusted EBITDA and Free Cash Flow

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

	Three Months Ended		Six Months Ended	
(CAD thousands)	**June 29, 2024**	June 24, 2023	**June 29, 2024**	June 24, 2023
Net income	**$ 7,913**	$ 5,813	**$ 13,938**	$ 11,433
Add / (deduct):				
Interest expense, net	**887**	771	**1,746**	1,580
Income tax expense	**3,170**	2,334	**6,146**	4,616
Depreciation and amortization	**128**	83	**230**	156
Fair value adjustments and other	**(2,894)**	(3,350)	**(5,083)**	(6,533)
Non-cash cost of sales related to carbon credits[2]	**11,352**	—	**14,178**	—
Adjusted EBITDA[1]	**$ 20,556**	$ 5,651	**$ 31,155**	$ 11,252
Add / (deduct):				
Interest paid on debt, net	**(892)**	(740)	**(1,721)**	(1,519)
Additions to land, roads, and other fixed assets	**(320)**	(146)	**(448)**	(177)
Gain on sale of timberlands and other fixed assets	**(129)**	(351)	**(202)**	(575)
Proceeds from sale of timberlands and other assets	**138**	360	**217**	590
Current income tax expense	**(2,983)**	(666)	**(4,861)**	(1,740)
Free Cash Flow[1]	**$ 16,370**	$ 4,108	**$ 24,140**	$ 7,831
Dividends declared	**$ 5,044**	$ 4,940	**$ 10,048**	$ 9,859
Dividends paid in cash	**$ 2,589**	$ 3,724	**$ 6,312**	$ 7,445
Payout Ratio[1]	**31%**	120%	**42%**	126%
Payout Ratio with DRIP[1]	**16%**	91%	**26%**	95%

1. *Non-IFRS Measure. See “Non-IFRS Measures” on page 4 of this report.*
2. *A portion of the book value of carbon credit inventory originates in transfers of fair value from timber and is recorded as an expense at the time of a sale. These amounts are added back to Adjusted EBITDA to be consistent with the treatment of fair value adjustments to timber.*

Dividend Policy of the Company

Acadian declares dividends from its available cash and cash equivalents 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 and six months ended June 29, 2024 were $5.0 million, or $0.29 per share, and $10.0 million, or $0.58 per share, respectively, compared to $4.9 million, or $0.29 per share, and $9.9 million, or $0.58 per share, during the same periods in 2023.

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 six months ended June 29, 2024, Acadian issued 137,836 and 210,076 common shares in accordance with the DRIP.

Macer Forest Holdings Inc. (“Macer”), which owns approximately 47% of the outstanding common shares of Acadian, increased its participation in the DRIP from 50% of dividends payable to it to 100% beginning with the dividend paid April 15, 2024.

Operating and Market Conditions

Acadian's operations during the second quarter benefited from stable demand for its products. Sales volume, excluding biomass, of 207,500 m^3 was 17% higher than the same period in 2023 due to increased contractor availability and favourable weather conditions enabling an early start to harvesting and trucking operations after the spring thaw.

Weighted average selling price of timber, excluding biomass, decreased 8% year-over-year. Softwood sawlog pricing decreased 10% primarily due to a lower value product mix and hardwood sawlog pricing decreased 9% due to weakness in hardwood lumber markets. Softwood pulpwood pricing increased 23% as a result of strong demand while hardwood pulpwood pricing remained relatively flat, as compared to the prior year. Biomass volumes were negligible during the second quarter.

Segmented Results of Operations

In the prior year ended December 31, 2023, Acadian had two reportable segments: New Brunswick Timberlands and Maine Timberlands. As a result of increased diversification in business activities, an additional reportable segment, Environmental Solutions, was added in the first quarter of 2024.

The table below summarizes financial results by segment:

	Three Months Ended		**Six Months Ended**	
	June 29, 2024	June 24, 2023	**June 29, 2024**	June 24, 2023
Sales				
New Brunswick Timberlands	**$ 16,217**	$ 16,569	**$ 35,287**	$ 34,476
Maine Timberlands	**5,316**	4,138	**10,125**	8,593
Environmental Solutions	**19,658**	—	**24,588**	—
Total	**$ 41,191**	$ 20,707	**$ 70,000**	$ 43,069
Adjusted EBITDA[1]				
New Brunswick Timberlands	**$ 4,523**	$ 4,996	**$ 10,519**	$ 9,879
Maine Timberlands	**887**	1,133	**2,050**	2,232
Environmental Solutions	**15,701**	—	**19,839**	—
Corporate	**(555)**	(478)	**(1,253)**	(859)
Total	**$ 20,556**	$ 5,651	**$ 31,155**	$ 11,252

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 4 of this report.

New Brunswick Timberlands

New Brunswick Timberlands owns and manages approximately 777,000 acres of freehold timberlands and provides harvesting and management services relating to approximately 1.3 million acres of Crown licensed timberlands. All harvesting operations are performed by third-party contractors.

During the second quarter of 2024, Acadian's New Brunswick operations experienced one recordable safety incident among contractors, which was minor in nature, and none among employees.

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

		Three Months Ended		Six Months Ended	
		June 29, 2024	June 24, 2023	**June 29, 2024**	June 24, 2023
Harvest (000s m^3)					
	Softwood	**87.0**	58.6	**200.2**	145.5
	Hardwood	**61.8**	47.2	**136.4**	109.4
	Biomass	**0.9**	—	**13.9**	25.8
	Total	**149.7**	105.8	**350.5**	280.7
Sales (000s m^3)					
	Softwood	**87.6**	60.2	**201.5**	145.3
	Hardwood	**63.8**	80.2	**135.9**	124.4
	Biomass	**0.9**	7.1	**13.9**	32.9
	Total	**152.3**	147.5	**351.3**	302.6
Sales Mix					
	Softwood	**58%**	41%	**57%**	48%
	Hardwood	**41%**	54%	**39%**	41%
	Biomass	**1%**	5%	**4%**	11%
	Total	**100%**	100%	**100%**	100%
Sales ($000s)					
	Softwood	**$ 6,319**	$ 4,238	**$ 15,234**	$ 10,486
	Hardwood	**5,959**	7,899	**12,703**	12,760
	Biomass	**13**	320	**708**	1,630
	Total	**$ 12,291**	$ 12,457	**$ 28,645**	$ 24,876
Timber services and other		**3,926**	4,112	**6,642**	9,600
Total Sales ($000s)		**$ 16,217**	$ 16,569	**$ 35,287**	$ 34,476
Adjusted EBITDA[1] ($000s)		**$ 4,523**	$ 4,996	**$ 10,519**	$ 9,879
Adjusted EBITDA margin[1]		**28%**	30%	**30%**	29%

1.Non-IFRS Measure. See "Non-IFRS Measures" on page 4 of this report.

Sales for New Brunswick Timberlands were $16.2 million compared to $16.6 million during the prior year period, with increased sales volumes offset by a lower weighted average selling price and lower timber services activity. Timber sales volume, excluding biomass, increased 8% due primarily to increased contractor availability. Biomass sales volume was negligible due to limited processing capacity.

The weighted average selling price, excluding biomass, for the second quarter was $81.05 per m^3, or 6% lower than the prior year period. Softwood sawlog pricing decreased 3% primarily due to a change in customer mix and hardwood sawlog pricing decreased 11% due to weakness in hardwood lumber markets, as compared to the prior year period. Softwood pulpwood pricing increased 18% as a result of strong demand while hardwood pulpwood pricing decreased 4% due to shorter hauling distances, as compared to the prior year period.

Operating costs and expenses were $11.8 million during the second quarter, compared to $11.9 million in the prior year period. Increased harvesting activity was offset by decreased weighted average variable costs and lower timber services activity. Weighted average variable costs, excluding biomass, decreased 6% as a result of a higher proportion of softwood products which carry lower variable costs and shorter hauling distances, partially offset by higher contractor rates.

Adjusted EBITDA for the quarter was $4.5 million compared to $5.0 million during the prior year period and Adjusted EBITDA margin was 28% compared to 30%.

During the first half of 2024, New Brunswick Timberlands' sales of $35.3 million were 2% higher than the prior year period. Timber sales volume, excluding biomass, increased 25% due to increased contractor availability but was offset by a decrease in the weighted average selling price, excluding biomass, of 4% and a decrease in timber services activity. Operating costs and expenses of $24.9 million during the first half of 2024 were $0.3 million lower than the prior year period, due primarily to a higher proportion of softwood products which carry lower variable costs and shorter hauling distances, partially offset by higher contractor rates. Adjusted EBITDA was $10.5 million compared to $9.9 million in the first half of 2023, and Adjusted EBITDA margin increased to 30% from 29%.

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 two recordable safety incidents among contractors, which were minor in nature, and none among employees during the second quarter of 2024.

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

		Three Months Ended		**Six Months Ended**	
		June 29, 2024	June 24, 2023	**June 29, 2024**	June 24, 2023
Harvest (000s m^3)					
	Softwood	**32.5**	27.7	**61.4**	57.0
	Hardwood	**23.7**	10.7	**44.2**	26.2
	Biomass	**2.2**	—	**2.4**	6.5
	Total	**58.4**	38.4	**108.0**	89.7
Sales (000s m^3)					
	Softwood	**30.4**	24.0	**60.1**	52.5
	Hardwood	**25.6**	12.7	**43.7**	28.1
	Biomass	**2.2**	—	**2.4**	6.5
	Total	**58.2**	36.7	**106.2**	86.8
Sales Mix					
	Softwood	**52%**	65%	**57%**	60%
	Hardwood	**44%**	35%	**41%**	32%
	Biomass	**4%**	—	**2%**	8%
	Total	**100%**	100%	**100%**	100%
Sales ($000s)					
	Softwood	**$ 2,745**	$ 2,737	**$ 5,703**	$ 5,373
	Hardwood	**2,294**	1,182	**3,878**	2,734
	Biomass	**21**	—	**23**	60
	Total	**$ 5,060**	$ 3,919	**$ 9,604**	$ 8,167
Other sales		**256**	219	**521**	426
Total Sales ($000s)		**5,316**	4,138	**10,125**	8,593
Adjusted EBITDA[1] ($000s)		**$ 887**	$ 1,133	**$ 2,050**	$ 2,232
Adjusted EBITDA margin[1]		**17%**	27%	**20%**	26%

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 4 of this report.

Sales for Maine Timberlands during the second quarter totaled $5.3 million compared to $4.1 million in the prior year period. Timber sales volume, excluding biomass, increased 53% reflecting increased contractor availability.

The weighted average selling price, excluding biomass, in Canadian dollar terms was $89.97 per m^3, compared to $106.92 per

m^3 during the same period of 2023. In U.S. dollar terms, the weighted average selling price, excluding biomass, was $65.76 per m^3, compared to $79.55 per m^3 in 2023. Increased softwood pulpwood pricing of 9% due to increased demand was offset by a decrease in softwood sawlog pricing of 15% as a result of a lower value product mix. Hardwood pulpwood pricing was consistent with the same period of 2023. Hardwood sawlog volumes were minimal during the quarter.

Operating costs and expenses for the second quarter were $4.6 million, compared to $3.1 million during the same period in 2023, due primarily to increased sales volumes and higher land management and silviculture costs. Weighted average variable costs, excluding biomass, decreased 1% in Canadian dollar terms as a result of changes in equipment mix partially offset by higher contractor rates.

Adjusted EBITDA for the quarter was $0.9 million compared to $1.1 million during the prior year period and Adjusted EBITDA margin was 17% compared to 27%.

During the first half of 2024, Maine Timberlands' sales were $10.1 million compared to $8.6 million in the first half of 2023. Maine Timberlands' timber sales volumes, excluding biomass, were 29% higher than the first half of 2023 due to increased contractor availability, however, the weighted average selling price, excluding biomass, decreased 9% in Canadian and U.S. dollar terms. Operating costs and expenses of $8.3 million during the first half of 2024 were $1.8 million higher than the prior year period as a result of higher harvesting activity and contractor rates, partially offset by changes in equipment mix.

Environmental Solutions[3]

Environmental Solutions leverages the ecological functions of Acadian's land and the operational expertise of its team to address pressing environmental challenges, such as climate change and biodiversity. In line with these objectives, Acadian has undertaken a voluntary carbon credit project which increases carbon sequestration and provides significant environmental benefits on the portion of our Maine Timberlands that is subject to a working forest conservation easement.

The project is registered on the ACR under the name Anew – Katahdin Forestry Project, and requires balancing harvest and growth, long-term planning, periodic carbon inventory verification, and maintenance of the Acadian's sustainable forestry certification.

On June 8, 2023, 770,071 voluntary carbon credits relating to the first reporting period of the project were registered and made available for sale. During the first quarter of 2024, an agreement was reached to sell 752,100 of Acadian's registered carbon credits. The first delivery under this agreement for approximately 152,100 carbon credits occurred in March and the remaining 600,000 credits were delivered in May.

The table below summarizes operating and financial results for Environmental Solutions. There were no sales or related costs in the comparative periods presented.

	Three Months Ended		**Six Months Ended**	
	June 29, 2024	June 24, 2023	**June 29, 2024**	June 24, 2023
Sales volume (000s credits)	**600.0**	—	**752.1**	—
Sales ($000s)	**$ 19,658**	—	**$ 24,588**	—
Adjusted EBITDA[1] ($000s)	**$ 15,701**	—	**$ 19,839**	—

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 4 of this report.

[3] *The following contains forward-looking information about Acadian Timber Corp.'s outlook for the remainder of 2024. 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.sedarplus.ca.*

The current model for the project estimates an additional 1.1 million credits to be generated over the remainder of the 10-year crediting period. The registration process for the second and third tranches of carbon credits for this project is expected to be completed in the second half of 2024. 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.

LIQUIDITY AND CAPITAL RESOURCES[4]

Acadian had net liquidity of $25.8 million as at June 29, 2024, which includes cash and cash equivalents and funds available under credit facilities less amounts reserved to support the minimum cash balance related to long-term debt.

A portion of long-term debt totaling $43.8 million is scheduled to mature March 6, 2025, as described within Contractual Obligations. It is management's intention to refinance the debt prior to the maturity date.

Normal Course Issuer Bid

On February 7, 2024, the Company renewed its Normal Course Issuer Bid ("NCIB") by filing a notice of intention with the TSX to purchase for cancellation up to 862,739 common shares representing 5% of the 17,254,798 common shares outstanding as at January 31, 2024, subject to regulatory approval. The purchases will be made through the facilities of the TSX and/or any alternative Canadian trading systems to the extent they are eligible. The price that the Company will pay for any such shares will be the market price at the time of acquisition.

The Company believes that repurchasing shares at the prevailing market prices from time to time is a worthwhile use of funds and in the best interests of the Company and its shareholders. Purchases may commence on February 14, 2024 and shall terminate not later than February 13, 2025. Based on average daily trading volume ("ADTV") of 5,524 over the last six months, daily purchases will be limited to 1,381 common shares (25% of the ADTV of the common shares), other than block purchase exemptions.

The previous NCIB expired February 13, 2024. During the six months ended June 29, 2024, 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, 2023.

OUTLOOK[4]

While North American interest rates remain elevated and near-term pressure on end use markets persists, inflation shows signs of easing. U.S. housing starts for the first half of 2024 were lower than originally expected, but June starts indicated improvement. The consensus forecast for U.S. housing starts is steady at approximately 1.39 million starts in 2024, as compared to 1.42 million in 2023. We remain confident that the stability of the northeastern forestry sector, combined with long-term demand for new homes and repair and remodel activity, will support the long-term demand for our products as has been demonstrated in recent years.

Although labour markets remained tight in Maine, we continued to experience increased contractor availability in New Brunswick through the second quarter. Management will continue to focus on further increasing harvesting capacity through the remainder of 2024 while controlling operating costs. In the short to medium term, inflation is expected to impact our financial results through elevated contractor rates and fuel surcharges, offset by the stable pricing of primary forest products like sawlogs and pulpwood.

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[4] *The following contains forward-looking information about Acadian Timber Corp.'s outlook for the remainder of 2024. 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.sedarplus.ca.*

Demand and pricing for Acadian's sawlogs is mainly driven by regional supply and demand. Regional sawlog inventories have been replenished following the favourable operating conditions experienced in the spring which, combined with weak lumber markets, may impact near-term demand. Pricing for softwood sawtimber may experience downward pressure and while some stabilization in hardwood lumber pricing was noted during the quarter, hardwood sawtimber pricing may remain lower for the foreseeable future. Demand and pricing for softwood and hardwood pulpwood is expected to be steady, mainly impacted by supply in the region.

During 2023, purchasers of voluntary carbon credits increased their focus on carbon credits of high quality, and expended greater time and effort performing due diligence. This shift may have delayed some sales, however, underlying demand and pricing for voluntary carbon credits are expected to remain stable. The protocol for developing compliance market carbon credits from managed forests in Canada was recently finalized. Acadian is evaluating the protocol and the opportunities to develop eligible carbon credits that it may present.

SELECTED CONSOLIDATED QUARTERLY INFORMATION

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

	2024		2023				2022	
(CAD thousands, except per share data and where indicated)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Timber sales volume (000s m^3)	**210.5**	247.0	231.9	272.9	184.2	205.2	230.5	229.4
Carbon credit sales volumes (000s credits)	**600.0**	152.1	1.5	—	—	—	—	—
Timber sales and services	**$ 21,533**	$ 23,879	$ 23,778	$ 26,593	$ 20,707	$ 22,362	$ 23,755	$ 23,594
Carbon credit sales	**$ 19,658**	$ 4,930	$ 37	—	—	—	—	—
Adjusted EBITDA[1]	**20,556**	10,599	4,418	4,916	5,651	5,601	4,058	4,480
Free Cash Flow[1]	**16,370**	7,770	2,811	4,312	4,108	3,723	2,000	3,260
Net income	**7,913**	6,025	11,593	6,408	5,813	5,621	22,002	4,831
Per share – basic and diluted	**$ 0.46**	$ 0.35	$ 0.68	$ 0.37	$ 0.34	$ 0.33	$ 1.30	$ 0.29

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 4 of this report.

Results are impacted by seasonality. Harvest activity is highest during the winter months, when the ground is frozen, providing a solid base for 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. During the fourth quarter of 2022, Acadian recorded a fair value adjustment gain on timberlands which increased net income by $18.8 million.

During the first and second quarters of 2024, Acadian sold significant volumes of voluntary carbon credits, which increased Adjusted EBITDA by $4.1 million and $15.7 million, respectively. A portion of the book value of carbon credit inventory originates in transfers of fair value from timber and is recorded as an expense at the time of a sale. These amounts are added back to Adjusted EBITDA to be consistent with the treatment of fair value adjustments to timber. This adjustment to net income to calculate Adjusted EBITDA was $2.8 million and $11.4 million during the first and second quarters of 2024, respectively.

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 included in the Selected Consolidated Quarterly Information above:

	2024		2023				2022	
(CAD thousands)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net income	**$ 7,913**	$ 6,025	$ 11,593	$ 6,408	$ 5,813	$ 5,621	$ 22,002	$ 4,831
Add / (deduct):								
Interest expense, net	**887**	859	778	795	771	809	803	795
Income tax expense	**3,170**	2,976	4,795	1,200	2,334	2,281	8,300	1,807
Depreciation and amortization	**128**	102	101	106	83	73	79	74
Fair value adjustments and other	**(2,894)**	(2,189)	(12,849)	(3,593)	(3,350)	(3,183)	(27,126)	(3,027)
Non-cash cost of sales related to carbon credits	**11,352**	2,826	—	—	—	—	—	—
Adjusted EBITDA[1]	**$ 20,556**	$ 10,599	$ 4,418	$ 4,916	$ 5,651	$ 5,601	$ 4,058	$ 4,480
Add / (deduct):								
Interest paid on debt, net	**(892)**	(829)	(793)	(764)	(740)	(779)	(772)	(765)
Additions to land, roads and other fixed assets	**(320)**	(128)	(69)	(373)	(146)	(31)	(127)	(148)
Gain on sale of timberlands and other fixed assets	**(129)**	(73)	(5)	(77)	(351)	(224)	(42)	—
Proceeds from sale of timberlands and other assets	**138**	79	5	80	360	230	45	—
Current income tax recovery (expense)	**(2,983)**	(1,878)	(745)	530	(666)	(1,074)	(1,162)	(307)
Free Cash Flow[1]	**$ 16,370**	$ 7,770	$ 2,811	$ 4,312	$ 4,108	$ 3,723	$ 2,000	$ 3,260

Critical Judgments 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, except as noted below.

In determining the reported amounts of revenue and expenses from the sale of carbon credits, critical judgments were applied in determining Acadian's customer in the sales arrangement and the timing of satisfaction of performance obligations. In determining Acadian's customer, management applied judgment in evaluating the responsibilities of Acadian and the third-party sales agent in the arrangement.

The most critical area of judgment was concluding that Acadian retains control of the registered carbon credits until they are transferred to, or retired on behalf of, the end customer, and that the third-party sales agent does not take control of the carbon credits. As a result, the end customer is determined to be Acadian's customer. Judgment was also applied when determining the timing of satisfaction of performance obligations, and therefore, the timing of recognizing revenue, which is when control of the registered carbon credit transfers to, or the carbon credit is retired on behalf of, the end customer. Accordingly, Acadian recognizes as revenue the gross amount paid by the end customer for the registered carbon credits and recognizes as an expense the amount that is retained by the third-party sales agent.

For further reference on critical accounting policies, see our material accounting policies contained in Note 2 of Acadian's audited 2023 consolidated financial statements and Note 2 of Acadian's Q2 2024 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 first quarter other than shares issued to Macer in accordance with the DRIP, as described under Dividend Policy of the Company.

Contractual Obligations

The Company has two significant contractual obligations, being the Fibre Supply Agreement and the Crown Lands Services Agreement. The Fibre Supply Agreement between the Company and Groupe Lebel expires in 2026, subject to a five-year extension at the option of Groupe Lebel. The provision of timber services under the Crown Lands Services Agreement at the direction of Twin Rivers Paper Company 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 June 29, 2024:

	Payments Due by Period				
(CAD thousands)	Total	Less Than One Year	1 to 3 Years	4 to 5 Years	After 5 Years
Term facilities					
Tranche due March 6, 2025[1]	$ 20,188	$ 20,188	$ —	$ —	$ —
Tranche due March 6, 2025[1]	23,610	23,610	—	—	—
Tranche due March 6, 2027[1]	43,799	—	43,799	—	—
Tranche due March 6, 2030[1]	21,899	—	—	—	21,899
	$ 109,496	$ 43,798	$ 43,799	$ —	$ 21,899
Interest payments	$ 7,786	$ 2,684	$ 3,367	$ 1,301	$ 434

1. Represents principal of the U.S. dollar denominated term facilities with a U.S. to Canadian dollar conversion rate of 1.3687, excluding unamortized deferred financing costs.

RISK FACTORS

Risk factors are discussed in the Company's MD&A for the year ended December 31, 2023.

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 "Segmented Results of Operations – Environmental Solutions" 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, as well as the timing of sales. 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 timing of sales is dependent on negotiations with third parties.*
- *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.*

Other risks and factors are discussed in each of the Annual Information Form dated March 28, 2024 and the Management Information Circular dated March 28, 2024 and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR+ at 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)

As at *(CAD thousands)*	Note	**June 29, 2024**	December 31, 2023
Assets			
Current assets			
Cash and cash equivalents		**$ 12,448**	$ 1,831
Accounts receivable and other assets		**7,645**	9,301
Current income taxes receivable		**—**	1,668
Inventories	3	**1,767**	15,329
		21,860	28,129
Timber	4	**459,872**	442,830
Land, roads, and other fixed assets	5	**95,126**	90,854
Intangible asset		**6,140**	6,140
Total assets		**$ 582,998**	$ 567,953
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 7,383**	$ 9,370
Current income taxes payable		**920**	—
Dividends payable to shareholders		**5,044**	4,983
Current portion of long-term debt	6	**43,798**	—
		57,145	14,353
Long-term debt	6	**65,466**	105,515
Deferred income tax liabilities, net		**131,484**	129,103
Total liabilities		**254,095**	248,971
Shareholders' equity	7	**328,903**	318,982
Total liabilities and shareholders' equity		**$ 582,998**	$ 567,953

See accompanying notes to interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME

(unaudited)

		Three Months Ended		Six Months Ended	
(CAD thousands, except per share data)	Note	**June 29, 2024**	June 24, 2023	**June 29, 2024**	June 24, 2023
Sales	9	**$ 41,191**	$ 20,707	**$ 70,000**	$ 43,069
Operating costs and expenses					
Cost of sales		**26,842**	12,938	**45,107**	28,064
Selling, administration and other		**5,041**	2,103	**7,874**	3,961
Silviculture		**233**	366	**244**	367
Depreciation and amortization		**128**	83	**230**	156
		32,244	15,490	**53,455**	32,548
Operating income		**8,947**	5,217	**16,545**	10,521
Interest expense, net		**(887)**	(771)	**(1,746)**	(1,580)
Other items					
Fair value adjustments and other		**2,894**	3,350	**5,083**	6,533
Gain on sale of timberlands and other fixed assets		**129**	351	**202**	575
Income before income taxes		**11,083**	8,147	**20,084**	16,049
Income tax expense	11	**(3,170)**	(2,334)	**(6,146)**	(4,616)
Net income		**$ 7,913**	$ 5,813	**$ 13,938**	$ 11,433
Net income per share – basic and diluted		**$ 0.46**	$ 0.34	**$ 0.81**	$ 0.67

See accompanying notes to interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Three Months Ended		Six Months Ended	
(CAD thousands)	**June 29, 2024**	June 24, 2023	**June 29, 2024**	June 24, 2023
Net income	**$ 7,913**	$ 5,813	**$ 13,938**	$ 11,433
Other comprehensive income				
Items that may be reclassified subsequently to net income:				
Unrealized foreign currency translation gain / (loss)	**944**	(2,225)	**2,371**	(1,365)
Comprehensive income	**$ 8,857**	$ 3,588	**$ 16,309**	$ 10,068

See accompanying notes to interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited)

Six Months Ended June 29, 2024 *(CAD thousands)*	Note	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Shareholders' Equity
Balances as at December 31, 2023		**$ 147,618**	**$ 111,624**	**$ 33,867**	**$ 25,873**	**$ 318,982**
Changes during the period						
Net income		**—**	**13,938**	**—**	**—**	**13,938**
Other comprehensive gain		**—**	**—**	**—**	**2,371**	**2,371**
Dividends to shareholders	12	**—**	**(10,048)**	**—**	**—**	**(10,048)**
Common shares issued - DRIP		**3,660**	**—**	**—**	**—**	**3,660**
Balances as at June 29, 2024		**$ 151,278**	**$ 115,514**	**$ 33,867**	**$ 28,244**	**$ 328,903**

Six Months Ended June 24, 2023 *(CAD thousands)*	Note	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Shareholders' Equity
Balances as at December 31, 2022		$ 142,765	$ 101,992	$ 31,345	$ 27,621	$ 303,723
Changes during the period						
Net income		—	11,433	—	—	11,433
Other comprehensive gain		—	—	—	(1,365)	(1,365)
Dividends to shareholders	12	—	(9,859)	—	—	(9,859)
Common shares issued - DRIP	7	2,400	—	—	—	2,400
Balances as at June 24, 2023		$ 145,165	$ 103,566	$ 31,345	$ 26,256	$ 306,332

See accompanying notes to interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Three Months Ended		Six Months Ended	
(CAD thousands)	**June 29, 2024**	June 24, 2023	**June 29, 2024**	June 24, 2023
Cash provided by (used for):				
Operating activities				
Net income	**$ 7,913**	$ 5,813	**$ 13,938**	$ 11,433
Adjustments to net income:				
Income tax expense	**3,170**	2,334	**6,146**	4,616
Depreciation and amortization	**128**	83	**230**	156
Fair value adjustments and other	**(2,894)**	(3,350)	**(5,083)**	(6,533)
Non-cash cost of sales related to carbon credits	**11,352**	—	**14,178**	—
Gain on sale of timberlands and other fixed assets	**(129)**	(351)	**(202)**	(575)
Income taxes paid	**(1,792)**	(1,973)	**(2,243)**	(2,368)
Net change in non-cash working capital balances and other	**4,016**	1,181	**(387)**	(1,949)
	21,764	3,737	**26,577**	4,780
Financing activities				
Proceeds from short-term debt	—	—	**10,298**	—
Repayment of short-term debt	**(10,298)**	—	**(10,298)**	—
Dividends paid to shareholders	**(2,589)**	(3,724)	**(6,312)**	(7,445)
	(12,887)	(3,724)	**(6,312)**	(7,445)
Investing activities				
Additions to timber, land, roads, and other fixed assets	**(615)**	(146)	**(9,865)**	(177)
Proceeds from sale of timberlands and other fixed assets	**138**	360	**217**	590
	(477)	214	**(9,648)**	413
Increase / (Decrease) in cash during the period	**8,400**	227	**10,617**	(2,252)
Cash, beginning of period	**4,048**	3,751	**1,831**	6,230
Cash, end of period	**$ 12,448**	$ 3,978	**$ 12,448**	$ 3,978

See accompanying notes to interim condensed consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
(CAD thousands)	**June 29, 2024**	June 24, 2023	**June 29, 2024**	June 24, 2023
Accounts receivable and other assets	**$ 3,775**	$ 3,810	**$ 1,656**	$ 1,795
Inventory	**813**	3,004	**(616)**	1,104
Accounts payable and accrued liabilities	**(746)**	(3,957)	**(1,987)**	(4,141)
Other	**174**	(1,676)	**560**	(707)
	$ 4,016	$ 1,181	**$ (387)**	$ (1,949)

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 6 Crabtree Ave., Edmundston, New Brunswick, E3V 3K5.

The Company and all of its consolidated subsidiaries (collectively "Acadian") own and manage approximately 777,000 acres of freehold timberlands in New Brunswick ("New Brunswick 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 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 June 29, 2024, Macer Forest Holdings Inc. owns 8,182,397 shares representing approximately 47% of the outstanding shares of the Company.

2. MATERIAL 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 2023 consolidated financial statements, except as included below under "Sales of voluntary carbon credits" and for the adoption of new accounting standards effective January 1, 2024. 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, 2023.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of Acadian on July 31, 2024.

Sales of voluntary carbon credits

Revenue from the sale of voluntary carbon credits is recognized when control transfers to the end customer, which is when registered carbon credits are transferred to, or retired on behalf of, the end customer.

Adoption of New Accounting Standards

Amendments to IAS 1 Classification of Liabilities as Current or Non-current and Amendments to IAS 1 Presentation of Financial Statements re: Non-current Liabilities with Covenants

The amendments clarify the requirements on determining whether a liability is current or non-current and require new disclosures for non-current liabilities that are subject to future covenants. The amendments are effective for reporting periods beginning on or after January 1, 2024. The adoption of these amendments did not have a material impact on the consolidated financial statements.

Future Accounting Standards

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures re: Classification and Measurement of Financial Instruments

The amendments clarify the date of recognition and derecognition of some financial assets and liabilities, provide additional clarity and guidance for assessing whether a financial asset meets the solely payments of principal and interest criterion, add new disclosures for certain financial instruments with contractual terms that can change cash flows and update the disclosures for equity instruments designated at fair value through other comprehensive income. The amendments are effective for reporting periods beginning on or after January 1, 2026. The impact to the consolidated financial statements of these amendments is being determined.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 Presentation of financial statements. IFRS 18 will retain many of the existing principles in IAS 1 and will focus on updates to the statement of profit or loss. Key new concepts relate to the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements; and enhanced principles on aggregation and disaggregation. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'.

IFRS 18 is effective for reporting periods beginning on or after January 1, 2027. Earlier adoption is permitted. The impact to the consolidated financial statements of the adoption of this standard is being determined.

Critical Judgments and Estimates

The preparation of consolidated financial statements requires management to make critical judgments, estimates and assumptions that affect the carrying amounts of certain assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses recorded during the periods. These estimates and judgments have been applied in a manner consistent with the disclosure included in Note 2 of Acadian's audited 2023 consolidated financial statements, except as included below under "Judgments affecting the reported amount of revenue and expenses from the sale of carbon credits."

Judgments affecting the reported amount of revenue and expenses from the sale of carbon credits

In determining the reported amounts of revenue and expenses from the sale of carbon credits, critical judgments were applied in determining Acadian's customer in the sales arrangement and the timing of satisfaction of performance obligations. In determining Acadian's customer, management applied judgment in evaluating the responsibilities of Acadian and the third-party sales agent in the arrangement. The most critical area of judgment was concluding that Acadian retains control of the registered carbon credits until they are transferred to, or retired on behalf of, the end customer, and that the third-party sales agent does not take control of the carbon credits. As a result, the end customer is determined to be Acadian's customer. Judgment was also applied when determining the timing of satisfaction of performance obligations, and therefore, the timing of recognizing revenue, which is when control of the registered carbon credit transfers to, or the carbon credit is retired on behalf of, the end customer. Accordingly, Acadian recognizes as revenue the gross amount paid by the end customer for the registered carbon credits and recognizes as an expense the amount that is retained by the third-party sales agent.

3. INVENTORIES

As at (CAD thousands)	**June 29, 2024**	December 31, 2023
Carbon credits	**$ 244**	$ 13,993
Log inventory	**1,523**	1,336
Total	**$ 1,767**	$ 15,329

4. TIMBER

(CAD thousands)	
Balance as at December 31, 2022	**$ 437,365**
Disposals	(1)
Transfer to carbon credit inventory	(14,113)
Gains arising from growth	36,968
Reduction arising from harvest	(22,675)
Gain from fair value adjustment and other changes	9,048
Foreign exchange	(3,762)
Balance as at December 31, 2023	**$ 442,830**
Additions	6,735
Disposals	(6)
Gains arising from growth	18,476
Reduction arising from harvest	(13,379)
Foreign exchange	5,216
Balance as at June 29, 2024	**$ 459,872**

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.

On March 14, 2024, Acadian completed the acquisition of approximately 16,000 acres of timberland in New Brunswick at a price of $9.0 million. The purchase price plus applicable transaction costs have been allocated to timber and land based on the estimated fair values at the transaction date.

5. LAND, ROADS AND OTHER FIXED ASSETS

(CAD thousands)	Land	Roads	Bridges and Pavement	Other	Total
Cost					
Balance as at December 31, 2022	$ 74,510	$ 9,455	$ 5,916	$ 2,616	$ 92,497
Additions	—	—	140	479	619
Disposals	(2)	—	—	(23)	(25)
Foreign exchange	(770)	(132)	(74)	(18)	(994)
Revaluations	3,445	103	—	—	3,548
Balance as at December 31, 2023	$ 77,183	$ 9,426	$ 5,982	$ 3,054	$ 95,645
Additions	2,387	—	16	727	3,130
Disposals	(1)	—	—	—	(1)
Foreign exchange	1,127	192	107	33	1,459
Balance as at June 29,2024	**$ 80,696**	**$ 9,618**	**$ 6,105**	**$ 3,814**	**$ 100,233**
Accumulated Depreciation					
Balance as at December 31, 2022	$ —	$ —	$ (2,712)	$ (1,799)	$ (4,511)
Depreciation for the year	—	—	(150)	(213)	(363)
Disposals	—	—	—	23	23
Foreign exchange	—	—	47	13	60
Balance as at December 31, 2023	$ —	$ —	$ (2,815)	$ (1,976)	$ (4,791)
Depreciation for the quarter	—	—	(77)	(154)	(231)
Foreign exchange	—	—	(69)	(16)	(85)
Balance as at June 29,2024	**$ —**	**$ —**	**$ (2,961)**	**$ (2,146)**	**$ (5,107)**
Carrying Amounts					
As at December 31, 2023	$ 77,183	$ 9,426	$ 3,167	$ 1,078	$ 90,854
As at June 29,2024	**$ 80,696**	**$ 9,618**	**$ 3,144**	**$ 1,668**	**$ 95,126**

On March 14, 2024, Acadian completed the acquisition of approximately 16,000 acres of timberland in New Brunswick at a price of $9.0 million. The purchase price plus applicable transaction costs have been allocated to timber and land based on the estimated fair values at the transaction date.

6. DEBT

As at *(CAD thousands)*	**June 29, 2024**	December 31, 2023
Term facilities		
Due within twelve months	**$ 43,798**	$ —
Due in greater than twelve months	**65,698**	105,808
	109,496	105,808
Less:		
Deferred debt issuance costs	**(232)**	(293)
	$ 109,264	$ 105,515

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 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 the Secured Overnight Financing Rate plus applicable margin. There are no scheduled repayments of principal required prior to the maturity dates of the Term Facilities.

As at June 29, 2024, Acadian had borrowed U.S. $80 million (December 31, 2023 – U.S. $80.0 million) under the Term Facilities and U.S. $nil (December 31, 2023 – U.S. $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 of its assets. The facilities are subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness and granting liens or selling assets without the consent of the lenders. The credit facilities are also subject to the maintenance of a maximum loan-to-value ratio. Acadian is in compliance with all covenants as at June 29, 2024 and December 31, 2023.

Acadian has a $2.0 million Canadian dollar denominated revolving credit facility with a major Canadian bank for general corporate purposes. This facility bears interest at floating rates based on bank prime rates plus applicable margin and is due on demand. No amounts were drawn on this facility as at June 29, 2024 or December 31, 2023.

The fair value of the Term Facilities as at June 29, 2024 is $102.0 million (December 31, 2023 – $100.5 million). The fair value of debt is determined using the discounted cash flow approach and is measured under Level 2 of the fair value hierarchy. Future cash flows are estimated based on the terms under the Term Facilities and discounted at a rate reflecting appropriate market fundamentals relating to the debt.

7. 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. During the six months ended June 29, 2024, Acadian issued 210,076 common shares in accordance with the DRIP.

On February 7, 2024, the Corporation renewed its Normal Course Issuer Bid ("NCIB") by filing a notice of intention with the TSX to purchase for cancellation up to 862,739 common shares during the period commencing February 14, 2024 and ending February 13, 2025, representing 5% of the 17,254,798 common shares outstanding as at January 31, 2024. The previous NCIB expired February 13, 2024. During the six months ended June 29, 2024, 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, 2023	17,182,558	$ 147,618
Common shares issued – DRIP	210,076	3,660
Balance as at June 29, 2024	**17,392,634**	**$ 151,278**

8. 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		**Six Months Ended**	
	June 29, 2024	June 24, 2023	**June 29, 2024**	June 24, 2023
Weighted average number of common shares – basic and diluted	**17,368,399**	17,016,697	**17,311,912**	16,988,945

9. 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. In the prior year ended December 31, 2023, Acadian had two reportable segments: New Brunswick Timberlands and Maine Timberlands. As a result of increased diversification in business activities, an additional reportable segment, Environmental Solutions, has been added. The Environmental Solutions segment includes business activities related to the development and sale of voluntary carbon credits.

The material accounting policies followed for the segments are consistent with those described in Note 2. Adjusted EBITDA is used to evaluate the operational performance of reportable segments. Adjusted EBITDA is defined as net income before interest, income taxes, fair value adjustments, non-cash cost of sales related to carbon credits, recovery of or impairment of land and roads, and depreciation and amortization.

Sales and Adjusted EBITDA by reportable segment are as follows:

	Three Months Ended		Six Months Ended	
(CAD thousands)	**June 29, 2024**	June 24, 2023	**June 29, 2024**	June 24, 2023
Sales				
New Brunswick Timberlands				
Softwood	**$ 6,319**	$ 4,238	**$ 15,234**	$ 10,486
Hardwood	**5,959**	7,899	**12,703**	12,760
Biomass	**13**	320	**708**	1,630
Timber services and other sales	**3,926**	4,112	**6,642**	9,600
Total New Brunswick Timberlands sales	**$ 16,217**	$ 16,569	**$ 35,287**	$ 34,476
Maine Timberlands				
Softwood	**$ 2,745**	$ 2,737	**$ 5,703**	$ 5,373
Hardwood	**2,294**	1,182	**3,878**	2,734
Biomass	**21**	—	**23**	60
Other sales	**256**	219	**521**	426
Total Maine Timberlands sales	**$ 5,316**	$ 4,138	**$ 10,125**	$ 8,593
Environmental Solutions	**19,658**	—	**24,588**	—
Total sales	**$ 41,191**	$ 20,707	**$ 70,000**	$ 43,069

	Three Months Ended		Six Months Ended	
(CAD thousands)	**June 29, 2024**	June 24, 2023	**June 29, 2024**	June 24, 2023
Adjusted EBITDA				
New Brunswick Timberlands	**$ 4,523**	$ 4,996	**$ 10,519**	$ 9,879
Maine Timberlands	**887**	1,133	**2,050**	2,232
Environmental Solutions	**15,701**	—	**19,839**	—
Total segment Adjusted EBITDA	**21,111**	6,129	**32,408**	12,111
Corporate expenses	**(555)**	(482)	**(1,253)**	(867)
Non-cash cost of sales related to carbon credits	**(11,352)**	—	**(14,178)**	—
Fair value adjustments and other	**2,894**	3,350	**5,083**	6,533
Interest expense, net	**(887)**	(771)	**(1,746)**	(1,580)
Depreciation and amortization	**(128)**	(79)	**(230)**	(148)
Income before income taxes	**$ 11,083**	$ 8,147	**$ 20,084**	$ 16,049

Approximately 69% and 59% of total sales during the three months and six months ended June 29, 2024 were originated with customers domiciled in the U.S. and the balance in Canada (June 24, 2023 – 41% and 35%). Approximately 67% and 56% of total sales were denominated in U.S. dollars during the same period (June 24, 2023 – 34% and 30%).

Acadian sells its products to many companies in North America. For the three months and six months ended June 29, 2024, sales to the largest and next largest customer accounted for 51% and 8%, and 37% and 9% respectively (June 24, 2023 – 24% and 17%, and 14% and 13% respectively).

Included in total sales during the three months and six months ended June 29, 2024 are $19.7 million and $4.9 million, respectively, of carbon credits sales to a single customer domiciled in the U.S. There were no sales of carbon credits during the three and six months ended June 24, 2023.

10. 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 $1.1 million and $3.7 million for the three months and six months ended June 29, 2024 (June 24, 2023 – $4.2 million and $2.8 million).

Interest Rate Risk

Acadian's interest rate risk exposure arises from its floating interest rate revolving credit facility, to the extent funds are drawn (Note 6). As at June 29, 2024, U.S. $nil million was drawn (December 31, 2023 - $nil). A change in interest rates would have no impact on the fixed interest rate Term Facilities.

11. INCOME TAXES

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

	Three Months Ended		**Six Months Ended**	
(CAD thousands)	**June 29, 2024**	June 24, 2023	**June 29, 2024**	June 24, 2023
Current income tax expense	**$ 2,983**	$ 666	**$ 4,861**	$ 1,740
Deferred income tax expense	**187**	1,668	**1,285**	2,876
Total income tax expense	**$ 3,170**	$ 2,334	**$ 6,146**	$ 4,616

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

	Three Months Ended		Six Months Ended	
(CAD thousands)	**June 29, 2024**	June 24, 2023	**June 29, 2024**	June 24, 2023
Income taxes at statutory rate	**$ 3,212**	$ 2,362	**$ 5,824**	$ 4,654
Foreign tax rate differential	**82**	(14)	**53**	(24)
Previously unrecognized tax attributes	**(264)**	—	**105**	—
Changes in estimates related to prior years	**112**	(14)	**108**	(14)
Other	**28**	—	**56**	—
Total income tax expense	**$ 3,170**	$ 2,334	**$ 6,146**	$ 4,616

12. DIVIDENDS TO SHAREHOLDERS

Acadian pays quarterly dividends to the extent determined prudent by the Board of Directors. Total dividends declared for the three and six months ended June 29, 2024 were $5.0 million and $10.0 million, respectively (June 24, 2023 – $4.9 million and $9.7 million) or $0.29 and $0.58 per share (June 24, 2023 – $0.29 and $0.58 per share).

13. SUBSEQUENT EVENT

On July 15, 2024, Acadian issued 144,181 common shares at a price of $17.033 in accordance with the DRIP.

BOARD AND MANAGEMENT

BOARD OF DIRECTORS

Malcolm Cockwell
Managing Director
Haliburton Forest

Bruce Robertson
Corporate Director

Karen Oldfield
Interim President and CEO
Nova Scotia Health

Heather Fitzpatrick
President and CEO
Halmont Properties Corporation

Erika Reilly
Corporate Director

Adam Sheparski
President and
Chief Executive Officer
Acadian Timber Corp.

MANAGEMENT

Adam Sheparski
President and
Chief Executive Officer
Acadian Timber Corp.

Susan Wood
Chief Financial Officer
Acadian Timber Corp.

CORPORATE AND SHAREHOLDER INFORMATION

HEAD OFFICE

6 Crabtree Ave.
Edmundston, N.B. E3V 3K5

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 (June 29, 2024): 17,392,634
Targeted 2024 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

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