

Investors, analysts and other interested parties can access Acadian Timber Corp.'s 2022 Second Quarter Results via conference call or webcast on Thursday, July 28, 2022 at 1:00PM ET. Please register [here](#), or follow the link on our website at https://www.acadiantimber.com/presentations_and_webcasts.html, to receive your unique PIN. For those unable to participate, a recorded rebroadcast will be available until 4:00PM ET August 27, 2022.

ACADIAN TIMBER CORP. REPORTS SECOND QUARTER RESULTS

Edmundston, NEW BRUNSWICK – July 27, 2022 – Acadian Timber Corp. (“Acadian” or the “Company”) (TSX:ADN) today reported financial and operating results¹ for the three months ended June 25, 2022 (the “second quarter”).

“Sustained demand across all of our main products resulted in significant improvements in pricing during the quarter,” commented Adam Sheparski, President and Chief Executive Officer. “In addition, we have worked with our customers over the last quarter and have begun to recover the additional operational costs we have been incurring, which we expect will have a positive impact on the remainder of the year.”

Acadian generated \$1.9 million of Free Cash Flow¹ and declared dividends of \$4.9 million to shareholders during the second quarter. Our balance sheet continues to be solid with \$19.5 million of net liquidity¹ as at June 25, 2022, which includes funds available under our credit facilities.

Acadian is committed to health and safety as our number one priority. We believe that emphasizing and achieving good safety performance is a leading indicator of success in the broader business. Acadian’s operations experienced one recordable safety incident during the quarter among employees and none among contractors. The individual has made a full recovery and has returned to work. We remain committed to maintaining a culture across the organization that emphasizes the importance of strong safety performance.

¹ This news release makes reference to Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow and Payout Ratios which 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. Acadian’s management defines Adjusted EBITDA as net income before interest, income taxes, fair value adjustments, recovery of or impairment of land and roads, unrealized exchange gain/loss on long-term debt and depreciation and amortization, and defines Adjusted EBITDA margin as Adjusted EBITDA as a percentage of Acadian’s sales. Acadian’s management defines Free Cash Flow as Adjusted EBITDA less interest paid, current income tax expense, and capital expenditures plus net proceeds from the sale of timberlands and fixed assets (proceeds less gains or losses). 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. We have provided in this news release reconciliations of net income, as determined in accordance with IFRS, to Adjusted EBITDA and Free Cash Flow. 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.

Review of Operations

Financial and Operating Highlights

<i>(CAD thousands, except per share information)</i>	Three Months Ended		Six Months Ended	
	June 25, 2022	June 26, 2021	June 25, 2022	June 26, 2021
Sales volume (000s m ³)	156.7	211.3	457.9	501.3
Sales	\$ 16,493	\$ 19,403	\$ 43,124	\$ 45,295
Operating income	2,684	3,840	9,522	10,580
Net income	4,516	5,975	8,674	11,799
Adjusted EBITDA	\$ 2,747	\$ 3,904	\$ 9,656	\$ 10,778
Adjusted EBITDA margin	17%	20%	22%	24%
Free Cash Flow	\$ 1,877	\$ 2,941	\$ 6,891	\$ 7,931
Dividends declared	4,856	4,839	9,695	9,678
Dividends paid in cash	3,713	4,839	8,552	9,678
Payout Ratio	n/a	n/a	141%	122%
Payout Ratio with DRIP	n/a	n/a	124%	-
Per share – basic and diluted				
Net income	\$ 0.27	\$ 0.36	\$ 0.52	\$ 0.71
Free Cash Flow	0.11	0.18	0.41	0.48
Dividends declared	0.29	0.29	0.58	0.58
Book value	17.45	17.42	17.45	17.42
Common shares outstanding	16,745,766	16,686,916	16,745,766	16,686,916
Weighted average shares outstanding	16,732,832	16,686,916	16,710,792	16,686,916

During the second quarter, Acadian generated sales of \$16.5 million, compared to \$19.4 million in the prior year period. The weighted average selling price, excluding biomass, increased 18% year-over-year, benefiting from strong sawlog prices and improved pulpwood prices driven by strong demand, as well as the partial recovery of rising fuel costs from our customers.

Sales volume, excluding biomass, decreased 21% as a result of a later start to operations after the spring thaw compared to the prior year period, as well as limited contractor availability in the second quarter. Biomass sales volume decreased 70% due to unfavourable market conditions.

Operating costs and expenses were \$13.8 million during the second quarter, compared to \$15.6 million during the prior year period. This year-over-year decrease reflects lower harvesting activity and timber services, partially offset by higher fuel prices. Weighted average variable costs, excluding biomass, increased 33% primarily as a result of higher fuel costs.

Net income for the second quarter totaled \$4.5 million, or \$0.27 per share, compared to \$6.0 million, or \$0.36 per share, in the same period of 2021. The variance in net income compared to the prior year period was primarily the result of lower sales volumes and the non-cash unrealized foreign exchange gain on long-term debt recorded in the prior year of \$2.3 million. As a result of the application of hedge accounting effective January 1, 2022 these adjustments are now recorded in other comprehensive income.

Adjusted EBITDA was \$2.7 million during the second quarter compared to \$3.9 million in the prior year period, reflecting lower operating income. Adjusted EBITDA margin for the quarter was 17% compared to 20% in the prior year period. Free Cash Flow was \$1.9 million, being \$1.0 million lower than the prior year period.

During the first half of 2022, Acadian generated sales of \$43.1 million compared to \$45.3 million in the prior year period. The weighted average selling price, excluding biomass, increased 11%, however, sales volume, excluding biomass, decreased 6%. Operating costs and expenses of \$33.6 million were \$1.1 million lower year-over-year. Adjusted EBITDA of \$9.7 million was \$1.1 million lower compared to the prior year period.

For the six months ended June 25, 2022, net income was \$8.7 million, or \$0.52 per share, which represents a decrease of \$3.1 million compared to the prior year period, primarily the result of the non-cash unrealized foreign exchange gain on long-term debt recorded in the prior year of \$3.5 million, compared to \$nil in the current year, as a result of the application of hedge accounting noted above.

Segment Performance

New Brunswick Timberlands

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

	Three Months Ended		Six Months Ended	
	June 25, 2022	June 26, 2021	June 25, 2022	June 26, 2021
Harvest (000s m ³)				
Softwood	48.3	41.0	176.4	139.2
Hardwood	42.5	78.8	110.7	159.8
Biomass	3.5	21.4	29.5	51.0
Total	94.3	141.2	316.6	350.0
Sales (000s m ³)				
Softwood	55.7	54.9	181.3	141.4
Hardwood	64.0	88.9	115.8	163.0
Biomass	3.5	21.4	29.5	51.0
Total	123.2	165.2	326.6	355.4
Sales Mix				
Softwood	45%	33%	56%	40%
Hardwood	52%	54%	35%	46%
Biomass	3%	13%	9%	14%
Total	100%	100%	100%	100%
Results (\$000s)				
Softwood	\$ 4,023	\$ 3,464	\$ 12,197	\$ 9,031
Hardwood	5,641	6,476	10,146	12,287
Biomass	152	878	1,308	2,087
Total	9,816	10,818	23,651	23,405
Timber services and other	3,728	5,045	7,902	10,779
Sales	\$ 13,544	\$ 15,863	\$ 31,553	\$ 34,184
Adjusted EBITDA	\$ 2,710	\$ 3,916	\$ 7,378	\$ 8,995
Adjusted EBITDA margin	20%	25%	23%	26%

Sales for New Brunswick Timberlands were \$13.5 million compared to \$15.9 million during the prior year period. Sales volume, excluding biomass, decreased by 17% primarily due to a later start to operations compared to the second quarter of the prior year and limited contractor availability at the start of spring operations, which also impacted timber services activity. Biomass sales volume decreased 83% as compared to the prior year period due to unfavourable market conditions.

The weighted average selling price, excluding biomass, for the second quarter was \$80.75 per m³, or 17% higher than the prior year period, as a result of strong sawlog and improved pulpwood prices, driven by strong demand, as well as fuel cost recovery from customers. Biomass pricing was up 3% year-over-year.

Operating costs and expenses were \$10.9 million during the second quarter, compared to \$12.0 million in the prior year period due to lower harvesting activity and lower timber services activity, partially offset by higher fuel prices. Weighted

average variable costs, excluding biomass, increased 38% primarily as a result of higher fuel costs compared to the prior year period.

Adjusted EBITDA for the quarter was \$2.7 million compared to \$3.9 million in the prior year period and Adjusted EBITDA margin was 20% compared to 25% in the prior year period, reflecting lower operating income.

During the first half of 2022, New Brunswick Timberlands' sales of \$31.6 million decreased 8% from the prior year period. The weighted average selling price, excluding biomass, increased 7%, however sales volume, excluding biomass, decreased 2% year-over-year. Operating costs and expenses of \$24.3 million during the first half of 2022 were \$1.0 million lower than the prior year period due primarily to lower timber services activity, partially offset by higher fuel costs. Adjusted EBITDA was \$7.4 million compared to \$9.0 million in the first half of 2021, and Adjusted EBITDA margin decreased to 20% from 25%.

Maine Timberlands

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

	Three Months Ended		Six Months Ended	
	June 25, 2022	June 26, 2021	June 25, 2022	June 26, 2021
Harvest (000s m ³)				
Softwood	19.5	27.6	96.6	103.6
Hardwood	5.4	10.0	27.7	36.9
Biomass	3.0	0.3	3.2	0.6
Total	27.9	37.9	127.5	141.1
Sales (000s m ³)				
Softwood	19.7	27.5	96.6	103.5
Hardwood	10.8	18.3	31.5	41.8
Biomass	3.0	0.3	3.2	0.6
Total	33.5	46.1	131.3	145.9
Sales Mix				
Softwood	59%	60%	74%	71%
Hardwood	32%	40%	24%	29%
Biomass	9%	0%	2%	0%
Total	100%	100%	100%	100%
Results (\$000s)				
Softwood	\$ 1,662	\$ 1,855	\$ 8,449	\$ 7,573
Hardwood	1,127	1,552	2,853	3,305
Biomass	6	3	10	8
Total	2,795	3,410	11,312	10,886
Timber services and other	154	130	259	225
Sales	\$ 2,949	\$ 3,540	\$ 11,571	\$ 11,111
Adjusted EBITDA	\$ 364	\$ 424	\$ 3,116	\$ 2,452
Adjusted EBITDA margin	12%	12%	27%	22%

Sales for Maine Timberlands during the second quarter totaled \$2.9 million compared to \$3.5 million in the prior year period. Sales volume, excluding biomass, decreased 33% reflecting a later start to operations compared to prior year and limited contractor availability at the start of spring operations.

The weighted average selling price, excluding biomass, in Canadian dollar terms was \$91.13 per m³, compared to \$74.26 per m³ during the same period of 2021. In U.S dollar terms, the weighted average selling price, excluding biomass, was \$71.39

per m³, compared to \$60.38 per m³ in 2021 with higher sawlog and pulpwood prices benefiting from favourable market dynamics, as well as fuel cost recovery from customers.

Operating costs and expenses for the second quarter were \$2.6 million, compared to \$3.1 million during the same period in 2021, primarily due to lower harvesting activity. Weighted average variable costs, excluding biomass, increased 20% primarily as a result of higher fuel costs.

Adjusted EBITDA for the quarter was \$0.4 million and Adjusted EBITDA margin was 12%, both in line with the prior year period.

During the first half of 2022, Maine Timberlands' sales were \$11.6 million compared to \$11.1 million in the prior year period. Maine Timberlands' weighted average selling price, excluding biomass, increased 18% in Canadian dollar terms, and 17% in U.S. dollar terms, however the sales volume, excluding biomass, decreased 12% year-over-year. Operating costs and expenses of \$8.5 million during the first half of 2022 were 3% lower than the \$8.8 million in the prior year period, as a result of lower harvesting activity partially offset by higher fuel costs.

Outlook²

The North American economic outlook is uncertain, with interest rates rising and housing prices as well as sales beginning to decline. Although these headwinds may impact the demand for our products, we note that consensus forecast is for approximately 1.62 million U.S. housing starts in 2022 as compared to 1.60 million in 2021. Accordingly, we remain confident that the stability of the northeast forestry sector combined with the long-term demand for new homes as well as repair and remodel activity will support the pricing of our products.

Inflationary pressures are weighing on our financial results: we have seen modest increases in our contractor rates and in the fuel surcharge we pay our contractors as fuel prices continue to be at historic levels. Acadian has worked with its customer base over the last quarter and has begun to recover these costs from our customers.

Although softwood lumber pricing has decreased from its historic levels, demand for softwood sawlogs remains stable with pricing expected to increase over the coming quarters. Subsequent to the second quarter, the Province of New Brunswick announced the implementation of a system that will allow for upward adjustments to Crown timber royalty rates when prices for specific commodities such as lumber are above normal ranges. The implementation of the system is subject to the development of specific legislation. In a step towards this system, 2022-2023 Crown timber royalty rates will be adjusted upward to account for higher-than-normal commodity prices. The immediate direct impact to Acadian's net earnings will not be material, however, the new system may impact future market prices and in turn, the prices obtained by Acadian for products from its freehold timberlands going forward.

End use hardwood markets remain stable throughout the northeast with significant demand and elevated pricing for high grade hardwood sawlogs, which has been aided by the decreased imports from eastern Europe. As we exit the second quarter, with respect to hardwood markets, it is uncertain how the headwinds entailed by the broader economic outlook may be offset by the reduction of imports from eastern Europe.

Hardwood pulpwood demand remains stable and is expected to continue throughout 2022. Meanwhile, softwood pulpwood markets have improved and are expected to remain at improved levels throughout the remainder of 2022.

Quarterly Dividend

Based on a strong balance sheet and outlook for the remainder of the year, Acadian is pleased to announce a dividend of \$0.29 per share, payable on October 15, 2022 to shareholders of record on September 30, 2022.

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² The following contains forward-looking information about Acadian Timber Corp.'s outlook for the remainder of 2022. 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 statements in the following, please see the Risk Factors section in this document and in our Annual Information Form available on our website at www.acadiantimber.com or www.sedar.com.

Acadian Timber Corp. 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, 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'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.

Acadian's shares are listed for trading on the Toronto Stock Exchange under the symbol ADN.

For further information, please visit our website at www.acadiantimber.com or contact:

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Cautionary Statement Regarding Forward-Looking Information and Statements

This News Release 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 News Release and includes statements made in the section entitled "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 News Release are qualified by these cautionary statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon, and will not necessarily be accurate indications of whether or not such results will be achieved. Actual results may vary. These forward-looking statements include, but are not limited to:

- *Expectations regarding product demand, 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 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 under the heading "Risk Factors" in the Annual Report dated February 9, 2022, and in each of the Annual Information Form dated March 25, 2022 and the Management Information Circular dated March 25, 2022 and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this News Release 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 News Release are made as of the date of this News Release 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 News Release. Acadian assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as may be required by applicable law.

Acadian Timber Corp.
Interim Condensed Consolidated Balance Sheets

(unaudited)

<i>As at</i> <i>(CAD thousands)</i>	June 25, 2022	December 31, 2021
Assets		
Current assets		
Cash	\$ 6,791	\$ 7,316
Accounts receivable and other assets	5,866	8,386
Current income taxes receivable	—	104
Inventory	726	1,450
	13,383	17,256
Timber	400,798	394,063
Land, roads, and other fixed assets	100,073	99,183
Intangible asset	6,140	6,140
Total assets	\$ 520,394	\$ 516,642
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 6,266	\$ 8,800
Current income taxes payable	421	—
Dividends payable to shareholders	4,856	4,839
	11,543	13,639
Long-term debt	102,988	100,888
Deferred income tax liabilities, net	113,594	110,630
Total liabilities	228,125	225,157
Shareholders' equity	292,269	291,485
Total liabilities and shareholders' equity	\$ 520,394	\$ 516,642

Acadian Timber Corp.
Interim Condensed Consolidated Statements of Net Income

(unaudited)

	Three Months Ended		Six Months Ended	
<i>(CAD thousands, except per share data)</i>	June 25, 2022	June 26, 2021	June 25, 2022	June 26, 2021
Sales	\$ 16,493	\$ 19,403	\$ 43,124	\$ 45,295
Operating costs and expenses				
Cost of sales	11,433	13,181	29,102	30,628
Selling, administration and other	1,828	2,058	3,894	3,698
Silviculture	485	260	486	263
Depreciation and amortization	63	64	120	126
	13,809	15,563	33,602	34,715
Operating income	2,684	3,840	9,522	10,580
Interest expense, net	(763)	(727)	(1,500)	(1,482)
Other items				
Fair value adjustments and other	4,430	2,055	4,158	2,480
Unrealized exchange gain on long-term debt	—	2,288	—	3,504
Gain on sale of timberlands and other fixed assets	—	—	14	72
Income before income taxes	6,351	7,456	12,194	15,154
Income tax expense	(1,835)	(1,481)	(3,520)	(3,355)
Net income	\$ 4,516	\$ 5,975	\$ 8,674	\$ 11,799
Net income per share – basic and diluted	\$ 0.27	\$ 0.36	\$ 0.52	\$ 0.71

Acadian Timber Corp.
Interim Condensed Consolidated Statements of Comprehensive Income

(unaudited)

	Three Months Ended		Six Months Ended	
<i>(CAD thousands)</i>	June 25, 2022	June 26, 2021	June 25, 2022	June 26, 2021
Net income	\$ 4,516	\$ 5,975	\$ 8,674	\$ 11,799
Other comprehensive income / (loss)				
Items that may be reclassified subsequently to net income:				
Unrealized foreign currency translation gain / (loss)	1,232	(3,185)	679	(4,618)
Comprehensive income	\$ 5,748	\$ 2,790	\$ 9,353	\$ 7,181

Acadian Timber Corp.
Interim Condensed Consolidated Statements of Cash Flows

(unaudited)

	Three Months Ended		Six Months Ended	
<i>(CAD thousands)</i>	June 25, 2022	June 26, 2021	June 25, 2022	June 26, 2021
Cash provided by (used for):				
Operating activities				
Net income	\$ 4,516	\$ 5,975	\$ 8,674	\$ 11,799
Adjustments to net income:				
Income tax expense	1,835	1,481	3,520	3,355
Depreciation and amortization	63	64	120	126
Fair value adjustments and other	(4,430)	(2,055)	(4,158)	(2,480)
Unrealized exchange gain on long-term debt	—	(2,288)	—	(3,504)
Gain on sale of timberlands and other fixed assets	—	—	(14)	(72)
Income taxes paid	(347)	(2,118)	(683)	(532)
Net change in non-cash working capital balances and other	1,856	519	657	(1,337)
	3,493	1,578	8,116	7,355
Financing activities				
Dividends paid to shareholders	(3,713)	(4,839)	(8,552)	(9,678)
Investing activities				
Additions to timber, land, roads, and other fixed assets	(39)	(88)	(103)	(157)
Proceeds from sale of timberlands and other fixed assets	—	—	14	75
	(39)	(88)	(89)	(82)
Decrease in cash during the period	(259)	(3,349)	(525)	(2,405)
Cash, beginning of period	7,050	11,202	7,316	10,258
Cash, end of period	\$ 6,791	\$ 7,853	\$ 6,791	\$ 7,853

Acadian Timber Corp.
Reconciliations to Adjusted EBITDA and Free Cash Flow

<i>(CAD thousands)</i>	Three Months Ended		Six Months Ended	
	June 25, 2022	June 26, 2021	June 25, 2022	June 26, 2021
Net income	\$ 4,516	\$ 5,975	\$ 8,674	\$ 11,799
Add / (deduct):				
Interest expense, net	763	727	1,500	1,482
Income tax expense	1,835	1,481	3,520	3,355
Depreciation and amortization	63	64	120	126
Fair value adjustments and other	(4,430)	(2,055)	(4,158)	(2,480)
Unrealized exchange gain on long-term debt	—	(2,288)	—	(3,504)
Adjusted EBITDA	\$ 2,747	\$ 3,904	\$ 9,656	\$ 10,778
Add / (deduct):				
Interest paid on debt, net	(731)	(696)	(1,439)	(1,408)
Additions to timber, land, roads, and other fixed assets	(39)	(88)	(103)	(157)
Gain on sale of timberlands and other fixed assets	—	—	(14)	(72)
Proceeds from sale of timberlands and other assets	—	—	14	75
Current income tax expense	(100)	(179)	(1,223)	(1,285)
Free Cash Flow	\$ 1,877	\$ 2,941	\$ 6,891	\$ 7,931
Dividends declared	4,856	4,839	9,695	9,678
Dividends paid in cash	3,713	4,839	8,552	9,678
Payout Ratio	n/a	n/a	141%	122%
Payout Ratio with DRIP	n/a	n/a	124%	-