



ACADIAN **TIMBER**

ACADIAN TIMBER CORP.

Annual Information Form

March 27, 2020

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CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

This Annual Information Form (“AIF”) contains forward-looking information and other forward-looking 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 AIF, such statements may contain words as “may,” “will,” “intend,” “should,” “expect,” “believe,” “outlook,” “predict,” “remain,” “anticipate,” “estimate,” “potential,” “continue,” “plan,” “could,” “might,” “project,” “targeting” “likely,” “approximately,” “strategy,” “budget,” “scheduled,” “forecasts,” “variations,” or the negative of these terms or other similar terminology. Forward-looking information in this AIF includes, without limitation, statements made in sections entitled “Development of the Business”, “Description of the Business”, “Risk Factors”, “Capital Structure”, and “Dividends and Dividend Policy – Dividend Policy of the Corporation”, and other statements regarding management’s beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, growth strategy and prospectus, 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 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 AIF. All forward-looking statements in this AIF 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: anticipated financial performance; business prospects; strategies; regulatory developments; exchange rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services, which are subject to change based on commodity prices, market conditions for timber and wood products, general economic and market conditions, the economic situation of key customers; product demand; future production volumes; concentration of customers; changes in competition; commodity pricing; interest rate and foreign currency fluctuations; seasonality; weather and natural conditions; regulatory, trade or environmental policy changes; changes in labour costs or other costs of production; changes in Canadian and U.S. income tax law; economic situation of key customers; the risks associated with the availability and amount of the tax basis in connection with the conversion from an income trust to a corporation; and other risks and factors discussed in the section entitled “Risk Factors” beginning on page 15. 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: general economic and market conditions; 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; cybersecurity; attracting and retaining key staff; ability to grow; and economic situation of key customers. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this AIF are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward-looking statements. Certain statements in this AIF may also be considered “financial outlook” for the purposes of applicable Canadian securities laws, and such financial outlook may not be appropriate for purposes other than this AIF.

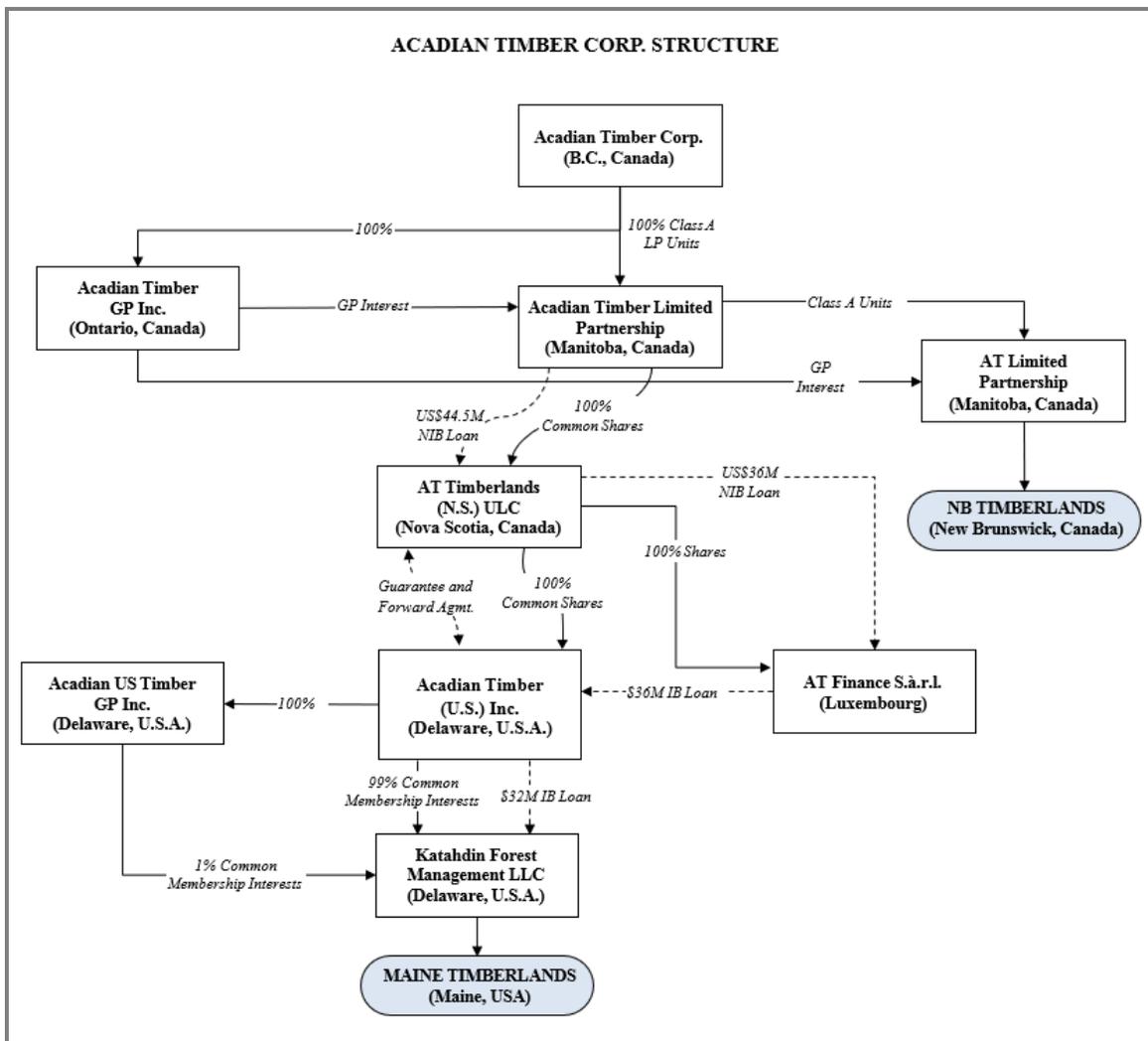
The forward-looking statements contained in this AIF are made as of the date of this AIF and should not be relied upon as representing Acadian’s views as of any date subsequent to the date of this AIF. Acadian Timber Corp. assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as required by applicable law.

THE CORPORATION

Acadian Timber Corp. (the “**Corporation**”) is governed by the *Canada Business Corporation Act* (the “**CBCA**”) pursuant to articles of arrangement dated January 1, 2010 (the “**Articles**”). The Corporation is a reporting issuer and its Common Shares are publicly traded on the Toronto Stock Exchange (the “**TSX**”) under the stock symbol “ADN”. The principal and head office of the Corporation is located at 1055 West Georgia Street, Suite 1800, Royal Centre P.O. Box 11179, Vancouver, BC V6E 3R5.

The predecessor to the Corporation, Acadian Timber Income Fund (the “**Fund**”), was an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario by a declaration of trust dated December 15, 2005, as amended and restated January 31, 2006, and as amended January 1, 2010. On January 1, 2010, the Fund completed a conversion into the Corporation pursuant to a plan of arrangement (the “**Arrangement**”) under the CBCA, involving, among others, the Fund and CellFor Inc. (“**CellFor**”). As a result of the completion of the Arrangement and related transactions, the Corporation now owns, directly and indirectly, subsidiaries which own and operate the businesses which were held and operated by the Fund and its subsidiaries prior to the closing of the Arrangement. Following completion of the Arrangement on January 1, 2010, each of the Fund and AT Trust were wound up and dissolved.

The following chart illustrates the structure of Acadian (including the jurisdiction of establishment/incorporation of the various entities) as of December 31, 2019:



DEVELOPMENT OF THE BUSINESS

On August 20, 2019, Brookfield Asset Management Inc. (“**BAM**”), a holder of approximately 45% of the issued and outstanding Common Shares of Acadian Timber Corp. sold all of its interest in Acadian to Macer Forest Holdings Inc. (“**Macer**”), an Ontario corporation in the business of acquiring, and holding for the long term, shares of companies owning and operating forest and recreational properties. In connection with BAM’s sale of its investment in Acadian to Macer, the stand-by-equity commitment between BAM and Acadian was terminated in accordance with its terms.

On September 9, 2019, the Corporation entered into an agreement with its external manager, Brookfield Timberlands Management LP (“**Brookfield LP**”), a subsidiary of BAM, to terminate the asset management agreement between Acadian and Brookfield LP and internalize Acadian’s asset management function (the “**Internalization**”). As a result of the Internalization, the annual base management fee, the annual performance fee and any other fees payable by Acadian to Brookfield LP were eliminated. In connection with the Internalization, Acadian entered into a transition services agreement with BAM (the “**Transition Services Agreement**”), pursuant to which BAM agreed to provide certain transition services to Acadian (the “**Transition Services**”) for a period of up to 24 months ending on September 9, 2021 (the “**Transition Period**”). The Transition Services will be provided by BAM at no cost to Acadian, other than a certain reimbursement amount to be paid by Acadian to BAM. In addition, the Transition Services Agreement includes exclusivity provisions that are to Acadian’s benefit and restrict BAM during the Transition Period from owning or managing timberlands in the jurisdictions in which Acadian operates, subject to certain limited exceptions.

Additional history of the Corporation can be found in previous filings at www.sedar.com.

DESCRIPTION OF THE BUSINESS

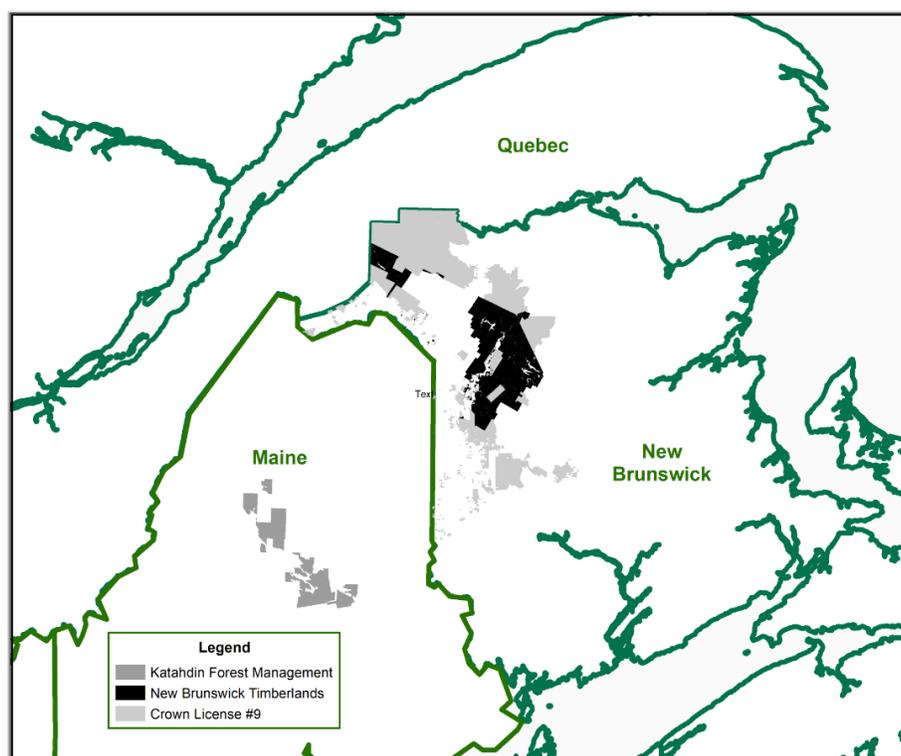
Overview of Acadian’s Business

The Corporation, directly and indirectly through its subsidiaries, owns and manages approximately 1.1 million acres of freehold timberlands in New Brunswick and Maine and provides management services relating to approximately 1.3 million acres of Crown licensed timberlands in New Brunswick. Acadian is a leading supplier of primary forest products, including softwood and hardwood sawlogs, pulpwood and biomass by-products, sold to approximately 85 regional customers throughout Maine, New Brunswick and Quebec.

Acadian’s timberlands have been used for timber production for more than a century and continue to be managed for sustainable timber production. Annual harvesting has been consistent with long-term forest management plans and the operations in both New Brunswick and Maine are certified under the Sustainable Forestry Initiative Standard (SFIS® 2015-2019 Edition).

Acadian engages in forest management, harvesting, marketing and sales in order to realize value from its timberlands, selling its fibre to regional consumers including lumber mills, pulp and paper mills and other buyers of primary forest products. Access to long-term, sustainable, high quality timber resources is important to Acadian’s customers. Acadian strives to: (1) harvest timber in a cost effective manner consistent with sound environmental and sustainable forestry practices; (2) optimize the product mix with effective marketing and merchandising; (3) find new markets for its products; and (4) examine HBU (higher and better use) development and other income opportunities. Additionally, Acadian provides forest management and harvesting services on a contract basis. See “**Crown Lands Services Agreement**”.

The map below outlines the location of the Acadian Timberlands.



Timberland Assets

The operations of the Acadian Timberlands are conducted entirely in New Brunswick and Maine. The land base is operated by management teams located in Edmundston and Plaster Rock, New Brunswick and Millinocket, Maine. Total merchantable inventory amounts to 37.7 million m³ with an annual sustainable harvest volume of 1,042,000 m³.

	NB Timberlands	Maine Timberlands	Combined
Land Area	761,000 acres	300,000 acres ⁽⁴⁾	1,061,000 acres
Productive Forested Area ⁽¹⁾	94%	94%	94%
Merchantable Forest Inventory ⁽²⁾	26.3 million m ³	11.4 million m ³	37.7 million m ³
Long Run Sustainable Yield (LRSY)	761,000 m ³ /year	281,000 m ³ /year	1,042,000 m ³ /year
Species Mix of LRSY	66% softwood 34% hardwood	73% softwood 27% hardwood	68% softwood 32% hardwood
Silviculture Treatment Area ⁽³⁾	234,700 acres	56,000 acres	290,700 acres
Silviculture Treatment Area (as a percentage of productive forested area)	33%	20%	29%

Notes:

- (1) Productive Forested Area means land excluding roads, wetlands, water and other non-forested areas.
- (2) Merchantable Forest Inventory includes trees with a diameter greater than 10 cm (4 inches) at a height of 1.4 m (4.5 feet) from the ground, excluding limbs and tops, and cull trees.
- (3) Number of acres treated between 1978 and 2019. See “Historical Silviculture Investment”.
- (4) Includes timber owned under perpetual timber deeds covering approximately 9,000 acres.

Benefits of Freehold Timberlands

Revenue from Acadian is generated primarily from owning and managing approximately 1.1 million acres of freehold timberlands and from providing land management services relating to approximately 1.3 million acres of Crown licensed timberlands. Freehold timberlands provide superior market access, higher operating flexibility and stronger cash flows than the land management activities due to the following factors:

Harvest Flexibility: Although users of wood from Crown Lands are entitled to a certain amount of volume flexibility on an annual basis, freehold timberlands benefit from considerably greater flexibility with regard to volumes harvested and selection of harvest areas, allowing Acadian to harvest in response to market opportunities and customer demand.

Export Markets: Acadian has the ability to export fibre from its freehold timberlands, enabling it to access markets in the U.S. and Canadian provinces outside of New Brunswick. Fibre from Crown Lands is not generally exported from the province in which it is harvested due to export restrictions and additional administrative requirements required for Crown Lands.

Ownership of Timber: Acadian captures the full economic benefit from freehold timberlands by its entitlement to the market selling price of the product. In addition, freehold timberlands enable their owner to take advantage of pricing increases that impact favourably on financial returns.

Lower Administrative Costs: Freehold timberlands are subject to fewer restrictions than Crown Lands, and, accordingly, are not subject to the same administrative burden imposed by provincial legislation on Crown Lands. Therefore, administrative costs can be better controlled and maintained at lower levels.

Conservation on Crown Lands: In Canada, efforts to establish conservation areas focus on Crown Lands are driven by government while conservation requirements on private lands are voluntary. On October 28, 2019, the Government of the Province of New Brunswick announced it will double its protected land and freshwater from 4.6% to reach its target of 10%, moving back towards the total target of 28% of Crown Lands reserved as conservation forest that existed prior to 2012.

NB Timberlands

The NB Timberlands are freehold lands comprising approximately 761,000 acres in three large contiguous blocks of land primarily in the Madawaska and Victoria counties of New Brunswick, currently owned by AT Limited Partnership. These lands have been used for timber production for more than 100 years. The NB Timberlands are characterized by high soil quality, with well drained glacial till, and are attractive for both farming and timber growth.

The region's relatively warm climate and high precipitation favours the development of tolerant hardwood forests, composed of sugar maple, yellow birch, red maple and beech. Coniferous stands of balsam fir and red, white and black spruce are also found in several regions. Precipitation amounts are fairly high, resulting in an historically low frequency of forest fires. Approximately 94% of the NB Timberlands is classified as productive forestland. The remaining area is comprised of roads, wetlands and water. Access to and throughout the NB Timberlands is supported by over 5,800 kms of roads.

The NB Timberlands have approximately 26.3 million m³ of merchantable timber, of which approximately 65% is softwood. The long run sustainable yield ("LRSY") represents the level of annual harvest that management estimates can be sustained over an indefinite period beyond the current 10-year forest management plan, assuming an established silviculture program and normal regrowth. See "Forest Management – Long Run Sustainable Yield – LRSY". The NB Timberlands have a LRSY of approximately 761,000 m³ comprised of 66% softwood and 34% hardwood. The following table provides a summary of management's estimates of total merchantable forest inventory and LRSY for the NB Timberlands.

Estimates of Merchantable Forest Inventory and LRSY of NB Timberlands

Products (thousands m³)⁽¹⁾⁽²⁾	Softwood	Hardwood	Total
Sawlogs	8,800	1,000	9,800
Pulpwood	8,400	8,100	16,500
Total	17,200	9,100	26,300
LRSY ⁽³⁾ m ³	500,000	261,000	761,000

Notes:

- (1) Management’s current estimates of inventory are based on an independent timber inventory conducted by JW Sewall Co. in the winter of 2016.
- (2) Merchantable Forest Inventory includes all trees with a diameter greater than 10 cm (4 inches) measured at a height of 1.4 m (4.5 feet) from the ground, excluding limbs and tops, and cull trees.
- (3) Long run sustainable yield reflects management’s estimates of the volume of timber that can be harvested for an indefinite period of time beyond Acadian’s current 2016-2025 forest management plan for the NB Timberlands.

Approximately 52% of the NB Timberlands productive forest is in a regenerating, immature condition that are contributing significantly to current and future harvest activity. The timberlands have had the area equivalent of more than 144,800 acres planted and more than 40,400 acres of stands that have been pre-commercially thinned (a silviculture activity) between 1978 and 2019. These young stands are being managed to provide for future harvest opportunities and some are currently being harvested.

Maine Timberlands

The Maine Timberlands have been used for timber production for over 110 years and consist of approximately 300,000 acres located in north-central Maine, in northern Penobscot and Piscataquis counties. Approximately 94% of the total acreage owned is considered productive. Access to and throughout the Maine Timberlands is supported by over 1,400 kms of both main roads and access roads developed for forest management purposes.

The Maine Timberlands have a merchantable inventory of approximately 11.4 million m³, of which approximately 72% is softwood, spruce and fir make up approximately 36% of the total inventory. White Pine, hemlock, red maple and cedar are other significant components of the inventory. The LRSY of approximately 281,000 m³ is comprised of 73% softwood and 27% hardwood.

The following table provides a summary of management’s estimates of total merchantable forest inventory and LRSY for the Maine Timberlands.

Estimates of Merchantable Forest Inventory and LRSY of Maine Timberlands

Products (thousands m³)⁽¹⁾⁽²⁾	Softwood	Hardwood	Total
Sawlog	4,600	400	5,000
Pulpwood	3,600	2,800	6,400
Total	8,200	3,600	11,400
LRSY ⁽³⁾ m ³	204,000	77,000	281,000

Notes:

- (1) Management’s current inventory estimate is based on internal measurements through 2016, updated using MBG Tools software.
- (2) Merchantable Forest Inventory includes trees with a diameter greater than 10 cm (4 inches) at a height of 1.4 m or 4.5 feet from the ground, excluding limbs and tops, and cull trees.
- (3) Long run sustainable yield reflects management’s estimates of the volume of timber that can be harvested for an indefinite period of time based on Acadian’s 2013-2022 forest management plan for the Maine Timberlands.

Forest stands in the regenerating and young classes amount to approximately 29% of the productive forest area on the Maine Timberlands. Intermediate through over-mature development classes (older than approximately 30 years) contain most of the merchantable inventory and comprise 71% of productive forest area. Timberlands in the mature and over-mature classes are where harvesting operations are currently concentrated. There are approximately 56,000 acres which have been planted or silviculturally treated to improve the growth of valuable species which are in young and intermediates stages of development and are starting to contribute to the annual harvest.

Acadian's Business Strengths

Management believes that the following business strengths will enable Acadian to maintain the stability of its financial performance and build upon its position as a leading supplier of primary forest products in its markets:

Attractive Asset Class

In contrast to depletable natural resources, management believes that timber resources can be managed on a sustainable basis to yield a predictable and stable volume of timber over an infinite period of time. Due to the natural biological growth of timber stands, value can be accumulated and stored in the form of unharvested timber over time. Timberlands provide fibre for diverse solid and manufactured wood applications, the demand for which is naturally linked to population and economic growth. These characteristics of timberlands provide for stable, long-term cash flows and value appreciation over time.

Diversified End-Use Markets

A critical success factor for a timber business is having robust markets for all species and products present on its land base. Acadian works with its customers to develop markets for all of its products in order to utilize its resource to the maximum economic benefit and Acadian continues to seek new markets for its products.

Large Scale of Operations

Acadian owns approximately 1.1 million acres of freehold timberlands and manages, through the Crown Lands Services Agreement, approximately 1.3 million acres of land pursuant to the Carleton-Restigouche-Tobique Crown Timber License, the combination of licenses #9 and #10, issued by the Government of the Province of New Brunswick (the "**Crown Timber License**"). Large scale operations provide Acadian with the benefit of offering a reliable supply of roundwood to several large regional industrial consumers. Acadian has developed a reputation as a reliable, high quality supplier of large volumes of sawlogs and pulpwood and as a high quality supplier of smaller volumes of niche products. Acadian's large timberland scale allows it to spread its costs over a large harvest volume and management area. Large scale operations also provide Acadian with a larger customer base and a broad range of regional market intelligence, which management believes increases the opportunity to get premium value for harvested roundwood.

Variable Cost Structure and Minimal Ongoing Capital Requirements

Acadian's costs are predominantly variable as the majority of expenses associated with harvesting operations are a function of harvest levels. This variable cost structure provides flexibility and direct operating advantages. Because variable harvesting costs are directly tied to the type of timber harvested and the logging methods used, Acadian implements a margin-focused operating philosophy guided by selling prices and harvest and transportation costs.

Expenditures on silviculture maintain and enhance the productivity of the timberlands. Management believes that significant flexibility exists in the timing, amount and nature of silviculture expenditures and silviculture efforts can be materially increased or reduced for a number of years without materially impacting the LRSY.

Acadian has low expected capital expenditures as main road and bridge construction is minimal and predictable given the extensive existing main road network and current condition of bridges. Harvesting equipment investments are minimal as harvesting equipment is owned by contractors.

Historical Silviculture Investment

Acadian is expected to continue to benefit in the future from historical silviculture investments. Historical silviculture programs on the Acadian Timberlands were targeted towards softwood availability and included planting, pre-commercial thinning and softwood release treatments. The goal of silviculture investments is to encourage the rapid growth of high value species and increase both the yield and value of timber growing on Acadian's more productive land areas. Approximately 290,700 acres of land have been treated between 1978 and 2019, which represents 29% of the total productive forested area.

Experienced Management Team

Acadian has an accomplished management team with substantial experience in the timber industry and strong capability to carry out timber planning, harvesting, marketing, sales and distribution activities. Those leading operations each have over 20 years experience of operating timberlands in the northeast region.

Acadian's Business Strategy

Acadian's business strategies are designed to maximize Shareholder value, with an emphasis on enhancing the value of its timberland asset base, and are outlined below:

Maintain a low and flexible cost structure

Acadian's harvesting, transportation and timberland management is largely performed by owner-operators and contractors. This results in a flexible cost structure enabling Acadian to vary its harvesting levels to adapt to market conditions.

Maintain distribution channels for all products

Acadian focuses on adding value to its timberland inventory by maintaining and enhancing its customer relationships and sales channels. Acadian has approximately 85 customer relationships, and leverages these relationships in order to maximize value from all fibre derived from its timberlands.

Sustainable harvesting practices

Management believes that, through a combination of independent third party verification and sophisticated wood supply analysis, Acadian harvests at levels consistent with its sustainable forest management plans across its timberland asset base. The NB Timberlands and Maine Timberlands are certified under the Sustainable Forestry Initiative Standard (SFIS® 2015-2019 Edition), which includes measures of assurance for sustainable harvesting compliance. Management intends to continue to maintain these practices.

Targeted silviculture activities

Acadian employs various silviculture treatments, which management believes increase the long-term value of its timberlands. These include planting, and softwood release and timber stand improvement treatments.

Strategic acquisitions

Acadian continues to consider opportunistic timberland acquisitions. Acadian may participate, along with institutional investors, in partnerships, consortia and other investment opportunities targeting acquisitions that suit Acadian's profile. There can be no guarantee that an acquisition will be undertaken, or, if an acquisition is undertaken, its terms or timing.

Realize the value of selected properties through sale or exchange

Within the forest management sector, opportunities arise to sell or exchange tracts of land on a beneficial basis according to the species mix, location and other attributes of those lands and the intended uses for such properties. Due to its significant freehold land ownership, management believes that Acadian will realize increased value and improved profitability through such sales or exchanges.

Acadian's Operations

Customers & Marketing

Acadian has a large client base servicing approximately 85 customers. Acadian manages its customer base to meet the goal of having economic markets for all grades and species of fibre harvested from its timberlands. Acadian's customers are generally located within 250 kilometers from sites where the timber is harvested, but the radius may vary over time, driven by fibre demand, pricing and freight costs.

Customer relationships are the responsibility of senior management, who maintain close contact to market activity. Acadian's broad customer base and experienced management team provide strong support for full utilization of harvested timber into the foreseeable future. Acadian's customer base is comprised largely of mills that have relied upon wood supply from the Acadian Timberlands for many years. Long-term relationships and reliability of delivery commitments help to qualify Acadian as a preferred supplier. Preferred suppliers are generally less impacted by abrupt price reductions and delivery curtailments, thereby leading to greater and more stable free cash flow over time.

In the year ended December 31, 2019, the largest customer represented 18% of sales and the top five customers combined represented 51% of total sales. In the year ended December 31, 2018, the largest customer represented 18% of sales and the top five customers combined represented 44% of total sales.

Twin Rivers Relationship

The majority of the NB Timberlands' sales of spruce and fir sawlogs and pulpwood are directed towards the lumber mill and pulp and paper mill owned by Twin Rivers, making Twin Rivers Acadian's largest customer. Twin Rivers acquired certain property and assets from Fraser Papers in April 2010, including fibre supply agreements with Acadian.

Approximately 18% of Acadian's total sales for the years ended December 31, 2019 and December 31, 2018, were derived from sales to facilities owned by Twin Rivers.

Pricing

Pricing is determined through direct negotiation with each customer and is, consequently, dependent on species, size, quality, location and other factors. Terms are often flexible and usually remain in place for between six months to one year. There is no reliable formal or independent pricing index for roundwood sold from freehold timberlands in New Brunswick and Maine.

Crown Lands Services & Activities

AT Limited Partnership acts as a manager, on behalf of Twin Rivers, of the approximately 1.3 million acres of NB Crown Lands that make up the Crown Timber License under the Crown Lands Services Agreement (See "Principal Agreements – Crown Lands Services Agreement"). As manager, AT Limited Partnership provides harvesting services for approximately 15% of the Crown AAC for Twin Rivers in consideration for cost recovery and service fees and provides harvesting services to sub-licensees for an additional 13% of the annual harvest on the Crown License. Approximately 85% of the Crown harvest is assigned by the government to third parties who are entitled to cut and harvest timber for their own use on payment of fair market value for the wood.

Under the terms of this agreement, AT Limited Partnership also receives a fee for every cubic metre of wood harvested on the Crown Timber License based upon a Department of Natural Resources and Energy Development schedule.

Certain forest management planning activities are the responsibility of the Crown licensees including development of forest operating plans based upon calculated allowable harvest levels. The current plan in effect was developed by AT Limited Partnership on behalf of Twin Rivers. AT Limited Partnership developed its operational strategies for review and approval by Twin Rivers. Once agreed, the forest management plan was submitted to the Government of the Province of New Brunswick for final approval. In addition, AT Limited Partnership performs silviculture activities for the Crown on behalf of Twin Rivers and is responsible for the construction and maintenance of all designated main roads on the NB Crown Lands; however, sub-licensees on these lands build and maintain their own logging access roads.

Harvesting Operations

Acadian employs a mix of unionized employees and contractors to harvest timber and deliver it to Acadian's customers. NB Timberlands' operations are partially unionized. In New Brunswick, unionized employees operate contractor-owned equipment to cut approximately 21% of NB Timberlands' softwood and hardwood. Approximately 40 contractors are employed throughout the year in New Brunswick to harvest the remaining softwood and hardwood, as well as to execute all trucking, road construction and silviculture activities. In Maine, Acadian's harvesting, trucking, road building and silviculture activities are performed exclusively by contractors. Acadian employs eight contractors in Maine.

Management believes that all of its harvesting crews are well-trained and focused on working safely. There is a long history of cooperation with harvesting crews in implementing efficiency and other operating measures. Management expects to be able to maintain the appropriate resources to harvest its timberlands for the foreseeable future.

Employees

Acadian had 78 active employees, of which 40 were unionized, as at December 31, 2019. Acadian's NB Timberlands renegotiated labour agreements with Unifor Local 114 in 2019 and Unifor Local 15N in 2018 that provide for labour certainty through 2023 and 2022, respectively.

Seasonality

Acadian's business is seasonal. Harvesting activity is highest during the winter months with a significant decrease in activity during the spring. This seasonality is driven by road and ground conditions. During the winter months, the frozen ground provides a solid base for the harvesting and hauling equipment. During the spring, muddy and soft ground conditions lead to reduced activity and low harvest levels. As the ground dries in the early summer, harvesting activity resumes and is consistent during the summer and fall. Working capital requirements are highest during the first quarter and lowest at the end of the second quarter. While customers accept wood deliveries year round, most customers match their buying patterns to the harvesting patterns and purchase significant wood inventories while the ground is frozen during the winter months.

Capital Expenditures

The majority of Acadian's annual capital expenditures are for road and bridge construction. While costs associated with access road construction and all road maintenance are expensed annually, costs relating to major bridge construction or repair and main road construction are capitalized. Management expects these investments in bridges and main roads to remain stable in the future, given the extensive road network that currently provides access to the timberlands.

Foreign Exchange

All sales and expenses of the Maine Timberlands for the year ended December 31, 2019 were denominated in U.S. dollars. Approximately 88% of the total sales for the year ended December 31, 2019 and substantially all of the expenses of the NB Timberlands are denominated in Canadian dollars. Management believes that a declining Canadian dollar results in a favorable translation of the Maine Timberlands and cash flows into Canadian dollars, offsetting the impact of lower demand for roundwood in Maine as Canadian demand shifts back to Canada benefiting the NB Timberlands. Likewise, management believes that a rising Canadian dollar results in higher U.S. dollar-denominated

net sales and earnings from the Maine Timberlands as demand increases for roundwood in Maine, providing a hedge against the impact of the rising value of the Canadian dollar. Acadian's U.S. dollar-denominated debt also provides a natural hedge for the U.S. dollar-denominated cash flows generated. Management has determined, therefore, not to hedge foreign exchange risk. Acadian may, from time to time, re-evaluate the impact of changes in foreign exchange rates and use derivative financial instruments to manage its foreign currency exposure.

Competition

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 Canada, Acadian's prime competitors are other large forestland owners, government and small private forestland owners, while Acadian's prime competitors in the U.S. are freehold forestland owners. There are many suppliers of softwood and hardwood logs located in Eastern Canada and the Northeastern U.S., who compete in Acadian's markets, including: J.D. Irving Ltd., Prentiss & Carlisle, Seven Islands Land Company, LandVest, Tall Timbers Trust, Weyerhaeuser Company, Wagner Forest Management and J.M. Huber Corporation. Management believes that Acadian may also be subject to import competition from worldwide suppliers of forest products.

Health and Safety

Acadian requires of its external service contractors the same safety standards applicable to its internally-controlled operations. As such, contracts require accountability for safety by each contractor. Operations are audited, incidents are reported and Serious Accident Frequency is reported monthly to Acadian.

Forest Management

Forest Management Strategy

Acadian's forest management strategy is designed to support Acadian Timberlands' capacity to produce long-term stable cash flows from sustainable harvest volumes and to ensure that the asset base is appreciating over time by growing high value species and products.

Acadian prepares 80-year forecasts of its future timber yields, based on forest inventories and growth estimates, which are updated approximately every five to ten years. Annual operating reviews and audits ensure that activities are consistent with long-term plans.

Forest Inventory Assessment

Management estimates its merchantable forest inventory (currently at 37.7 million m³) based upon independently and internally measured ground sample plots and forest cover type information. The forest inventory volume for both New Brunswick and Maine was updated through an inventory conducted by James W. Sewall Company in 2016. Forest inventories are typically updated every 10 to 12 years. In Maine, forest inventory is recalculated annually using MBG Tools, while in New Brunswick actual harvest levels and regional growth rates have been used to estimate annual inventory volumes.

Management keeps a detailed classification of all forest stands on a geographic information system ("GIS"). The GIS data is updated annually to account for all forestry activity and significant natural events.

Long Run Sustainable Yield – LRSY

Acadian's LRSY is calculated when forest management plans are periodically revised. The most recent versions of the plans were prepared in 2015 for New Brunswick and 2014 for Maine. Forest management plans address new information available from forest inventories, growth and yield revisions and reflect regular updating of harvesting and silviculture activities implemented since the previous plan.

The overall management objective for the NB Timberlands and the Maine Timberlands is to ensure that the lands are managed consistent with the principles of sustainable forestry based on the Sustainable Forestry Initiative Standard (SFIS® 2015-2019 Edition). LRSY reflects the maximum annual volume of timber that management estimates, based on current conditions, can be harvested for an infinite period of time. The determination of this sustainable harvest level is estimated by combining information from the forest inventory, stand growth projections and silviculture investments to forecast harvesting scenarios for 80-100 years. The combined LRSY from the NB Timberlands and the Maine Timberlands is estimated at approximately 1,042,000 m³/year and is comprised of 68% softwood and 32% hardwood.

The NB Timberlands' strategy is to balance the overall forest structure through strategic harvesting. In 2015, a revision of the management plan for New Brunswick demonstrated that current harvest levels can be increased significantly beyond the current 10-year planning period. The updated LRSY for combined softwood and hardwood will rise to 761,000 m³/year after 2025 as softwood harvest increases as a result of historic silviculture treatments. The updated forest management plan included adjustments to incorporate information from forest inventory projects undertaken since the prior plan.

Harvesting of hardwood species on the NB Timberlands was minimal prior to the mid 1990's resulting in the conversion of mixed softwood/hardwood stands to hardwood dominated stands. Management's estimate of the LRSY for the NB Timberlands takes into account the harvesting strategy implemented in the 1990s, by reducing the volumes of low-grade hardwood in the forest and encouraging the growth of higher value hardwood sawlogs and softwood species. As a result of this strategy, in recent years, harvesting levels of hardwood pulpwood on the NB Timberlands has been significantly higher than its LRSY and management expects that the current harvest levels for hardwood will continue to exceed the LRSY until approximately 2025. Management believes that the implementation of harvesting strategies that focus on the improvement of hardwood stands over the last two decades, which continue today, will increase the value of hardwood stands on the NB Timberlands and offset the financial impact of lower hardwood harvest volumes in the future. The LRSY for the NB Timberlands is indicated in the table below.

Harvest Levels and LRSY for NB Timberlands ⁽¹⁾⁽²⁾

Species Group	Actual Harvest (m³/year)					Projected Harvest Levels (m³/year)		LRSY (m³/year)
	2015	2016	2017	2018	2019	2020	2021-2025	
Softwood	390,300	361,300	379,300	416,000	395,700	390,000	395,000	500,000
Hardwood	403,600	373,000	345,600	369,300	373,600	360,000	285,000	261,000
Totals	793,000	734,300	724,900	785,300	769,300	750,000	680,000	761,000

Notes:

- (1) Projected harvest levels recognize current planned silviculture.
- (2) All harvest figures exclude biomass.

The Maine Timberlands strategy is to harvest hardwood at levels that are slightly higher than the estimated LRSY through 2025, consistent with the long term forest management plan currently in effect. This allows for improving hardwood stands without affecting the sustainable harvest. Planned harvest levels will continue to bring greater balance to the age-class structure over time and are consistent with long-term growth rates in the region. These plans are based on an updated Forest Management Plan prepared by management in 2014. The LRSY will continue to be updated as new data on growth and mortality becomes available through updated inventory information and through research on growth responses to management inputs. The LRSY for the Maine Timberlands is indicated in the table below.

Harvest Levels and LRSY for Maine Timberlands⁽¹⁾

Species Group	Actual Harvest (m ³ /year)					Projected Harvest Levels (m ³ /year)	LRSY ⁽²⁾ (m ³ /year)
	2015	2016	2017	2018	2019	2020 to 2022	
Softwood	188,000	166,100	161,500	225,000	249,000	242,000	204,000
Hardwood	97,800	94,000	144,500	117,000	112,000	90,000	77,000
Total	285,800	260,100	306,000	342,400	361,000	332,000	281,000

Notes:

(1) All harvest figures exclude biomass.

(2) LRSY is based on the 2013-2022 Forest Management Plan.

Silviculture Investment

Silviculture investments offer many benefits to Acadian such as improving the yields of future harvests, shortening rotations, improving productivity, increasing value, balancing age class distribution and allowing for greater flexibility in future forest management options. Acadian's forest management activities, which can vary from year to year, require approximately one to two million seedlings per year ordered from regional producers to fulfill its regeneration plans.

Silviculture expenditures have included planting spruce species, thinning of young overstocked softwood stands, softwood release and ongoing plantation maintenance.

Area of Silviculture Treatments between 1978 and 2019

Silviculture Activity	NB Timberlands	Maine Timberlands
	<i>(In acres, except percentages)</i>	
Planting	144,800	15,500
Pre-commercial thinning	40,400	4,300
Softwood release and timber stand improvement	49,500	36,200
Total silviculture treatment area	234,700	56,000
Total silviculture treatment area as a percentage of productive forested area	33%	20%

Forest Certification

Acadian's forest planning and operations for the NB Timberlands and management of the Crown Timber License have been third-party certified to the Sustainable Forestry Initiative[®] since 2000 and the Maine Timberlands have been third-party certified since 2011. In 2019, NB Timberlands successfully completed a surveillance audit to the SFI[®] 2015-2019 standard by SAI Global and Maine Timberlands successfully underwent a re-certification audit to the SFI[®] 2015-2019 Standard by NSF Strategic International Registrations. Third party sustainable forestry audits are conducted annually as either surveillance audits or full re-certification audits (required every five years). Third party certifications provide the general public, Acadian's customers, and environmental groups with knowledge that the assets are well managed in accordance with industry best practices. The SFI[®] program is a comprehensive system of principles, objectives and performance measures developed by foresters, conservationists and scientists, designed to assure the sustainability of forests for current and future generations. This standard includes requirements for the protection of wildlife, plants, soil and water quality.

Additionally, the approximately 190,000 acre conservation easement on the Maine Timberlands contains sustainable forestry requirements that are very compatible with the SFI® Standard. An independent third party monitors that portion of the timberlands for compliance with those criteria every year. The Maine Timberlands have been found to be in compliance each year to date.

Forest Protection

The Acadian Timberlands are protected from insects, disease and fire through co-operative efforts amongst other large landowners and provincial and state agencies. In New Brunswick, the government is the lead agency for forest protection efforts. The cooperative efforts have led to the formation of Forest Protection Limited, which provides surveillance and direct action in the event of a fire or infestation, and is funded by the Government of the Province of New Brunswick, Crown licensees and large industrial freehold timberlands owners. The NB Timberlands are a member of Forest Protection Limited. In Maine, the Maine Forest Service acts in a similar manner, providing expertise and resources in the field of forest resource protection, suppression and investigation of fires that threaten Maine's forests. Fire surveillance and suppression activities in Maine are funded by large landowners through a special tax. Acadian Timber is also a member of the Healthy Forest Partnership, which is a cooperative formed among government, industry and research institutions focused on developing and testing an Early Intervention Strategy (EIS) to manage spruce budworm populations.

Regulatory Environment

New Brunswick Freehold and Crown Lands

Regulations in New Brunswick are governed primarily by the *Crown Lands and Forests Act* and the *Clean Environment Act*. Additional regulations are prescribed by the Government of the Province of New Brunswick to ensure compliance with a variety of health and safety standards. New Brunswick has benefited from a relatively stable regulatory regime over time.

Management believes that Acadian has been in compliance, in all material respects, with all laws and regulations governing its operations in New Brunswick. Where the *Crown Lands and Forest Act* relates to the specifics of Crown Lands' obligations, freehold timberlands fall under the auspices of the *Clean Environment Act*.

Maine Freehold

Regulations in Maine are administered primarily by the Maine Land Use Planning Commission, Maine Forest Service and the Maine Department of Environmental Protection. The operations of the Maine Timberlands are subject to federal, state and local environmental laws and regulations relating to the protection of the environment, including regulations relating to forest practices, air, water, solid waste, hazardous substances and threatened or endangered species. Management believes that Acadian has been in compliance, in all material respects, with all laws and regulations governing its operations in Maine. In 2015, the Maine properties began operating under an outcome-based forestry agreement with the State designed to relieve some of the regulatory burden and allow the property to be managed more efficiently and effectively.

Environmental Matters

All of Acadian's NB and Maine timberlands are third-party certified under the Sustainable Forestry Initiative®. Annual audits are required each year to ensure that the requirements of forest certification standards are maintained. Acadian uses environmental and operational inspection systems to ensure compliance with regulations, policies and best operating practices. Acadian's environmental management system is designed around a continual improvement model that focuses on prevention of problems. In 2002, a conservation easement on the Maine Timberlands was put in place covering approximately 190,000 acres. The State of Maine, which now holds the easement, monitors Acadian's activities in the easement area for compliance with easement objectives. While this conservation easement restricts the future development potential of the land for industrial or residential purposes, it does not materially impact the use of the timberlands for economically viable commercial timber harvesting.

Public Relations/Aboriginal Relations

Acadian is committed to consulting interested parties in a structured manner through regional forest advisory committees in New Brunswick. Local associations, businesses and aboriginal communities are invited to meetings held in the areas that Acadian operates. The committees help improve government relations and act as a pulse of the community regarding environmental issues related to forest lands. The forest advisory committees are used as a resource for reviewing forest management plans and identifying environmental concerns. In New Brunswick, Acadian has worked cooperatively with local First Nations communities since 1997. Land claims issues with aboriginal peoples in Maine are regarded as having been largely settled in the early 1980's. The State of Maine, the U.S. federal government and the Maine Indian tribes negotiated the *Maine Indian Claims Settlement Act of 1980* (the "**Settlement Act**"), which is the legal framework that now governs the relationship between the Maine tribes, the state, and the federal government. The Settlement Act was ratified by the tribes and codified into state and federal law. Tribal claims to land and damages were resolved with all prior transfers of land to and from the tribes ratified and aboriginal land claims extinguished.

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 NB 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 Lands Services Agreement with Twin Rivers. The Crown Lands Services Agreement 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 Crown Lands Services Agreement 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 Crown Lands Services Agreement. Such events could eliminate the revenue earned by Acadian in providing services relating to the Crown Lands Services Agreement, 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 U.S. (the “SLA”). However, Acadian customers were not adversely impacted by the 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 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 the North American Free Trade Agreement and with the World Trade Organization to review the new U.S. duties on softwood lumber imports. Trade negotiations between Canada and the U.S. 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 Acadian’s 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, the 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. Acadian has little control over the revenues from LMS fees as the Government of the Province of New Brunswick 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 Government of the Province of New Brunswick.

The Government of the Province of New Brunswick 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 the timber harvested from the NB Timberlands less competitive.

The 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 the timber harvested from the NB 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 the sale of timber 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 occasionally 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 Corporation 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.

Disease Outbreak

An outbreak or escalation of a contagious disease may adversely affect our business. A local, regional, national or international outbreak or escalation of a contagious disease, including the COVID-19 coronavirus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu or any other similar illness, or fear of the foregoing, could interrupt the businesses of our customers, cause labour shortages, interrupt services from third parties upon which we rely, increase operating costs, result in governmental regulation adversely impacting our business and otherwise have an adverse effect on our business, financial condition and results of operations.

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 NB 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 NB Timberlands are in U.S. dollars. 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 LRSY of NB Timberlands and Maine Timberlands is correct, or that 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 on 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 a given quarter will not be indicative of results that may be achieved in other quarters or for the full year.

Non-Timber Income

NB 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 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. Acadian and its service providers employ what management believes are reasonably adequate security measures, but notwithstanding these efforts, its 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 Acadian's systems or information resources were compromised, or if its data were destroyed, misappropriated or inappropriately disclosed, Acadian could suffer significant loss or incur significant liability, including: damage to 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 itself 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. Acadian's financial condition or results of operations could be significantly adversely affected if management 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 Corporation

Payment of Dividends

As a corporation, the Corporation's dividend policy will be at the discretion of the Corporation's board of directors. Future dividends, if any, will depend on the operations and assets of the Corporation and its subsidiaries, and will be subject to various factors, including, without limitation, the Corporation'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 Corporation and the level thereof will be uncertain.

Dividends Depend on Performance of Subsidiaries

Although the Corporation 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 Corporation's subsidiaries or ultimately distributed to the Corporation from its operating subsidiaries. The ability of the Corporation to make dividend payments, and the actual amount paid, is currently entirely dependent on the operations and assets of its wholly owned subsidiary, 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 NB 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 Corporation'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 Corporation 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 Corporation 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 Corporation'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 Corporation 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 Corporation is leveraged could have important consequences to the Shareholders including: the Corporation's ability to obtain additional financing for working capital, capital expenditures or acquisitions; a significant portion of the Corporation'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 Corporation to the risk of increased interest rates; and the Corporation 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 Corporation's management with respect to certain business matters. These covenants place significant restrictions on, among other things, the ability of the Corporation 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 Corporation to meet certain financial ratio tests. A failure by the Corporation 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 Corporation 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 Corporation 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 Corporation, or available on acceptable terms, in an amount sufficient to fund the Corporation's needs. This could, in turn, have a material adverse effect on the business, financial condition and results of operations of the Corporation and could therefore affect the ability of the Corporation to pay dividends on its Common Shares.

CAPITAL STRUCTURE

Common Shares

The Corporation is authorized to issue an unlimited number of Common Shares of which 16,686,916 are issued and outstanding as at March 27, 2020.

Each Common Share entitles the holder thereof to receive notice of, to attend, and to one vote at, all meetings of the Shareholders. The holders of Common Shares are entitled to receive dividends if, as and when declared by the Directors of the Corporation. The holders of Common Shares will also be entitled to share equally, share-for-share, in any distribution of the assets of the Corporation upon the liquidation, dissolution or winding-up of the Corporation or other distribution of its assets among its Shareholders for the purpose of winding-up its affairs. Additional information relevant to the Common Shares, the rights of holders thereof and the operation and conduct of the Corporation can be found in the Corporation's by-law, which has been filed under the Corporation's profile on SEDAR at www.sedar.com.

Book-Entry Only System

Registration of interests in and transfers of the Common Shares are made through a book-based system (the “**Book-Entry System**”) administered by CDS Clearing and Depository Services Inc. (“**CDS**”). Common Shares may be purchased or transferred through a participant in the CDS depository service (a “**CDS Participant**”). All rights of Shareholders must be exercised through, and all payments or other property to which such Shareholder is entitled will be made or delivered by, CDS or the CDS Participant through which the Shareholder holds such Common Shares. Upon a purchase of any Common Shares, the Shareholder will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Common Shares are purchased. References in this AIF to a Shareholder means, unless the context otherwise requires, the owner of the beneficial interest in such Common Shares.

The Corporation has the option to terminate registration of the Common Shares through the Book-Entry System, in which case certificates for the Common Shares in fully-registered form would be issued to beneficial owners of such Common Shares or their nominees.

DIRECTORS AND OFFICERS OF THE CORPORATION

Board of Directors

The name, province or state, and country of residence of each of the current Directors, their respective principal occupations, business or employment within the five preceding years, their beneficial ownership of, or control or direction over, Common Shares (in each instance based upon information furnished by such person) and the years in which they became Trustees of the Fund and/or Directors of the Corporation is set out below. The term of office for each of the current Directors will expire at the time of the next annual meeting of the Shareholders. A Director may be removed by a resolution passed by a majority of the Shareholders or may resign. Subject to the CBCA, a quorum of the Directors may fill a vacancy (except a vacancy resulting from an increase in the number of minimum or maximum number of directors or from a failure of the Shareholders to elect the number or minimum number of directors provided for in the Articles).

MALCOLM COCKWELL

- Director since May 8, 2018
- Chair of the Board since August 20, 2019
- Member of the Audit Committee and the CNCG Committee

Profile:

Mr. Cockwell is the Managing Director of Haliburton Forest & Wildlife Reserve, a private land stewardship company that operates two mid-sized hardwood sawmills as well as a diverse ecotourism business and owns approximately 100,000 acres of hardwood timberland in central Ontario. Having previously served as General Manager of Haliburton Forest since January 2014, he was appointed Managing Director in 2016. In addition to his work with Haliburton Forest, Malcolm is a PhD Candidate at the Faculty of Forestry at the University of Toronto with research interests focused on hardwood silviculture and processing. He is also principal of Macer. He holds a B.Sc. in Forestry from the University of Toronto and is a Registered Professional Forester in Ontario. Malcolm also serves on the board of directors of Forests Ontario and represents Haliburton Forest at the Ontario Forest Industries Association. Mr. Cockwell is “financially literate” for the purposes of National Instrument 52-110 – *Audit Committees* and the Board has determined that he is “independent” for the purposes of National Instrument 58-101 – *Disclosure of Corporate Governance Practices*. Mr. Cockwell is a resident of Haliburton, Ontario, Canada.

Mr. Cockwell owns 100,000 Common Shares of the Corporation.

Macer owns 7,513,262 Common Shares of the Corporation.

PHIL BROWN

- Director since April 29, 2015
- Lead Director since May 4, 2017
- Member of the Audit Committee and the CNCG Committee

Profile:

Mr. Brown is a lawyer and the Executive Managing Director at Momentum Search Group, a legal recruiting firm. He was previously the managing partner at Torys LLP's New York office, an international law firm, where he was responsible for executing the firm's strategy for New York. Prior to that he co-headed Torys mergers and acquisitions practice in Canada. He was a Director of Essar Steel Algoma from June 5, 2013 to October 29, 2013. Mr. Brown is "financially literate" for the purposes of National Instrument 52-110 – *Audit Committees* and the Board has determined that he is "independent" for the purposes of National Instrument 58-101 – *Disclosure of Corporate Governance Practices*. Mr. Brown is a resident of New York, New York, United States.

Mr. Brown owns 2,000 Common Shares of the Corporation.

REID CARTER

- Director since January 1, 2010

Profile:

Mr. Carter is a registered professional forester in British Columbia and has over 40 years of experience in the forest industry, including senior roles in TimberWest Forest Corp. and Fletcher Challenge Canada. As a former Managing Partner at BAM, Mr. Carter led BAM's timberlands portfolio growing the business from a modest operation of 310,000 acres under management to one of the largest timberland estates globally, with approximately 3.7 million acres under management in the United States, Canada and Brazil. Mr. Carter has a detailed understanding of the management, assets and relative global competitive positioning of North American paper and forest products companies. He is a director of Enercare, SelectSeed Ltd., SemiosBio Technologies and West Fraser Timber Co. Ltd. He is a resident of West Vancouver, British Columbia, Canada.

Mr. Carter was a Trustee of the Fund from January 31, 2006 to January 1, 2010 and has been a Director since January 1, 2010.

Mr. Carter was the Corporation's President and Chief Executive Officer from inception until he resigned on May 1, 2015.

Mr. Carter owns 28,300 Common Shares of the Corporation.

HEATHER FITZPATRICK

- Director since August 20, 2019
- Member of the Audit Committee and the CNCG Committee

Profile:

Ms. Fitzpatrick is the President and Chief Executive Officer of Halmont Properties Corporation (TSX Venture: HMT-X). Ms. Fitzpatrick holds a bachelor's degree in commerce from Memorial University of Newfoundland and has served in a variety of senior accounting roles with the Bank of Montreal and other firms over the last 10 years. Halmont invests directly and indirectly in commercial real estate, forest properties, and in securities of companies holding property, energy, and infrastructure assets. Ms. Fitzpatrick is a Chartered Professional Accountant. Ms. Fitzpatrick is "financially literate" for the purposes of National Instrument 52-110 – *Audit Committees* and the Board has determined that she is "independent" for the purposes of National Instrument 58-101 – *Disclosure of Corporate Governance Practices*. Ms. Fitzpatrick is a resident of Toronto, Ontario, Canada.

Ms. Fitzpatrick does not own any Common Shares of the Corporation.

KAREN OLDFIELD

- Director since May 9, 2019
- Member of the Audit Committee and the CNCG Committee

Profile:

Karen Oldfield QC, served for more than 17 years as President and Chief Executive Officer of the Halifax Port Authority. During her tenure, Port Authority revenues more than tripled, enabling the organization to invest more than \$208 million in port infrastructure since 2010. Ms. Oldfield has global experience in trade development, particularly in the establishment of new markets combined as well as deep expertise in supply chain management and logistics.

Additionally, Ms. Oldfield is immediate Past Chair of the Board of Governors of Saint Mary's University and is a Director of the Conference Board of Canada. Ms. Oldfield is "financially literate" for the purposes of National Instrument 52-110 – Audit Committees and the Board has determined that she is "independent" for the purposes of National Instrument 58-101 – Disclosure of Corporate Governance Practices. Ms. Oldfield is a resident of Halifax, Nova Scotia, Canada.

Ms. Oldfield does not own any Common Shares of the Corporation.

BRUCE ROBERTSON

- Director since February 14, 2018
- Chair of the Audit Committee and Member of the CNCG Committee

Profile:

Mr. Robertson is the Vice President, Investments of The Woodbridge Company Limited and has held this position since September 2013. Prior to joining Woodbridge, Mr. Robertson held various executive positions at private equity firms focused largely on markets in Canada and the United States. Mr. Robertson received his Bachelor of Commerce (Honours) degree from Queen's University in 1988 and has served on the board of directors of both private and publicly-listed companies, including his current positions as director of Morguard Corporation and as trustee of Morguard North American Residential REIT. Mr. Robertson is "financially literate" for the purposes of National Instrument 52-110 – *Audit Committees* and the Board has determined that he is "independent" for the purposes of National Instrument 58-101 – *Disclosure of Corporate Governance Practices*. Mr. Robertson is a resident of Toronto, Ontario, Canada.

Mr. Robertson does not own any Common Shares of the Corporation.

PETER SCHLEIFENBAUM

- Director since August 20, 2019
- Member of the Audit Committee and the CNCG Committee

Profile:

Dr. Schleifenbaum is the founder and former Managing Director of Haliburton Forest & Wildlife Reserve. Over 30-years, he transformed Haliburton Forest from 50,000 acres of depleted hardwood timberland into a multi-use land stewardship company that owns 100,000 acres of private timberlands, manages an additional 265,000 acres of Crown and private timberland, and operates two sawmills and a variety of other wood processing facilities. Dr. Schleifenbaum continues to serve as Chair of the board of directors of Haliburton Forest. He has served on a variety of other boards and committees over the years, including as a director of the Ontario Forestry Association and as an Adjunct Professor at the Faculty of Forestry at the University of Toronto. Dr. Schleifenbaum holds a bachelor's degree as well as a PhD in forestry and forest economics from the University of Goettingen. He is a Registered Professional Forester in Ontario.

Dr. Schleifenbaum does not own any Common Shares of the Corporation.

Officers of the Corporation

The name, province or state, and country of residence of each of the current officers of the Corporation, their respective principal occupations, business or employment within the five preceding years, and their beneficial ownership of, or control or direction over, Common Shares (in each instance based upon information furnished by such person) is set out below:

ERIKA REILLY

- Interim President and Chief Executive Officer

Profile:

Ms. Reilly is the Interim President and Chief Executive Officer of Acadian. Ms. Reilly has over 15 years of capital markets experience and has been an investment professional with BAM since 2006. She has led growth and divestiture initiatives, public and private financings, and has played a key role in restructurings and asset management of timberland and infrastructure businesses. Ms. Reilly has worked with Acadian since its inception and served as Chief Financial Officer of the company from 2013 to 2016.

Ms. Reilly owns 2,000 Common Shares of the Corporation.

ADAM SHEPARSKI

- Chief Financial Officer

Profile:

Mr. Sheparski is the Chief Financial Officer of Acadian and is responsible for all financial activities including: investor relations, treasury, reporting, taxation, and risk management. Prior to joining Acadian, Mr. Sheparski held multiple senior executive roles within Empire Company Limited and Sobeys Inc.

Mr. Sheparski does not own any Common Shares of the Corporation.

Ownership of Voting Securities

As of the date of this AIF, the directors and officers of the Corporation, as a group, beneficially own or exercise control or direction over approximately 7,645,562 Common Shares, representing approximately 45.8% of the issued and outstanding Common Shares.

Cease Trade Orders or Bankruptcies

To the knowledge of the Corporation, none of the directors or officers of the Corporation are, as at the date of this AIF, or have been, within the 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Fund and the Corporation) that, (i) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (an “**Order**”) that was issued while the person was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Other than Mr. Robertson, as set forth below, to the knowledge of the Corporation, none of the Directors or officers of the Corporation, nor any shareholders holding a sufficient number of Common Shares to affect materially the control of the Corporation: (a) are, as at the date of this AIF, or have been within 10 years before the date of this AIF, a director or executive officer of any company (including the Fund and the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) have, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation

relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the person. In January 2012, Mr. Robertson was appointed to the board of Yellow Media Inc. as a director and as Chair of the Financing Committee. In December 2012, Yellow Media successfully completed a Plan of Arrangement pursuant to the *Companies' Creditors Arrangement Act*, pursuant to which Yellow Media was recapitalized. Upon completion of the arrangement, Mr. Robertson resigned from the board of directors.

Penalties or Sanctions

To the knowledge of the Corporation, none of the Directors or officers of the Corporation, nor any personal holding company thereof owned or controlled by them nor any shareholders holding a sufficient number of Common Shares to affect materially the control of the Corporation, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

There are potential conflicts of interest to which the Directors and officers of the Corporation are subject in connection with the operations of the Corporation. In particular, certain of the Directors and officers of the Corporation may be involved with other companies whose operations may, from time to time, be in direct competition with those of the Corporation or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of the Corporation. Conflicts, if any, will be subject to the procedures and remedies available under the CBCA. The CBCA provides that in the event a director or officer of a company is a party to, or is a director or officer of a party to, or has a material interest in any person who is a party to, a material contract or material transaction with the Corporation, whether made or proposed, the director or officer will disclose his or her interest in such contract or transaction and, in the case of directors, will refrain from voting on any matter in respect of such contract or transaction, subject to certain limited exceptions set out in the CBCA. As at March 27, 2020, none of the Directors or officers of the Corporation are aware of any existing or potential material conflicts of interest with the Corporation or any of its subsidiaries.

DEBT FINANCING

In February 2011, Acadian established its U.S. dollar denominated Credit Facilities by entering into a first mortgage loan agreement with The Metropolitan Life Insurance Company (the "**Loan Agreement**"). The Loan Agreement was amended in September 2015 to extend the maturity date to October 1, 2020 and was further amended on March 6, 2020 to, among other things, extend the maturity date and increase the amount available under the term credit facility. The Partnership and certain other subsidiaries of the Corporation, are borrowers, and certain of the Corporation's other subsidiaries are guarantors under the Loan Agreement. The Loan Agreement includes a term credit facility in an amount up to US\$72.5 million that will mature on October 1, 2020 of which US\$65.25 million is drawn and term credit facilities totaling up to US\$80.0 million with Maturity Dates ranging from March 6, 2025 to March 6, 2030, of which US\$14.75 million is drawn, (the "**Term Facilities**") with the remainder to be used to repay the term facility amount maturing on October 1, 2020. There are no scheduled repayments of principal required prior to the maturity dates of the Term Facilities. The Loan Agreement also includes a revolving credit facility of up to US\$10.0 million (the "**Revolving Facility**") for general corporate purposes, of which US\$1.8 million is reserved to support the minimum cash requirement of the Term Facilities. The Term Facilities and the Revolving Facility are collectively referred to herein as the "**Credit Facilities**".

There can be no assurance that future borrowings, whether as a refinancing of the Credit Facilities or otherwise, will be available to the Partnership, or available on acceptable terms, in an amount sufficient to fund the Partnership's needs. See "Risk Factors – Risks Related to the Business and Industry – Leverage and Restrictive Covenants in Agreements Relating to Indebtedness of the Partnership".

Borrowings under the Term Facilities will bear interest at fixed rates ranging from 2.72% to 3.01%. Advances under the Revolving Facility will bear interest at floating rates based on 90 day LIBOR plus applicable margin. Up to 10% per annum of the initial borrowings under the Term Facilities are prepayable prior to maturity without penalty.

As security for the Credit Facilities, the Partnership granted the lenders a security interest over all of its assets. AT Limited Partnership, Acadian Timber GP Inc., and Katahdin Forest Management LLC, guaranteed the indebtedness of the Partnership under the Credit Facilities and granted security interests over all of their respective assets. In addition, each of Acadian Timber (U.S.) Inc. and Acadian US Timber GP Inc. guaranteed the indebtedness of the Partnership under the Credit Facilities.

The Credit 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 also subject to the maintenance of a maximum ratio of loan to appraised value and the Partnership is in compliance as of March 27, 2020. The Credit Facilities may in certain circumstances restrict the Partnership's ability to pay distributions, should the Credit Facilities be in default or such distributions cause an event of default.

The failure to comply with the terms of the Credit Facilities would entitle the lenders to accelerate all amounts outstanding under the Credit Facilities and, upon such acceleration, the lenders would be entitled to begin enforcement procedures against the assets of the Partnership, AT Limited Partnership, Acadian Timber GP and/or their subsidiaries. The lenders would then be repaid from the proceeds of such enforcement proceedings, using all available assets. Only after such repayment and the payment of any other secured and unsecured creditors would the holders of Common Shares receive any proceeds from the liquidation of the assets of the Corporation.

PRINCIPAL AGREEMENTS

The following is a description of certain principal agreements to which Acadian is a party.

Crown Lands Services Agreement

Twin Rivers currently holds a license from the Government of the Province of New Brunswick in respect of the NB Crown Lands. Twin Rivers has the right to approximately 15% of the annual harvest from the Crown Timber License #9 in consideration for a fair market value paid to the Crown. Approximately 85% of the annual harvest from the NB Crown Lands is sub-licensed to third parties who are entitled to cut and harvest timber for their own use on payment of the fair market value to the Crown. On January 31, 2006, AT Limited Partnership and Fraser Papers entered into the Crown Lands Services Agreement pursuant to which AT Limited Partnership agreed to provide services under Fraser Papers' direction relating to the NB Crown Lands. On April 29, 2010, Twin Rivers acquired the Crown Lands Services Agreement from Fraser Papers in connection with its acquisition of Fraser Papers' specialty papers business. Under the Crown Lands Services Agreement, AT Limited Partnership charges Twin Rivers for Acadian's cost for the provision of harvesting services (including harvest cost, transportation, access road construction and maintenance) and receives LMS fees set by the Government of the Province of New Brunswick in consideration for its services under the Crown Lands Services Agreement. As manager of the NB Crown Lands under the Crown Timber License, Twin Rivers is responsible for collecting and paying to the government a fair market value (calculated in \$/m³ that varies based on species and product type). Acadian assists Twin Rivers by collecting such amounts from sub-licensees.

Pursuant to the Crown Lands Services Agreement, AT Limited Partnership provides services to Twin Rivers and the sub-licensees, including: harvest planning; filing and administration of all compliance requirements; scaling services; management of transportation certificates; road construction and maintenance on designated roads; and accounting services; consistent with services provided by Twin Rivers to sub-licensees in the past. AT Limited Partnership is obligated to, among other things, conduct all operations in compliance with all laws and regulations and all material operating policies adopted by Twin Rivers, acting reasonably, and to comply with all terms, conditions and obligations set out in the Crown Timber License.

Pursuant to the Crown Lands Services Agreement, Twin Rivers covenants to take all commercially reasonable actions required in order to maintain the Crown Timber License in good standing.

The Crown Lands Services Agreement has a term equal to the term of the Crown Timber License, including any renewal terms. The Crown Lands Services Agreement may be terminated in the event of the insolvency or receivership of another party, or in the case of default by one of the other parties in the performance of a material obligation of the Crown Lands Services Agreement (other than as a result of the occurrence of a *force majeure* event) which is not remedied within 60 days following delivery of written notice thereof, subject to any applicable cure periods.

Fibre Supply Agreement

On January 31, 2006, AT Limited Partnership and Fraser Papers entered into the Fibre Supply Agreement pursuant to which AT Limited Partnership agrees to sell forest products of the types described therein, which are harvested from the NB Timberlands, at prescribed volumes and according to established specifications. On April 29, 2010, Twin Rivers acquired the Fibre Supply Agreement from Fraser Papers in connection with its acquisition of Fraser Papers' specialty papers business. The Fibre Supply Agreement has a term of 20 years, with Twin Rivers having the right to renew for an additional five years.

Pursuant to the Fibre Supply Agreement, quantities of fibre to be made available to Twin Rivers for purchase will be as set out in AT Limited Partnership's annual plan ("**Annual Plan**") for harvesting, subject to minimum volumes for any given calendar year of not less than the Allowable Cut (as defined below) for such calendar year. Pursuant to the Fibre Supply Agreement, Twin Rivers will have the right to purchase the majority of the spruce and fir softwood LRSY each year from the NB Timberlands.

AT Limited Partnership fulfilled its obligation to develop, prior to October 31, 2015, a five-year forest management plan (the "**Forest Management Plan**") with respect to the NB Timberlands to establish an annual allowable volume of fibre in each calendar year after the expiration of the Initial Period (the "**Allowable Cut**"). The Allowable Cut for any given year, as set forth in the Forest Management Plan, will be included in the Annual Plan. AT Limited Partnership is required to update the Forest Management Plan not later than two months prior to each successive fifth anniversary of its implementation. AT Limited Partnership is also required to consult with Twin Rivers in connection with the adoption of the Forest Management Plan, any subsequent modification thereto and any Annual Plan pursuant thereto. Approval of the Forest Management Plan and each Annual Plan and any modifications thereto (other than modifications required in order to comply with applicable law or regulations) requires the prior consent of Twin Rivers, which consent may not be unreasonably withheld or delayed. Twin Rivers is entitled to change the specifications relating to its fibre requirements, provided that in no event will AT Limited Partnership be required to cut more than the Allowable Cut to meet such changes.

Under the terms of the Fibre Supply Agreement, for each six calendar month period (a "**Price Period**"), the price for each category of fibre will be equal to the weighted average, freight-adjusted prices charged to the lumber mills owned and operated by Twin Rivers by un-affiliated suppliers for such category of fibre (and excluding deliveries from the Acadian Timberlands), calculated with reference to deliveries made during the six-month period immediately preceding such Price Period. Pursuant to the Fibre Supply Agreement Modification Term Sheet, this pricing mechanism will be subject to minimum volumes for outside purchases of both tree length and sawlogs.

Under the terms of the Fibre Supply Agreement, AT Limited Partnership is entitled to satisfy its fibre supply commitments to Twin Rivers by delivering fibre from lands other than the NB Timberlands, provided that such source is approved in advance by Twin Rivers in its sole discretion.

In addition, the Fibre Supply Agreement provides that Twin Rivers is entitled to purchase additional softwood volumes of fibre in order to affect current and future fibre exchanges. Pricing for such fibre will be determined based upon the weighted-average, freight-adjusted prices paid to AT Limited Partnership by third party purchasers of the same products.

In the event that AT Limited Partnership is unable (other than for reasons of force majeure) to supply fibre in a timely fashion, AT Limited Partnership will be liable to reimburse Twin Rivers for its incremental cost of obtaining such fibre from an alternative source.

Twin Rivers has the right, at any time and from time to time, to reduce for any reason, including a temporary or permanent facility closure, the amount of fibre purchased pursuant to the Fibre Supply Agreement (provided that Twin Rivers reduces purchases from each of its suppliers by a proportionate amount), on not less than 60 days' advance notice to AT Limited Partnership. In such circumstances, AT Limited Partnership will be entitled to find alternate markets for its fibre. However, Twin Rivers will be entitled to reinstate quantities of fibre within 18 months following such reductions, on 60 days' advance notice to AT Limited Partnership, provided that Twin Rivers has not exercised its right to reinstate quantities of fibre within the preceding twelve months. In the event that Twin Rivers reinstates its volumes, it will not be required to make up for the volume not purchased during the period of reduction.

The Fibre Supply Agreement may be terminated in the event of a default by another party in the performance of a material obligation of the Fibre Supply Agreement (other than as a result of the occurrence of a *force majeure* event) which is not remedied within 30 days following delivery of written notice thereof (unless such default is capable of being remedied and the applicable party is working diligently to remedy such default). In addition, the Fibre Supply Agreement may be terminated by AT Limited Partnership in the event of the termination of the Crown Lands Services Agreement as a result of a breach of such agreement by Twin Rivers.

CellFor License Agreement

On November 13, 2009, CellFor and 7273177 Canada Inc. entered into the CellFor License Agreement (which was subsequently assumed by New CellFor, as licensor, and the Corporation, as licensee, pursuant to the Arrangement), pursuant to which the Corporation acquired a paid-up, non-exclusive, non-transferable worldwide license to use the intellectual property related to CellFor's proprietary germplasm of black and red spruce. The license to the related intellectual property continues until the 20th anniversary of the License Agreement. Aside from an initial payment of \$10.00, there are no payments or royalties associated with the License Agreement.

On December 15, 2011, CellFor and its U.S. affiliate, CellFor Corp., obtained a Court Order from the Supreme Court of British Columbia pursuant to the CCAA, which provided CellFor with, among other things, a stay of proceedings until April 11, 2012. CellFor subsequently completed bankruptcy proceedings and was purchased by ArborGen Inc. on August 14, 2012. The License Agreement was assumed by ArborGen Inc. and is currently still in effect.

DIVIDENDS AND DIVIDEND POLICY

Dividend Policy of the Corporation

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

The dividends declared by the Corporation from January 1, 2017 to December 31, 2019 were as follows:

<u>Period</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Amount</u>
First Quarter 2017	March 31, 2017	April 14, 2017	\$0.275
Second Quarter 2017	June 30, 2017	July 14, 2017	\$0.275
Third Quarter 2017	September 30, 2017	October 13, 2017	\$0.275
Fourth Quarter 2017	December 31, 2017	January 13, 2018	\$0.275
First Quarter 2018	March 31, 2018	April 18, 2018	\$0.275
Second Quarter 2018	June 30, 2018	July 13, 2018	\$0.2825
Third Quarter 2018	September 30, 2018	October 13, 2018	\$0.2825
Fourth Quarter 2018	December 31, 2018	January 15, 2019	\$0.2825
First Quarter 2019	March 31, 2019	April 15, 2019	\$0.29
Second Quarter 2019	June 30, 2019	July 15, 2019	\$0.29
Third Quarter 2019	September 30, 2019	October 15, 2019	\$0.29
Fourth Quarter 2019	December 31, 2019	January 15, 2020	\$0.29

The Corporation's dividend policy is at the discretion of the Directors. Future dividends, if any, will depend on the operations and assets of the Corporation and will be subject to various factors, including, without limitation, the Corporation'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 (including satisfying the dividend solvency test applicable to CBCA corporations) and other factors that the Directors may deem relevant from time to time. There can be no guarantee that the Corporation will maintain its dividend policy.

MARKET FOR SECURITIES

The Common Shares are currently listed for trading on the TSX under the symbol “ADN”. The following table sets forth the price ranges and volume traded for the Common Shares on the TSX for each month during 2019:

Unit Trading Price Range	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
High	17.88	17.97	17.66	16.80	17.00	17.18	17.01	17.08	17.13	17.11	16.90	16.96
Low	14.75	17.00	16.19	15.52	15.81	16.22	16.01	16.05	16.00	16.10	16.10	16.20
Close	17.58	17.14	16.27	16.70	16.34	16.47	16.82	16.21	17.01	16.35	16.67	16.71
Monthly Volume	411,500	183,200	187,800	238,700	221,600	218,000	179,700	235,800	263,000	285,200	203,700	172,700

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Corporation, except as described below and may be described elsewhere in this AIF, no director, or executive officer of Acadian, no person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of any class or series of the outstanding voting securities of the Corporation and no associate or affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any transaction that has materially affected or will materially affect the Corporation since January 1, 2017.

As at March 27, 2020, Macer Forest Holdings LLC owned 7,513,262 Common Shares representing approximately 45% of the total number of Common Shares issued and outstanding as of that date.

Approximately 18% of Acadian’s total sales for the years ended December 31, 2019 and December 31, 2018, were derived from sales to Twin Rivers. See “Risk Factors – Risks Related to the Business and Industry – Dependence on Twin Rivers”. These sales are in relation to the Fibre Supply Agreement, pursuant to which AT Limited Partnership agreed to sell forest products from its NB Timberlands. The agreement has a term of 20 years and governs volumes and specifications over that period. For a more detailed description of this agreement, see “Principal Agreements – Fibre Supply Agreement”.

INTERESTS OF EXPERTS

Ernest H. Bowling, of James W. Sewall Company, produced reports cited under “Description of the Business – Timberland Assets” and “Description of the Business – Forest Management – Forest Inventory Assessment” with respect to the carrying out of and completion of inventory assessments, which inventory assessments management evaluates as part of its determination of its estimates of LRSY. Neither this individual nor James W. Sewall Company, to the best knowledge of management of the Corporation, as at the date hereof, beneficially own any Common Shares or any other property of the Corporation.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Corporation is AST Trust Company, P.O. Box 700 Postal Station B Montreal, QC H3B 3K3.

MATERIAL CONTRACTS

The following is a list of material contracts to which the Corporation or the Partnership is a party, or which, by their operation, is material to the Corporation:

- (i) the Loan Agreement creating the Credit Facilities, described under “Debt Financing”;
- (ii) the Crown Lands Services Agreement, described under “Principal Agreements – Crown Lands Services Agreement”; and
- (iii) the Fibre Supply Agreement, described under “Principal Agreements – Fibre Supply Agreement”.

LEGAL PROCEEDINGS

Management is not aware of any material litigation outstanding, threatened or pending as of the date hereof by or against the Corporation or any of its subsidiaries, nor was the Corporation or any of its subsidiaries involved in any material litigation during the Corporation’s 2019 fiscal year.

AUDIT COMMITTEE INFORMATION

The following information is provided in accordance with Form 52-110F1 under National Instrument 52-110 - *Audit Committees* (“NI 52-110”).

Audit Committee Mandate

The Audit Committee Mandate is attached as Schedule A to this AIF.

Composition of the Audit Committee

In fiscal year 2019, the Audit Committee was composed of: Saul Shulman (Lead Director, resigned in May 2019); Phil Brown; Malcolm Cockwell; Bruce Robertson (Appointed Chair in May 2018); Heather Fitzpatrick; Peter Schleifenbaum & Karen Oldfield. Each member of the committee is considered “independent” and “financially literate” as such terms are defined in NI 52-110.

Relevant Education and Experience

Each member of the Audit Committee is financially literate, i.e., has the ability to read and understand financial statements. Collectively, the Audit Committee has the education and experience to fulfill the responsibilities outlined in the Audit Committee Mandate. In addition to each member’s general business experience, the education and past experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is set forth in their respective biographies under “Directors and Officers of the Corporation – Board of Directors”.

Audit Committee Oversight

At no time since the commencement of the financial year ended December 31, 2019 has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the board of directors of the Corporation.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy regarding the provision of services by its external auditors, currently Ernst & Young LLP. This policy requires Audit Committee pre-approval of all permitted audit, audit-related and non-audit services. It also specifies a number of services that may not be provided by the Corporation’s external auditors, including all services prohibited by law from being provided by the external auditors.

Under the policy, all permitted services to be provided by the external auditors must be pre-approved by the Audit Committee or a designated member of the Audit Committee. Any pre-approval granted by a designated member must be reported to the Audit Committee at its next scheduled meeting. The pre-approval of services may be given at any time up to a year before commencement of the specified service.

Subject to the above mentioned policy, the Audit Committee may establish fee thresholds for a group of pre-approved services, provided that such fees will, when combined with all such fees that have not been specifically approved by the audit committee, aggregate less than 25% of the anticipated audit fees for the registrant and its subsidiaries for the same year. In such cases, the description of services must be sufficiently detailed as to the particular services to be provided to ensure that (i) the Audit Committee knows precisely what services it is being asked to pre-approve and (ii) the Audit Committee's responsibilities are not delegated to management. All such services will be ratified at the next scheduled meeting of the Audit Committee, and upon such ratification will no longer be included in determining the aggregate fees covered by this limited approval.

External Auditor Service Fees (by Category)

A summary of the fees for the years ended 2018 and 2019 is included below:

	2018	2019
	<u>Actual Fees</u>	<u>Actual Fees</u>
Audit Fees	\$378,332	\$339,575
Audit-Related Fees ⁽¹⁾	-	-
Tax Fees ⁽²⁾	\$119,385	\$93,039
Total Fees	<u>\$497,717</u>	<u>\$432,614</u>

Notes:

- (1) Fees billed for assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the issuer's financial statements and are not reported under "Audit Fees".
- (2) Fees billed for professional services rendered by the external auditor for tax compliance, tax advice, and tax planning.

ADDITIONAL INFORMATION

Additional information, including remuneration and indebtedness of the Directors and officers of the Corporation and the directors of the General Partner and KFM LLC, principal holders of the Corporation's, the Partnership's, AT Limited Partnership's, and KFM LLC's securities, and interests of insiders in material transactions will be contained in the Management Information Circular, which will be available on SEDAR at www.sedar.com. Additional financial information is provided in the Corporation's comparative financial statements for the year ended December 31, 2019, and its Management Discussion and Analysis, which information is incorporated herein by reference.

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com.

GLOSSARY OF TERMS

“\$” means Canadian dollars.

“AAC” means allowable annual cut;

“Acadian” has the meaning ascribed thereto under the heading “Cautionary Statement on Forward-Looking Statements”;

“Acadian Timber GP” means Acadian Timber GP Inc., a corporation incorporated under the laws of the Province of Ontario;

“Acadian Timberlands” means the NB Timberlands and the Maine Timberlands;

“access roads” means roads leading from a main road to a harvest block or roads within a block;

“AIF” has the meaning ascribed thereto under the heading “Cautionary Statement on Forward-Looking Statements”;

“Allowable Cut” has the meaning ascribed thereto under the heading “Principal Agreements – Fibre Supply Agreement”;

“Annual Plan” has the meaning ascribed thereto under the heading “Principal Agreements – Fibre Supply Agreement”;

“Articles” has the meaning ascribed thereto under the heading “The Corporation”;

“BAM” has the meaning ascribed thereto under the heading “Development of the Business”;

“Book-Entry System” has the meaning ascribed thereto under

“Brookfield LP” has the meaning ascribed thereto under the heading “Development of the Business”;

“CCAA” means the *Companies’ Creditors Arrangement Act (Canada)*;

“CDS” has the meaning ascribed thereto under the heading “Book-Entry Only System”;

“CDS Participant” has the meaning ascribed thereto under the heading “Book-Entry Only System”;

“CellFor License Agreement” means the license agreement dated as of November 13, 2009 between CellFor and 7273177 Canada Inc. (and subsequently assumed by New CellFor, as licensor, and the Corporation, as licensee, pursuant to the Arrangement) in respect of CellFor’s proprietary germplasm of black and red spruce and the license of the intellectual property related to the spruce;

“CNCG Committee” means the Compensation, Nominating and Corporate Governance Committee of the board of directors of the Corporation.

“Common Shares” means the common shares of the Corporation and “Common Share” means any one of them;

“Corporation” has the meaning ascribed thereto under the heading “The Corporation”;

“Credit Facilities” has the meaning ascribed thereto under the heading “Debt Financing”;

“Crown Lands” means lands owned in Canada by a government in Canada;

“**Crown Lands Services Agreement**” means the services agreement entered into between AT Limited Partnership and Fraser Papers on January 31, 2006 in respect of the NB Crown Lands, which was subsequently acquired by Twin Rivers from Fraser Papers;

“**Crown Timber License**” has the meaning ascribed thereto under the heading “Description of the Business – Acadian’s Business Strategy – Large Scale of Operations”;

“**Directors**” means the directors of the Corporation;

“**Eastern Canada**” means Ontario, Quebec and the Maritime provinces;

“**Fibre Supply Agreement**” means the fibre supply agreement entered into between AT Limited Partnership and Fraser Papers on January 31, 2006, which was subsequently acquired by Twin Rivers from Fraser Papers, as amended;

“**Fibre Supply Agreement Modification Term Sheet**” means the fibre supply agreement modification term sheet between Acadian and Twin Rivers dated January 9, 2012 with effect from January 1, 2013.

“**Forest Management Plan**” has the meaning ascribed thereto under the heading “Principal Agreements – Fibre Supply Agreement”;

“**Fraser Papers**” means Fraser Papers Inc.;

“**freehold**” means the private ownership of land, also commonly referred to as ownership in fee simple;

“**Fund**” means Acadian Timber Income Fund, the predecessor of the Corporation, which was dissolved on January 1, 2010;

“**GIS**” has the meaning ascribed thereto under the heading “Description of the Business – Forest Management – Forest Inventory Assessment”;

“**Initial Period**” means January 31, 2006 to December 31, 2010;

“**Internalization**” has the meaning ascribed thereto under the heading “Development of the Business”;

“**KFM LLC**” means Katahdin Forest Management LLC;

“**LMS**” means land management service.

“**Loan Agreement**” has the meaning ascribed thereto under the heading “Debt Financing”;

“**LRSY**” has the meaning ascribed thereto under the heading “Description of the Business – Overview of Acadian’s Business – NB Timberlands”;

“**Macer**” has the meaning ascribed thereto under the heading “Development of the Business”;

“**main roads**” means roads designed to provide access for forest management activities and recreational use;

“**Maine Timberlands**” means the approximately 300,000 acres of the timberlands located in Maine, U.S.A. owned by KFM LLC;

“**Management Information Circular**” means the management information circular furnished to Shareholders in connection with the solicitation of proxies by management of the Corporation for use at the next annual meeting of the Shareholders;

“**NB Crown Lands**” means the approximately 1.3 million acres of Crown Lands located in the province of New Brunswick subject to a licensing arrangement between Twin Rivers and the government of the Province of New Brunswick;

“**NB Timberlands**” means the approximately 761,000 acres of timberlands located in the Province of New Brunswick currently owned by AT Limited Partnership;

“**New CellFor**” means 7273126 Canada Inc., prior to the completion of the Arrangement, which was renamed CellFor Inc., upon completion of the Arrangement;

“**NI 52-110**” has the meaning ascribed thereto under the heading “Audit Committee Information”;

“**Northeastern U.S.**” means the following nine states: Connecticut, Maine, Massachusetts, New Jersey, New Hampshire, New York, Pennsylvania, Rhode Island and Vermont;

“**Order**” has the meaning ascribed thereto under the heading “Directors and Officers of the Corporation – Cease Trade Orders or Bankruptcies”;

“**Partnership**” means Acadian Timber Limited Partnership, a limited partnership established under the laws of the Province of Manitoba;

“**Price Period**” has the meaning ascribed thereto under the heading “Principal Agreements – Fibre Supply Agreement”;

“**Revolving Facility**” has the meaning ascribed thereto under the heading “Debt Financing”;

“**SEDAR**” means the System for Electronic Data Analysis and Retrieval;

“**Settlement Act**” has the meaning ascribed thereto under the heading “Description of the Business – Public Relations/Aboriginal Relations”;

“**Shareholders**” means the holders of Common Shares and “**Shareholder**” means any one of them;

“**SLA**” means the Softwood Lumber Agreement between Canada and the United States.

“**Sustainable Forestry Initiative**” means the forest certification program and standard developed by SFI Inc[®];

“**Term Facilities**” has the meaning ascribed thereto under the heading “Debt Financing”;

“**Transition Services**” has the meaning ascribed thereto under the heading “Development of the Business”;

“**Transition Services Agreement**” has the meaning ascribed thereto under the heading “Development of the Business”;

“**Trustees**” means the former trustees of the Fund and “**Trustee**” means any one of them;

“**TSX**” has the meaning ascribed thereto under the heading “The Corporation”;

“**Twin Rivers**” means Twin Rivers Paper Company; and

“**US\$**” means United States dollars.

SCHEDULE A

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ACADIAN TIMBER

ACADIAN TIMBER CORP.

AUDIT COMMITTEE MANDATE

A committee of the board of directors (the “**Board**”) of Acadian Timber Corp. (the “**Corporation**”) to be known as the Audit Committee (the “**Committee**”) shall have the mandate set out below. The Board has passed a resolution as of February 9, 2010 approving this mandate (the “**Mandate**”) as the mandate of the Committee, which was amended on March 16, 2018 and on December 4, 2019.

1. PURPOSE OF THE COMMITTEE

The Committee is established in order to assist the Board in its oversight and supervision of:

- a) the integrity of the Corporation’s accounting and financial reporting practices and procedures;
- b) the adequacy of the Corporation’s internal accounting controls and procedures;
- c) the compliance by the Corporation with legal and regulatory requirements in respect of financial disclosure;
- d) the assessment, monitoring and management of the material risks of the Corporation’s business;
- e) the quality and integrity of the Corporation’s consolidated financial statements; and
- f) the qualification, independence and performance of the Corporation’s independent auditor.

In addition, the Committee provides an avenue for communication between the independent auditor, the Corporation’s Chief Financial Officer and other senior management, other employees and the Board concerning accounting, auditing and risk management matters.

The Committee is directly responsible for the recommendation of the appointment and retention (and termination) and for the compensation and the oversight of the work of the independent auditor (including oversight of the resolution of any disagreements between senior management and the independent auditor regarding financial reporting) for the purpose of preparing audit reports or performing other audit, review or attest services for the Corporation.

Each member of the Committee shall be entitled to rely in “good faith” upon:

- a) financial statements of the Corporation represented to him or her by senior management of the Corporation or in a written report of the independent auditor to present fairly the

financial position of the Corporation in accordance with generally accepted accounting principles; and

- b) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

“Good faith reliance” means that the Committee member has considered the relevant issues, questioned the information provided and assumptions used, and assessed whether the analysis provided by senior management or the expert is reasonable. Generally, good faith reliance does not require that the member question the honesty, competence and integrity of senior management or the expert unless there is a reason to doubt their honesty, competency and integrity.

The Corporation’s management is responsible for preparing the Corporation’s financial statements and, along with the internal audit function, for developing and maintaining systems of internal accounting and financial controls. The auditor will assist the Committee and the Board in fulfilling their responsibilities for review of the financial statements and internal controls, and the auditor will be responsible for the independent audit of the financial statements. The Committee expects the auditor to call to its attention any accounting, auditing, internal accounting control, regulatory or other related matters that the auditor believes warrant consideration or action. The Committee recognizes that the Corporation’s finance team, the internal audit team and the auditor have more knowledge and information about the Corporation’s financial affairs than do the Committee’s members. Accordingly, in carrying out its oversight responsibilities, the Committee does not provide any expert or special assurance as to the Corporation’s financial statements or internal controls or any professional certification as to the auditor’s work. The fundamental responsibility for the Corporation’s financial statements and disclosure rests with senior management.

2. SPECIFIC RESPONSIBILITIES

Independent Auditor

The Committee shall:

- a) recommend the appointment and the compensation of; and, if appropriate, the termination of the independent auditor, subject to such Board and shareholder approval as is required under applicable legal and regulatory requirements;
- b) obtain confirmation from the independent auditor that it ultimately is accountable, and will report directly, to the Committee;
- c) oversee the work of the independent auditor, including the resolution of any disagreements between senior management and the independent auditor regarding financial reporting;
- d) pre-approve all audit and non-audit services (including any internal control-related services) provided by the independent auditor (subject to any restrictions on such non-audit services imposed by applicable legal and regulatory requirements);
- e) adopt such policies and procedures as it determines appropriate for the pre-approval of the retention of the independent auditor by the Corporation and any of its subsidiaries or any audit or non-audit services, including procedures for the delegation of authority to provide

such approval to one or more members of the Committee (and related procedures to confirm that any such delegated pre-approvals are presented by such members to the Committee at its first scheduled meeting following any such pre-approvals);

- f) review the terms of the auditor's engagement and the appropriateness and reasonableness of the proposed audit fees;
- g) when a change of independent auditor is proposed, review all issues related to the change, including the information to be included in the notice of change of the independent auditor as required, and the orderly transition of such change; and
- h) At least annually, review and evaluate the experience, qualifications, performance and independence of the independent auditor and determine whether the independent auditor should be appointed or re-appointed, and nominate the auditor for appointment or reappointment by the shareholders.

The Audit Process, Financial Statements and Related Disclosure

The Committee shall, as it determines to be appropriate:

- a) meet with senior management and/or the independent auditor to review and discuss:
 - i. the planning, staffing and budgeting of the audit by the independent auditor,
 - ii. before public disclosure, the Corporation's annual audited financial statements and quarterly financial statements, the Corporation's accompanying disclosure of Management's Discussion and Analysis and earnings press releases and make recommendations to the Board as to their approval and dissemination of those statements and disclosure,
 - iii. financial information and earnings guidance provided to analysts and rating agencies (this review need not be done on a case by case basis but may be done generally, consisting of a discussion of the types of information disclosed and the types of presentations made, and need not take place in advance of the disclosure),
 - iv. any significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including any significant changes in the selection or application of accounting principles, any major issues regarding auditing principles and practices, and the adequacy of internal controls that could significantly affect the Corporation's financial statements,
 - v. all critical accounting policies and practices used,
 - vi. all alternative treatments of financial information within GAAP that have been discussed with senior management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor,
 - vii. the use of "*pro forma*" or "adjusted" non-IFRS information,

- viii. the effect of new regulatory and accounting pronouncements,
 - ix. the effect of any material off-balance sheet structures, transactions, arrangements and obligations (contingent or otherwise) on the Corporation's financial statements,
 - x. any disclosures concerning any weaknesses or any deficiencies in the design or operation of internal controls or disclosure controls made to the Committee, and
 - xi. the adequacy of the Corporation's internal accounting controls and management information systems and its financial, auditing and accounting organizations and personnel (including any fraud involving an individual with a significant role in internal controls or management information systems) and any special steps adopted in light of any material control deficiencies;
- b) review disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assess the adequacy of the procedures in place relating to such review including reviewing management's discussion and analysis;
- c) to the extent applicable, review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former independent auditor of the Corporation; and
- d) review with the independent auditor,
- i. the quality, as well as the acceptability, of the accounting principles that have been applied,
 - ii. any problems or difficulties the independent auditor may have encountered during the provision of its audit services, including any restrictions on the scope of activities or access to requested information and any significant disagreements with senior management, any management letter provided by the independent auditor or other material communication (including any schedules of unadjusted differences) to senior management and the Corporation's response to that letter or communication, and
 - iii. any changes to the Corporation's significant auditing and accounting principles and practices suggested by the independent auditor or other members of senior management.

Risk Management

The Committee shall review with senior management, on at least an annual basis, the Corporation's guidelines and policies with respect to risk assessment and the Corporation's major financial risk exposures and the steps senior management has taken to monitor and control such exposures, including a review of all risk management policies and the scope of the Corporation's annual insurance coverage.

Compliance

The Committee shall, as it determines to be appropriate:

- a) obtain reports from senior management that the Corporation and its subsidiaries are in compliance with applicable legal requirements and the Corporation's Code of Business Conduct;
- b) review with senior management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raise material issues regarding the Corporation's financial statements or accounting policies;
- c) review senior management's written representations to the independent auditor;
- d) establish procedures for,
 - i. the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and
 - ii. the confidential, anonymous submission by employees of the Corporation with concerns regarding any accounting or auditing matters.

Communications with Independent Auditor

Notwithstanding anything set out in this Mandate to the contrary, the Committee may meet privately with the independent auditor as frequently as the Committee deems appropriate for the Committee to fulfill its responsibilities and to discuss any concerns of the Committee or the independent auditor in relation to the matters covered by this Mandate, including the effectiveness of the Corporation's financial recording procedures and systems and senior management's cooperation and responsiveness to matters arising from the audit and non-audit services performed by the independent auditor.

3. MEMBERSHIP AND ORGANIZATION

- a) Following each annual meeting of the Corporation's shareholders, the Board shall appoint from its number at least three (3) directors to serve on the Committee (the "**Members**") until the close of the next annual meeting of shareholders of the Corporation (provided that if such appointment is not made, the Member shall continue as a member of the Committee until his or her successor is appointed) or until the Member ceases to be a director, resigns or is replaced, whichever first occurs. Any Member may be removed from office or replaced at any time by the Board.
- b) Subject to applicable securities law exemptions, each of the Members of the Committee shall be "independent" as set out in the mandate of the Board and within the meaning of applicable securities laws, the applicable policies adopted by securities regulatory authorities and the applicable rules of any stock exchange upon which the Corporation's securities are listed.
- c) A Member who sits on the board of directors of an affiliated entity is exempt from the requirement that he or she be independent if that person, except for being a director (or member of a Board committee) of the Corporation and the affiliated entity, is otherwise independent of the Corporation and the affiliated entity, provided that the Board has determined that appointing such Member to the Committee will not materially adversely affect the ability of the Committee to act independently.
- d) No director who receives any compensation from the Corporation or its affiliates, other than director's fees, shall be eligible for membership on the Committee. Disallowed compensation for a Committee member includes fees paid directly or indirectly for services as a consultant or a legal or financial advisor, regardless of the amount. Disallowed compensation also includes compensation paid to such director's firm for such consulting or advisory services, even if the director is not the actual service provider.
- e) Each Member shall, in the judgment of the board, be "financially literate" as defined in National Instrument 52-110 – *Audit Committees*. In addition, at least one Member shall, in the judgment of the Board, have accounting or related financial management expertise.
- f) The Board shall appoint one of the Members as the chairperson of the Committee (the "**Chair**"). If the Chair is absent from a meeting, the Members shall select an acting chairperson from those in attendance to act as chairperson of the meeting. The Chair's responsibilities have been determined and approved by the Board and have been set out in a written position description.
- g) The compensation of Members shall be as determined by the Board.
- h) Each Member of the Committee will have knowledge of Canadian corporate governance standards and familiarity with Canadian securities regulations related to continuous disclosure.

4. PROCEDURES AND ADMINISTRATION

- a) **Meetings** – Meetings of the Committee may be called by the Chair or any other Member, the chairperson of the Board or the independent auditor of the Corporation. Meetings will be called not less than once annually and at such additional times as is necessary for the Committee to fulfill its responsibilities. Notice of each meeting shall be given to each Member, to the Chair and to the independent auditor of the Corporation, verbally or by letter, e-mail, telephone facsimile transmission or telephone not less than 24 hours before the time fixed for the meeting. Members may waive notice of any meeting. The notice need not state the purpose or purposes for which the meeting is being held. The Committee shall appoint a secretary to be the secretary of each meeting of the Committee and to maintain minutes of the meeting and deliberations of the Committee.
- b) **Subcommittees** – The Committee may form subcommittees for any purpose and may delegate to a subcommittee such of the Committee’s powers and authorities as the Committee deems appropriate.
- c) **Quorum and voting** – The powers of the Committee shall be exercisable by a meeting at which a quorum is present. A quorum shall be not less than a majority of the Members from time to time. Subject to the foregoing, and the constating documents under which the Corporation was created, and unless otherwise determined by the Board, the Committee shall have the power to fix its quorum and to regulate its procedure. Matters decided by the Committee shall be decided by majority vote.
- d) **Investigations** – In discharging its duties, the Committee shall have full access to all corporate books, records, facilities, personnel and outside professionals. The Committee may invite from time to time such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee.
- e) **Independent Advisors** – The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent consultants and independent legal, accounting or other advisors, who may be regular advisors to the Corporation. The Corporation shall provide such funding as the Committee determines is appropriate in connection with the retention of such advisors.
- f) **Reports to the Board** – The Committee shall report to the board on its proceedings, reviews undertaken and any associated recommendations.

5. ANNUAL EVALUATION

At least annually, the Committee shall, in a manner it determines to be appropriate:

- a) perform a review and evaluation of the performance of the Committee and its Members, including the compliance of the Committee with this Mandate; and
- b) review and assess the adequacy of this Mandate and the position description for the committee chair and recommend to the Board any improvements that the Committee believes to be appropriate.