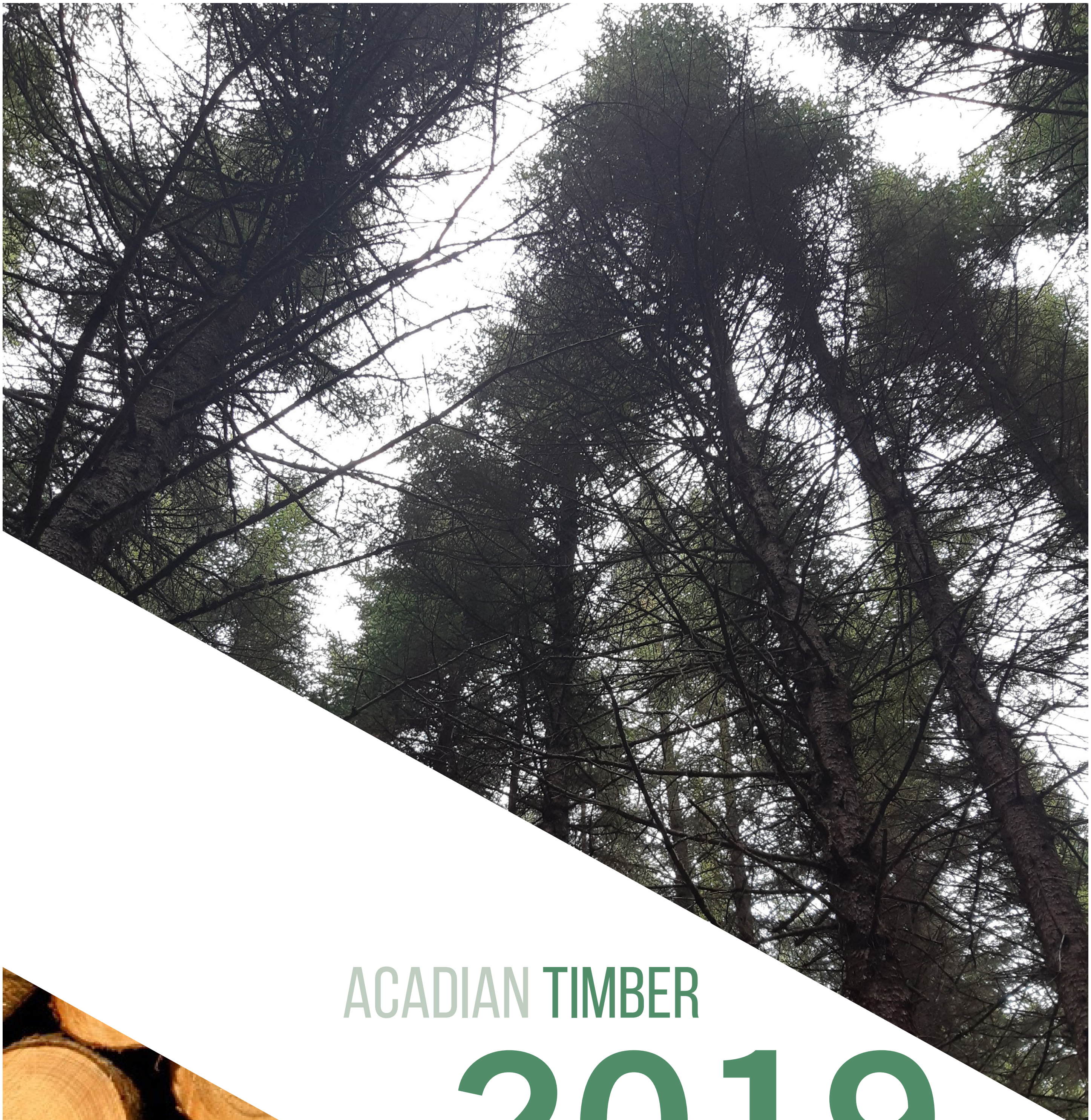


ACADIAN TIMBER

2019

ANNUAL REPORT

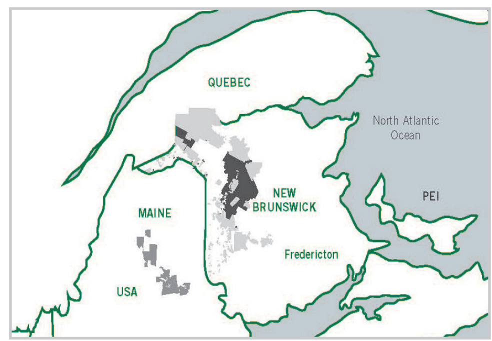
Acadian Timber Corp. (TSX: ADN) is a leading supplier of primary forest products in Eastern Canada and the Northeastern U.S. With a total of approximately 2.4 million acres of land under management, Acadian is one of the largest timberland operators in New Brunswick and Maine.

Acadian owns and manages approximately 1.1 million acres of freehold timberlands in New Brunswick and 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 85 regional customers.

Acadian's business strategy is to maximize cash flows from its existing timberland assets while growing its business by acquiring assets on a value basis and utilizing its operations-oriented approach to drive improved performance.

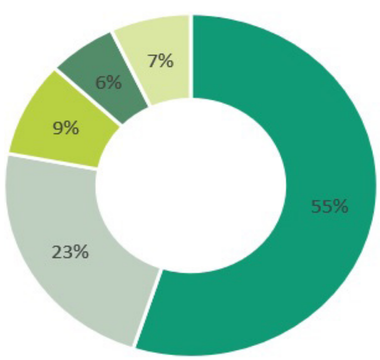
ACADIAN'S LOCATIONS

FOREST AREAS	ACRES	HECTARES
MAINE TIMBERLANDS	300,000	121,000
NEW BRUNSWICK TIMBERLANDS	761,000	308,000
CROWN LANDS UNDER MANAGEMENT	1,326,000	537,000
AREA UNDER MANAGEMENT	**2,387,000**	**966,000**



ACADIAN'S PRODUCT MIX BY END USE*

Acadian sells a wide variety of products to a broad group of customers. Acadian's greatest exposure is to softwood sawlogs; however, markets for hardwood sawlogs, hardwood and softwood pulpwood, and biomass diversify our sales.



SOLID WOOD
55%

Softwood Dimension Lumber 42%
Softwood Specialty Products 1%
Hardwood Lumber 7%
Hardwood Specialty Products 5%

PACKAGING, TISSUE & SPECIALTY PAPER
23%

ENGINEERED WOOD PRODUCTS
9%

PULP
6%

FUEL
7%

** Percentage of log sales by value for the year ended December 31, 2019.*

2019 HIGHLIGHTS

- Terminated the management agreement between Brookfield Timberlands Management LP and Acadian and internalized asset management and administrative functions thereby eliminating the management fee and annual performance fee
- Solid financial performance with sales of $100.0 million, Adjusted EBITDA[1] of $23.6 million, Free Cash Flow[1] of $18.7 million and net income of $17.3 million
- Declared dividends to shareholders of $19.4 million, or $1.16 per share
- Excellent safety performance with no serious safety incidents among employees during the year
- Successful maintenance of Sustainable Forestry Initiative® certification

FINANCIAL HIGHLIGHTS

Years Ended December 31 (CAD thousands, except where indicated)	**2019**	2018	2017
Sales volume (000s m^3)	**1,251.1**	1,307.0	1,252.0
Sales	**$ 100,048**	$ 99,848	$ 95,383
Adjusted EBITDA[1]	**$ 23,604**	$ 22,142	$ 23,344
Free Cash Flow[1]	**$ 18,722**	$ 17,771	$ 19,480
Net income	**$ 17,325**	$ 26,264	$ 30,819

1. Adjusted EBITDA and Free Cash Flow are key performance measures in evaluating Acadian's operations and are important in enhancing investors' understanding of Acadian's operating performance. Adjusted EBITDA is used to evaluate operational performance and Free Cash Flow is used to evaluate Acadian's ability to generate sustainable cash flows from our operations. Acadian's management defines Adjusted EBITDA as earnings before interest, taxes, fair value adjustments, recovery of or impairment of land and roads, realized gain/loss on sale of roads and other fixed assets, unrealized exchange gain/loss on debt, depreciation, amortization and the Termination Fee. Free Cash Flow is defined as Adjusted EBITDA less interest paid, current income tax expense, and capital expenditures plus net proceeds from the sale of fixed assets (selling price less gains or losses included in Adjusted EBITDA). As these performance measures do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"), they may not be comparable to similar measures presented by other companies. Please refer to Management's Discussion and Analysis for further details.

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LETTER TO SHAREHOLDERS

Overview[1]

The year-ended December 31, 2019 was transformative for Acadian Timber Corp. ("Acadian", the "Company" or "we"). Brookfield Asset Management Inc. ("BAM") sold all of its interest in Acadian to Macer Forest Holdings Inc. and Acadian entered into an agreement with its external manager, Brookfield Timberlands Management LP ("Brookfield LP"), a subsidiary of BAM, to terminate the management agreement between Acadian and Brookfield LP and internalize Acadian's asset management and administrative services functions. The aggregate consideration payable to Brookfield LP in connection with the termination of the management agreement was $18 million (the "Termination Fee"), which was satisfied in cash during the third quarter of 2019. The management fee and the annual performance fee were eliminated, which, going forward, will reduce Acadian's administration costs and, in turn, increase Free Cash Flow[2]. Acadian has made significant progress internalizing the asset management and administrative services functions to date.

These events did not result in a change in Acadian's business strategy and, under the leadership of our senior management team, we continue to focus on maximizing shareholder value through an operations-oriented approach to drive improved performance.

Strong Financial Performance

Acadian generated sales of $100.0 million in 2019, almost unchanged from $99.8 million in the prior year. The Company benefited from a 3% increase in sales volumes, excluding biomass, reflecting improved demand for softwood pulpwood partially offset by lower biomass sales and a modest decrease in timber services activity. Acadian's weighted average selling price, excluding biomass, was almost unchanged year-over-year with softwood sawlog and pulpwood price improvements of 2% and 13%, respectively, offset by a greater proportion of relatively lower valued softwood pulpwood in the mix of products sold. Operating costs of $77.8 million in 2019 were down 1% from $78.8 million in the prior year due to lower harvest volumes and administrative costs.

Acadian generated Adjusted EBITDA[2] of $23.6 million during 2019, compared to $22.1 million in the prior year, while the Adjusted EBITDA[2] margin for 2019 increased to 24% from 22% in 2018. Key factors contributing to the year-over-year improvement in Adjusted EBITDA[2] include lower management and performance fees due to the termination of the management agreement and the benefit of reduced year-end inventory levels compared to the prior year as the inventory management program with one of Acadian's customers that was in place during the fourth quarter of 2018 was not in place this year. Free Cash Flow[2] totaled $18.7 million up from $17.8 million in 2018 with the benefit of the year-over-year improvement in Adjusted EBITDA[2] partially offset by lower proceeds from the sale of timberlands and other fixed assets.

Net income for 2019 totaled $17.3 million, compared to $26.3 million in the prior year, with the decrease primarily due to the Termination Fee which, after income tax, reduced net income by $12.8 million or $0.77 per share. This was partially offset by improved operating earnings and lower income tax expense.

Acadian declared dividends to its shareholders of $1.16 per share during the year, representing a Payout Ratio[2] of 103%, which is above our long-term target, but in line with expectations given the 3% increase in our quarterly dividend per share announced in February 2019. We anticipate that over the long term we will revert to a Payout Ratio[2] consistent with our target level.

Our balance sheet continues to be solid. Net liquidity as at December 31, 2019, which includes funds available under our revolving facility, was $10.7 million, compared to $101.9 million at December 31, 2018, as the US$50 million stand-by equity commitment previously available from BAM was terminated coincident with the sale of its ownership in Acadian. In addition, Acadian borrowed $7.8 million under its revolving facility to partially fund the Termination Fee.

Continued Commitment to Safety and the Environment

Acadian takes its commitment to safety very seriously as we believe that emphasizing and achieving a good safety record is a leading indicator of success in our broader business. Acadian maintains a strong record of positive safety performance among employees and contractors across our operations. The three recordable safety incidents that occurred during 2019 were minor in nature and resulted in minimal lost time with all affected individuals making a full recovery. We continue to work with our contractors and employees to ensure the highest standards of workplace safety are met. We are pleased to report that the employees of our Maine operations have now extended their impressive accident-free record to nineteen years and the employees of our New Brunswick operations were accident-free throughout the year.

Acadian is also pleased to report that both the New Brunswick and Maine operations successfully completed their 2019 audits under the 2015-2019 standard of the Sustainable Forestry Initiative® which re-affirms our certificates and is a testament to the sustainability of our operations.

Outlook[1]

The outlook for Acadian's key products, softwood sawlogs and hardwood pulpwood, is for demand and pricing to remain stable in the near term.

The softwood lumber market, the end use market for our softwood sawlogs, is expected to benefit from slightly stronger U.S. housing starts in 2020, while the U.S. repair and remodeling sector is expected to hold flat at its 2019 level, according to Fastmarkets RISI. The consensus forecast is for 1.31 million U.S. housing starts in 2020, compared to 1.29 million total starts in 2019, with growth driven by the single-family sector. A low supply of existing homes, low mortgage rates and a strong labour market support the improved outlook for U.S. home building. However, supply side factors, including increased wood supply from Central Europe and reduced North American exports to China, as well as builders' focus on smaller, more affordable homes (which contain less wood), may mute some of the benefits of this more positive U.S. housing outlook.

Demand and pricing for our hardwood pulpwood is expected to remain stable, with our largest hardwood pulpwood customers operating at full capacity. We expect hardwood pulpwood supply coming from other major landowners in the region to decrease as they reduce their harvest levels which should tighten the regional market for this product over time.

The outlook for Acadian's other products is mixed.

Acadian's hardwood sawlog sales in the U.S. are coming under pressure as an indirect result of Chinese duties on U.S. exports. However, hardwood sawlog sales to Acadian's Canadian customers remain stable as they are focused on species such as hard maple and yellow birch and on industrial lumber products, including railway ties, pallets, and flooring, that have not been as impacted by the U.S.-China trade war.

Demand for softwood pulpwood from our New Brunswick timberlands remains steady, however markets for softwood pulpwood in Maine have recently weakened with high regional softwood pulpwood inventory due to the slower than anticipated startup of a pulp mill in the region. Once this mill reaches full operating capacity, demand for this product is expected to improve.

Finally, while the biomass markets in Maine remain weak without any significant changes in sight, the New Brunswick biomass market continues to be supported by steady demand at attractive prices. We have been successful in developing relationships with new customers to replace volume to customers that have reduced or closed their operations which is improving the outlook for 2020.

Closing Remarks

As we enter the new year, we are focused on continuing to improve our financial and operating performance by merchandizing our products for highest margin opportunities, strengthening customer relationships and developing new markets, and seeking value add opportunities and cost efficiencies. With a strong balance sheet, diverse markets and a highly capable team, Acadian is well positioned for the year ahead. On behalf of the board and management of Acadian, I would like to thank all our shareholders for their ongoing support.

Erika Reilly
Interim President and Chief Executive Officer
February 12, 2020

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, Free Cash Flow and Payout Ratio are key performance measures in evaluating Acadian's operations and are important in enhancing investors' understanding of Acadian's operating performance. Adjusted EBITDA and Adjusted EBITDA margin are used to evaluate operational performance. Free Cash Flow is used to evaluate Acadian's ability to generate sustainable cash flows from our operations while Payout Ratio is used to evaluate Acadian's ability to fund its distribution using Free Cash Flow. Acadian's management defines Adjusted EBITDA as earnings before interest, taxes, fair value adjustments, recovery of or impairment of land and roads, realized gain/loss on sale of roads and other fixed assets, unrealized exchange gain/loss on debt, depreciation, amortization and the Termination Fee and Adjusted EBITDA margin as Adjusted EBITDA as a percentage of its total revenue. Free Cash Flow is defined as Adjusted EBITDA less interest paid, current income tax expense, and capital expenditures plus net proceeds from the sale of fixed assets (selling price less gains or losses included in Adjusted EBITDA). Payout Ratio is defined as dividends declared divided by Free Cash Flow. As these performance measures do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"), they may not be comparable to similar measures presented by other companies. Please refer to Management's Discussion and Analysis for further details.*

MARKET OVERVIEW

Softwood Sawlogs – 42% of Freehold Sales

Softwood sawlogs accounted for 42% of Acadian's freehold sales and 39% of sales volume for the year ended December 31, 2019. Acadian's New Brunswick operation experienced continued market strength and stability throughout the year while softwood sawlog markets in Maine softened somewhat in 2019 as customers responded to the weakness in North American lumber markets. With markets in New Brunswick remaining strong, Acadian's weighted average realized price per m^3 increased 2% during 2019.

Hardwood Sawlogs – 10% of Freehold Sales

Hardwood sawlogs accounted for 10% of Acadian's freehold sales and 5% of sales volume for the year ended December 31, 2019. Hardwood sales volumes increased 3% year-over-year and markets remained solid resulting in prices staying effectively the same as in the prior year.

Softwood and Hardwood Pulpwood – 42% of Freehold Sales

Softwood and hardwood pulpwood shipments accounted for 9% and 33%, respectively, of Acadian's freehold sales, and 13% and 31% of sales volume, respectively, for the year ended December 31, 2019. Markets for softwood pulpwood continued to benefit from improvements in New Brunswick's residual market and favourable market dynamics in Maine with sales volumes increasing 35% year-over-year and prices climbing 13%. Prices and sales volumes for hardwood pulpwood were almost unchanged with demand and pricing remaining strong.

Biomass – 6% of Freehold Sales

Biomass accounted for 6% of Acadian's freehold sales and 12% of sales volume for the year ended December 31, 2019. Volume and contributions from biomass fell 38% and 44%, respectively, as a customer who utilized biomass to generate electricity ceased operations during the year and Acadian modified a portion of its harvesting during the year to a system that is more cost-effective, but generates less biomass material.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(All figures in Canadian dollars unless otherwise stated)

INTRODUCTION

Acadian Timber Corp. ("Acadian", the "Company" or "we") is a leading supplier of primary forest products in Eastern Canada and the Northeastern United States. With a total of approximately 2.4 million acres of land under management, Acadian is one of the largest timberland operators in New Brunswick and Maine.

Acadian owns and manages approximately 761,000 acres of freehold timberlands in New Brunswick ("New Brunswick Timberlands" or "NB Timberlands"), approximately 300,000 acres of freehold timberlands in Maine ("Maine Timberlands") and provides timber services relating to approximately 1.3 million acres of Crown licensed timberlands in New Brunswick ("NB Crown Lands"). Acadian's products include softwood and hardwood sawlogs, pulpwood and biomass by-products sold to approximately 85 regional customers.

Acadian's business strategy is to maximize cash flows from its existing timberland assets while growing our business by acquiring assets on a value basis and utilizing our operations-oriented approach to drive improved performance.

Basis of Presentation

This section of our annual report presents management's discussion and analysis ("MD&A") of our financial results and is followed by our consolidated financial statements for the year ended December 31, 2019. The MD&A is intended to provide an assessment of our performance during the three-month period and year ended December 31, 2019, as compared to the three-month period and year ended December 31, 2018.

Our financial results are determined in accordance with IFRS and are expressed in Canadian dollars ("CAD") unless otherwise stated. External economic and industry factors which are material to the Company's financial results remain materially unchanged from the previous annual report, unless otherwise noted. This MD&A has been prepared based on information available as at February 12, 2020. Additional information is available on Acadian's website at www.acadiantimber.com and on SEDAR's website at www.sedar.com.

Non-IFRS Measures

Throughout this MD&A, reference is made to "Adjusted EBITDA", which Acadian's management defines as earnings before interest, taxes, fair value adjustments, recovery of or impairment of land and roads, realized gain/loss on sale of other fixed assets, unrealized exchange gain/loss on debt, depreciation, amortization and one-time costs related to the termination of the management agreement with Brookfield Timberlands Management LP and to "Adjusted EBITDA margin", which is Adjusted EBITDA as a percentage of Acadian's total revenue. Reference is also made to "Free Cash Flow", which Acadian's management defines as Adjusted EBITDA less interest paid, current income tax expense, and capital expenditures plus net proceeds from the sale of fixed assets (selling price less gains or losses included in Adjusted EBITDA) and to "Payout Ratio" which Acadian's management defines as dividends declared divided by Free Cash Flow. Management believes that Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow, and Payout Ratio are key performance measures in evaluating Acadian's operations and are important in enhancing investors' understanding of the Company's operating performance. Adjusted EBITDA and Adjusted EBITDA margin are used to evaluate operational performance. Free Cash Flow is used to evaluate Acadian's ability to generate sustainable cash flows from our operations while Payout Ratio is used to evaluate Acadian's ability to fund its distribution using Free Cash Flow. As these measures do not have a standardized meaning prescribed by IFRS, they may not be comparable to similar measures presented by other companies. As a result, we have provided reconciliations of net income as determined in accordance with IFRS, to Adjusted EBITDA and Free Cash Flow in the "Adjusted EBITDA and Free Cash Flow" section of this MD&A.

Internal Control over Financial Reporting

Management of Acadian is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer and the Chief Financial Officer and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2019, based on the criteria set forth in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2019, Acadian's internal control over financial reporting is effective. Also, management determined that there were no material weaknesses in Acadian's internal control over financial reporting as of December 31, 2019.

Disclosure Controls

Management, including the Interim Chief Executive Officer and Interim Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in the Canadian Securities Administrators National Instrument 52-109). Based on that evaluation, the Interim Chief Executive Officer and Interim Chief Financial Officer concluded that the disclosure controls and procedures were effective as of December 31, 2019 in providing reasonable assurance around material information relating to the Company and its consolidated subsidiaries.

REVIEW OF OPERATIONS

Summary of Results for the Years Ended December 31

The table below summarizes operating and financial data for Acadian:

Years Ended December 31 *(CAD thousands, except per share data and where indicated)*	**2019**	2018	2017
Sales volume (000s m^3)	**1,251.1**	1,307.0	1,252.0
Sales	**$ 100,048**	$ 99,848	$ 95,383
Operating earnings	**22,233**	21,045	20,739
Net income	**17,325**	26,264	30,819
Total assets	**498,709**	492,450	462,216
Total debt	**101,131**	96,779	91,156
Adjusted EBITDA[1]	**$ 23,604**	$ 22,142	$ 23,344
Adjusted EBITDA margin[1]	**24%**	22%	24%
Free Cash Flow[1]	**$ 18,722**	$ 17,771	$ 19,480
Dividends declared	**19,358**	18,769	18,404
Payout Ratio[1]	**103%**	106%	94%
Per share – basic and diluted			
Net income	**$ 1.04**	$ 1.57	$ 1.84
Free Cash Flow[1]	**1.12**	1.06	1.16
Dividends declared	**1.16**	1.1225	1.10
Book value	**17.18**	17.40	16.38
Common shares outstanding	**16,686,916**	16,688,416	16,731,216
Weighted average shares outstanding	**16,686,924**	16,728,823	16,731,216

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 5 of this Annual Report.

On August 20, 2019, Brookfield Asset Management ("BAM") sold all of its interest in Acadian to Macer Forest Holdings Inc. and on September 9, 2019, Acadian entered into an agreement with its external manager, Brookfield Timberlands Management LP ("Brookfield LP"), a subsidiary of BAM, to terminate the management agreement between Acadian and Brookfield LP and internalize Acadian's asset management and administrative services functions. The aggregate consideration payable to Brookfield LP in connection with the termination of the management agreement was $18 million (the "Termination Fee"), which was satisfied in cash. The termination of the management agreement resulted in the elimination of the management fee and the annual performance fee which, going forward, will reduce Acadian's administration costs and, in turn, increase Free Cash Flow.

Acadian generated sales of $100.0 million in 2019, almost unchanged from $99.8 million in the prior year. The Company benefited from a 3% increase in sales volume, excluding biomass, due to improved demand for softwood pulpwood, but this was partially offset by lower biomass sales and a modest decrease in timber services activity. Acadian's weighted average selling price, excluding biomass, was almost unchanged year-over-year with softwood sawlog and pulpwood price improvements of

2% and 13%, respectively, offset by a greater proportion of relatively lower valued softwood pulpwood in the mix of products sold.

Operating costs of $77.8 million in 2019 were down 1% from $78.8 million in the prior year due to lower harvest volumes and administrative costs.

Acadian generated Adjusted EBITDA of $23.6 million during 2019, compared to $22.1 million in the prior year, while the Adjusted EBITDA margin for 2019 increased to 24% from 22% in 2018. Key factors contributing to the year-over-year improvement in Adjusted EBITDA include lower management and performance fees due to the termination of the management agreement and the benefit of reduced year-end inventory levels compared to the prior year as the inventory management program with one of Acadian's customers that was in place during the fourth quarter of 2018 was not in place this year.

Net income for the year ended December 31, 2019 totaled $17.3 million, or $1.04 per share, compared to net income of $26.3 million, or $1.57 per share, in 2018. The variance from the prior year is primarily due to the Termination Fee which, after income tax, reduced net income by $12.8 million or $0.77 per share. This was partially offset by an operating earnings improvement of $1.2 million for the reasons discussed above and lower income tax expense of $2.8 million, after adjusting for the effect of the termination fee. The effect of an unrealized foreign exchange gain on the revaluation of U.S. dollar-denominated long-term debt of $4.7 million, compared to an unrealized loss in the prior year of $7.5 million, was almost entirely offset by a smaller fair value revaluation of timber assets compared to the prior year.

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:

Years Ended December 31 (CAD thousands)	**2019**	2018	2017
Net income	**$ 17,325**	$ 26,264	$ 30,819
Add (deduct):			
Interest expense, net	**4,130**	3,901	2,895
Current income tax expense	**111**	2,334	1,381
Deferred income tax expense	**4,388**	10,145	3,564
Depreciation and amortization	**286**	303	313
Fair value adjustments and other	**(15,903)**	(28,294)	(9,327)
Management agreement termination fee	**18,000**	—	—
Unrealized exchange (gain) / loss on long term debt	**(4,733)**	7,489	(6,301)
Adjusted EBITDA[1]	**$ 23,604**	$ 22,142	$ 23,344
Add (deduct):			
Interest paid on debt, net	**(2,834)**	(2,701)	(2,790)
Additions to timber, land, roads and other fixed assets	**(86)**	(224)	(384)
Gain on sale of timberlands	**(1,056)**	(906)	(2,292)
(Gain) / loss on disposal of other fixed assets	**(29)**	112	—
Proceeds from sale of timberlands	**1,130**	1,083	2,983
Proceeds from sale of other fixed assets	**29**	599	—
Current tax effect of Termination Fee	**(1,925)**	—	—
Current income tax expense	**(111)**	(2,334)	(1,381)
Free Cash Flow[1]	**$ 18,722**	$ 17,771	$ 19,480
Dividends declared	**$ 19,358**	$ 18,769	$ 18,404
Payout Ratio[1]	**103%**	106%	94%

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 5 of this Annual Report.

Dividend Policy of the Company

Acadian declares dividends from its available cash to the extent determined prudent by the Board of Directors. These dividends represent cash received from Acadian's interest in the Maine Timberlands and the New Brunswick Timberlands, less estimated cash amounts required for expenses and other obligations of Acadian, cash redemptions of shares and any tax liability. Dividends are paid on or about the 15th day following each dividend declaration date.

Total dividends declared to shareholders during the year ended December 31, 2019 were $19.4 million, or $1.16 per share, up from $18.8 million or $1.1225 per share in 2018, reflecting the 3% increase in our quarterly dividend per share announced in February 2019. The Payout Ratio of Acadian, which represents the amount of dividends declared as a percentage of the Free Cash Flow generated, was 103% for 2019, which is above our long-term target but in line with expectations given the aforementioned dividend increases. We anticipate that over the long term we will revert to a Payout Ratio consistent with our target level.

Operating and Market Conditions

Acadian continues to benefit from strong and stable market dynamics for softwood sawlogs in New Brunswick, however softwood sawlog pricing in Maine came under pressure during the year reflecting the current weakness in prices for lumber in North America. Markets for hardwood continue to be strong at both operations, particularly for hardwood pulpwood, and softwood pulpwood markets continued to improve. The sales volume, excluding biomass, of 1,104 thousand m^3 for the year was up 3% year-over-year largely reflecting the improved demand for softwood pulpwood in New Brunswick and Maine.

Acadian's weighted average selling price, excluding biomass, was almost unchanged year-over-year with softwood sawlog and pulpwood price improvements of 2% and 13%, respectively, offset by a greater proportion of relatively lower valued softwood pulpwood in the mix of products sold. Demand for softwood sawlogs in New Brunswick remained strong with prices increasing 5%, while pricing for pulpwood increased 10%. Pulpwood markets in Maine remained strong, with prices in U.S. dollar terms for softwood pulpwood climbing 8% and hardwood pulpwood prices gaining 5% compared to the prior year. As previously noted, softwood sawlog prices in Maine weakened during 2019 falling 5% in U.S. dollar terms year-over-year.

A customer who utilized biomass to generate electricity ceased operations during 2019 which, together with the modification of a portion of Acadian's harvesting to a system that is more cost-effective, but generates less biomass material, led to a decrease in volumes sold and margins per m^3 for this product. Volumes fell 38% compared to the prior year and the contribution from this product declined by 44% or $0.7 million. This product does, however, typically only contribute 4-7% of Acadian's total Adjusted EBITDA and new customers began purchasing volume late in the year.

Segmented Results of Operations

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

	Year Ended December 31, 2019				*Year Ended December 31, 2018*			
(CAD thousands, except where indicated)	**NB Timberlands**	**Maine Timberlands**	**Corporate**	**Consolidated**	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volume (000s m^3)	**926.5**	**324.6**	**—**	**1,251.1**	986.1	320.9	—	1,307.0
Sales	**$ 74,172**	**$ 25,876**	**$ —**	**$ 100,048**	$ 74,764	$ 25,084	$ —	$ 99,848
Adjusted EBITDA[1]	**$ 18,599**	**$ 6,713**	**$ (1,708)**	**$ 23,604**	$ 16,569	$ 6,839	$ (1,266)	$ 22,142
Adjusted EBITDA margin[1]	**25%**	**26%**	**n/a**	**24%**	22%	27%	n/a	22%

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 5 of this Annual Report.

New Brunswick Timberlands

New Brunswick Timberlands owns and manages approximately 761,000 acres of freehold timberlands and provides harvesting and management services relating to approximately 1.3 million acres of Crown licensed timberlands. Approximately 80% of harvest operations are performed by third-party contractors and approximately 20% by New Brunswick Timberlands employees.

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

	Year Ended December 31, 2019				*Year Ended December 31, 2018*			
	Harvest (000s m^3)	Sales (000s m^3)	Sales Mix	Results ($000s)	Harvest (000s m^3)	Sales (000s m^3)	Sales Mix	Results ($000s)
Softwood	**395.7**	**411.8**	**44%**	**$ 24,024**	416.0	403.3	41%	$ 22,474
Hardwood	**373.6**	**371.1**	**40%**	**28,174**	369.3	364.1	37%	27,977
Biomass	**143.6**	**143.6**	**16%**	**4,906**	218.7	218.7	22%	6,545
	912.9	**926.5**	**100%**	**57,104**	1,004.0	986.1	100%	56,996
Timber services and other sales				**17,068**				17,768
Sales				**$ 74,172**				$ 74,764
Adjusted EBITDA[1]				**$ 18,599**				$ 16,569
Adjusted EBITDA margin[1]				**25%**				22%

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 5 of this Annual Report.

Sales for New Brunswick Timberlands totaled $74.2 million, compared to $74.8 million in 2018. The sales volume, excluding biomass, increased 2% over the prior year primarily due to lower inventory levels at the end of 2019 and improved demand for softwood pulpwood. The biomass sales volume fell 34% as a customer who utilized biomass to generate electricity ceased operations during the year and a portion of the harvesting during the year was changed to a system that is more cost-effective but generates less biomass material. Revenues from timber services and other sales fell 4% due to lower operating activity than in the prior year.

The weighted average selling price, excluding biomass, during the year was $66.66 per m^3, or 1% higher than the prior year price of $65.74 per m^3. Prices improved for softwood sawlogs and pulpwood, however this was offset by a product mix more weighted to softwood pulpwood and a modest decline in hardwood pulpwood prices due to delivery points.

Operating costs for the year were $56.2 million, compared to $58.5 million during 2018, due to lower harvest volumes. Variable harvest costs per m^3, excluding biomass, were unchanged year-over-year.

Adjusted EBITDA for the year ended December 31, 2019 was $18.6 million, compared to $16.6 million in the prior year, reflecting the benefit of lower management and performance fees due to the termination of the management agreement and reduced year-end inventory levels compared to the prior year as the inventory management program with one of the operation's customers that was in place during the fourth quarter of 2018 was not in place this year. The Adjusted EBITDA margin for the year increased to 25% from 22% in the prior year.

For the year ended December 31, 2019, our New Brunswick operations experienced no recordable safety incidents among employees and three among contractors. While all three recordable safety incidents resulted in lost time, the injuries were relatively minor in nature and the individuals made full recoveries. We continue to work with our New Brunswick contractors and employees to target continuous improvement in workplace safety.

Our New Brunswick operations successfully completed an audit in 2019 under the 2015-2019 standard of the Sustainable Forestry Initiative®, which re-affirms our certificate and is a testament to the sustainability of our operations.

Maine Timberlands

Maine Timberlands owns and manages approximately 300,000 acres of freehold timberlands. All harvesting operations are performed by third-party contractors.

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

	Year Ended December 31, 2019				*Year Ended December 31, 2018*			
	Harvest (000s m³)	Sales (000s m³)	Sales Mix	Results ($000s)	Harvest (000s m³)	Sales (000s m³)	Sales Mix	Results ($000s)
Softwood	**234.2**	**234.3**	**72%**	**$ 17,796**	213.4	213.1	66%	$ 17,274
Hardwood	**86.6**	**86.5**	**27%**	**7,426**	88.0	89.4	28%	7,100
Biomass	**3.8**	**3.8**	**1%**	**12**	18.4	18.4	6%	29
	324.6	**324.6**	**100%**	**25,234**	319.8	320.9	100%	24,403
Other sales				**642**				681
Sales				**$ 25,876**				$ 25,084
Adjusted EBITDA[1]				**$ 6,713**				$ 6,839
Adjusted EBITDA margin[1]				**26%**				27%

1 Non-IFRS Measure. See “Non-IFRS Measures” on page 5 of this Annual Report.

Sales for the year ended December 31, 2019 totaled $25.9 million for Maine Timberlands, compared to $25.1 million during the prior year. The sales volume, excluding biomass, increased 6% year-over-year reflecting improved demand for softwood pulpwood, however this heavier weighting to pulpwood contributed to the weighted average selling price, excluding biomass, falling 2%.

The weighted average selling price, excluding biomass, in Canadian dollar terms was $78.62 per m³, compared to $80.56 per m³ in 2018. In U.S. dollar terms, the weighted average selling price, excluding biomass, was $59.30 per m³, a decrease of 5% year-over-year. Maine Timberlands benefitted from improved demand for softwood and hardwood pulpwood with U.S. dollar prices for these products increasing by 8% and 5%, respectively, year-over-year. This benefit was, however, more than offset by a 5% decrease in U.S. dollar softwood sawlog prices due to pricing pressure resulting from weakness in prices for lumber in North America and a greater percentage of softwood pulpwood in the mix of products sold.

Operating costs for the year were $19.9 million, compared to $19.0 million during 2018, reflecting the increase in softwood harvest volumes. As well, variable harvest costs per m³, excluding biomass, increased 2% compared with the prior year due to modest increases in harvesting and hauling contractor rates.

Adjusted EBITDA for the year ended December 31, 2019 was $6.7 million, almost unchanged from $6.8 million during the prior year, with the benefit of increased sales volumes offset by lower per m³ margins. Adjusted EBITDA margin slipped to 26% from 27% in the prior year.

For the year ended December 31, 2019, there were no recordable safety incidents among employees and contractors. We are pleased to report that our Maine employees have now extended their impressive accident-free record to nineteen years.

Our Maine operations successfully completed a surveillance audit in 2019 under the 2015-2019 standard of the Sustainable Forestry Initiative® without any non-conformances, which re-affirms our certificate and is a testament to the sustainability of our operations.

Financial Position

Acadian had net liquidity of $10.7 million as at December 31, 2019, including funds available under the Company's revolving facility.

As at December 31, 2019, Acadian's balance sheet consisted of total assets of $498.7 million (2018 – $492.5 million), represented primarily by timber, land, roads and other fixed assets of $469.6 million (2018 – $454.0 million), with the balance in cash and current assets of $23.0 million (2018 – $32.3 million), and intangible assets of $6.1 million (2018 – $6.1 million). Timber has been recorded at fair value as determined through an independent third-party appraisal at December 31, 2019. Reforestation costs have been expensed as incurred.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Acadian's principal sources of liquidity include cash earned from operations and a U.S. $10.0 million revolving credit facility. These sources, combined with existing cash are expected to allow the Company to meet its short term and long term operating, debt service, capital expenditure and dividend requirements. As indicated previously, due to the seasonal nature of our business, it is typical that cash reserves are generated in the first quarter of the year and are then drawn down during periods such as the second quarter when harvesting conditions are not ideal. This remains unchanged from the prior year.

The Company expects to pay quarterly dividends to the extent determined prudent by the Company's Board of Directors. Acadian assesses the nature and timing of discretionary payments in an effort to mitigate any impact on the financial condition or results of operations of Acadian.

Management will assess financing alternatives, which may include the issuance of additional shares and debt, when funding requirements such as potential acquisitions and debt maturities present themselves.

Capital Resources

Borrowings

Acadian has U.S. dollar denominated credit facilities with Metropolitan Life Insurance Company, which will mature on October 1, 2020. These credit facilities include a revolving credit facility of up to U.S. $10.0 million (the "Revolving Facility") for general corporate purposes and a term credit facility of U.S. $72.5 million (the "Term Facility"). The Term Facility bears interest at a fixed rate of 3.01%. The Revolving Facility bears interest at floating rates based on 90 day LIBOR plus applicable margin. Floating interest rates give rise to interest rate risk as earnings and cash flows may be impacted by fluctuations in interest rates. As at December 31, 2019, Acadian had borrowings of U.S. $72.5 million under the Term Facility and U.S. $6.0 million under the Revolving Facility.

As collateral for these facilities, Acadian has 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, granting liens or selling assets without the consent of the lenders. The credit facilities are subject to the maintenance of a maximum ratio of loan to appraised value and Acadian is in compliance as of December 31, 2019. In addition, U.S. $1.6 million of the Revolving Facility is reserved to support the minimum cash balance requirement of the Term Facility.

On November 24, 2019, Acadian signed a term sheet with MetLife Investment Management, LLC to refinance the Term Facility and the Revolving Facility under essentially the same terms as the existing facilities, but with slightly more favourable interest rates and with maturity dates ranging from 5 to 10 years from the date of closing. Acadian expects to complete this refinancing during the first quarter of 2020.

Outstanding Shares

The Company is authorized to issue an unlimited number of shares of the same class with equal rights and privileges. Shareholders are entitled to receive dividends as and when declared by the Company's Board of Directors and are entitled to one vote per share on all matters to be voted on by shareholders at each meeting of shareholders. As of March 2, 2017, Acadian implemented a normal course issuer bid ("NCIB") that permits the Company to acquire shares under certain circumstances if they become available. The NCIB was renewed and extended for an additional year on March 7, 2019. During the year ended December 31, 2019, the Company repurchased and cancelled 1,500 common shares under the NCIB at an average price of $15.16 per share for total consideration of $23 thousand and made a payment of $14 thousand related to the finalization of 2018 purchases.

As at December 31, 2019, Acadian had 16,686,916 common shares outstanding and the weighted average common shares outstanding during the year was 16,686,924.

As at December 31, 2019, Macer Forest Holdings Inc. owned 7,513,262, approximately 45%, of the outstanding common shares of Acadian.

MARKET OUTLOOK

The following contains forward-looking information about Acadian Timber Corp.'s market outlook for the remainder of 2020. Reference should be made to the section entitled "Cautionary Statement Regarding Forward-Looking Information and Statements" on page 28 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 starting on page 21 of this Annual Report and in our Annual Information Form available on our website at www.acadiantimber.com or www.sedar.com.

The outlook for Acadian's key products, softwood sawlogs and hardwood pulpwood, is for demand and pricing to remain stable in the near term.

The softwood lumber market, the end use market for our softwood sawlogs, is expected to benefit from slightly stronger U.S. housing starts in 2020, while the U.S. repair and remodeling sector is expected to hold flat at its 2019 level, according to Fastmarkets RISI. The consensus forecast is for 1.31 million U.S. housing starts in 2020, compared to 1.29 million total starts in 2019, with growth driven by the single-family sector. A low supply of existing homes, low mortgage rates and a strong labour market support the improved outlook for U.S. home building. However, supply side factors, including increased wood supply from Central Europe and reduced North American exports to China, as well as builders' focus on smaller, more affordable homes (which contain less wood), may mute some of the benefits of this more positive U.S. housing outlook.

Demand and pricing for our hardwood pulpwood is expected to remain stable. We expect hardwood pulpwood supply coming from other major landowners in the region to decrease as they reduce their harvest levels, which should tighten the regional market for this product over time.

The outlook for Acadian's other products is mixed.

Acadian's hardwood sawlog sales in the U.S. are coming under pressure as an indirect result of Chinese duties on U.S. exports. However, hardwood sawlog sales to Acadian's Canadian customers remain stable as they are focused on species such as hard maple and yellow birch and on industrial lumber products, including railway ties, pallets, and flooring, that have not been as impacted by the U.S.-China trade war.

Demand for softwood pulpwood from our New Brunswick timberlands remains steady, however markets for softwood pulpwood in Maine have recently weakened with high regional softwood pulpwood inventory due to the slower than anticipated startup of a pulp mill in the region. Once this mill reaches full operating capacity, demand for this product is expected to improve.

Finally, while the biomass markets in Maine remain weak without any significant changes in sight, the New Brunswick biomass market continues to be supported by steady demand at attractive prices. We have been successful in developing relationships with new customers to replace volume to customers that have reduced or closed their operations which is improving the outlook for 2020.

ANALYSIS OF FOURTH QUARTER RESULTS

Summary of Fourth Quarter Results

The table below summarizes operating and financial data for Acadian:

Three Months Ended December 31 *(CAD thousands, except where indicated)*	**2019**	2018	2017
Total			
Sales volume (000s m³)	**339.4**	323.7	297.6
Sales	**$ 25,835**	$ 24,167	$ 25,805
Operating earnings	**6,296**	4,521	5,450
Net income	**16,228**	16,441	12,348
Adjusted EBITDA[1]	**6,586**	4,631	6,005
Adjusted EBITDA margin[1]	**25%**	19%	23%
Free Cash Flow[1]	**$ 5,296**	$ 3,525	$ 4,756
Dividends declared	**4,839**	4,715	4,601
Payout Ratio[1]	**91%**	134%	97%

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 5 of this Annual Report.

For the three months ended December 31, 2019 (the "fourth quarter"), Acadian generated sales of $25.8 million compared with sales of $24.2 million during the prior year period. The year-over-year change reflects an 11% increase in the sales volume of logs, excluding biomass, due to improved contractor capacity for Maine Timberlands and increased softwood sales for New Brunswick Timberlands as last year's sales volumes were negatively impacted by an inventory management program with one of its customers. These benefits were partially offset by weaker demand for biomass as purchases by new customers did not fully offset the loss of a customer that ceased operations in 2019 and biomass production decreased due to a change in harvesting system for a portion of Acadian's harvest.

Operating costs and expenses were $19.5 million during the fourth quarter, compared to $19.6 million during the prior year period. The effect of 5% higher freehold log harvest volumes was offset by a corresponding decrease in harvesting and delivery costs per m³, primarily resulting from a change in delivery points for our products, and savings from the elimination of fees related to the management agreement.

Adjusted EBITDA and the Adjusted EBITDA margin for the fourth quarter were $6.6 million and 25%, respectively, compared to $4.6 million and 19%, respectively, during the prior year period, due to the above noted increase in sales without a corresponding increase in operating costs.

Net income for the fourth quarter totaled $16.2 million, or $0.97 per share, compared to $16.4 million, or $0.98 per share, almost unchanged from the same period in 2018. Operating earnings increased $1.8 million compared to the prior year period for the reasons discussed above and the Canadian dollar gained strength compared to the U.S. dollar during the quarter resulting in an unrealized foreign exchange gain on long term debt of $1.8 million compared to a loss of $5.1 million in the prior year period. While Acadian once again benefitted from a favourable fair value revaluation of its timber assets, the before-tax gain was $11.7 million less than in the prior year. The cumulative effect of the aforementioned changes was offset by a decrease in income tax expense compared to the prior year period of $2.7 million.

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

Three Months Ended December 31 *(CAD thousands, except where indicated)*	**2019**	2018	2017
Net income	**$ 16,228**	$ 16,441	$ 12,348
Add / (deduct):			
Interest expense, net	**1,141**	1,004	706
Current income tax expense	**446**	490	565
Deferred income tax expense	**5,020**	7,711	(140)
Depreciation and amortization	**71**	73	80
Fair value adjustments and other	**(14,494)**	(26,206)	(8,307)
Unrealized exchange (gain) / loss on long term debt	**(1,826)**	5,118	753
Adjusted EBITDA[1]	**$ 6,586**	$ 4,631	$ 6,005
Add / (deduct):			
Interest paid on debt, net	**(785)**	(687)	(681)
Additions to timber, land, roads and other fixed assets	**—**	(34)	(35)
Gain on sale of timberlands	**(192)**	(56)	(475)
(Gain) / loss on disposal of other fixed assets	**(27)**	19	—
Proceeds from sale of timberlands	**210**	117	507
Proceeds from sale of other fixed assets	**27**	25	—
Current tax effect of Termination Fee	**(77)**	—	—
Current income tax expense	**(446)**	(490)	(565)
Free Cash Flow[1]	**$ 5,296**	$ 3,525	$ 4,756
Dividends declared	**$ 4,839**	$ 4,715	$ 4,601
Payout Ratio[1]	**91%**	134%	97%

1 Non-IFRS Measure. See “Non-IFRS Measures” on page 5 of this Annual Report.

Segmented Results of Operations

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

	Three Months Ended December 31, 2019				*Three Months Ended December 31, 2018*			
CAD thousands	**NB Timberlands**	**Maine Timberlands**	**Corporate**	**Consolidated**	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volume (000s m³)	**250.2**	**89.2**	**—**	**339.4**	253.0	70.7	—	323.7
Sales	**$ 18,805**	**$ 7,030**	**$ —**	**$ 25,835**	$ 18,607	$ 5,560	$ —	$ 24,167
Adjusted EBITDA[1]	**$ 5,211**	**$ 2,119**	**$ (744)**	**$ 6,586**	$ 4,057	$ 892	$ (318)	$ 4,631
Adjusted EBITDA margin[1]	**28%**	**30%**	**n/a**	**25%**	22%	16%	n/a	19%

1. Non-IFRS Measure. See “Non-IFRS Measures” on page 5 of this Annual Report.

New Brunswick Timberlands

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

	Three Months Ended December 31, 2019				*Three Months Ended December 31, 2018*			
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Sales Mix**	**Results** *($000s)*	Harvest *(000s m^3)*	Sales *(000s m^3)*	Sales Mix	Results *($000s)*
Softwood	**104.3**	**108.5**	**43%**	**$ 6,207**	110.7	94.2	37%	$ 5,242
Hardwood	**109.3**	**97.1**	**39%**	**7,325**	103.1	102.4	41%	7,881
Biomass	**44.6**	**44.6**	**18%**	**1,352**	56.4	56.4	22%	1,743
	258.2	**250.2**	**100%**	**14,884**	270.2	253.0	100%	14,866
Timber services and other sales				**3,921**				3,741
Sales				**$ 18,805**				$ 18,607
Adjusted EBITDA[1]				**$ 5,211**				$ 4,057
Adjusted EBITDA margin[1]				**28%**				22%

1. Non-IFRS Measure. See “Non-IFRS Measures” on page 5 of this Annual Report.

Sales for New Brunswick Timberlands totaled $18.8 million, compared to $18.6 million during the prior year period. The sales volume, excluding biomass, increased 5% over the prior year as the prior year softwood sales volumes were negatively impacted by an inventory management program with one of the operation’s customers that was in place during the fourth quarter of 2018. However, the biomass sales volume fell 21% as purchases by new customers did not fully offset the loss of a customer that ceased operations in 2019 and biomass production decreased as a result of a change to a more cost-effective harvesting system for a portion of Acadian’s harvest that generates less biomass material. Revenues from timber services and other sales increased 5% also reflecting the negative impact of the inventory management program on sales in the prior year period.

The weighted average selling price, excluding biomass, during the fourth quarter was $65.81 per m^3, or 1% lower than the prior year period price of $66.74 per m^3. Prices improved for softwood sawlogs, however this was offset by a less favourable product mix and a modest decline in hardwood pulpwood prices due to delivery points.

Operating costs for the fourth quarter were $13.6 million, compared to $14.6 million during the same period in 2018, due to lower harvest volumes and lower administrative costs resulting from the elimination of fees related to the management agreement. Variable harvest costs per m^3, excluding biomass, decreased 1% year-over-year.

Adjusted EBITDA for the quarter was $5.2 million, compared to $4.1 million in the prior year period, primarily due to higher softwood sales volumes and the elimination of fees related to the management agreement. The Adjusted EBITDA margin for the quarter increased to 28% from 22% in the prior year period.

During the fourth quarter of 2019, our New Brunswick operations experienced no recordable safety incidents among employees and one lost time incident among contractors from which the employee has fully recovered and returned work.

Maine Timberlands

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

	Three Months Ended December 31, 2019				*Three Months Ended December 31, 2018*			
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Sales Mix**	**Results** *($000s)*	Harvest *(000s m³)*	Sales *(000s m³)*	Sales Mix	Results *($000s)*
Softwood	**71.1**	**71.0**	**80%**	**$ 5,325**	46.4	46.0	65%	$ 3,571
Hardwood	**17.9**	**18.2**	**20%**	**1,532**	19.9	22.3	32%	1,831
Biomass	—	—	—	—	2.4	2.4	3%	4
	89.0	**89.2**	**100%**	**6,857**	68.7	70.7	100%	5,406
Other sales				**173**				154
Sales				**$ 7,030**				$ 5,560
Adjusted EBITDA[1]				**$ 2,119**				$ 892
Adjusted EBITDA margin[1]				**30%**				16%

1 Non-IFRS Measure. See “Non-IFRS Measures” on page 5 of this Annual Report.

Sales totaled $7.0 million for Maine Timberlands, compared to $5.6 million during the same period last year. The sales volume, excluding biomass, increased 30% over the prior year, reflecting improved contractor capacity and good operating conditions, however the weighted average selling price, excluding biomass, fell 3%.

The weighted average selling price, excluding biomass, in Canadian dollar terms was $76.91 per m^3, compared to $79.02 per m^3 in the same period of 2018. In U.S. dollar terms, the weighted average selling price, excluding biomass, was $58.27 per m^3, a decrease of 3% year-over-year. Maine Timberlands continued to benefit from improved demand for softwood and hardwood pulpwood with U.S. dollar prices for these products increasing by 7% and 6%, respectively, year-over-year. This benefit was, however, more than offset by a 10% decrease in U.S. dollar softwood sawlog prices due to pricing pressure resulting from the weakness in prices for lumber in North America.

Operating costs for the fourth quarter were $5.2 million, compared to $4.7 million during the same period in 2018, with the effect of increased harvest volumes partially offset by lower administrative costs due to the elimination of fees related to the management agreement. Variable harvest costs per m^3, excluding biomass, decreased 1% compared with the prior year period as changes in hauling distances to customers resulted in higher costs for softwood sawlogs, but lower costs for softwood pulpwood.

Adjusted EBITDA for the quarter was $2.1 million, compared to $0.9 million during the prior year period, due to higher sales volumes and lower administrative costs while the Adjusted EBITDA margin climbed to 30% from 16% in the prior year period due to the same factors.

During the fourth quarter of 2019, there were no recordable safety incidents at our Maine Timberlands among employees and contractors.

SUPPLEMENTAL INFORMATION

This supplemental information contains information required by applicable continuous disclosure guidelines and is provided to facilitate additional analysis.

Selected Consolidated Quarterly Information

The tables below set forth selected consolidated quarterly information for the last eight quarters. See “Additional Quarterly Information” section for the segmented quarterly results.

	2019				2018			
(CAD thousands, except per share data and where indicated)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales volume (000s m^3)	**339.4**	313.5	214.0	384.2	323.7	332.0	231.6	419.7
Sales	**$ 25,835**	$ 25,357	$ 17,918	$ 30,938	$ 24,167	$ 26,634	$ 16,099	$ 32,948
Adjusted EBITDA[1]	**6,586**	5,123	3,038	8,857	4,631	6,059	2,582	8,870
Free Cash Flow[1]	**5,296**	4,186	2,750	6,490	3,525	5,133	1,997	7,258
Net income / (loss)	**16,228**	(10,869)	5,784	6,182	16,441	5,946	1,888	1,986
Per share – basic and diluted	**$ 0.97**	$ (0.65)	$ 0.35	$ 0.37	$ 0.98	$ 0.36	$ 0.11	$ 0.12

1. Non-IFRS Measure. See “Non-IFRS Measures” on page 5 of this Annual Report.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reported period. The critical estimates and judgements applied in preparing Acadian’s 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 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 as discussed in Notes 4 and 5 to the consolidated financial statements. In making estimates and judgements, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgements have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making these estimates and judgements in these consolidated financial statements. Actual results could differ from those estimates. For further reference on critical accounting policies, see the significant accounting policies contained in Note 2 to the 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

In the normal course of operations, the Company enters into various transactions on market terms with related parties which have been measured at exchange value and recognized in the consolidated financial statements. The Company’s one significant related party prior to August 20, 2019 was Brookfield Asset Management Inc., and its affiliates (collectively “Brookfield”). Prior to August 20, 2019, Brookfield owned 7,513,262 common shares of the Company representing 45% of the Company’s outstanding shares. The common shares previously owned by Brookfield were sold to Macer Forest Holdings Inc. (“Macer”) on August 20, 2019, resulting in Macer becoming a related party.

As at September 28, 2019, Macer owned 7,513,262 common shares, representing approximately 45% of the Company’s outstanding shares.

Upon inception, Acadian entered into a management agreement with Brookfield whereby Brookfield provided a number of administrative and advisory services to Acadian. The agreement with Brookfield was terminated by Acadian on September 9, 2019.

Total fees for services provided up to and including September 9, 2019, and in the year ended December 31, 2019 totaled $2.2 million (2018 – $3.0 million). In addition, Acadian paid fees of $18.0 million to Brookfield in connection with the termination of the management agreement during the year ended December 31, 2019 (2018 - $nil). As at December 31, 2019, no fees (December 31, 2018 – $0.5 million) remain outstanding.

Further to the related party transactions noted above, the total net receivables due from related parties as at December 31, 2019 is $nil (2018 - $42 thousand) and net payables due to related parties is $nil (2018 - $446 thousand).

Contractual Obligations

The Company has no material capital or operating lease obligations, however, it has two significant contractual obligations related to the supply of fibre to Twin Rivers Paper Company ("Twin Rivers") for periods up to 20 years and the provision of management services under a Crown License Agreement at the direction of Twin Rivers.

The table below summarizes the Company's debt obligations as at December 31, 2019.

	Payments Due by Period				
(CAD thousands)	Total	Less Than One Year (2020)	1 to 3 Years (2021-2023)	3 to 5 Years (2024-2026)	After 5 Years (>2026)
Debt					
Term facility[1]	$ 94,169	$ 94,169	$ —	$ —	$ —
Revolving facility[2]	7,793	7,793	—	—	—
	$ 101,962	$ 101,962	$ —	$ —	$ —
Interest payments[3]	$ 2,126	$ 2,126	$ —	$ —	$ —

1 Represents principal of the U.S. dollar denominated term facility with a U.S. to Canadian dollar conversion rate of 1.2989, excluding the unamortized deferred financing costs and unamortized gain resulting from the refinancing of the long-term debt.

2 Represents amounts borrowed from the U.S. dollar denominated revolving facility with a U.S. to Canadian conversion rate of 1.2989.

3 Interest payments are determined assuming a fixed interest rate of 3.01% on the outstanding U.S. dollar balance of the term facility.

On November 24, 2019, Acadian signed a term sheet with MetLife Investment Management, LLC to refinance the existing credit facilities under essentially the same terms as the existing credit facilities, but with slightly more favourable interest rates and with maturity dates ranging from 5 to 10 years from the date of closing. Acadian expects to complete this refinancing during the first quarter of 2020.

Additional Quarterly Information

The tables below set forth additional quarterly information for the last eight quarters by reportable segment:

New Brunswick Timberlands

	2019 Q4			2019 Q3			2019 Q2			2019 Q1		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *($000s)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *($000s)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *($000s)*
Softwood	**104.3**	**108.5**	**$ 6,207**	103.7	102.7	$ 5,864	47.0	61.7	$ 3,621	140.7	138.9	$ 8,332
Hardwood	**109.3**	**97.1**	**7,325**	109.1	111.1	8,188	51.5	77.6	6,071	103.7	85.3	6,590
Biomass	**44.6**	**44.6**	**1,352**	24.9	24.9	818	30.7	30.7	1,237	43.4	43.4	1,499
	258.2	**250.2**	**14,884**	237.7	238.7	14,870	129.2	170.0	10,929	287.8	267.6	16,421
Timber services and other sales			**3,921**			4,599			3,520			5,028
Sales			**$ 18,805**			$ 19,469			$ 14,449			$ 21,449
Adjusted EBITDA[1]			**$ 5,211**			$ 4,789			$ 2,837			$ 5,762
Adjusted EBITDA margin[1]			**28%**			25%			20%			27%

	2018 Q4			2018 Q3			2018 Q2			2018 Q1		
	Harvest *(000s m³)*	Sales *(000s m³)*	Results *($000s)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *($000s)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *($000s)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *($000s)*
Softwood	110.7	94.2	$ 5,242	99.5	98.4	$ 5,417	47.2	53.3	$ 2,930	158.6	157.4	$ 8,885
Hardwood	103.1	102.4	7,881	105.0	96.8	7,063	68.2	81.9	6,467	93.0	83.0	6,566
Biomass	56.4	56.4	1,743	58.3	58.3	1,848	51.1	51.1	1,503	52.9	52.9	1,451
	270.2	253.0	14,866	262.8	253.5	14,328	166.5	186.3	10,900	304.5	293.3	16,902
Timber services and other sales			3,741			5,792			2,017			6,218
Sales			$ 18,607			$ 20,120			$ 12,917			$ 23,120
Adjusted EBITDA[1]			$ 4,057			$ 4,495			$ 2,160			$ 5,857
Adjusted EBITDA margin[1]			22%			22%			17%			25%

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 5 of this Annual Report.

Maine Timberlands

	2019 Q4			2019 Q3			2019 Q2			2019 Q1		
	Harvest *(000s m³)*	**Sales *(000s m³)***	**Results *($000s)***	Harvest *(000s m³)*	Sales *(000s m³)*	Results *($000s)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *($000s)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *($000s)*
Softwood	**71.1**	**71.0**	**$ 5,325**	49.0	49.0	$ 3,551	26.9	28.0	$ 1,884	87.2	86.3	$ 7,036
Hardwood	**17.9**	**18.2**	**1,532**	26.1	25.5	2,164	12.6	15.9	1,449	30.0	26.9	2,281
Biomass	**—**	**—**	**—**	0.3	0.3	4	0.1	0.1	3	3.4	3.4	5
	89.0	**89.2**	**6,857**	75.4	74.8	5,719	39.6	44.0	3,336	120.6	116.6	9,322
Other sales			**173**			169			133			167
Sales			**$ 7,030**			$ 5,888			$ 3,469			$ 9,489
Adjusted EBITDA[1]			**$ 2,119**			$ 711			$ 540			$ 3,343
Adjusted EBITDA margin[1]			**30%**			12%			16%			35%

	2018 Q4			2018 Q3			2018 Q2			2018 Q1		
	Harvest *(000s m³)*	Sales *(000s m³)*	Results *($000s)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *($000s)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *($000s)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *($000s)*
Softwood	46.4	46.0	$ 3,571	50.0	50.6	$ 4,468	25.4	25.3	$ 1,914	91.6	91.2	$ 7,321
Hardwood	19.9	22.3	1,831	24.7	23.2	1,859	9.5	13.2	1,156	33.9	30.7	2,254
Biomass	2.4	2.4	4	4.7	4.7	7	6.8	6.8	11	4.5	4.5	7
	68.7	70.7	5,406	79.4	78.5	6,334	41.7	45.3	3,081	130.0	126.4	9,582
Other sales			154			180			101			246
Sales			$ 5,560			$ 6,514			$ 3,182			$ 9,828
Adjusted EBITDA[1]			$ 892			$ 1,914			$ 569			$ 3,464
Adjusted EBITDA margin[1]			16%			29%			18%			35%

Corporate

	2019 Q4	2019 Q3	2019 Q2	2019 Q1
	Results *($000s)*	Results *($000s)*	Results *($000s)*	Results *($000s)*
Sales	**$ —**	$ —	$ —	$ —
Adjusted EBITDA[1]	**$ (744)**	$ (377)	$ (339)	$ (248)

	2018 Q4	2018 Q3	2018 Q2	2018 Q1
	Results *($000s)*	Results *($000s)*	Results *($000s)*	Results *($000s)*
Sales	$ —	$ —	$ —	$ —
Adjusted EBITDA[1]	$ (318)	$ (350)	$ (147)	$ (451)

1. Non-IFRS Measure. See “Non-IFRS Measures” on page 5 of this Annual Report.

RISK FACTORS

The following information is a summary of certain risk factors and the potential impact these factors could have on the business, assets, financial condition, results of operations, cash flows, and liquidity of Acadian, as well as on the ability of Acadian to pay dividends on its common shares. Additional risks and uncertainties not presently known to Acadian, or that Acadian currently deems immaterial, may also impair the operations of Acadian.

Risks Related to the Business and Industry

Dependence on Twin Rivers

Twin Rivers owns a softwood pulp mill in Edmundston, NB, a paper mill in Madawaska, ME, and a softwood lumber mill in Plaster Rock, NB. Approximately 18% of Acadian's total sales for the year ended December 31, 2019 (18% for the year ended December 31, 2018) were derived from lumber mills and pulp and paper mills owned or managed by Twin Rivers.

Pursuant to the Fibre Supply Agreement between Acadian and Twin Rivers, Twin Rivers has the right to purchase the majority of the spruce and fir softwood produced each year from the New Brunswick Timberlands. The terms of this agreement permit Twin Rivers to permanently reduce its purchases by any amount, subject to certain notice periods and Twin Rivers also has the right to temporarily reduce the volume of fibre that it purchases as a result of market factors or the sale or closure (whether temporary or permanent) of any of its owned or managed mills, while retaining the right to increase such volumes in the future up to the committed level. These rights may restrict Acadian's ability to find replacement customers given the uncertainty of ongoing supply to which such replacement customers would be subject.

In addition, a portion of Acadian's revenue is generated from services provided under the Crown Land Services Agreement (the "CLSA") with Twin Rivers. The CLSA has a term equal to the term of the Crown license, including any renewal terms. The Crown license has been granted to Twin Rivers as the owner/operator of its mills. If Twin Rivers sells these mills in the future, the Crown license would likely be transferred to the purchaser. The purchaser is likely to honour the CLSA as failing to do so could lead to termination of the Fibre Supply Agreement. However, if Twin Rivers closes these mills, the license would likely revert to the Crown resulting in the termination of the CLSA. Such events could eliminate the revenue earned by Acadian in providing services relating to the CLSA, and thus would result in a reduction of Free Cash Flow and could result in the impairment of intangible assets.

Dependence on the Lumber and Pulp and Paper Industries

Acadian's financial performance depends on the state of the lumber and pulp and paper industries. Depressed commodity prices of lumber, pulp or paper may cause Twin Rivers and/or other mill operators to temporarily or permanently shut down their mills if their product prices fall to a level where mill operation would be uneconomic. Moreover, these operators may be required to temporarily suspend operations at one or more of their mills to bring production in line with market demand or in response to the market irregularities. Any of these circumstances could significantly reduce the amount of timber that such operators purchase from Acadian.

Trade Restriction

A portion of the products manufactured in Canada using timber from our New Brunswick and Maine timberlands are exported to the United States for sale. Since 2006, Canadian softwood lumber exports to the United States have been subjected to export duties that were imposed under the Softwood Lumber Agreement between Canada and the United States (the "SLA"). However, Acadian customers were not adversely impacted by the 2006 SLA, as export measures did not apply on shipments of softwood lumber originating in the Atlantic provinces or the mills along the U.S./Canada border in the province of Quebec provided the shipment was covered by a Certificate of Origin. On October 12, 2015, the 2006 SLA expired. The SLA provided a standstill period of one year following the expiry of the SLA during which no trade actions could be imposed for the importation of softwood lumber from Canada to the U.S. In December 2016, the United States Department of Commerce announced its decision to initiate countervailing and anti-dumping investigations into imports of certain Canadian softwood lumber products. At the end of 2017, the U.S. Department of Commerce announced final countervailing duties and antidumping rates for most Canadian producers. In response, Canada launched initiatives under NAFTA and with the WTO to review the new U.S. duties on softwood lumber imports. U.S./Canada trade negotiations continue with little visibility on any negotiated softwood dispute resolution. While strength in lumber markets, combined with supply side factors are broadly expected to continue to support a pass through of duties to the market, should our customers not be able to pass through these duties, the price of Acadian's harvested timber may be adversely impacted.

Dependence on the Housing, Construction, Repair and Remodeling Market

The demand for logs and wood products is primarily affected by the level of new residential construction activity, repair and remodeling activity and, to a lesser extent, other industrial uses, which are subject to fluctuations due to changes in general economic conditions. Decreases in the level of residential construction activity generally reduce demand for logs and wood products, resulting in lower revenues, profits and cash flows for lumber mills who are important customers to Acadian.

Timber and Wood Market, Price Volatility and Other General Risk Factors Relating to Timberlands

The financial performance of Acadian is dependent on the selling prices of its products. The markets for timber are cyclical and are influenced by a variety of factors beyond Acadian's control. For example, the market prices for timber can be affected by changes in regional and global demand as well as supply and economic conditions.

In addition to impacting Acadian's sales, cash flows and earnings, weakness in the market prices of its timber products may also have an effect on Acadian's ability to attract additional capital, its cost of that capital, and the value of its timberland assets.

Cyclicality

Acadian depends on the state of the lumber and pulp and paper industries. Demand for products from the lumber and pulp and paper industries is correlated with global economic conditions. In periods of economic weakness, reduced spending by consumers and businesses results in decreased demand for such products, resulting in lower product prices and possibly manufacturing downtime. This, in turn, may result in lower net sales, profits and cash flows for Acadian since lumber mills and pulp and paper mills are important customers to Acadian.

Lack of Control Over Government Set Land Management Service Fees, Fair Market Values and Allowable Annual Cut

Acadian's revenue from operations in respect of the NB Crown Lands is generated from the harvesting service fees negotiated with wood users and land management service ("LMS") fees set by the Government of the Province of New Brunswick (the "Province"). Acadian has little control over the revenues from LMS fees as the Province dictates the LMS fees that Acadian receives. There is a risk that Acadian's overhead expenses incurred to provide services relating to the NB Crown Lands may not be fully recovered through the LMS fees set by the Province.

The Province periodically establishes the fair market values to be paid for the right to harvest timber on Crown Lands. Fair market values are established for each product and species harvested. Charges levied on timber harvested from Crown Lands are based on the amount of timber cut and the fair market value then in effect. A reduction in the fair market value charged on Crown Lands could make Acadian's timber harvested from the New Brunswick Timberlands less competitive.

The Allowable Annual Cut ("AAC") on Crown Lands for New Brunswick is determined by the Minister of Natural Resources and Energy Development of New Brunswick and reflects timber conditions, regional and local economic and social interests, and environmental considerations. A significant increase in the AAC on Crown Lands in any given year could have a negative impact on Acadian's ability to market its timber harvested from the New Brunswick Timberlands, particularly its spruce and fir sawlogs, which could have an adverse effect on Acadian's operating results.

Fuel and Energy Costs

Acadian relies almost exclusively on land transportation for delivering its timber and is therefore exposed to fluctuations in fuel cost. An increase in fuel cost may result in lower earnings and cash flows. In addition, many of Acadian's customers are high-energy consumers and, as a result, are themselves vulnerable to energy cost increases. If energy costs increase significantly, Acadian's customers may not be able to compete effectively and may have to reduce current operating volumes or close mills.

Limitations on Ability to Harvest

Weather conditions, timber growth cycles, property access limitations, availability of contract loggers and haulers and regulatory requirements associated with the protection of wildlife and water resources may restrict Acadian's harvesting, as may other factors, including damage by fire, insect infestation, disease, prolonged drought, windstorms, flooding and other weather conditions, and natural and man-made disasters. Changes in global climate conditions could intensify one or more of these factors. Although damage from such causes usually is localized and affects only a limited percentage of standing timber, there can be no assurance that any damage affecting Acadian's timberlands will in fact be so limited. There can be no assurance that Acadian will achieve harvest levels in the future necessary to maintain or increase revenues, earnings and cash flows.

Insect Infestations – Spruce Budworm
Eastern Spruce budworm (Choristoneura fumiferana) is an insect that exists at endemic levels in the forest. However, every 30-40 years the insect's population has the potential to reach epidemic levels and cause extensive defoliation of balsam fir and spruce that may lead to tree mortality after several years of occurrence. While management has taken steps to monitor regional trends in spruce budworm activity and is prepared to adjust harvesting to mitigate potential losses of commercial timber, there can be no assurances that future harvest levels of the affected species will be achievable.

Restrictions Imposed by Forestry and Environmental Regulations
While a significant portion of Acadian's timberlands are comprised of freehold timberlands and as such are subject to less regulation than the NB Crown Lands, provincial, state and federal government regulations relating to forestry practices and sale of logs may result in increased costs for Acadian and accordingly, impact its financial results and operations. In addition, forestry and environmental regulations may restrict timber harvesting and may otherwise restrict the ability of Acadian to conduct its business. Although Acadian believes that it is in material compliance with these requirements, there can be no assurance that it will not incur significant costs, civil and criminal penalties and liabilities, including those relating to claims for damages to property or natural resources, resulting from its operations.

Laws, regulations and related judicial decisions and administrative interpretations affecting Acadian's business are subject to change and new laws and regulations that may affect its business are frequently enacted. Some of these laws and regulations could impose significant costs, penalties and liabilities on Acadian for violations or existing conditions whether or not Acadian caused or knew about them. Acadian is subject to laws and regulations which relate to, among other things: the protection of timberlands, the protection of endangered species, air and water quality, and timber harvesting practices.

Regions with frequent policy changes add volatility to revenue streams and depress timberland values. Historically, New Brunswick has had relatively stable forestry regulations. Forest regulation in Maine has experienced volatility in the past, but has shown a consistent trend towards stabilization.

In connection with a variety of Acadian's operations, the Company may be required to make regulatory filings. Any of the government agencies could delay the review of or reject any of Acadian's filings which could result in a delay or restriction in harvesting, replanting, thinning, insect control or fire control.

Dependence on and Scarcity of Trained Labour
Acadian relies significantly on a limited number of entities to cut and haul harvested timber, as well as to conduct road building and silviculture activities. If any of these entities were to stop doing business with Acadian, Acadian's operations could be negatively impacted. In addition, there is a limited supply of trained foresters and trained operators/contractors in the New Brunswick and Maine regions which may result in increased costs to Acadian to retain its workforce. The ability of trained contractors to operate across the U.S./Canada border may also depend upon regional and/or political constraints, which would further limit Acadian's ability to obtain skilled labour if such constraints were to materialize.

Highly Competitive Industry
Timberland companies operate in a highly competitive business environment in which companies compete, to a large degree, on the basis of price and also on the basis of service and ability to provide a steady supply of products over the long term.

In Acadian's markets, there are many suppliers of softwood and hardwood logs. In addition, Acadian may also be subject to increased competition from worldwide suppliers importing forest products, and/or subject to increased competition from a variety of substitute products.

Acadian's competitive position is also influenced by a number of other factors including: the availability, quality, and cost of labour; the cost of energy; the ability to attract and maintain long-term customer relationships; the quality of products and customer service; and foreign currency fluctuations.

Currency Risk
All of the sales from Maine Timberlands and a portion of the sales from New Brunswick Timberlands, representing a significant portion of gross revenues earned, are in U.S. dollars. In addition, all expenses incurred in respect of Maine Timberlands and a nominal amount of the expenses of New Brunswick Timberlands are in U.S. dollars and all of Acadian's debt financing and all interest payable thereon is in U.S. dollars. As a result, Acadian's cost competitiveness could be impacted by unfavourable

fluctuations in currency exchange rates. In addition, the apparent historical correlation between currency rates and timber prices in regions within close proximity to the U.S./Canada border may weaken over time thereby undermining any hedge relating to Maine Timberlands. Acadian's customers are also susceptible to currency value fluctuations which may negatively impact the sawmills and pulp and paper mills to which Acadian sells its fibre, and accordingly the quantity of fibre sales to such customers could decline.

Forest Management

Although management believes it follows best practices with regard to forest sustainability and general forest management, there can be no assurance that the established long run sustainable yield ("LRSY") of New Brunswick Timberlands and Maine Timberlands and management's forest management planning, including silviculture, will have the intended result of ensuring that Acadian's asset base remains stable or appreciates over time. If management's estimates of merchantable inventory are incorrect or the LRSY is too high, harvesting levels of Acadian's timberlands may result in depletion of Acadian's timber assets.

Geographic Concentration

Acadian's timberlands are located exclusively in Maine and New Brunswick. Accordingly, if the level of production from forests in this region substantially declines or demand in the region were to decline for any reason, including closure of pulp, paper or lumber manufacturing operations in the region, such changes could have a material adverse effect on Acadian's overall harvest levels and its financial results.

Insurance

Acadian's business is subject to risks from fire, insect infestation, disease, drought, severe weather, unforeseen equipment breakdowns, and other events, including events of force majeure, which could result in material damages to Acadian. As is common in the forest products industry, Acadian does not maintain insurance coverage for damage to its timberlands, but Acadian is insured against all other business risks.

Seasonality

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.

Non-Timber Income

New Brunswick Timberlands and Maine Timberlands have several sources of non-timber income including various land leases for recreational and commercial use as well as a recreational access permit program. Most of these revenues are not subject to long term agreements and as a result, any decrease in the recreational and commercial activities that lead to those revenues could impact Acadian.

Labour Relations

A portion of Acadian's workforce is unionized and, as a result, Acadian is required to negotiate the wages, benefits and other terms with some of its employees collectively. If Acadian is unable to negotiate acceptable contracts with any of its unions as existing agreements expire, Acadian could experience a disruption of its operations, higher ongoing labour costs and restriction of its ability to maximize the efficiency of its operations, which could have a material adverse effect on Acadian's operations and financial results.

Protection of Threatened or Endangered Species and Waterways

Federal, state and provincial laws and regulations protecting threatened or endangered species, waterways and wetlands or other environmental values may limit or prevent timber harvesting, road building and other activities of Acadian. The size of the area subject to restriction will vary depending on the protected species at issue, the time of year, and other factors, but can range from less than one to several thousand acres. As Acadian gains additional information regarding the presence of threatened or endangered species on its timberlands, or if regulations become more restrictive, the amount of its timberlands subject to harvest restrictions could increase.

Climate-related Legislation or Regulation

There are several international, federal, provincial and state-level proposals addressing domestic and global climate issues. Generally, such proposals could impose regulation or taxation on the production of carbon dioxide and other "greenhouse gases" in an attempt to reduce emissions to the atmosphere, and provide tax and other incentives to produce and use more "clean energy". Any future legislative and regulatory activity in this area could, in some way, affect Acadian, but it is unclear at this time whether any such impact would be positive, negative or significant.

Cybersecurity

Acadian relies on information technology to carry out our operational activities, maintain our business records, collect and store sensitive data, including intellectual property, other proprietary and personally identifiable information. A security failure of that technology could impact our ability to operate our businesses effectively, adversely affect our reported financial results, impact our reputation and expose us to potential liability or litigation.

Some systems are internally managed and some are maintained by third-party service providers. We and our service providers employ what we believe are reasonably adequate security measures, but notwithstanding these efforts, our systems could be compromised as a result of a cyber incident, natural disaster, hardware or software corruption, failure or error, telecommunications system failure, service provider error or failure, intentional or unintentional personnel actions or other disruption. If by any cause our systems or information resources were compromised, or if our data were destroyed, misappropriated or inappropriately disclosed we could suffer significant loss or incur significant liability, including: damage to our reputation; loss of customer confidence or goodwill; and significant expenditures of time and money to address and remediate resulting damages to affected individuals or business partners, or to defend ourselves in resulting litigation or other legal proceedings, by affected individuals, business partners or regulators.

Loss of Key Management and Inability to Attract and Retain Key Staff

Acadian's success depends, to a significant extent, upon our ability to attract, retain and develop senior management, operations management and other key personnel. Our financial condition or results of operations could be significantly adversely affected if we were to fail to recruit, retain, and develop such personnel, or if there were to occur any significant increase in the cost of providing such personnel with competitive total compensation and benefits.

Aboriginal Claims

Aboriginal claims could adversely affect Acadian's ability to harvest timber. Canadian courts have recognized that aboriginal people may possess rights at law in respect of land used or occupied by their ancestors where treaties have not been concluded to deal with these rights. In Canada, aboriginal groups have made claims in respect of land governed by Canadian authorities, which could affect a portion of the land covered by Twin Rivers' Crown licenses. Any settlements in respect of these claims could lower the volume of timber managed by Acadian on the NB Crown Lands and could increase the cost to harvest timber on such lands.

Undetected Environmental Liabilities

Acadian may currently own or may acquire properties subject to environmental and other liabilities, such as obligations to clean up or pay for the cleanup of contamination. While timberlands do not generally carry as high of a risk of environmental contamination as industrial properties, the cost of cleanup of contaminated properties could increase Acadian's operating costs.

Ability to Identify and Complete Investment Opportunities

Acadian's growth strategy is to acquire high-quality timberland investments with the objective of achieving appropriate risk-adjusted returns on its invested capital over the long-term. However, there is no certainty that Acadian will be able to find and complete sufficient investment opportunities that meet its investment criteria. Acadian's investment criteria considers, among other things, the financial, operating, governance and strategic merits of a proposed acquisition. Competition for assets is significant and competition from other well-capitalized investors or companies may significantly increase the purchase price or prevent Acadian from completing an acquisition.

Risks Related to the Structure of the Company

Payment of Dividends

As a corporation, the Company's dividend policy will be at the discretion of the Company's Board of Directors. Future dividends, if any, will depend on the operations and assets of the Company and its subsidiaries, and will be subject to various factors, including, without limitation, the Company's financial performance, fluctuations in its working capital, the sustainability of its margins, its capital expenditure requirements, obligations under its credit facilities, provisions of applicable law and other factors that the Board of Directors may deem relevant from time to time. Accordingly, the payment of dividends by the Company and the level thereof will be uncertain.

Dividends Depend on Performance of Subsidiaries

Although the Company intends to pay dividends on its Common Shares in accordance with the dividend policy adopted by its Board of Directors, there can be no assurance regarding the amounts of income to be generated by the Company's subsidiaries or ultimately distributed to the Company from its operating subsidiaries. The ability of the Company to make dividend payments, and the actual amount paid, is currently entirely dependent on the operations and assets of its wholly owned subsidiary, Acadian Timber Limited Partnership ("the Partnership"), and is subject to various factors including each of its financial performance, its obligations under applicable credit facilities, fluctuations in its working capital, the sustainability of its margin and its capital expenditure requirements. Moreover, the Partnership's ability to make cash distributions is, in turn, currently dependent on New Brunswick Timberlands and Maine Timberlands making cash distributions. The ability of these entities to make dividend payments, cash distributions or other payments or advances is subject to applicable laws and regulations.

Market Price of Common Shares

The market price of the Common Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of Acadian, divergence in financial results from expectations, changes in the business prospects for Acadian, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Common Shares. The Company is unable to predict whether substantial amounts of Common Shares will be sold in the open market. Any sales of substantial amounts of Common Shares in the public market, or the perception that such sales might occur, could materially and adversely affect the market price of the Common Shares.

Dilution of Existing Shareholders

The Company is permitted to issue an unlimited number of Common Shares pursuant to its Articles and may do so, subject to compliance with the rules and regulations of the TSX and other applicable securities regulations, for that consideration and on those terms and conditions as shall be established by the Company's Board of Directors without the approval of any Shareholders. The Shareholders will have no pre-emptive rights in connection with such further issuances.

Leverage and Restrictive Covenants in Agreements Relating to Indebtedness

The ability of the Company and its subsidiaries to pay dividends or make other payments or advances is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of those entities (including the credit facilities). The degree to which the Company is leveraged could have important consequences to the Shareholders including: the Company's ability to obtain additional financing for working capital, capital expenditures or acquisitions; a significant portion of the Company's cash flow from operations may be dedicated to the payment of the principal and interest on its indebtedness, thereby reducing funds available for future operations; certain borrowings may be at variable rates of interest, which exposes the Company to the risk of increased interest rates; and the Company may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures.

The terms of the credit facilities include numerous restrictive covenants that limit the discretion of the Company's management with respect to certain business matters. These covenants place significant restrictions on, among other things, the ability of the Company and its subsidiaries to create liens or other encumbrances, or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the terms of the credit facilities include financial covenants that require the Company to meet certain financial ratio tests. A failure by the Company to comply with the obligations relating to the credit facilities could result in a default which, if not cured or waived, could result in a termination of dividends by the Company and require accelerated repayment of the relevant indebtedness. If the repayment of indebtedness under the credit facilities were to be accelerated, there can be no assurance that the assets of the Company would be sufficient to repay in full that indebtedness. There can be no assurance that the credit facilities will be able to be refinanced or refinanced on acceptable terms or that future borrowings or equity financings will be available to the Company, or available on acceptable terms, in an amount sufficient to fund the Company's needs. This could, in turn, have a material adverse effect on the business, financial condition and results of operations of the Company and could therefore affect the ability of the Company to pay dividends on its Common Shares.

Cautionary Statement Regarding Forward-Looking Information and Statements

This management discussion and analysis ("MD&A") contains forward-looking information and statements within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, such forward-looking statements may contain such words as "may," "will," "intend," "should," "suggest," "expect," "believe," "outlook," "forecast," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the negative of these terms or other similar terminology. Forward-looking information is included in the Letter to Shareholders which precedes this MD&A and includes statements made in this MD&A in sections entitled "Dividend Policy of the Company," "Liquidity and Capital Resources," and "Market Outlook" and without limitation other statements regarding management's beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, growth strategy and prospects, access to capital, liquidity and trading volumes, dividends, taxes, capital expenditures, projected costs, market trends and similar statements concerning anticipated future events, results, achievements, circumstances, performance or expectations that are not historical facts. These statements, which reflect management's current expectations regarding future events and operating performance, are based on information currently available to management and speak only as of the date of this MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon, and will not necessarily be accurate indications of whether or not such results will be achieved. Factors that could cause actual results to differ materially from the results discussed in the forward-looking statements include, but are not limited to: general economic and market conditions; changes in U.S. housing starts; product demand; concentration of customers; commodity pricing; interest rate and foreign currency fluctuations; seasonality; weather and natural conditions; regulatory, trade or environmental policy changes; changes in Canadian or U.S. income tax law; the economic situation of key customers; Acadian's ability to source and secure potential investment opportunities; the availability of potential acquisitions that suit Acadian's growth profile; and other risks and factors discussed under the heading "Risk Factors" in this Annual Report and in each of the Annual Information Form dated March 28, 2019 and the Management Information Circular dated March 28, 2019 and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: forecasts in the housing market; anticipated financial performance; anticipated market conditions; business prospects; the economic situation of key customers; strategies; regulatory developments; exchange rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services; and the ability to obtain financing on acceptable terms. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are made as of the date of this MD&A, and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this MD&A. Acadian assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as may be required by applicable law.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Acadian Timber Corp.:

The accompanying consolidated financial statements of Acadian Timber Corp. (the "Company") and all information in this annual report are the responsibility of management and have been reviewed and approved by the Company's Board of Directors. These consolidated financial statements and related notes have been prepared by management in conformity with International Financial Reporting Standards and necessarily include amounts based on management's informed judgements and estimates. Financial information included elsewhere in this annual report is consistent with that contained in the consolidated financial statements.

To assist management in fulfilling its responsibilities, a system of internal accounting controls has been established to provide reasonable assurance that the consolidated financial statements are accurate and reliable and that assets are safeguarded. Management believes that this system of internal controls is designed and operating effectively for the year ended December 31, 2019.

Ernst & Young LLP, appointed by the shareholders, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express an opinion on the consolidated financial statements. Their report is set out on the following page.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls, and is ultimately responsible for reviewing and approving the consolidated financial statements and management's discussion and analysis. The Audit Committee is composed of four independent directors who are not employees of the Company. The Audit Committee meets regularly with management and Ernst & Young LLP to review their activities and to discuss internal control, accounting, auditing and financial matters. Ernst & Young LLP have full and direct access to the Audit Committee and meet periodically both with and without the presence of management to discuss their audit and related findings.

The Audit Committee recommends the appointment of the external auditors. The Audit Committee also meets quarterly to review interim and annual consolidated financial statements and related materials and reports its findings to the Board of Directors for its consideration in approving the consolidated interim and annual consolidated financial statements for public dissemination.

Erika Reilly
Interim President and Chief Executive Officer

Brian Banfill
Interim Chief Financial Officer

February 12, 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Acadian Timber Corp.:

Opinion

We have audited the consolidated financial statements of Acadian Timber Corp. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as at December 31, 2019 and December 31, 2018, and the consolidated statements of net income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises:
- Management's Discussion and Analysis
- Information other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jennifer Rogers.

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 12, 2020

CONSOLIDATED BALANCE SHEETS

As at December 31 *(CAD thousands)*	Note	**2019**	2018
Assets			
Current assets			
Cash		**$ 7,601**	$ 22,320
Accounts receivable and other assets	8	**11,602**	7,230
Current taxes receivable		**2,245**	—
Inventory		**1,545**	2,756
		22,993	32,306
Timber	4	**377,992**	367,901
Land, roads and other fixed assets	5	**91,584**	86,103
Intangible asset		**6,140**	6,140
Total assets		**$ 498,709**	$ 492,450
Liabilities and shareholders' equity			
Current liabilities			
Short-term debt		**$ 7,793**	$ —
Accounts payable and accrued liabilities	6, 8	**9,190**	7,963
Current taxes payable		**—**	647
Dividends payable to shareholders		**4,839**	4,714
Current portion of long-term debt	6	**93,084**	—
		114,906	13,324
Long-term debt	6	**—**	96,595
Deferred income tax liabilities	12	**97,102**	92,119
Shareholders' equity	7	**286,701**	290,412
Total liabilities and shareholders' equity		**$ 498,709**	$ 492,450

See accompanying notes to consolidated financial statements.

Erika Reilly
Interim President and Chief Executive Officer

Bruce Robertson
Director

CONSOLIDATED STATEMENTS OF NET INCOME

For the Years Ended December 31 *(CAD thousands, except per share data)*	Note	**2019**	2018
Sales		**$ 100,048**	$ 99,848
Operating costs and expenses			
Cost of sales		**67,260**	68,164
Selling, administration and other		**9,491**	9,741
Reforestation		**778**	595
Depreciation and amortization		**286**	303
		77,815	78,803
Operating earnings		**22,233**	21,045
Interest expense, net		**(4,130)**	(3,901)
Other items			
Fair value adjustments and other		**15,903**	28,294
Unrealized exchange gain / (loss) on long-term debt		**4,733**	(7,489)
Management agreement termination fee	8	**(18,000)**	—
Gain on sale of timberlands		**1,056**	906
Gain / (loss) on disposal of other fixed assets		**29**	(112)
Earnings before income taxes		**21,824**	38,743
Current income tax expense	12	**(111)**	(2,334)
Deferred income tax expense	12	**(4,388)**	(10,145)
Net income		**17,325**	26,264
Net income per share – basic and diluted		**$ 1.04**	**$ 1.57**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31 *(CAD thousands)*	**2019**	2018
Net income	**$ 17,325**	$ 26,264
Other comprehensive {loss) / income		
Items that may be reclassified subsequently to net income:		
Deferred income tax (expense) / recovery	**(2,184)**	1,459
Gain / (loss) on revaluation of land and roads	**7,591**	(5,064)
Unrealized foreign currency translation (loss) / gain	**(7,048)**	11,007
	(1,641)	7,402
Comprehensive income	**$ 15,684**	$ 33,666

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Year Ended December 31, 2019 *(CAD thousands)*		Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Shareholders' Equity
Balances as at December 31, 2017		$ 140,067	$ 76,375	$ 33,877	$ 23,766	$ 274,085
Impact of adopting IFRS 9, net of income taxes		—	2,066	—	—	2,066
Adjusted opening balance under IFRS 9		140,067	78,441	33,877	23,766	276,151
Changes during the year						
Net income		—	26,264	—	—	26,264
Common shares repurchased under NCIB	7	(636)	—	—	—	(636)
Other comprehensive income / (loss)		—	—	(3,605)	11,007	7,402
Shareholders' dividends declared	14	—	(18,769)	—	—	(18,769)
Balances as at December 31, 2018		$ 139,431	$ 85,936	$ 30,272	$ 34,773	$ 290,412
Changes during the year						
Net income		**—**	**17,325**	**—**	**—**	**17,325**
Common shares repurchased under NCIB	7	**(37)**	**—**	**—**	**—**	**(37)**
Other comprehensive income / (loss)		**—**	**—**	**5,407**	**(7,048)**	**(1,641)**
Shareholders' dividends declared	14	**—**	**(19,358)**	**—**	**—**	**(19,358)**
Balances as at December 31, 2019		**$ 139,394**	**$ 83,903**	**$ 35,679**	**$ 27,725**	**$ 286,701**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31 *(CAD thousands)*	**2019**	2018
Cash provided by / (used for):		
Operating activities		
Net income	**$ 17,325**	$ 26,264
Adjustments to net income		
Deferred income tax expense	**4,388**	10,145
Depreciation and amortization	**286**	303
Fair value adjustments and other	**(15,903)**	(28,294)
Unrealized exchange (gain) / loss on long-term debt	**(4,733)**	7,489
Gain on sale of timberlands	**(1,056)**	(906)
(Gain) / loss on disposal of other fixed assets	**(29)**	112
Accretion of gain from refinancing long-term debt	**1,135**	1,046
Net change in non-cash working capital balances and other	**(5,553)**	44
	(4,140)	16,203
Financing activities		
Proceeds from operating loans	**7,793**	—
Deferred financing costs	**(175)**	—
Dividends paid to shareholders	**(19,233)**	(18,656)
Common shares repurchased under NCIB	**(37)**	(636)
	(11,652)	(19,292)
Investing activities		
Additions to timber, land, roads and other fixed assets	**(86)**	(224)
Proceeds from sale of timberlands	**1,130**	1,083
Proceeds from sale of other fixed assets	**29**	599
	1,073	1,458
Decrease in cash during the year	**(14,719)**	(1,631)
Cash, beginning of year	**22,320**	23,951
Cash, end of year	**$ 7,601**	$ 22,320

See accompanying notes to consolidated financial statements.

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

For the Years Ended December 31 *(CAD thousands)*	**2019**	2018
Accounts receivable and other assets	**$ (4,372)**	$ 3,777
Inventory	**1,211**	(854)
Accounts payable and accrued liabilities	**1,227**	(4,267)
Current taxes receivable / payable	**(2,892)**	514
Other	**(727)**	874
	$ (5,553)	$ 44

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 Suite 2408, 1055 West Georgia Street, Vancouver, British Columbia, V6E 3R5.

The Company and all of its consolidated operations (collectively "Acadian"), own and manage approximately 761,000 acres of freehold timberlands in New Brunswick ("NB Timberlands") and approximately 300,000 acres of freehold timberlands in Maine ("Maine Timberlands"), and provide timber services relating to approximately 1.3 million acres of Crown licensed timberlands in New Brunswick. Acadian's products include softwood and hardwood sawlogs, pulpwood and biomass by-products sold to approximately 85 regional customers.

Acadian's operations are subject to seasonal variations and, as a result, Acadian's operating results vary from quarter to quarter. Harvesting activity can be compromised by inaccessibility to some sites during wet seasons, resulting in decreased harvest levels. Results of one quarter will not be indicative of results that may be achieved in other quarters or for the full year.

On August 20, 2019, Brookfield Asset Management Inc. ("Brookfield") sold its 45% interest in the Company comprising 7,513,262 common shares to Macer Forest Holdings Inc ("Macer"). As at December 31, 2019, Macer owns 7,513,262 shares representing approximately 45% of the outstanding shares of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance
These consolidated financial statements present the financial performance of Acadian for the year ended December 31, 2019, along with the comparative results for the year ended December 31, 2018. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and were authorized for issuance by the Board of Directors on February 12, 2020.

Basis of Presentation
The consolidated financial statements have been prepared on the basis of historical cost, except for land, roads on freehold land and timber, which have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets. The reporting currency of the Company is the Canadian dollar. All currency amounts in these consolidated financial statements are presented in Canadian dollars ("CAD") and rounded to the nearest thousand, unless otherwise stated.

Cash and Cash Equivalents
Cash relates to cash in banks, cash equivalents, if applicable, relates to short-term deposits with an original maturity of less than ninety days.

Business Combinations
Business combinations are accounted for using the acquisition method when control is transferred to the Company. Identifiable assets acquired and liabilities assumed are measured at their acquisition date fair value. Goodwill, if any, as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed.

Inventory
Inventory consists primarily of logs and supplies, which are measured at the lower of average cost and net realizable value.

Log inventory has been segregated into species groupings and by category of sawlogs and pulp logs. Cost for each grouping of harvested logs consists of a twelve-month rolling average, calculated one month in arrears, of costs to harvest and deliver logs to the yard, convert them into separate products as applicable and transport the end products to the point of sale, plus a charge for the fair value of timber harvested.

Timber

Timber is measured at fair value less estimated costs of harvesting and selling. The fair value of standing timber is determined by deducting the fair value of higher and better use ("HBU") land, land under standing timber, roads and bridges from the total value of the timberlands business. The fair values of the timberlands business and the fair value of HBU land, land under standing timber, roads and bridges are determined on an annual basis by licensed independent third-party appraisers using a combination of the discounted cash flow and comparative sales value methods. Gains or losses arising from changes in fair value are recognized in net income.

Timber that has been processed into logs and on which the volume has been accurately determined is included in log inventory and is measured at the lower of cost and net realizable value.

Land, Roads and Other Fixed Assets

Land under standing timber and roads on freehold land are measured using the revaluation method. They are carried at the revalued amounts and are not depreciated. Valuations are completed annually by an independent appraiser to ensure that the carrying amount does not differ significantly from fair value. Where the carrying amount of an asset is increased as a result of a revaluation, the increase is recognized in income to the extent the increase reverses a previously recognized impairment recorded through income, with the remainder of the increase recognized in other comprehensive income ("OCI") and accumulated in revaluation surplus. Where the carrying amount of an asset is decreased, the decrease is recognized in OCI to the extent of any balance existing in revaluation surplus in respect of the asset, with the remainder of the decrease recognized in income as an impairment loss.

Buildings, roads on Crown land, pavement, equipment, and certain bridges are measured at cost less accumulated depreciation. Bridges that are nine metres or greater in length, constructed of steel and/or concrete and located on permanent roads are measured at cost less accumulated depreciation. All other bridges are expensed as constructed.

Fixed assets are depreciated on a straight-line basis over the estimated useful lives of each component of assets as follows:

Bridges	20 to 35 years
Buildings	20 years
Equipment	3 to 10 years
Pavement	8 years
Computers and software	3 years
Roads on Crown land	20 years

Depreciation on fixed assets is calculated on a straight-line basis so as to write down the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognized on a prospective basis.

Reforestation

Reforestation expenditures are treated as a period cost and are expensed as incurred.

Impairment of Long-lived Assets

Long-lived assets, other than those measured at fair value with changes in fair value recorded in net income, are assessed at each consolidated balance sheet date for indications of impairment or reversal of a previously recognized impairment. If any such indication exists, the recoverable amount of the asset is estimated and compared to its carrying amount.

The recoverable amount is the higher of the estimated fair value less costs to dispose or value in use of the asset. In assessing value in use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. The projections of future cash flows take into account the relevant operating plans and management's best estimate of the most probable set of conditions anticipated to prevail.

An impairment loss is recognized if the recoverable amount of the asset is estimated to be less than the carrying amount. The impairment loss is recognized in net income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a decrease to revaluation surplus.

Intangible Asset

Acadian recognizes an intangible asset for the Crown Lands Services Agreement between NB Timberlands and Twin Rivers. Under this agreement, NB Timberlands has agreed to provide various services relating to the Crown Lands in consideration for a fee from Twin Rivers. The fee is determined based on the number of cubic metres of fibre harvested from these lands. The Crown Lands Services Agreement has a term equal to the term of the Crown licenses, including any renewal terms, which is considered indeterminable as at December 31, 2019. The Crown Lands Services Agreement is classified as an indefinite-life intangible asset and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that this asset may be impaired. During the year, no additions, disposals, impairments or reversal of impairments were recorded against the Company's intangible asset balance.

Revenue Recognition

Sales are net of discounts and rebates to customers, if any. Revenue is recognized when control passes to the customer, which is generally when timber is delivered to the customer and actual quantities delivered are determined. Sales are governed primarily by contractual terms with customers and in some cases by standard industry terms.

Pursuant to the Crown Lands Services Agreement, Acadian provides harvesting, transportation and other services to Crown licensees and sub-licensees. Acadian receives payments for these services, which are recognized as revenue upon delivery of the timber and when actual quantities delivered are determined.

Translation of Foreign Currencies

The Canadian dollar is the functional and presentation currency of the Company. The functional currency of Acadian's Canadian operations and U.S. operations is the Canadian dollar and U.S. dollar, respectively. Assets and liabilities of the U.S. operations are translated at the rate of exchange prevailing at the reporting date and revenue and expenses at the average rates during the year. Gains or losses on translation of these items are included as a component of shareholders' equity.

NB Timberlands enters into sales transactions denominated in U.S. dollars. The gain or loss on translation of the related revenue and accounts receivable is recorded in earnings in the period incurred.

The carrying value of Acadian's U.S. dollar denominated debt is subject to exchange rate fluctuations. The resulting unrealized gains and losses are recorded in Acadian's earnings in the period incurred.

Financial Instruments

Financial assets and liabilities classified as held for trading are measured at fair value at the consolidated balance sheet dates with all realized and unrealized gains and losses resulting from the change in fair value included in net income in the period in which they arise; these include cash and cash equivalents. Accounts receivable and other assets and current taxes receivable have been classified as loans and receivables, which are accounted for on an amortized cost basis using the effective interest rate method. Short-term debt, accounts payable and accrued liabilities, current taxes payable, dividends payable to shareholders, and current portion of long-term debt have been classified as other financial liabilities, which are accounted for on an amortized cost basis using the effective interest rate method.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable and willing parties who are under no compulsion to act. Fair values are determined based on prevailing market rates for instruments with similar characteristics and risk profiles.

Fair Value Hierarchy Levels

All assets and liabilities of Acadian, including its financial assets and liabilities that are carried at fair value, are classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The following table provides the fair value measurement hierarchy of the grouped assets as at December 31, 2019:

	Date of Valuation	Note	Level 1	Level 2	Level 3
Assets and liabilities measured at fair value:					
Timber	December 31, 2019	4			✓
Freehold land and roads	December 31, 2019	5			✓

Income Taxes

Acadian follows the liability method of tax allocation, whereby deferred income tax assets and liabilities are determined based on differences between the carrying amounts and the tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The carrying amounts of the deferred income tax assets or liabilities are reviewed at each reporting date and reduced to the extent it is no longer probable that the deferred income tax assets or liabilities will be recovered.

Deferred Financing Costs

Financing fees are deferred and amortized over the life of the debt using the effective interest rate method. Long-term debt is recorded at the principal amount, net of the associated financing fees.

Critical Judgments and Estimates

The preparation of consolidated financial statements requires management to make critical judgments, estimates and assumptions that affect the carried amounts of certain assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses recorded during the periods. The critical estimates and judgments 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 judgments 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, land and roads. In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making these estimates and judgments in these consolidated financial statements. Actual results could differ from those estimates.

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.

3. ADOPTED ACCOUNTING POLICIES

New Standards, Interpretations and Amendments Adopted by Acadian
IFRS 16, *Leases* ("IFRS 16")

IFRS 16, which was issued in January 2016, was adopted by the Company on January 1, 2019 using the full retrospective approach. The Company performed an assessment of its current leases and identified no material capital or operating lease obligations. As a result, adopting this standard did not have a material impact on the consolidated financial statements.

4. TIMBER

Acadian's freehold timberlands are classified as a growing forest, with the standing timber recognized as a biological asset for accounting purposes and thus recorded at fair value less costs to sell at each reporting date. The underlying land is considered a component of land, roads and other fixed assets accounted for under the revaluation method.

The following table presents the change in the carrying value of timber:

(CAD thousands)	
Balance as at December 31, 2017	**$ 330,879**
Disposals	(47)
Gains arising from growth	31,021
Reduction arising from harvest	(28,589)
Gain from fair value price and other changes	24,541
Foreign exchange	10,096
Balance as at December 31, 2018	**$ 367,901**
Disposals	(6)
Gains arising from growth	30,354
Reduction arising from harvest	(28,570)
Gain from fair value price and other changes	14,842
Foreign exchange	(6,529)
Balance as at December 31, 2019	**$ 377,992**

As at December 31, 2019, of the total 1.1 million acres, approximately 761,000 acres are located in New Brunswick, Canada and approximately 300,000 acres are located in Maine, USA, with approximately 193,000 acres of the Maine timberlands being subject to a conservation easement. Acadian's standing timber in Maine is composed of approximately 67% softwood and 33% hardwood. Acadian's standing timber in New Brunswick is composed of approximately 68% softwood and 32% hardwood.

During the year ended December 31, 2019, Acadian harvested 1,238 thousand m^3 from its freehold timberlands, which had an average fair value less costs to sell of \$23 per m^3 at the date of harvest (2018 – 1,324 thousand m^3 with an average fair value less costs to sell of \$22 per m^3).

Appraisals by a licensed independent third-party appraiser are completed annually for NB Timberlands and Maine Timberlands to establish the fair value less costs to sell of the timber. The most recent appraisal was effective as at December 31, 2019. The appraiser uses a combination of the discounted cash flow and sales comparison approaches to arrive at the estimated value. As at December 31, 2019, the weighting between the two methods used by the appraiser was 80% discounted cash flow approach and 20% sales comparison approach for the NB Timberlands (2018 – 85% and 15%, respectively) and 70% discounted cash flow approach and 30% sales comparison approach for the Maine Timberlands (2018 – 75% and 25%, respectively).

The discounted cash flow approach relies on the determination of the net present value of expected cash flows from the harvest and sale of timber. The expected cash flows are calculated based on the following assumptions:

a. Annual growth is determined by multiplying the operable forested acres by the annual growth rate;

b. Annual harvest volumes are based on annual growth and reflect the long-term management plans for standing timber;

c. Unit net timber revenue is based on the appraisers' analysis of historical standing timber prices from regional surveys, net timber prices from other private properties in the region, and prices received by Acadian over the last two years. Modest price appreciation is assumed for the Maine Timberlands (2018 – modest price appreciation), and modest price depreciation is assumed for the NB Timberlands (2018 – no price appreciation);

d. As the appraiser's discounted cash flow model uses net timber revenue, specific assumptions of harvesting and delivery costs are not required. The appraiser does reduce the net timber revenue by management costs reflecting the appraiser's understanding of the costs for an investor managing a property of this size, and actual historical costs incurred by Acadian;

e. Cash flow estimates were made for 30 years. A terminal value equal to the final year's cash flow divided by the discount rate is added to the final year of the model;

f. The valuation model assumes the continuation of existing practices with regards to silviculture and harvesting; and

g. A discount rate of 5.02% (2018 – 5.36%) was applied to the estimated future cash flows for NB Timberlands in arriving at net present values as at December 31, 2019. A discount rate of 4.09% (2018 – 4.43%) was applied to the estimated future cash flows for Maine Timberlands in arriving at net present values as at December 31, 2019. The appraiser derived the discount rate by estimating the weighted average cost of capital of the typical prospective purchaser, deducting an assumed long-term background inflation rate and adjusting for specific risk attributes of each of NB Timberlands and Maine Timberlands. The reasonableness of the rate was then tested against rates extracted from recent comparable sales transactions.

Acadian's freehold timberlands are measured at fair value on a recurring basis. Management has classified the valuation of these assets under Level 3 of the fair value hierarchy and there were no transfers made between Levels 1 and 3 or Levels 2 and 3 during the years ended December 31, 2019 and 2018.

Sensitivity to Changes in Assumptions

The following table provides a description of the significant unobservable inputs to valuation of the freehold timberlands:

Valuation Technique	Significant Unobservable Inputs	Range (weighted average)	Sensitivity of the Input to Fair Value
Discounted cash flow	Discount rate	4.09% – 5.02% (4.68%)	0.25% increase / (decrease) in the discount rate would result in (decrease) / increase in fair value of (7.6 million) / $7.8 million
Discounted cash flow	Net timber value per m^3 of timber sold	$4.41 – $69.12 ($25.86)	5% increase / (decrease) in the net timber value per m^3 of timber sold would result in (decrease) / increase in fair value of $21.7 million
Sales comparison	Adjusted benchmark sales price per hectare	$820 – $1,679 ($1,068)	5% increase / (decrease) in the adjusted benchmark sales price per hectare would result in increase / (decrease) in fair value of $5.5 million

5. LAND, ROADS AND OTHER FIXED ASSETS

(CAD thousands)	Land	Roads	Bridges and Pavement	Other	Total
Cost					
Balance as at December 31, 2017	$ 75,254	$ 8,905	$ 5,447	$ 3,129	$ 92,735
Additions	—	—	150	74	224
Disposals	(19)	—	(756)	(770)	(1,545)
Foreign exchange	2,454	428	327	103	3,312
Revaluations[1]	(5,058)	(29)	—	—	(5,087)
Balance as at December 31, 2018	$ 72,631	$ 9,304	$ 5,168	$ 2,536	$ 89,639
Additions	—	—	86	—	86
Disposals	(16)	—	—	(91)	(107)
Foreign exchange	(1,478)	(263)	(150)	(54)	(1,945)
Revaluations[1]	7,407	188	—	—	7,595
Balance as at December 31, 2019	**$ 78,544**	**$ 9,229**	**$ 5,104**	**$ 2,391**	**$ 95,268**
Accumulated Depreciation					
Balance as at December 31, 2017	$ —	$ (56)	$ (2,161)	$ (1,505)	$ (3,722)
Depreciation for the year	—	(7)	(131)	(165)	(303)
Disposals	—	—	304	401	705
Foreign exchange	—	—	(181)	(35)	(216)
Balance as at December 31, 2018	$ —	$ (63)	$ (2,169)	$ (1,304)	$ (3,536)
Depreciation for the year	—	(7)	(130)	(149)	(286)
Disposals	—	—	—	38	38
Foreign exchange	—	—	84	16	100
Balance as at December 31, 2019	**$ —**	**$ (70)**	**$ (2,215)**	**$ (1,399)**	**$ (3,684)**
Carrying Amounts					
As at December 31, 2018	$ 72,631	$ 9,241	$ 2,999	$ 1,232	$ 86,103
As at December 31, 2019	**$ 78,544**	**$ 9,159**	**$ 2,889**	**$ 992**	**$ 91,584**

1 Total non-cumulative impact of the revaluation recorded in OCI, net of tax, is $ 5.4 million (2018 — ($ 3.6) million)

Acadian's freehold land and roads on freehold land are accounted for under the revaluation method. These assets are carried at their revalued amounts and are not depreciated.

The freehold land and roads on freehold land are measured under Level 3 of the fair value hierarchy. The most recent date of revaluation of these assets is December 31, 2019. There were no transfers made between Levels 1 and 3 or Levels 2 and 3 during the years ended December 31, 2019 and 2018. Valuations are completed annually by a licensed independent third-party appraiser who uses a discounted cash flow approach to establish the fair values.

The fair value of land is based on soil expectation value analysis using a discounted cash flow approach. The valuation procedure measures the net present value of bare timberland if used in perpetual timber production.

The fair value of roads on freehold land is determined using a discounted cash flow approach. The valuation procedure estimates the avoided cost of future road construction, spreading the estimated current construction cost of the existing inventory of capital roads into the future. Expected future cash flows are higher to the extent that existing roads can service future timber harvests.

Sensitivity to Changes in Assumptions

The following table provides a description of the significant unobservable inputs to valuation of Acadian's land and roads on freehold land:

	Valuation Technique	Significant Unobservable Inputs	Range (weighted average)	Sensitivity of the Input to Fair Value
Land	Discounted cash flow	Discount rate	4.09% – 5.02% (4.68%)	0.25% increase / (decrease) in the discount rate would result in (decrease) / increase in fair value of ($12.7 million) / $15.1 million
Land	Discounted cash flow	Stumpage value per m^3 of timber sold	$4.41 – $69.12 ($25.86)	5% increase / (decrease) in the stumpage value per m^3 of timber sold would result in increase / (decrease) in fair value of $4.9 million
Roads	Discounted cash flow	Discount rate	4.09% – 5.02% (4.68%)	0.25% increase / (decrease) in the discount rate would result in (decrease) / increase in fair value of $0.2 million
Roads	Discounted cash flow	Construction cost per km	$9,399 – $27,278 ($15,985)	5% increase / (decrease) in the construction cost per km would result in increase / (decrease) in fair value of $0.5 million

6. DEBT

As at December 31, debt consisted of the following:

As at December 31 (CAD thousands)	Note	2019	2018
Term facility, due October 2020		**$ 94,169**	$ 98,897
Less:			
Gain resulting from refinancing, net of accretion		**(830)**	(2,118)
Deferred debt issuance costs		**(255)**	(184)
		$ 93,084	$ 96,595
Revolving facility, due October 2020		**7,793**	—
Total		**$ 100,877**	$ 96,595

Acadian has U.S. dollar denominated credit facilities with MetLife Insurance Company, which will mature on October 1, 2020. These credit facilities include a revolving credit facility of up to U.S. $10.0 million (the "Revolving Facility") for general corporate purposes and a term credit facility of U.S. $72.5 million (the "Term Facility"). The Term Facility bears interest at a fixed rate of 3.01%. The Revolving Facility bears interest at floating rates based on 90-day LIBOR plus applicable margin. Floating interest rates give rise to interest rate risk as earnings and cash flows may be negatively impacted by fluctuations in interest rates.

On November 24, 2019, Acadian signed a term sheet with MetLife Investment Management, LLC to refinance its term and revolving credit facilities under essentially the same terms as the existing facilities, but with slightly more favourable interest rates and with maturity dates ranging from 5 to 10 years from the date of closing. Acadian expects to complete this refinancing during the first quarter of 2020. Upon signing the term sheet, Acadian paid a commitment fee of approximately US$0.8 million that will be refunded upon disbursement of the loan proceeds. This fee is included with accounts receivable and other assets on Acadian's consolidated balance sheet.

As at December 31, 2019, Acadian had borrowed U.S. $72.5 million (2018 – U.S. $72.5 million) under the Term Facility and U.S. $6.0 million (2018 – $nil) under the Revolving Facility. As well, U.S. $1.6 million of the Revolving Facility is reserved to support the minimum cash balance requirement of the Term Facility. 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 December 31, 2019.

The fair value of the Term Facility as at December 31, 2019 is $94.3 million (2018 – $98.2 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 Facility 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. As of March 2, 2017, Acadian implemented a normal course issuer bid ("NCIB") that permits the Company to acquire shares under certain circumstances if they become available. The NCIB was renewed and extended for an additional year on March 7, 2019. During the year ended December 31, 2019, the Company repurchased and cancelled 1,500 common shares under the NCIB at an average price of $15.16 per share for total consideration of $23 thousand. Common shares issued and outstanding are as follows:

As at December 31	**2019**	2018
Outstanding, beginning of year	**16,688,416**	16,731,216
Purchased under NCIB	**(1,500)**	(42,800)
Outstanding, end of year	**16,686,916**	16,688,416
Weighted average shares outstanding	**16,686,924**	16,728,823

8. RELATED PARTY TRANSACTIONS

In the normal course of operations, the Company enters into various transactions on market terms with related parties, which have been measured at exchange value and recognized in the consolidated financial statements. The Company's one significant related party prior to August 20, 2019 was Brookfield. Prior to August 20, 2019, Brookfield owned 7,513,262 common shares of the Company representing 45% of the Company's outstanding shares. The common shares previously owned by Brookfield were sold to Macer on August 20, 2019, resulting in Macer becoming a related party.

As at December 31, 2019, Macer owned 7,513,262 common shares, representing approximately 45% of the Company's outstanding shares.

Upon inception, Acadian entered into a management agreement with Brookfield whereby Brookfield provided a number of administrative and advisory services to Acadian. The agreement with Brookfield was terminated by Acadian on September 9, 2019. Fees for services provided up to and including September 9, 2019, and in the year ended December 31, 2019, totaled $2.2 million (2018 – $3.0 million). In addition, Acadian paid fees of $18.0 million to Brookfield in connection with the termination of the management agreement during the year ended December 31, 2019 (2018 – $nil). As at December 31, 2019, no fees (December 31, 2018 – $0.5 million) remain outstanding.

Further to the related party transactions noted above, the total net receivable due from related parties as at December 31, 2019 is $nil (2018 – $42 thousand) and net payable due to related parties is $nil (2018 – $446 thousand).

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. Acadian has two operating segments: NB Timberlands and Maine Timberlands. Timber sales are recognized upon harvest and delivery of softwood and hardwood timber or biomass to the customer, and timber services are recognized when the service provided to the customer has been completed. Sales, net income, assets and liabilities by reportable segments are as follows:

For the Year Ended December 31, 2019 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Sales				
Softwood	$ 41,820	$ 24,024	$ 17,796	$ —
Hardwood	35,600	28,174	7,426	—
Biomass	4,918	4,906	12	—
Timber services and other sales	17,710	17,068	642	—
Total Sales	100,048	74,172	25,876	—
Operating costs and expenses				
Cost of sales	67,260	49,623	17,637	—
Selling, administration and other	9,491	5,749	2,033	1,709
Reforestation	778	678	100	—
Depreciation and amortization	286	173	113	—
	77,815	56,223	19,883	1,709
Operating earnings / (loss)	22,233	17,949	5,993	(1,709)
Fair value adjustments and other	15,903	15,328	898	(323)
Management agreement termination fee	(18,000)	(7,589)	(10,411)	—
Gain on sale of timberlands	1,056	471	585	—
Gain on disposal of other fixed assets	29	6	23	—
Earnings / (loss) before the undernoted	21,221	26,165	(2,912)	(2,032)
Unrealized exchange gain on long-term debt	4,733	—	—	—
Interest expense, net	(4,130)	—	—	—
Earnings before income taxes	21,824	—	—	—
Current income tax expense	(111)	—	—	—
Deferred income tax expense	(4,388)	—	—	—
Net income	$ 17,325	$ —	$ —	$ —

As at December 31, 2019 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible asset	$ 475,716	$ 303,614	$ 172,102	$ —
Total assets	498,709	318,147	175,360	5,202
Total liabilities	$ 212,008	$ 7,990	$ 34,661	$ 169,357

For the Year Ended December 31, 2018 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Sales				
Softwood	$ 39,748	$ 22,474	$ 17,274	$ —
Hardwood	35,077	27,977	7,100	—
Biomass	6,574	6,545	29	—
Timber services and other sales	18,449	17,768	681	—
Total sales	99,848	74,764	25,084	—
Operating costs and expenses				
Cost of Sales	68,164	52,124	16,040	—
Selling, administration and other	9,741	5,754	2,719	1,268
Reforestation	595	465	130	—
Depreciation and amortization	303	186	117	—
	78,803	58,529	19,006	1,268
Operating earnings / (loss)	21,045	16,235	6,078	(1,268)
Fair value adjustments and other	28,294	8,756	18,868	670
Gain on sale of timberlands	906	—	906	—
(Loss) / gain on disposal of other fixed assets	(112)	150	(262)	—
Earnings / (loss) before the undernoted	50,133	25,141	25,590	(598)
Unrealized exchange loss on long-term debt	(7,489)			
Interest expense, net	(3,901)			
Earnings before income taxes	38,743			
Current income tax expense	(2,334)			
Deferred income tax expense	(10,145)			
Net income	$ 26,264			

As at December 31, 2018 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible asset	$ 460,144	$ 284,781	$ 175,363	$ —
Total assets	492,450	297,573	180,270	14,607
Total liabilities	$ 202,038	$ 6,313	$ 34,077	$ 161,648

During the year ended December 31, 2019, approximately 36% of consolidated total sales were originated with customers domiciled in the U.S. (2018 – 39% of consolidated total sales) with the remaining balance in Canada. During the same period, approximately 35% of consolidated total sales were denominated in U.S. dollars (2018 – 34% of consolidated total sales).

Acadian sells its products to many forest product companies in North America. For the year ended December 31, 2019, sales to its largest and next largest customers accounted for 18% and 12%, respectively (2018 – 18% and 12%, respectively).

Acadian outsources much of its harvesting, transportation and other services, which comprise the majority of its cost of sales. For the year ended December 31, 2019, Acadian's top three suppliers accounted for approximately 13%, 9% and 6%, respectively, of its cost of sales (2018 – 13%, 11% and 9%, respectively).

10. CAPITAL MANAGEMENT

Acadian's capital structure consists of shareholders' equity, inclusive of accumulated other comprehensive income, and the Term Facility. As at December 31, 2019, the recorded values of these items in Acadian's consolidated financial statements totaled $379.8 million (2018 – $387.0 million).

Acadian's corporate finance objective is to utilize prudent levels of leverage to lower its cost of capital while minimizing financial risk for shareholders. In managing its capital structure, Acadian may adjust the amount of dividends paid to shareholders, discretionary silviculture and capital expenditures during a given period, or reevaluate Acadian's leverage ratios.

Acadian monitors its capital structure to ensure compliance with its financial covenants with debtholders. The Term Facility and Revolving Facility are subject to customary terms and conditions for borrowers of this nature as well as the maintenance of a maximum loan-to-value ratio. Acadian was in compliance with its financial covenants during the years ended December 31, 2019 and 2018.

11. FINANCIAL INSTRUMENTS

Financial assets and liabilities classified as held for trading are measured at fair value at the consolidated balance sheet dates, with all realized and unrealized gains and losses resulting from the change in fair value included in net income in the period in which they arise; which includes cash. Accounts receivable and other assets and current taxes receivable have been classified as loans and receivables, which are accounted for on an amortized cost basis using the effective interest rate method. Short-term debt, accounts payable and accrued liabilities, current tax liabilities, dividends payable to shareholders, and long-term debt have been classified as other financial liabilities, which are accounted for on an amortized cost basis using the effective interest rate method.

Financial Risk Management

Acadian is exposed to various risks as a result of holding financial instruments. These risks have been categorized as foreign currency risk, interest rate risk, other price risk, credit risk and liquidity risk.

Foreign Currency Risk

Changes in foreign exchange rates will impact the carrying value of financial instruments denominated in currencies other than the Canadian dollar. Acadian's most significant foreign currency risk exposure arises from its U.S. dollar denominated debt and its investment in the Maine Timberlands, which operates in the U.S. dollar. Accordingly, the impact of a strengthening (deteriorating) Canadian dollar will reduce (increase) the net income (loss) of Acadian, and will also result in an other comprehensive (gain) loss on the translation of the Maine Timberlands' assets in a given period. During the year ended December 31, 2019, a $0.01 appreciation (depreciation) in the U.S. to Canadian dollar foreign exchange rate, all else being equal, would increase (decrease) net income by $0.8 million (2018 – $0.8 million) and OCI by approximately $0.3 million (2018 – $0.3 million).

The objective of Acadian's foreign exchange risk management activities is to minimize foreign currency exposures that would have an impact on its operating performance. All of the NB Timberlands expenses and a significant proportion of its revenue are incurred in Canadian dollars. As such, the foreign currency risk associated with the translation of NB Timberlands revenue and accounts receivable denominated in U.S. dollars is considered immaterial. Acadian continues to monitor the impact of all foreign exchange exposure, and will consider alternatives, as required, to ensure that this risk is maintained at prudent levels.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Acadian's interest rate risk exposure arises due to its credit facilities (Note 6).

As at December 31, 2019, Acadian is exposed to interest rate risk from its floating interest rate Revolving Facility, to the extent funds are drawn. For the year ended December 31, 2019, US$6.0 million was drawn from the Revolving Facility (2018 – $nil). A change in interest rates would have no impact on the fixed interest rate Term Facility, however a 1% change in the interest rate on the Revolving Facility would increase (decrease) net income by $0.1 million (2018 – $nil).

Other Price Risk

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads. Acadian is exposed to commodity price risk as its financial performance is dependent on the sale prices of its products and the costs incurred in harvesting its timber. The markets for timber are cyclical and are influenced by a variety of factors beyond Acadian's control. Amongst other things, the market prices for timber can be affected by changes in regional and global demand, global supply and economic conditions, including increased competition from a variety of substitute products. Additionally, Acadian's operating expenses can be impacted by fuel cost increases.

Acadian relies almost exclusively on land transportation and, therefore, may be more susceptible to fuel cost increases than other timberland companies, which rely more heavily on other transportation methods that are less exposed to fuel prices. Accordingly, commodity price variations may impact Acadian's sales, costs of sales, cash flows and earnings. Furthermore, weakness in the market prices of its timber products will also have an effect on Acadian's ability to attract additional capital, the cost of that capital and the value of its timberland assets.

To manage these risks, Acadian monitors market developments in all commodity prices to which it is materially exposed. Given the nature of Acadian's operations, during periods of decreased selling prices and increased costs, Acadian will adjust harvest levels and manage variable expenditures in an effort to preserve the long-term value of Acadian's timberlands.

Credit Risk

Credit risk is the risk of loss due to the failure of a borrower or counterparty to fulfill its contractual obligations. Credit risk arises from cash held with banks and financial institutions, as well as credit exposures to clients, including outstanding accounts receivable. The maximum exposure is equal to the carrying value of the financial assets as at the consolidated balance sheet dates.

The objective of managing counterparty credit risk is to prevent losses in financial assets. Cash is invested with counterparties meeting minimum credit quality requirements. With respect to outstanding accounts receivable, NB Timberlands and Maine Timberlands each assess the credit quality of the counterparties, including customers, taking into account their financial position, past experience and other factors. In cases where the credit quality of a client does not meet Acadian's credit requirements, a cash deposit is received before any timber is harvested and sold. Upon evaluating all accounts receivable balances as at December 31, 2019, Acadian recorded an allowance of $0.1 million against outstanding receivables (2018 – $nil). Pursuant to their respective terms, all outstanding accounts receivable are current or less than 31 days overdue as at December 31, 2019, with the exception of approximately $25 thousand (2018 – $149 thousand).

Liquidity Risk

Liquidity risk is the risk that Acadian cannot meet a demand for cash or fund an obligation as it comes due. Acadian's objective in managing liquidity risk is to maintain sufficient reserves in order to meet operational and investing requirements at any point in time, and to maintain debt financing at levels that will allow Acadian to attract additional capital at reasonable cost. Acadian's principal sources of liquidity include cash earned from operations and the Revolving Facility of which US $6.0 million was drawn as at December 31, 2019 (2018 – $nil). As well, U.S. $1.6 million of this facility is reserved to support the minimum cash balance requirement of the Term Facility. These sources, combined with existing cash, are expected to allow Acadian to meet its short term and long term operating, debt service, capital expenditure and dividend requirements.

Additionally, Acadian assesses the nature and timing of discretionary payments in an effort to mitigate any impact on the financial condition or results of operations of Acadian. As at December 31, 2019 and 2018, the accounts payable and accrued liabilities and dividends payable of Acadian are due in less than 30 days.

The following tables detail the contractual maturities for Acadian's financial liabilities. The tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which Acadian can be required to pay.

December 31, 2019 (CAD thousands)	Total	Less Than One Year (2020)	1 to 3 Years (2021-2023)	3 to 5 Years (2024-2026)	After 5 Years (>2026)
Accounts payable and other liabilities	**$ 14,029**	**$ 14,029**	$ —	$ —	$ —
Short-term debt[1]	**7,793**	**7,793**	—	—	—
Current portion of long-term debt[2]	**94,169**	**94,169**	—	—	—
	$ 115,991	**$ 115,991**	$ —	$ —	$ —
Interest payments[3]	**$ 2,126**	**$ 2,126**	$ —	$ —	$ —

1 Represents principal of a U.S. dollar denominated revolving facility with a U.S. to Canadian dollar conversion rate of 1.2989.

2 Represents principal of a U.S. dollar denominated term loan with a U.S. to Canadian dollar conversion rate of 1.2989, excluding the unamortized deferred financing costs.

3 Interest payment was determined using a fixed interest rate of 3.01% on the outstanding U.S. dollar balance of the term loan with a U.S. to Canadian dollar conversion rate of 1.2989.

December 31, 2018 (CAD thousands)	Total	Less Than One Year (2019)	1 to 3 Years (2020-2022)	3 to 5 Years (2023-2025)	After 5 Years (>2025)
Accounts payable and other liabilities	$ 13,324	$ 13,324	$ —	$ —	$ —
Long-term debt[1]	98,897	—	98,897	—	—
	$ 112,221	$ 13,324	$ 98,897	$ —	$ —
Interest payments[2]	$ 5,210	$ 2,977	$ 2,233	$ —	$ —

1 Represents principal of a U.S. dollar denominated term loan with a U.S. to Canadian dollar conversion rate of 1.3641, excluding the unamortized deferred financing costs.

2 Interest payment was determined using a fixed interest rate at 3.01% with a U.S. to Canadian dollar conversion rate of 1.3641.

Fair Value of Financial Instruments

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Acadian assessed that cash, accounts receivable and other assets and current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

As at December 31, 2019 and 2018, there were no financial assets and financial liabilities that were measured at fair value on a recurring basis.

12. INCOME TAXES

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

For the Years Ended December 31 *(CAD thousands)*	**2019**	2018
Current income tax expense	**$ 111**	$ 2,334
Deferred income tax expense		
Origination and reversal of temporary differences	**5,052**	9,108
(Benefit) / loss arising from unrecognized tax assets	**(664)**	1,045
Other	**—**	(8)
Total income tax expense	**$ 4,499**	$ 12,479

The major components of income tax recognized in OCI are as follows:

For the Years Ended December 31 *(CAD thousands)*	**2019**	2018
Deferred tax arising on income and expenses recognized in OCI:		
Revaluation surplus	**$ 2,184**	$ (1,459)
Total income tax expense / (recovery) recognized directly in OCI	**$ 2,184**	$ (1,459)

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

For the Years Ended December 31 (CAD thousands)	**2019**	2018
Income taxes at statutory rate	**$ 6,331**	$ 11,235
Foreign tax rate differential	**(12)**	(255)
Permanent differences	**(1,253)**	462
(Benefit) / expense of previously unrecognized tax attributes	**(664)**	1,045
Changes in estimates related to prior years	**74**	—
Other	**23**	(8)
Total income tax expense	**$ 4,499**	$ 12,479

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The deferred tax expenses relate to the following:

For the Years Ended December 31 (CAD thousands)	**2019**	2018
Land	**$ (1)**	$ 2
Timber	**6,385**	8,935
Roads and other fixed assets	**129**	65
Investment tax credits	**(394)**	1,397
Other	**(1,731)**	(254)
Total deferred income tax expense	**$ 4,388**	$ 10,145

Significant components of Acadian's deferred tax assets and liabilities are as follows:

For the Years ended December 31 (CAD thousands)	**2019**	2018
Land	**$ (19,920)**	$ (18,216)
Timber	**(81,736)**	(76,456)
Roads and other fixed assets	**(2,924)**	(2,836)
Intangible asset	**(1,781)**	(1,781)
Investment tax credits	**8,214**	7,820
Other	**1,045**	(650)
Total deferred income tax liability	**$ (97,102)**	$ (92,119)

13. EMPLOYEE BENEFIT PLANS

NB Timberlands and Maine Timberlands each have defined contribution plans covering substantially all employees. During the year, contributions recorded as expenses amounted to $0.2 million (2018 – $0.2 million).

14. DIVIDENDS TO SHAREHOLDERS

Acadian pays quarterly dividends to the extent determined prudent by the Board of Directors. Total dividends declared for the year ended December 31, 2019 were $19.4 million or $1.16 per share (2018 – $18.8 million or $1.1225 per share).

15. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors and other key management personnel of the Company is as follows:

For the Years Ended December 31 *(CAD thousands)*	**2019**	2018
Salaries	**$ 700**	$ 873
Incentives	**568**	540
Short-term benefits	**56**	75
	$ 1,324	$ 1,488

The figures reported in the table above include a portion of the compensation of certain individuals paid during the year by Brookfield that was attributable to their services to the Company. This proportionate compensation was reflective of the approximate time and effort spent by these individuals providing services to the Company as a portion of their overall responsibilities to Brookfield. The cost of this compensation was included in total fees for services provided under the administrative and advisory services agreement with Brookfield described in Note 8.

CORPORATE GOVERNANCE

Acadian Timber Corp. (the "Company") and its Board of Directors are committed to working together to achieve strong and effective corporate governance, with the objective of promoting the long-term interests of the Company and the enhancement of value for all shareholders. We continue to review and improve our corporate governance policies and practices in relation to evolving legislation, guidelines and best practices. Our Board of Directors is of the view that our corporate governance policies and practices and our disclosure in this regard are comprehensive and consistent with the guidelines established by Canadian securities regulators.

Our Statement of Corporate Governance Practices is set out in full in the Management Information Circular distributed each year to all Acadian shareholders along with the Notice of our Annual Meeting. This Statement is also available on our website, *www.acadiantimber.com.*

BOARD AND MANAGEMENT

BOARD OF DIRECTORS

Phil Brown
Executive Managing Director of Partner Recruitment
Momentum Search Group

Reid Carter
Corporate Director

Malcolm Cockwell
Managing Director
Haliburton Forest

Bruce Robertson
Vice President
The Woodbridge Company Limited

Karen Oldfield*
Corporate Director
**Appointed on May 9, 2019*

Heather Fitzpatrick*
President and CEO
Halmont Properties Corporation.
**Appointed on August 20, 2019*

Peter Schleifenbaum*
Founder
Haliburton Forest
**Appointed on August 20, 2019*

MANAGEMENT

Erika Reilly
Interim President and Chief Executive Officer
Acadian Timber Corp.

Brian Banfill
Interim Chief Financial Officer
Acadian Timber Corp.

Normand Haché
Senior Vice President, Marketing and Operations
Acadian Timber Corp.

CORPORATE AND SHAREHOLDER INFORMATION

HEAD OFFICE

Suite 2408 – 1055 West Georgia Street, PO Box 11179, Royal Centre
Vancouver, B.C. V6E 3R5
Please direct your inquiries to:
Brian Banfill
Interim Chief Financial Officer
t. 604.661.9622 f. 604.687.3419
e. ir@acadiantimber.com

TRANSFER AGENT AND REGISTRAR

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

AST Trust Company (Canada)
P.O. Box 700, Station A
Montreal, QC H3B 3K3
t. 1-800-387-0825 (toll free in North America)
f. 1-888-249-6189
e. inquiries@astfinancial.com
www.astfinancial.com/ca-en

SHARE INFORMATION

Toronto Stock Exchange: ADN
Fully Diluted Shares Outstanding (December 31, 2019): 16,686,916
Targeted 2020 Quarterly Dividend: $0.29 per share
Record Date: Last business day of each quarter
Payment Date: On or about the 15th day of each subsequent month

www.acadiantimber.com

This management discussion and analysis ("MD&A") contains forward-looking information and statements within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, such forward-looking statements may contain such words as "may," "will," "intend," "should," "suggest," "expect," "believe," "outlook," "forecast," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the negative of these terms or other similar terminology. Forward-looking information is included in the Letter to Shareholders which precedes this MD&A and includes statements made in this MD&A in sections entitled "Dividend Policy of the Company," "Liquidity and Capital Resources," and "Market Outlook" and without limitation other statements regarding management's beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, growth strategy and prospects, access to capital, liquidity and trading volumes, dividends, taxes, capital expenditures, projected costs, market trends and similar statements concerning anticipated future events, results, achievements, circumstances, performance or expectations that are not historical facts. These statements, which reflect management's current expectations regarding future events and operating performance, are based on information currently available to management and speak only as of the date of this MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon, and will not necessarily be accurate indications of whether or not such results will be achieved. Factors that could cause actual results to differ materially from the results discussed in the forward-looking statements include, but are not limited to: general economic and market conditions; changes in U.S. housing starts; product demand; concentration of customers; commodity pricing; interest rate and foreign currency fluctuations; seasonality; weather and natural conditions; regulatory, trade or environmental policy changes; changes in Canadian and U.S. income tax law; the economic situation of key customers; Acadian's ability to source and secure potential investment opportunities; the availability of potential acquisitions that suit Acadian's growth profile; and other risks and factors discussed under the heading "Risk Factors" in this Annual Report and in each of the Annual Information Form dated March 28, 2019 and the Management Information Circular dated March 28, 2019, and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: forecasts in the housing market; anticipated financial performance; anticipated market conditions; business prospects; the economic situation of key customers; strategies; regulatory developments; exchange rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services; and the ability to obtain financing on acceptable terms. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are made as of the date of this MD&A, and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this MD&A. Acadian assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as may be required by applicable law.

Acadian Timber Corp.
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