ACADIAN TIMBER
ANNUAL REPORT
2014

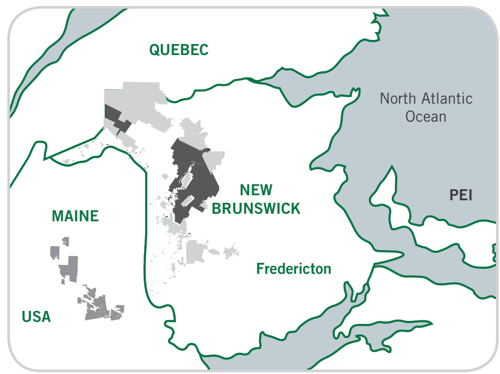
Acadian Timber Corp. (TSX: ADN), is a leading supplier of primary forest products in Eastern Canada and the Northeastern U.S. With a total of approximately 2.4 million acres of land under management, Acadian is the second largest timberland operator in New Brunswick and Maine. Acadian is managed by a wholly-owned subsidiary of Brookfield Asset Management Inc. (NYSE: BAM, TSX: BAM.A and Euronext: BAMA).

Acadian 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. Acadian also owns and operates a forest nursery in Second Falls, New Brunswick. Acadian's products include softwood and hardwood sawlogs, pulpwood and biomass by-products, sold to approximately 90 regional customers.

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

ACADIAN'S LOCATIONS

FOREST AREAS	ACRES	HECTARES
MAINE TIMBERLANDS	299,000	121,000
NEW BRUNSWICK TIMBERLANDS	761,000	308,000
CROWN LANDS UNDER MANAGEMENT	1,313,000	531,000
AREA UNDER MANAGEMENT	**2,373,000**	**960,000**



ACADIAN'S PRODUCT MIX BY END USE*

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

PAPER
22.7%
Freesheet 3.8%
Groundwood 7.7%
Tissue 11.2%

FUEL
7.0%

PULP
11.4%

ENGINEERED WOOD PRODUCTS
8.4%

SOLID WOOD
50.5%
Softwood Dimension Lumber 36.3%
Softwood Specialty Products 3.7%
Hardwood Lumber 7.9%
Hardwood Specialty Products 2.6%

** Percentage of log sales by value for the year ended December 31, 2014.*

2014 HIGHLIGHTS

- Best year of financial performance since inception with net sales of $77.4 million, Adjusted EBITDA of $21.8 million and Free Cash Flow of $17.6 million
- Successful Sustainable Forestry Initiative® recertification
- Payout ratio down to 78%

FINANCIAL HIGHLIGHTS

Years Ended December 31 *(CAD thousands, except where indicated)*	**2014**	2013
Sales volume (000s m^3)	**1,307.3**	1,382.6
Net sales	**$ 77,369**	$ 74,383
Adjusted EBITDA[1]	**$ 21,801**	$ 17,480
Free Cash Flow[1]	**$ 17,634**	$ 13,801

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

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LETTER TO SHAREHOLDERS

Overview

Strong pricing and focused cost containment resulted in Acadian Timber Corp.'s ("Acadian") financial performance for the year ended December 31, 2014 being the best since the company's inception in 2006. This strong performance resulted in Acadian's payout ratio decreasing to 78% improving the company's cash position considerably year-over-year.

The highly competitive marketplace for timberland properties in North America drove a significant year-over-year increase in the independently appraised fair value of our timberlands. The result of this non-cash increase in value is reflected in Acadian's exceptionally strong net income results for the year.

Strong Financial Performance

Acadian generated net sales of $77.4 million in 2014, an increase of $3.0 million or 4% year-over-year, with a 10% increase in the average selling price of all log products partially offset by a modest decrease in sales volume. Costs were tightly controlled with variable cost per unit up just 1% in local currency terms at each of the New Brunswick and Maine operations. This combination of strong sales values and well-managed costs resulted in Adjusted EBITDA[1] of $21.8 million and Free Cash Flow[1] of $17.6 million, increases of 25% and 28%, respectively, from the prior year. Our balance sheet continues to be solid with $79.9 million of net liquidity as at December 31, 2014, including funds available under Acadian's Revolving Facility and our stand-by equity commitment with Brookfield Asset Management.

Continued Commitment to Safety and the Environment

Acadian takes its commitment to safety very seriously as we believe that emphasizing and achieving a good safety record is a leading indicator of success in the broader business. Acadian maintained its solid record of positive safety performance among employees and contractors in our New Brunswick and Maine operations. Importantly, the few reportable accidents that occurred were relatively minor and resulted in minimal lost time. We continue to work with our contractors and employees to ensure the highest standards of workplace safety are met. We are particularly proud to report that the employees of our Maine operations have now completed fourteen accident free years.

Acadian is also pleased to report that both the New Brunswick and Maine operations completed their audits to the Sustainable Forestry Initiative® this year without any non-conformances.

Outlook[2]

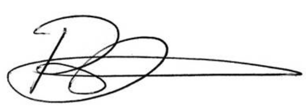
Despite a disappointing U.S. housing market in 2014, there are several reasons to be optimistic about the housing sector in 2015. U.S. job creation has been very strong with employers adding an average of 246,000 jobs per month in 2014, marking the strongest growth in 15 years. The rate of housing price increases has moderated and mortgage rates have fallen back below four percent with a complimentary easing of credit standards. All of these factors should support increasing rates of household formation in 2015. We believe these demand-side factors, combined with the declining overhang of foreclosure housing stock and the fact that vacancy rates of houses for rent and for sale are now back to normal levels, leaves the U.S. housing market well positioned for recovery. This expectation of a continuously improving U.S. housing market and continued strong exports should keep North American lumber prices well above historical norms encouraging Acadian's key solid wood customers to continue to operate at full capacity. As such, we expect to see ongoing strong demand for softwood sawlogs in the region.

Markets for hardwood sawlogs have been positive and are expected to remain stable and demand and pricing for hardwood pulpwood continues to be very favourable. Despite recent pulp mill closures, Acadian has been successful in selling its softwood pulpwood production. Announced plans to convert a portion of pulp production to softwood at the Old Town and Woodland mills in Maine might provide some relief from current market weakness for softwood pulpwood and reduce pressure on hardwood pulpwood. Biomass sales have begun to improve as the logistical challenges previously constraining exports from our New Brunswick operations have been relieved.

Business Development

We continue to actively pursue business development opportunities in support of Acadian's growth strategy in the U.S., Australasia and South America. We are witnessing increased transaction activity in all of these markets and continued to work on several opportunities in the United States, Brazil, Chile, Uruguay and New Zealand during the fourth quarter. Our goal is to build a balanced portfolio between current cash flow and capital appreciation with the ultimate focus being on our long-term total return target of 10-12%. Acadian's shareholders can be confident that we will stay focused and disciplined in our search for growth.

On behalf of the board and management of Acadian, I would like to thank all our shareholders for their ongoing support. I look forward to updating you on our progress in the coming periods.



Reid Carter
President and Chief Executive Officer
February 10, 2015

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

2. This section contains forward-looking information within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Please refer to the section entitled "Forward-Looking Statements" in Management's Discussion and Analysis for further details.

MARKET OVERVIEW

Softwood Sawlogs – 38% of Net Sales

Softwood sawlogs accounted for 38% of Acadian Timber Corp.'s ("Acadian") net sales and 35% of sales volume for the twelve months ended December 31, 2014. Demand for softwood sawlogs was strong throughout the year and the average realized price per m^3 increased 11% year-over-year. Sales volume declined 7% year-over-year as Acadian focused a greater proportion of harvest activities on hardwood stands. Average realized prices in our Maine operations were 28% higher than in New Brunswick due to the continued strengthening of the U.S. dollar and access to a broader customer base.

Hardwood Sawlogs – 10% of Net Sales

Hardwood sawlogs accounted for 10% of Acadian's net sales and 5% of sales volume for the twelve months ended December 31, 2014. Sales volume increased 6 thousand m^3, or 10%, year-over-year. The volume at the New Brunswick operations was up 8% while the average price per m^3 increased by 7% and at the Maine operations volume increased 14% and the average price per m^3 increased 17% year-over-year.

Softwood and Hardwood Pulpwood – 41% of Net Sales

Softwood and hardwood pulpwood shipments accounted for 6% and 35%, respectively, of Acadian's net sales and 9% and 34%, respectively, of sales volume in 2014. Markets for hardwood pulpwood were robust again this year, resulting in an increase in the year-over-year average selling price of 9%. Markets for softwood pulpwood were stable in Maine with average selling prices increasing 6% year-over-year as a result of a stronger U.S. dollar. Markets for softwood pulpwood remain challenged in New Brunswick with average selling prices decreasing 8% year-over-year due to few market opportunities in that region.

Biomass – 6% of Net Sales

Biomass markets were in balance with supply during 2014. The sales volume decreased 36 thousand m^3 year-over-year reflecting a return to more typical volumes after the recovery of accumulated volumes from prior years boosted production in 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(All figures in Canadian dollars unless otherwise stated)

INTRODUCTION

Acadian Timber Corp. ("Acadian" or the "Company") is a leading supplier of primary forest products in Eastern Canada and the Northeastern United States. With a total of 2.4 million acres of land under management, Acadian is the second largest timberland operator in New Brunswick and Maine. Acadian is managed by a wholly-owned subsidiary of Brookfield Asset Management Inc. (NYSE: BAM, TSX: BAM.A and Euronext: BAMA).

Acadian owns and manages approximately 761,000 acres of freehold timberlands in New Brunswick ("NB Timberlands"), approximately 299,000 acres of freehold timberlands in Maine ("Maine Timberlands") and provides management services relating to approximately 1.3 million acres of Crown licensed timberlands ("NB Crown Lands"). Acadian also owns and operates a forest nursery in Second Falls, New Brunswick. Acadian's products include softwood and hardwood sawlogs, pulpwood and biomass by-products sold to approximately 90 regional customers.

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

Basis of Presentation
This section of our annual report presents management's discussion and analysis ("MD&A") of our financial results and is followed by our consolidated financial statements for the year ended December 31, 2014. The MD&A is intended to provide an assessment of our performance during the three month period and year ended December 31, 2014, as compared to the three month period and year ended December 31, 2013.

Our financial results are determined in accordance with International Financial Reporting Standards ("IFRS") and are expressed in Canadian dollars ("CAD") unless otherwise stated. External economic and industry factors remain unchanged since the previous annual report, unless otherwise noted. This MD&A has been prepared based on information available as at February 10, 2015. Additional information is available on Acadian's website at *www.acadiantimber.com* and on SEDAR's website at *www.sedar.com*.

Non-IFRS Measures
Throughout the MD&A, reference is made to Adjusted EBITDA, which Acadian's management defines as earnings before interest, taxes, fair value adjustments, recovery of or impairment of land and roads, unrealized exchange gain/loss on debt, depreciation and amortization and to "Free Cash Flow" which Acadian's management defines as Adjusted EBITDA less interest paid, current income tax expense, additions to, and gains from the sale of, fixed assets plus losses on, and proceeds from, the sale of fixed assets. Management believes that Adjusted EBITDA and Free Cash Flow are key performance measures in evaluating Acadian's operations and are important in enhancing investors' understanding of the Company's operating performance. As Adjusted EBITDA and Free Cash Flow do not have a standardized meaning prescribed by IFRS, they may not be comparable to similar measures presented by other companies. As a result, we have provided reconciliations of net income as determined in accordance with IFRS, to Adjusted EBITDA and Free Cash Flow in the "Adjusted EBITDA and Free Cash Flow" section of this MD&A.

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2014, Acadian's internal control over financial reporting is effective. Also, management determined that there were no material weaknesses in Acadian's internal control over financial reporting as of December 31, 2014.

Disclosure Controls

Management, including the Chief Executive Officer and Chief Operating Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in the Canadian Securities Administrators National Instrument 52-109). Based on that evaluation, the Chief Executive Officer and Chief Operating Officer concluded that the disclosure controls and procedures were effective as of December 31, 2014 in providing reasonable assurance around material information relating to the Company and its consolidated subsidiaries.

REVIEW OF OPERATIONS

Summary of Results for the Years Ended December 31

The table below summarizes operating and financial data for Acadian:

Years Ended December 31 (CAD thousands, except per share data and where indicated)	**2014**	2013	2012
Sales volume (000s m^3)	**1,307.3**	1,382.6	1,303.5
Net sales	**$ 77,369**	$ 74,383	$ 68,838
Operating earnings	**21,357**	16,811	15,817
Net income	**43,238**	7,248	13,729
Total assets	**406,426**	296,168	285,235
Total debt	**84,221**	77,013	71,935
Adjusted EBITDA[1]	**$ 21,801**	$ 17,480	$ 16,488
Adjusted EBITDA margin[1]	**28%**	23%	24%
Free Cash Flow[1]	**$ 17,634**	$ 13,801	$ 14,022
Dividends declared	**13,804**	13,804	13,804
Payout ratio[1]	**78%**	100%	98%
Per share – basic and diluted			
Net income	**$ 2.58**	$ 0.43	$ 0.82
Free Cash Flow[1]	**1.05**	0.82	0.84
Dividends declared	**0.83**	0.83	0.83
Book value	**14.86**	10.89	11.00
Common shares outstanding	**16,731,216**	16,731,216	16,731,216

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

Acadian generated net sales of $77.4 million on consolidated sales volume of 1,307 thousand m^3 during the year ended December 31, 2014. This compares to net sales of $74.4 million on consolidated sales volume of 1,383 thousand m^3 during the year ended December 31, 2013. The increase in net sales reflects a 10% increase in the average selling price of all log products, partially offset by lower sales volume.

Operating earnings for the period at $21.4 million increased $4.6 million reflecting higher log sales prices with minimal change in operating costs per unit. Net income totaled $43.2 million, or $2.62 per share, for the year ended December 31, 2014, an increase of $36.0 million, or $2.19 per share, compared to 2013. The change is primarily attributable to a non-cash $53.2 million pre-tax adjustment of the fair value of Acadian’s timberlands compared to an adjustment of $2.5 million in the prior year. This change in fair value reflects the current highly competitive timberlands acquisition environment in North America with evidence from timberlands transactions throughout the year supporting the use of significantly lower discount rates in the financial models used as the primary basis Acadian’s independent third-party appraiser uses to estimate the value of timberlands. This fair value adjustment is responsible for approximately $13.1 million of the year-over-year increase in income tax expense.

Adjusted EBITDA and Free Cash Flow

Adjusted EBITDA and Free Cash Flow are generated primarily from the sale of our timber, but also from management services and the sale of non-timber products. Adjusted EBITDA for 2014 was $21.8 million as compared to $17.5 million in 2013. Acadian’s Adjusted EBITDA margin in 2014 was 28%, up from 23% the prior year, primarily a result of improved sales values.

Free Cash Flow for 2014 was $17.6 million, as compared to $13.8 million during 2013.

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

Years Ended December 31 *(CAD thousands)*	**2014**	2013
Net income	**$ 43,238**	$ 7,248
Add (deduct):		
Interest expense, net	**3,203**	3,032
Current income tax expense	**841**	51
Deferred income tax expense	**19,414**	4,004
Depreciation and amortization	**535**	566
Fair value adjustments	**(45,979)**	(2,633)
Loss / (gain) on revaluation of roads and land	**(6,665)**	134
Unrealized exchange loss on long term debt	**7,214**	5,078
Adjusted EBITDA[1]	**$ 21,801**	$ 17,480
Add (deduct):		
Interest paid on debt, net	**(3,223)**	(3,052)
Additions to timber, land, roads and other fixed assets	**(318)**	(576)
Gain on sale of timberlands	**(119)**	(103)
Loss on disposal of lands, roads and other fixed assets	**210**	—
Proceeds from sale of timberlands	**124**	103
Current income tax expense	**(841)**	(51)
Free Cash Flow[1]	**$ 17,634**	$ 13,801
Dividends declared	**$ 13,804**	$ 13,804
Payout ratio[1]	**78%**	100%

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

Dividend Policy of the Company

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

In determining the appropriate level of dividends, our Board of Directors considers the historic and forecast quarterly Free Cash Flow of Acadian. Given the seasonality of Acadian's operations, the Company's performance may vary significantly on a quarter by quarter basis.

Total dividends declared to shareholders during the year ended December 31, 2014 were $13.8 million, or $0.83 per share, unchanged from the prior year. The payout ratio of the Company, which represents the amount of dividends declared as a percentage of the Free Cash Flow generated, for 2014 was 78%, down from 100% in the prior year.

Based on Free Cash Flow generated to date, Acadian's revolving credit facility and existing cash reserves, Acadian remains well positioned to meet dividend targets into 2015.

Operating and Market Conditions

Acadian's operations ran smoothly throughout the year with steady customer demand and typical weather conditions. Harvest volume, excluding biomass, decreased 4% to 1,077 thousand m^3 as compared to 1,117 thousand m^3 in the prior year. Consolidated sales volume of 1,307 thousand m^3 was down 5% from 2013 with the decrease reflecting reduced softwood and biomass volumes, partially offset by strong hardwood sales volumes.

Acadian's weighted average log price for 2014 increased 10% year-over-year with increases in nearly all primary products. Stronger softwood sawlog markets, particularly in the Maine operations, resulted in an 11% increase in softwood sawlog prices relative to 2013. Prices for hardwood sawlogs and pulpwood improved with selling prices for hardwood sawlogs in the New Brunswick and Maine operations increasing by 7% and 17%, respectively, and hardwood pulpwood prices increasing 8% and 13%, respectively. Biomass markets were mixed with realized gross margins on this product climbing 13% year-over-year in Maine and slipping 26% in New Brunswick.

Income Tax Expense

Included in 2014 net income is deferred tax expense of $19.4 million (2013 – $4.0 million). The majority of the increase is due to the fair value adjustments of Acadian's timberlands.

Segmented Results of Operations

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

	Year Ended December 31, 2014				*Year Ended December 31, 2013*			
(CAD thousands, except where indicated)	**NB Timberlands**	**Maine Timberlands**	**Corporate**	**Consolidated**	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volume (000s m^3)	**972.7**	**334.6**	**—**	**1,307.3**	1,053.4	329.2	—	1,382.6
Net sales	**$ 55,605**	**$ 21,764**	**$ —**	**$ 77,369**	$ 56,031	$ 18,352	$ —	$ 74,383
Adjusted EBITDA[1]	**$ 16,044**	**$ 6,755**	**$ (998)**	**$ 21,801**	$ 13,683	$ 5,276	$ (1,479)	$ 17,480
Adjusted EBITDA margin[1]	**29%**	**31%**	**n/a**	**28%**	24%	29%	n/a	23%

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

NB Timberlands

NB Timberlands owns and manages approximately 761,000 acres of freehold timberlands, provides management services relating to approximately 1.3 million acres of Crown licensed timberlands and owns a forest nursery. Approximately 76% of harvest operations during 2014 were performed by third-party contractors and approximately 24% by NB Timberlands employees.

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

	Year Ended December 31, 2014			*Year Ended December 31, 2013*		
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*
Softwood	**366.6**	**370.2**	**$ 20,711**	422.8	421.8	$ 22,424
Hardwood	**404.2**	**407.0**	**27,517**	406.6	405.9	25,217
Biomass	**195.5**	**195.5**	**4,163**	225.7	225.7	5,040
	966.3	**972.7**	**52,391**	1,055.1	1,053.4	52,681
Other sales			**3,214**			3,350
Net sales			**$ 55,605**			$ 56,031
Adjusted EBITDA[1]			**$ 16,044**			$ 13,683
Adjusted EBITDA margin[1]			**29%**			24%

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

Softwood, hardwood and biomass shipments were 370 thousand m^3, 407 thousand m^3 and 196 thousand m^3, respectively, for the year ended December 31, 2014. This represents a year-over-year decrease in sales volume of 81 thousand m^3 or 8%. Approximately 37% of sales volume was sold as sawlogs, 43% as pulpwood and 20% as biomass in 2014. This compares to 37% of sales volume sold as sawlogs, 42% as pulpwood and 21% as biomass in 2013.

Net sales for the twelve months ended December 31, 2014 was $55.6 million with an average selling price across all log products of $62.05 per m^3. This compares to net sales of $56.0 million and an average log selling price of $57.55 per m^3 during the same period in 2013. The 8% year-over-year improvement in the average log selling price reflects higher prices across almost all products due to improved demand, and a higher percentage of hardwood sawlogs in the sales mix.

Costs were $39.6 million, a decrease from $42.3 million in the prior year resulting from decreased harvesting volumes.

Adjusted EBITDA for the twelve months ended December 31, 2014 was $16.0 million, compared to $13.7 million in the prior year, while Adjusted EBITDA margin was 29%, up from 24% the prior year.

For the 12-month period ended December 31, 2014, NB Timberlands experienced four recordable incidents among employees and three reportable incidents among contractors. There were no reportable environmental incidents.

Maine Timberlands

Maine Timberlands owns and operates approximately 299,000 acres of freehold timberlands. All harvesting operations are performed by third-party contractors.

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

	Year Ended December 31, 2014			*Year Ended December 31, 2013*		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**202.0**	**201.1**	**$ 13,382**	200.4	200.0	$ 11,613
Hardwood	**104.4**	**104.3**	**7,738**	87.7	94.1	6,110
Biomass	**29.2**	**29.2**	**221**	35.1	35.1	232
	335.6	**334.6**	**21,341**	323.2	329.2	17,955
Other sales			**423**			397
Net sales			**$ 21,764**			$ 18,352
Adjusted EBITDA[1]			**$ 6,755**			$ 5,276
Adjusted EBITDA margin[1]			**31%**			29%

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

Softwood, hardwood and biomass shipments were 201 thousand m³, 104 thousand m³ and 29 thousand m³, respectively, for the year ended December 31, 2014. This represents a year-over-year increase in sales volume of 5 thousand m³ or 2%. Approximately 49% of sales volume was sold as sawlogs, 42% as pulpwood and 9% as biomass in 2014. This compares to 50% of sales volume sold as sawlogs, 39% as pulpwood and 11% as biomass in 2013.

Net sales for the twelve months ended December 31, 2014 was $21.8 million with an average selling price across all log products of $69.16 per m³. This compares to net sales of $18.4 million and an average log selling price of $60.26 per m³ in 2013. Net sales increased 18% from the prior year reflecting a 15% increase in the average log selling price and the 2% increase in sales volume. Average log selling prices increased 7% in U.S. dollar terms year-over-year.

Costs for the twelve months ended December 31, 2014 were $15.0 million, or $1.9 million higher than the prior year, primarily attributable to the increased harvest volume. Variable costs per m³ were 9% higher in Canadian dollar terms, but up only 1% in U.S. dollar terms.

Adjusted EBITDA for the twelve months ended December 31, 2014 was $6.8 million compared to $5.3 million in the prior year, while Adjusted EBITDA margin increased to 31% from 29% in 2013.

For the 12-month period ended December 31, 2014, there were no recordable incidents among employees and two reportable incidents among contractors. There were no reportable environmental incidents.

Financial Position

As at December 31, 2014, Acadian's balance sheet consisted of total assets of $406.4 million (2013 – $296.2 million), represented primarily by timber, land, roads and other fixed assets of $379.1 million (2013 – $272.4 million) with the balance in cash and current assets of $21.2 million (2013 – $17.6 million), and intangible assets of $6.1 million (2013 – $6.1 million). Timber, land and roads on freehold land have been recorded at fair value as determined through independent third party appraisal at December 31, 2014. Reforestation costs have been expensed as incurred.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

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

The Company expects to pay quarterly dividends to the extent determined prudent by the Company's Board of Directors.

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

Capital Resources

Borrowings

In February 2011, Acadian refinanced its Canadian and U.S. dollar denominated loan facilities by entering into a first mortgage loan agreement with Metropolitan Life Insurance Company which will mature on March 1, 2016. This agreement established a revolving credit facility of up to US$10.0 million (the "Revolving Facility") for general corporate purposes and a term credit facility in an amount up to US$72.5 million (the "Term Facility"). The Term Facility bears interest at a fixed rate of 3.97%. The Revolving Facility bears interest at floating rates based on 30 or 90 day LIBOR plus applicable margin.

As at December 31, 2014, Acadian had borrowings of US$72.5 million under the Term Facility and the Revolving Facility was undrawn.

As collateral for these facilities, Acadian has granted the lenders a security interest over all of its assets. The facilities are subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness, granting liens or selling assets without the consent of the lenders. The credit facilities are subject to the maintenance of a maximum ratio of loan to appraised value and Acadian is in compliance as of December 31, 2014. In addition, US$2.2 million of the Revolving Facility is reserved to support the minimum cash balance requirement of the Term Facility.

Stand-by Equity Commitment

On August 12, 2013, Acadian arranged a stand-by equity commitment with Brookfield in an aggregate amount of US$50 million for a 2-year duration subject to regulatory approval. The equity commitment is structured so that Acadian may call on the equity commitment in exchange for the issuance of a number of common shares that corresponds to the amount of the equity commitment called, divided by the volume-weighted average of the trading price for Acadian's common shares on the Toronto Stock Exchange for a period of up to twenty trading days immediately preceding the date of the call, as approved by the Toronto Stock Exchange. All issuances of shares pursuant to the equity commitment will be subject to meeting Toronto Stock Exchange and other applicable regulatory requirements (if any).

As at December 31, 2014, no amounts have been drawn on the equity commitment.

Outstanding Shares

As at December 31, 2014, 16,731,216 common shares were issued and outstanding. The Company is authorized to issue an unlimited number of shares of the same class with equal rights and privileges. Shareholders are entitled to receive dividends as and when declared by the Company's Board of Directors and are entitled to one vote per share on all matters to be voted on by shareholders at each meeting of shareholders.

As at December 31, 2014, affiliates of Brookfield Asset Management Inc. (collectively "Brookfield") owned 7,513,262, approximately 45%, of the outstanding common shares of Acadian.

MARKET OUTLOOK

The following contains forward-looking statements about Acadian Timber Corp.'s market outlook for the remainder of 2015. Reference should be made to "Forward-Looking Statements" on page 25. For a description of material factors that could cause actual results to differ materially from the forward-looking statements in the following, please see the Risk Factors section on page 19 of this Annual Report and in our Annual Information Form available on our website at www.acadiantimber.com or www.sedar.com.

Despite a disappointing U.S. housing market in 2014, there are several reasons to be optimistic about the housing sector in 2015. U.S. job creation has been very strong with employers adding an average of 246,000 jobs per month in 2014, marking the strongest growth in 15 years. The rate of housing price increases has moderated and mortgage rates have fallen back below four percent with a complimentary easing of credit standards. All of these factors should support increasing rates of household formation in 2015. We believe these demand-side factors, combined with the declining overhang of foreclosure housing stock and the fact that vacancy rates of houses for rent and for sale are now back to normal levels, leaves the U.S. housing market well positioned for recovery. This expectation of a continuously improving U.S. housing market and continued strong exports should keep North American lumber prices well above historical norms encouraging Acadian's key solid wood customers to continue to operate at full capacity. As such, we expect to see ongoing strong demand for softwood sawlogs in the region.

Markets for hardwood sawlogs have been positive and are expected to remain stable and demand and pricing for hardwood pulpwood continues to be very favourable. Despite recent pulp mill closures, Acadian has been successful in selling its softwood pulpwood production and planned efforts to convert a portion of pulp production to softwood at the Old Town and Woodland mills in Maine might provide some relief from current market weakness for this product. Biomass sales have begun to improve as the logistical challenges previously constraining exports from our New Brunswick operations have been relieved.

ANALYSIS OF FOURTH QUARTER RESULTS

Summary of Fourth Quarter Results

The table below summarizes operating and financial data for Acadian:

Three Months Ended December 31 *(CAD thousands, except where indicated)*	**2014**	2013	2012
Total			
Sales volume (000s m^3)	**360.5**	369.7	327.1
Net sales	**$ 22,514**	$ 21,764	$ 18,410
Operating earnings	**7,550**	5,988	4,948
Net income	**38,360**	3,420	3,791
Adjusted EBITDA[1]	**7,470**	6,139	5,145
Adjusted EBITDA margin[1]	**33%**	28%	28%
Free Cash Flow[1]	**$ 6,313**	$ 5,304	$ 4,368
Dividends declared	**3,451**	3,451	3,451
Payout ratio[1]	**55%**	65%	79%

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

For the three months ended December 31, 2014 (the "fourth quarter"), Acadian generated net sales of $22.5 million on sales volumes of 361 thousand m³, compared with net sales of $21.8 million on sales volumes of 370 thousand m³ during the same period last year. The 3% increase in net sales is attributable to a 10% higher weighted average log selling price partially offset by a 3% decrease in sales volume.

Operating earnings for the period at $7.6 million increased $1.6 million reflecting higher log selling prices with minimal change in operating costs per unit. Net income totaled $38.4 million, or $2.29 per share, for the fourth quarter up $34.9 million or $2.09 per share from the same period in 2013. The increase is primarily attributable to a non-cash $53.1 million pre-tax adjustment of the fair value of Acadian's timberlands compared to an adjustment of $1.6 million in the prior year. This change in fair value reflects the current highly competitive timberlands acquisition environment in North America with evidence from timberlands transactions throughout the year supporting the use of significantly lower discount rates in the financial models used as the primary basis Acadian's independent third-party appraiser uses to estimate the value of timberlands. This fair value adjustment is responsible for approximately $13.6 million of the year-over-year increase in income tax expense.

Adjusted EBITDA and Free Cash Flow

Adjusted EBITDA for the fourth quarter was $7.5 million compared to $6.1 million during the comparable period in 2014 primarily as a result of the 10% year-over-year increase in log selling prices. Adjusted EBITDA margin in the fourth quarter of 2014 was 33%, up from 28% in the previous year.

Free Cash Flow was $6.3 million during the fourth quarter which represents an increase of $1.0 million from the same period in 2013. Dividends declared during the fourth quarter to shareholders were $3.5 million, unchanged from the total dividends declared in the fourth quarter of 2013.

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

Three Months Ended December 31 *(CAD thousands, except where indicated)*		**2014**		2013
Net income	**$**	**38,360**	$	3,420
Add / (deduct):				
Interest expense, net		**832**		764
Current income tax expense		**471**		51
Deferred income tax expense		**17,778**		1,052
Depreciation and amortization		**126**		135
Fair value adjustments		**(46,484)**		(1,724)
Loss / (gain) on revaluation of roads and land		**(6,665)**		134
Unrealized exchange loss on long term debt		**3,052**		2,307
Adjusted EBITDA[1]	**$**	**7,470**	$	6,139
Add / (deduct):				
Interest paid on debt, net		**(837)**		(770)
Additions to timber, land, roads and other fixed assets		**(63)**		(14)
Gain on sale of timberlands		**(4)**		(16)
Loss on disposal of lands, roads and other fixed assets		**210**		—
Proceeds from sale of timberlands		**8**		16
Current income tax expense		**(471)**		(51)
Free Cash Flow[1]	**$**	**6,313**	$	5,304
Dividends declared	**$**	**3,451**	$	3,451
Payout ratio[1]		**55%**		65%

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

Operating and Market Conditions

Acadian's operations ran well during the fourth quarter with typical weather conditions and good productivity. Harvest volume, excluding biomass, for the fourth quarter was 301 thousand m^3, a decrease of 6% from the same period of 2013 with the prior year's results being exceptionally strong due to the catch-up from below-normal harvest levels in the first three quarters of that year. Consolidated sales volume of 361 thousand m^3 was down less than 1% from the fourth quarter of 2013 with an increase in sales volume at the Maine operations offset by a decrease in sales volume at the New Brunswick operations.

Acadian's weighted average log price for the fourth quarter increased 10% year-over-year with price increases across all products. Stronger softwood sawlog markets resulted in a 12% increase in softwood sawlog prices relative to the fourth quarter of 2013. Prices for hardwood logs in both the New Brunswick and Maine operations improved with selling prices for hardwood sawlogs increasing by 7% and prices for hardwood pulpwood climbing 10% year-over-year. Biomass returns were challenged, however, with realized gross margins on this product decreasing 29% year-over-year due to a lower percentage of higher margin export sales in the sales mix.

Income Tax Expense

Included in net income for the three months ended December 31, 2014 is deferred tax expense of $17.8 million and current tax expense of $0.5 million (2013 – $1.0 million and $0.1 million). The majority of the increase in deferred tax expense is due to the fair value adjustments of Acadian's timberlands.

Segmented Results of Operations

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

	Three Months Ended December 31, 2014				*Three Months Ended December 31, 2013*			
CAD thousands	**NB Timberlands**	**Maine Timberlands**	**Corporate**	**Consolidated**	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volume (000s m³)	**255.2**	**105.3**	**—**	**360.5**	282.2	87.5	—	369.7
Net sales	**$ 15,581**	**$ 6,933**	**$ —**	**$ 22,514**	$ 16,722	$ 5,042	$ —	$ 21,764
Adjusted EBITDA[1]	**$ 5,424**	**$ 2,367**	**$ (321)**	**$ 7,470**	$ 5,047	$ 1,577	$ (485)	$ 6,139
Adjusted EBITDA margin[1]	**35%**	**34%**	**n/a**	**33%**	30%	31%	n/a	28%

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

NB Timberlands

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

	Three Months Ended December 31, 2014			*Three Months Ended December 31, 2013*		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**92.9**	**93.3**	**$ 5,306**	121.7	119.9	$ 6,681
Hardwood	**109.6**	**104.9**	**7,490**	115.9	110.0	7,142
Biomass	**57.0**	**57.0**	**1,310**	52.3	52.3	1,658
	259.5	**255.2**	**14,106**	289.9	282.2	15,481
Other sales			**1,475**			1,241
Net sales			**$ 15,581**			$ 16,722
Adjusted EBITDA[1]			**$ 5,424**			$ 5,047
Adjusted EBITDA margin[1]			**35%**			30%

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

Softwood, hardwood and biomass shipments were 93 thousand m³, 105 thousand m³ and 57 thousand m³, respectively, during the fourth quarter. This represents a year-over-year decrease in sales volume of 27 thousand m³ or 10%. Approximately 36% of sales volume was sold as sawlogs, 42% as pulpwood and 22% as biomass in the fourth quarter. This compares to 43% of sales volume sold as sawlogs, 38% as pulpwood and 19% as biomass in the fourth quarter of 2013.

Net sales for the fourth quarter totaled $15.6 million compared to $16.7 million for the same period last year with a 7% increase in the average log selling price more than offset by the 10% decrease in sales volume. The weighted average log selling price was $64.57 per m³ in the fourth quarter of 2014, up $4.44 per m³ from $60.13 per m³ in the same period of 2013 with increases across all log products.

Costs for the fourth quarter were $10.2 million, compared to $11.7 million in the same period in 2013 due to lower sales volumes. Variable costs per m³ increased just 1% year-over-year.

Adjusted EBITDA for the fourth quarter was $5.4 million, compared to $5.0 million in the same period in 2013. Adjusted EBITDA margin increased to 35% from 30% in the prior year reflecting higher log selling prices with minimal change in variable costs per unit.

During the fourth quarter of 2014, NB Timberlands experienced three recordable incidents among employees and none among contractors.

Maine Timberlands

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

	Three Months Ended December 31, 2014			*Three Months Ended December 31, 2013*		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	**63.9**	**63.5**	**$ 4,333**	54.4	54.4	$ 3,228
Hardwood	**34.4**	**32.7**	**2,430**	26.5	26.1	1,698
Biomass	**9.1**	**9.1**	**83**	7.0	7.0	42
	107.4	**105.3**	**6,846**	87.9	87.5	4,968
Other sales			**87**			74
Net sales			**$ 6,933**			$ 5,042
Adjusted EBITDA[1]			**$ 2,367**			$ 1,577
Adjusted EBITDA margin[1]			**34%**			31%

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

Softwood, hardwood and biomass shipments were 64 thousand m³, 33 thousand m³, and 9 thousand m³, respectively, during the fourth quarter. This represents a year-over-year increase in sales volume of 18 thousand m³ or 20%. Approximately 46% of sales volume was sold as sawlogs, 45% as pulpwood and 9% as biomass during the fourth quarter. This compares to 49% of sales volume sold as sawlogs, 43% as pulpwood and 8% as biomass in the fourth quarter of 2013.

Net sales for the fourth quarter totaled $6.9 million compared to $5.0 million for the same period last year as a result of the increased sales volume and a 15% increase in log selling prices. The weighted average log selling price was $70.32 per m³ in the fourth quarter of 2014, up $9.06 per m³ from $61.26 per m³ in the same period of 2013 in Canadian dollar terms. Weighted average log selling prices in U.S. dollar terms increased 6% during the fourth quarter.

Costs for the fourth quarter were $4.6 million, compared to $3.5 million during the same period in 2013 reflecting higher sales volume and the foreign exchange impact of the strengthening of the U.S. dollar on the Maine Timberlands U.S. dollar denominated costs. In U.S. dollar terms, variable costs per unit climbed just 1%.

Adjusted EBITDA for the fourth quarter was $2.4 million, compared to $1.6 million for the same period in 2013, while Adjusted EBITDA margin increased from 31% to 34%.

There were no recordable safety incidents among Maine Timberlands employees or contractors during the fourth quarter of 2014.

SUPPLEMENTAL INFORMATION

Selected Consolidated Quarterly Information

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

	2014				2013			
(CAD thousands, except per share data and where indicated)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales volume (000s m³)	**361**	368	229	350	370	343	330	339
Net sales	**$22,514**	$21,583	$12,029	$21,243	$21,764	$18,759	$15,608	$18,252
Adjusted EBITDA[1]	**7,470**	5,699	1,935	6,697	6,139	3,789	2,897	4,655
Free Cash Flow[1]	**6,313**	4,669	1,052	5,600	5,304	2,812	1,774	3,911
Net income / (loss)	**38,360**	(557)	4,738	697	3,420	3,394	(857)	1,291
Per share – basic and diluted	**$ 2.29**	$ (0.03)	$ 0.28	$ 0.04	$ 0.20	$ 0.20	$ (0.05)	$ 0.08

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

Additional Quarterly Information

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

NB Timberlands

	2014 Q4			2014 Q3			2014 Q2			2014 Q1		
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*
Softwood	**92.9**	**93.3**	**$ 5,306**	107.6	109.2	$ 6,281	45.5	67.6	$ 3,745	120.6	100.1	$ 5,379
Hardwood	**109.6**	**104.9**	**7,490**	108.7	112.3	7,354	62.0	74.1	4,914	123.9	115.7	7,759
Biomass	**57.0**	**57.0**	**1,310**	69.2	69.2	1,544	40.0	40.0	663	29.3	29.3	646
	259.5	**255.2**	**14,106**	285.5	290.7	15,179	147.5	181.7	9,322	273.8	245.1	13,784
Other sales			**1,475**			1,109			(32)			662
Net sales			**$ 15,581**			$ 16,288			$ 9,290			$ 14,446
Adjusted EBITDA[1]			**$ 5,424**			$ 4,510			$ 1,652			$ 4,458
Adjusted EBITDA margin[1]			**35%**			28%			18%			31%

Maine Timberlands

	2014 Q4			2014 Q3			2014 Q2			2014 Q1		
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*	**Harvest** *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*
Softwood	**63.9**	**63.5**	**$ 4,333**	48.9	48.7	$ 3,343	17.6	17.6	$ 1,030	71.6	71.3	$ 4,676
Hardwood	**34.4**	**32.7**	**2,430**	24.8	24.6	1,788	12.7	19.9	1,529	32.5	27.1	1,991
Biomass	**9.1**	**9.1**	**83**	3.7	3.7	25	9.7	9.7	52	6.7	6.7	61
	107.4	**105.3**	**6,846**	77.4	77.0	5,156	40.0	47.2	2,611	110.8	105.1	6,728
Other sales			**87**			139			128			69
Net sales			**$ 6,933**			$ 5,295			$ 2,739			$ 6,797
Adjusted EBITDA[1]			**$ 2,367**			$ 1,526			$ 385			$ 2,477
Adjusted EBITDA margin[1]			**34%**			29%			14%			36%

Corporate

	2014 Q4	2014 Q3	2014 Q2	2014 Q1
	Results *($000s)*	**Results** *($000s)*	**Results** *($000s)*	**Results** *($000s)*
Net sales	**$ —**	$ —	$ —	$ —
Adjusted EBITDA[1]	**$ (321)**	$ (337)	$ (102)	$ (238)

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

NB Timberlands

	2013 Q4			2013 Q3			2013 Q2			2013 Q1		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	121.7	119.9	$ 6,681	87.7	90.5	$ 4,632	57.4	124.4	$ 6,538	156.0	87.0	$ 4,573
Hardwood	115.9	110.0	7,142	106.3	103.3	6,213	89.8	95.6	5,807	94.6	97.0	6,055
Biomass	52.3	52.3	1,658	60.3	60.3	1,364	68.2	68.2	1,199	44.9	44.9	819
	289.9	282.2	15,481	254.3	254.1	12,209	215.4	288.2	13,544	295.5	228.9	11,447
Other sales			1,241			1,439			(36)			706
Net sales			$ 16,722			$ 13,648			$ 13,508			$ 12,153
Adjusted EBITDA[1]			$ 5,047			$ 2,701			$ 2,943			$ 2,992
Adjusted EBITDA margin[1]			30%			20%			22%			25%

Maine Timberlands

	2013 Q4			2013 Q3			2013 Q2			2013 Q1		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	**Harvest** *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*
Softwood	54.4	54.4	$ 3,228	51.4	51.3	$ 3,168	18.1	18.1	$ 875	76.5	76.2	$ 4,342
Hardwood	26.5	26.1	1,698	25.6	26.0	1,754	9.9	15.6	1,051	25.7	26.4	1,607
Biomass	7.0	7.0	42	11.8	11.8	65	8.6	8.6	44	7.7	7.7	81
	87.9	87.5	4,968	88.8	89.1	4,987	36.6	42.3	1,970	109.9	110.3	6,030
Other sales			74			124			130			69
Net sales			$ 5,042			$ 5,111			$ 2,100			$ 6,099
Adjusted EBITDA[1]			$ 1,577			$ 1,456			$ 215			$ 2,028
Adjusted EBITDA margin[1]			31%			28%			10%			33%

Corporate

	2013 Q4	2013 Q3	2013 Q2	2013 Q1
	Results *($000s)*	**Results** *($000s)*	**Results** *($000s)*	**Results** *($000s)*
Net sales	$ —	$ —	$ —	$ —
Adjusted EBITDA[1]	$ (485)	$ (368)	$ (261)	$ (365)

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

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reported period. The critical estimates and judgements applied in preparing Acadian's financial statements affect the assessment of net recoverable amounts, net realizable values and fair values, depreciation rates and useful lives, determination of functional currency and the selection of accounting policies.

The critical estimates and judgements made in the preparation of Acadian's financial statements include, among other things, future prices and margins, future sales volumes, future harvest rates and sustainable yields, and discount rates utilized in the valuation of Acadian's timber, roads and land as discussed in Notes 4 and 5 to the consolidated financial statements. In making estimates and judgements, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgements have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making these estimates and judgements in these consolidated financial statements. Actual results could differ from those estimates. For further reference on critical accounting policies, see our significant accounting policies contained in Note 2 to the consolidated financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Related Party Transactions

In the normal course of operations, the Company enters into various transactions on market terms with related parties which have been measured at exchange value and recognized in the consolidated financial statements. The Company has one significant related party, Brookfield Asset Management Inc., and its affiliates (collectively "Brookfield"). As at December 31, 2014, Brookfield owned 7,513,262 common shares, representing approximately 45% of the outstanding shares of the Company. Acadian is also a related party of Katahdin Timberlands LLC as a result of their common significant shareholder and was a related party of Twin Rivers Paper Company ("Twin Rivers") prior to Brookfield completing the sale of its interest in Twin Rivers on June 10, 2013. References in this report to Twin Rivers refer to transactions and relationships with Brookfield prior to the sale of this interest.

A summary of the significant related party transactions is provided below.

a) Upon inception Acadian became party to fibre supply agreements whereby Acadian agreed to provide fibre to Twin Rivers for periods of up to 20 years. In addition, Acadian agreed to administer certain licenses on behalf of Twin Rivers. Total sales to Twin Rivers in 2013 prior to the sale of Brookfield's interest in Twin Rivers on June 10, 2013 totaled $6.1 million, which represents 33% of Acadian's total sales for the first half of 2013.

b) Upon inception, Acadian entered into an agreement with Brookfield whereby Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided during the year ended December 31, 2014 totaled $2.3 million (2013 – $2.2 million). All fees have been fully paid in accordance with the services agreement.

c) Maine Timberlands sold 5.33 acres of land during the year ended December 31, 2014 for net proceeds of $117 thousand to Katahdin Timberlands LLC (2013 – 1.67 acres for $87 thousand).

Further to the related party transactions noted above, the total net receivable due from related parties as at December 31, 2014 is $20 thousand (December 31, 2013 net receivable due from related parties – $65 thousand).

Contractual Obligations

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

The table below summarizes the Company's debt obligations as at December 31, 2014.

			Payments Due by Period			
(CAD thousands)	**Total Available**	**Total**	**Less Than One Year**	**1 to 3 Years**	**3 to 5 Years**	**After 5 Years**
Debt						
Term loan[1]	**$ 84,221**	**$ 84,221**	$ —	$ 84,221	$ —	$ —
Revolving credit facility[2]	**11,617**	**—**	—	—	—	—
	$ 95,838	**$ 84,221**	$ —	$ 84,221	$ —	$ —
Interest payment[3]		**$ 4,711**	$ 3,344	$ 1,367	$ —	$ —

1 Represents principal of a U.S. dollar denominated term loan with a U.S. to Canadian dollar conversion of 1.1617, excluding the unamortized deferred financing costs;

2 Represents credit available from a U.S. dollar denominated revolving credit facility with a U.S. to Canadian conversion of 1.1617;

3 Interest payments are determined assuming a fixed interest rate at 3.97% with a U.S. to Canadian ollar conversion of 1.1617.

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, NB, and a softwood lumber mill in Plaster Rock, NB. Approximately 29% of Acadian's total sales for the year ended December 31, 2014 were derived from lumber mills and pulp and paper mills owned or managed by Twin Rivers (28% for the year ended December 31, 2013). Under the Fibre Supply Agreement, Twin Rivers is permitted to permanently reduce its purchases by any amount, subject to certain notice periods and 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, Crown licenses have been granted to Twin Rivers as the owner/operator of its mills. If Twin Rivers sells or closes these mills in the future, the Crown licenses would likely be required to be transferred to the purchaser or revert to the Crown, as the case may be, resulting in Twin Rivers potentially losing management over the NB Crown Lands subject to these licenses. Such events could potentially eliminate the fees earned by Acadian in providing services relating to the NB Crown Lands, and thus would result in a reduction in 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.

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 and, to a lesser extent, repair and remodeling activity and 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, supply and economic conditions.

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

Cyclicality

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

Lack of Control Over Government Set Crown Royalty and Management Fees and Allowable Annual Cut

Acadian's revenue from operations in respect of the NB Crown Lands is generated from the service fees it charges to Twin Rivers. Acadian has little control over these revenues as the Government of New Brunswick dictates the management fees that Twin Rivers receives and therefore indirectly influences the service fees to be charged by Acadian on harvesting from the NB Crown Lands.

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 fees it is permitted to charge.

In addition, the Government of New Brunswick periodically establishes the royalties to be paid for the right to harvest timber on Crown Lands. Royalties 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 royalty then in effect. A reduction in the royalty charged on Crown Lands could make Acadian's timber harvested from the NB Timberlands and Maine Timberlands less competitive.

Furthermore, increased Allowable Annual Cut ("AAC") on Crown Lands could have a negative impact on Acadian's ability to market its timber harvested from the NB Timberlands and the Maine Timberlands. The AAC on Crown Lands for New Brunswick is determined by the Minister of Natural Resources of New Brunswick and reflects timber conditions, regional and local economic and social interests, and environmental considerations. A significant increase in the AAC in any given year could have an adverse impact 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, access limitations 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 and other natural and man-made disasters. 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 has the potential to reach epidemic levels and cause extensive defoliation of balsam fir and spruce that may lead to tree mortality after several years of occurrence. While management has taken steps to monitor regional trends in spruce budworm activity and is prepared to adjust harvesting to mitigate potential losses of commercial timber, there can be no assurances that future harvest levels of the affected species will be achievable.

Restrictions Imposed by Forestry and Environmental Regulations

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

Laws, regulations and related judicial decisions and administrative interpretations affecting Acadian's business are subject to change and new laws and regulations that may affect its business are frequently enacted. Some of these laws and regulations could impose on Acadian significant costs, penalties and liabilities 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, health and safety, 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 operations of Acadian, the Company may be required to make regulatory filings. Any of the government agencies could delay review of or reject any of Acadian's filings which could result in a delay or restriction in harvesting, replanting, thinning, insect control or fire control.

Dependence on and Scarcity of Trained Labour

Acadian relies significantly on a limited number of entities to cut and haul harvested timber, as well as to conduct road building and silviculture activities. If any of these entities were to stop doing business with Acadian, Acadian's operations could be negatively impacted. In addition, there is a limited supply of trained foresters and trained operators/contractors in the New Brunswick and Maine regions which may result in increased costs to Acadian to retain its workforce. The ability of trained contractors to operate across the US-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 net sales from the Maine Timberlands and a portion of the sales from the NB Timberlands, a significant portion of gross revenues earned, are in U.S. dollars. As well, all expenses incurred in respect of the Maine Timberlands and a nominal amount of the expenses of NB Timberlands are in U.S. dollars and all of Acadian's debt financing and all interest payable thereon is in U.S. dollars. As a result, Acadian's cost competitiveness could be impacted by unfavourable fluctuations in currency exchange rates. In addition, the apparent historical correlation between currency rates and timber prices in regions within close proximity to the Canadian/U.S. border may weaken over time thereby undermining any hedge relating to the 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 the NB Timberlands and Maine Timberlands and management's forest management planning, including silviculture, will have the intended result of ensuring that Acadian's asset base appreciates over time. If management's estimates of merchantable inventory are incorrect or the LRSY is too high, harvesting levels of Acadian's timberlands may result in depletion of Acadian's timber assets.

Geographic Concentration

Acadian's timberlands are concentrated in Maine and New Brunswick. Accordingly, if the level of production from these forests 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 fires, drought, tree diseases, severe weather, unforeseen equipment breakdowns, and other events, including events of force majeure, which could result in material damages to Acadian. Insurance for Acadian's standing timber is not available on commercially acceptable terms, but Acadian is insured against all other business risks.

Seasonality

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

Non-Timber Income

The 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 plan. 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 many 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 significant 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.

Aboriginal Claims

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

Undetected Environmental Liabilities

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

Ability to Identify and Complete Investment Opportunities

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

Risks Related to the Structure of the Company

Dependence on Brookfield and Brookfield Timberlands Management LP and Potential Conflicts of Interest

Acadian is dependent on Brookfield and Brookfield Timberlands Management LP ("Brookfield LP") in respect of certain strategic management functions relating to the ongoing operations of Acadian's timberlands. Brookfield and Brookfield LP, their respective affiliates and agents, employees of Brookfield and Brookfield Timberlands Management GP Inc. ("Brookfield GP"), the general partner of Brookfield LP (which has no employees), and other funds and vehicles managed by Brookfield or Brookfield LP or their respective affiliates are engaged or invested, directly or indirectly, in a variety of other companies or entities involved in owning, managing, advising on or being otherwise engaged in timberland operations and businesses. This may result in conflicts, which could restrict expansion and other opportunities available to Acadian.

Payment of Dividends

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

Dividends Depend on Performance of Subsidiaries

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

Market Price of Common Shares

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

Dilution of Existing Shareholders

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

Leverage and Restrictive Covenants in Agreements Relating to Indebtedness

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

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

Risks Related to the Arrangement

On January 1, 2010, Acadian Timber Income Fund (the "Fund") converted to the Company pursuant to a plan of arrangement under the Canada Business Corporations Act (the "Arrangement") with CellFor Inc. which allowed for the conversion of the Fund from an income trust to a corporation.

Taxation Risk

The Company will file all required income tax returns in a manner that it believes will be in full compliance with the provisions of the Income Tax Act (Canada) and all applicable provincial legislation. It is expected that the Company will benefit from certain federal tax account balances which existed in the Company at the time of the Arrangement. However, the Company's income tax returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Company, whether by re-characterization of certain expenditures, or the restriction of the deductibility of all or any portion of such federal tax account balances, such reassessment may have an impact on current and future taxes payable by the Company. Any such impact may have a material adverse affect on the Company.

Furthermore, Canadian federal or provincial income tax legislation may be amended, or its interpretation changed, possibly with retroactive effect, in a manner which alters fundamentally the availability of such federal tax account balances to the Company.

Forward-Looking Statements

This management discussion and analysis ("MD&A") contains forward-looking information within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, such statements may contain such words as "may," "will," "intend," "should," "expect," "believe," "outlook," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the negative of these terms or other similar terminology. Forward-looking information in this MD&A includes statements made in sections entitled "Dividend Policy of the Company," "Operating and Market Conditions," "Liquidity and Capital Resources" and "Market Outlook" and without limitation other statements regarding management's beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, growth strategy and prospects, access to capital, liquidity and trading volumes, dividends, taxes, capital expenditures, projected costs, market trends and similar statements concerning anticipated future events, results, achievements, circumstances, performance or expectations that are not historical facts. These statements, which reflect management's current expectations regarding future events and operating performance, are based on information currently available to management and speak only as of the date of this MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon, and will not necessarily be accurate indications of whether or not such results will be achieved. Factors that could cause actual results to differ materially from the results discussed in the forward-looking statements include, but are not limited to: general economic and market conditions; 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 income tax law; economic situation of key customers; Brookfield's ability to source and secure potential investment opportunities; the availability of potential acquisitions that suit Acadian's growth profile; and other risks and factors discussed under the heading "Risk Factors" in each of the Annual Information Form dated March 28, 2014 and the Management Information Circular dated May 13, 2014, and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: anticipated financial performance; anticipated market conditions; business prospects; the economic situation of key customers; strategies; regulatory developments; exchange rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services and the ability to obtain financing on acceptable terms. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are made as of the date of this MD&A, and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this MD&A. Acadian assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as may be required by applicable law.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Acadian Timber Corp.:

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

To assist management in fulfilling its responsibilities, a system of internal accounting controls has been established to provide reasonable assurance that the consolidated financial statements are accurate and reliable and that assets are safeguarded. Management believes that this system of internal controls is designed and operating effectively for the year ended December 31, 2014.

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

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

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

Reid Carter
President and Chief Executive Officer

Brian Banfill
Chief Operating Officer

February 10, 2015

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Acadian Timber Corp.:

We have audited the accompanying consolidated financial statements of Acadian Timber Corp., which comprise the consolidated balance sheets as at December 31, 2014 and 2013, and the consolidated statements of net income, comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Acadian Timber Corp. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and 2013 in accordance with International Financial Reporting Standards as issued by the International Standards Board.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 10, 2015

CONSOLIDATED STATEMENTS OF NET INCOME

For the Years Ended December 31 *(CAD thousands, except per share data)*	Note	**2014**	2013
Net sales	9	**$ 77,369**	$ 74,383
Operating costs and expenses			
Cost of sales	9	**49,026**	49,514
Selling, administration and other		**5,969**	6,929
Reforestation		**482**	563
Depreciation and amortization	5	**535**	566
		56,012	57,572
Operating earnings		**21,357**	16,811
Interest expense, net		**(3,203)**	(3,032)
Other items			
Fair value adjustments	4	**45,979**	2,633
Unrealized exchange loss on long-term debt	6	**(7,214)**	(5,078)
Gain on sale of timberlands		**119**	103
Loss on disposal of land, roads and other fixed assets		**(210)**	—
Gain / (loss) on revaluation of roads and land	5	**6,665**	(134)
Earnings before income taxes		**63,493**	11,303
Current income tax expense	12	**(841)**	(51)
Deferred income tax expense	12	**(19,414)**	(4,004)
Net income		**43,238**	7,248
Net income per share – basic and diluted		**$ 2.58**	$ 0.43

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31 *(CAD thousands)*	Note	**2014**	2013
Net income		**$ 43,238**	$ 7,248
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to net income:			
Gain / (loss) on revaluation of roads and land	5	**27,981**	(1,215)
Unrealized foreign currency translation income gain		**9,192**	6,151
Amortization of derivatives designated as cash flow hedges	11	**(188)**	(189)
Comprehensive income		**$ 80,223**	$ 11,995

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

As at December 31 *(CAD thousands)*	Note	**2014**	2013
Assets			
Current assets			
Cash and cash equivalents		**$ 12,660**	$ 8,564
Accounts receivable and other assets	8	**7,351**	7,673
Inventory		**1,191**	1,380
		21,202	17,617
Timber	4	**296,681**	240,143
Land, roads and other fixed assets	5	**82,403**	32,268
Intangible assets		**6,140**	6,140
		$ 406,426	$ 296,168
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	8	**$ 6,978**	$ 7,680
Dividends payable to shareholders		**3,451**	3,451
		10,429	11,131
Long-term debt	6	**83,944**	76,496
Deferred income tax liability	12	**63,441**	26,348
Shareholders' equity	7	**248,612**	182,193
		$ 406,426	$ 296,168

See accompanying notes to consolidated financial statements.

On Behalf of the Board

Reid Carter
President and Chief Executive Officer

David M. Mann
Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Year Ended December 31, 2014 (CAD thousands)	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Cash Flow Hedges	Shareholders' Equity
Balances as at December 31, 2013	$ 140,067	$ 37,020	$ 1,383	$ 3,294	$ 429	$ 182,193
Changes in period						
Net income	—	43,238	—	—	—	43,238
Other comprehensive income / (loss)	—	—	27,981	9,192	(188)	36,985
Shareholders' dividends declared	—	(13,804)	—	—	—	(13,804)
Balances as at December 31, 2014	$ 140,067	$ 66,454	$ 29,364	$ 12,486	$ 241	$ 248,612

See accompanying notes to consolidated financial statements.

For the Year Ended December 31, 2013 (CAD thousands)	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Cash Flow Hedges	Shareholders' Equity
Balances as at December 31, 2012	$ 140,067	$ 43,576	$ 2,598	$ (2,857)	$ 618	$ 184,002
Changes in period						
Net income	—	7,248	—	—	—	7,248
Other comprehensive income / (loss)	—	—	(1,215)	6,151	(189)	4,747
Shareholders' dividends declared	—	(13,804)	—	—	—	(13,804)
Balances as at December 31, 2013	$ 140,067	$ 37,020	$ 1,383	$ 3,294	$ 429	$ 182,193

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31 *(CAD thousands)*	Note	**2014**	2013
Cash provided by / (used for):			
Operating activities			
Net income		**$ 43,238**	$ 7,248
Adjustments to net income			
Deferred income tax expense	12	**19,414**	4,004
Depreciation and amortization	5	**535**	566
Fair value adjustments	4	**(45,979)**	(2,633)
Loss / (gain) on revaluation of roads and land	5	**(6,665)**	134
Unrealized exchange loss on long term debt	6	**7,214**	5,078
Interest expense, net		**3,203**	3,032
Interest paid, net		**(3,223)**	(3,052)
Gain on sale of timberlands		**(119)**	(103)
Loss on disposal of land, roads and other fixed assets		**210**	—
Other, net		**457**	219
Net change in non-cash working capital	16	**(191)**	2,212
		18,094	16,705
Financing activities			
Dividends paid to shareholders	14	**(13,804)**	(13,804)
		(13,804)	(13,804)
Investing activities			
Additions to timber, land, roads and other fixed assets		**(318)**	(576)
Proceeds from sale of timberlands		**124**	103
		(194)	(473)
Increase in cash and cash equivalents during the year		**4,096**	2,428
Cash and cash equivalents, beginning of year		**8,564**	6,136
Cash and cash equivalents, end of year		**$ 12,660**	$ 8,564

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (All figures in Canadian dollars unless otherwise stated)

1. GENERAL

Acadian Timber Corp. (the "Company") is governed by the Canada Business Corporations Act pursuant to articles of arrangement dated January 1, 2010. The Company is a reporting issuer and its common shares are publicly traded on the Toronto Stock Exchange under the stock symbol "ADN". The principal and head office of the Company is located at Suite 1800, 1055 West Georgia Street, Vancouver, British Columbia, V6E 3R5.

The Company and all of its consolidated operations, collectively "Acadian", owns and manages approximately 761,000 acres of freehold timberlands in New Brunswick ("NB Timberlands"), approximately 299,000 acres of freehold timberlands in Maine ("Maine Timberlands") and provides management services relating to approximately 1.3 million acres of Crown licensed timberlands in New Brunswick. Acadian also owns and operates a forest nursery in Second Falls, New Brunswick. Acadian's products include softwood and hardwood sawlogs, pulpwood and biomass by-products sold to approximately 90 regional customers.

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

As at December 31, 2014, affiliates of Brookfield Asset Management Inc. (collectively "Brookfield") own 7,513,262 common shares representing approximately 45% of the outstanding common shares of the Company. The ultimate parent of the Company is Brookfield Asset Management Inc.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements present the results of operations and cash flows of Acadian for the year ended December 31, 2014, along with the comparative results for the year ended December 31, 2013. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and were authorized for issuance by the Board of Directors on February 10, 2015.

Basis of Presentation

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

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the bank and short-term deposits with a remaining term to maturity at the time of purchase of less than ninety days.

Inventory and Manufacturing Costs

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

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

Manufacturing costs include predominantly cutting, harvesting and transportation costs, but also include costs for reforestation, access roads and passages and land management.

Timber

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

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

Land, Roads and Other Fixed Assets

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

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

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

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

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

Reforestation

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

Impairment of Long-Lived Assets

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

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

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

Intangible Asset

Acadian recognizes an intangible asset for the Crown Lands Services Agreement between NB Timberlands and Twin Rivers. Under this agreement, NB Timberlands has agreed to provide various services relating to the Crown Lands in consideration for a fee from Twin Rivers. The fee is determined based on the number of cubic metres of fibre harvested from these lands. The Crown Lands Services Agreement has a term equal to the term of the Crown licenses, including any renewal terms, which is considered indeterminable as at December 31, 2014. The Crown Lands Services Agreement is classified as an indefinite life intangible asset and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that this asset may be impaired. During the year, no additions, disposals, impairments or reversal of impairments were recorded against the Company's intangible asset balance.

Revenue Recognition

Net sales are net of discounts and rebates to customers. Revenue is recognized when the risks and rewards of ownership pass to the purchaser, which is generally when timber is delivered to the purchaser and actual quantities delivered are determined. Sales are governed primarily by contract and in some cases by standard industry terms.

Pursuant to the Crown Lands Services Agreement, Acadian provides harvesting, transportation and other services to Crown licensees and sub-licensees. Acadian receives management fees for these services and all costs incurred in providing these services are recoverable from Crown licensees or sub-licensees. Management fees, net of the costs to perform these services, are recognized upon delivery of the timber.

Translation of Foreign Currencies

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

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

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

Financial Instruments

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

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

Fair Value Hierarchy Levels

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

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

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

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

The following table provides the fair value measurement hierarchy of the groups assets as at December 31, 2014:

	Date of Valuation	Note	Level 1	Level 2	Level 3
Assets and liabilities measured at fair value:					
Timber	December 31, 2014	4			✓
Freehold land and roads	December 31, 2014	5			✓

Income Taxes

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

Deferred Financing Costs

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

Cash Flow Hedges

The effective portion of the change in fair value of a derivative designated as a cash flow hedge is reported in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in income or loss. Amounts in accumulated other comprehensive income are reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

Critical Judgements and Estimates

The preparation of financial statements requires management to make critical judgements, estimates and assumptions that affect the carried amounts of certain assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses recorded during the periods. The critical estimates and judgements applied in preparing Acadian's financial statements affect the assessment of net recoverable amounts, net realizable values and fair values, depreciation rates and useful lives, determination of functional currency and the selection of accounting policies.

The critical estimates and judgements made in the preparation of Acadian's consolidated financial statements include, among other things, future prices and margins, future sales volumes, future harvest rates and sustainable yields, and discount rates utilized in the valuation of Acadian's timber, roads and land. In making estimates and judgements, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgements have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making these estimates and judgements in these consolidated financial statements. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. ADOPTED AND FUTURE ACCOUNTING POLICIES

New Standards, interpretations and amendments adopted by Acadian

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 and IAS 32

These amendments require an entity to disclose information about rights to set-off and related arrangements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar arrangement, irrespective of whether they are set off in accordance with IAS 32. This standard became effective for annual periods beginning on or after January 1, 2014. The adoption of these amendments to IFRS 7 did not have any impact on the disclosures of the Company.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard became effective for annual periods beginning on or after January 1, 2014. The adoption of IFRS 10 had no impact on the consolidated financial statements for the period or prior periods presented as the adoption did not result in a change in the consolidation status of any of the Company's subsidiaries or investees or the identification of any additional subsidiaries.

IFRIC 21 Levies

International Financial Reporting Interpretations Committee 21, Levies ("IFRIC 21") is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., International Accounting Standard 12, Income Taxes) and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognizes a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognized before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and is applied retrospectively. The adoption of this new interpretation did not result in any changes to the consolidated financial statements of the Company.

IAS 36 Impairment of Assets

In May 29, 2013, the IASB published amendments to IAS 36 which reduce the circumstances in which the recoverable amount of CGU is required to be disclosed and clarify the disclosures required when an impairment loss has been recognized or reversed in the period. This amendment is effective for annual periods beginning on or after January 1, 2014. The adoption of IAS 36 did not have an impact on the consolidated financial statements of the Company.

Future Accounting Policies

IAS 1 Financial Statement Presentation

The International Accounting Standards Board ("IASB") has published 'Disclosure Initiative (Amendments to IAS 1)'. The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports. They are effective for annual periods beginning on or after January 1, 2016, with earlier application being permitted.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011)

The amendments are effective for transactions occurring in annual periods beginning on or after January 1, 2016 with earlier application permitted. The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if the assets are housed in a subsidiary. Upon adoption, these amendments may impact the Company in respect of future sale or contribution of assets with its associates.

Other amendments also clarify the accounting for investment entities. The exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

As well, only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to IAS 28 allow the investor, when applying the equity method to an associate or joint venture that is an investment entity, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are not expected to have any impact on the consolidated financial statements of the Company.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the consolidated financial statements of the Company as the Company has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the consolidated financial statements of the Company as the Company does not have any bearer plants.

4. TIMBER

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

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

(CAD thousands)	
Balance at December 31, 2012	$ 230,686
Gains arising from growth	21,130
Decrease arising from harvest	(21,006)
Gain from fair value price changes	2,544
Foreign exchange	6,789
Balance at December 31, 2013	$ 240,143
Gains arising from growth	22,204
Decrease arising from harvest	(23,884)
Gain from fair value price changes	47,683
Foreign exchange	10,535
Balance at December 31, 2014	**$ 296,681**

As at December 31, 2014, of the total acreage, approximately 761,000 acres are located in New Brunswick, Canada and approximately 299,000 are located in Maine, USA with approximately 193,000 acres of the Maine timberlands being subject to a conservation easement. Acadian's standing timber in Maine is composed of approximately 69% softwood and 31% hardwood. Acadian's standing timber in New Brunswick is composed of approximately 63% softwood and 37% hardwood.

During the year ended December 31, 2014, Acadian harvested 1,302 thousand m^3 from its freehold timberlands, which had an average fair value less costs to sell of $18 per m^3 at the date of harvest (2013 – 1,378 thousand m^3 with an average fair value less costs to sell of $15 per m^3).

Appraisals by a licensed independent third party appraiser are completed annually for the NB Timberlands and Maine Timberlands to establish the fair value less costs to sell of the timber. The most recent appraisal was effective as of December 31, 2014. The appraiser uses a combination of the discounted cash flow and sales comparison approaches to arrive at the estimated value. As at December 31, 2014 and 2013, the weighting between the two methods used by the appraiser was 80% discounted cash flow approach and 20% sales comparison approach for the NB Timberlands (2013 – 50% and 50%) and 70% discounted cash flow approach and 30% sales comparison approach for the Maine Timberlands (2013 – 17% and 83%).

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

a. Annual growth is determined by multiplying the operable forested acres by the annual growth rate as determined by data provided by Acadian's management;

b. Annual harvest volumes are based on annual growth, but for years one through ten reflect management's intention to reduce surplus standing inventory of hardwood and other softwood;

c. Unit net timber revenues are based on regional standing timber price surveys, the appraisers' analysis of historical net timber prices and prices received by Acadian over the last three years. No price appreciation is assumed;

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

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

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

g. A discount rate of 5.11% (2013 – 6.75%) was applied to the estimated future cash flows for the NB Timberlands in arriving at net present values at December 31, 2014 and 2013. A discount rate of 4.43% (2013 – 6.50%) was applied to the estimated future cash flows for the Maine Timberlands arriving at net present values at December 31, 2014 and 2013. The appraiser derived the discount rate by estimating the weighted average cost of capital of the typical prospective purchaser, deducting an assumed long-term background inflation rate and adjusting for specific risk attributes of each of the New Brunswick and Maine Timberlands. The reasonableness of the rate was then tested against rates extracted from recent comparable sales transactions.

Acadian's freehold timberlands are measured at fair value on a recurring basis. Management has classified the valuation of these assets under level 3 of the fair value hierarchy and there were no transfers made between level 1 and 3 or level 2 and 3 during the years ended December 31, 2013 and 2014.

Sensitivity to Changes in Assumptions

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

Valuation Technique	**Significant Unobservable Inputs**	**Range (weighted average)**	**Sensitivity of the Input to Fair Value**
Discounted cash flow	Discount rate	4.43% – 5.11% (4.80%)	0.25% increase (decrease) in the discount rate would result in (decrease) increase in fair value of ($13.2 million) and $14.6 million, respectively
Discounted cash flow	Net Timber value per m^3 of timber sold	$8.00 – $68.30 ($22.18)	5% increase (decrease) in the net timber value per m^3 of timber sold would result in increase (decrease) in fair value of $21.0 million
Sales comparison	Adjusted benchmark sales price per hectare	$656 – $1,530 ($910)	5% increase (decrease) in the adjusted benchmark sales price per hectare would result in increase (decrease) in fair value of $4.8 million

5. LAND, ROADS AND OTHER FIXED ASSETS

(CAD thousands)	Land	Roads	Bridges and Pavement	Other	Total
Cost					
Balance as at December 31, 2012	$ 22,356	$ 6,106	$ 4,486	$ 1,973	$ 34,885
Additions	—	67	198	311	576
Foreign exchange	730	202	260	23	1,215
Revaluations	(3,009)	851	—	—	(2,158)
Balance as at December 31, 2013	20,077	7,226	4,944	2,271	34,518
Additions	—	206	52	60	318
Disposals	—	—	(821)	—	(821)
Foreign exchange	771	364	370	38	1,543
Revaluations	48,259	918	—	—	49,177
Balance as at December 31, 2014	**$ 69,107**	**$ 8,714**	**$ 4,545**	**$ 2,369**	**$ 84,735**
Accumulated Depreciation					
Balance as at December 31, 2012	$ —	$ (21)	$ (990)	$ (567)	$ (1,578)
Depreciation for the year	—	(7)	(344)	(215)	(566)
Foreign exchange	—	—	(93)	(13)	(106)
Balance as at December 31, 2013	—	(28)	(1,427)	(795)	(2,250)
Depreciation for the year	—	(7)	(355)	(173)	(535)
Disposals	—	—	608	—	608
Foreign exchange	—	—	(173)	18	(155)
Balance as at December 31, 2014	**$ —**	**$ (35)**	**$ (1,347)**	**$ (950)**	**$ (2,332)**
Carrying Amounts					
As at December 31, 2013	$ 20,077	$ 7,198	$ 3,517	$ 1,476	$ 32,268
As at December 31, 2014	**$ 69,107**	**$ 8,679**	**$ 3,198**	**$ 1,419**	**$ 82,403**

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

The land and roads on freehold land are measured under level 3 of the fair value hierarchy. The most recent date of revaluation of these assets is December 31, 2014. There were no transfers made between level 1 and 3 or level 2 and 3 during the years ended December 31, 2013 and 2014. Valuations are completed annually by licensed independent third party appraisers who use discounted cash flow approaches to establish the fair values.

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

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

Sensitivity to Changes in Assumptions

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

	Valuation Technique	Significant Unobservable Inputs	Range (weighted average)	Sensitivity of the Input to Fair Value
Land	Discounted cash flow	Discount rate	4.43% – 5.11% (4.08%)	0.25% increase (decrease) in the discount rate would result in (decrease) increase in fair value of ($11.6 million) and $13.8 million, respectively
Land	Discounted cash flow	Net timber value per m^3 of timber sold	$8.00 – $68.30 ($22.18)	5% increase (decrease) in the net timber value per m^3 of timber sold would result in increase (decrease) in fair value of $4.6 million
Roads	Discounted cash flow	Discount rate	4.43% – 5.11% (4.80%)	0.25% increase (decrease) in the discount rate would result in (decrease) increase in fair value of $0.2 million
Roads	Discounted cash flow	Construction cost per km	$9,400 – $24,400 ($15,350)	5% increase (decrease) in the construction cost per km would result in increase (decrease) in fair value of $0.4 million

Reconciliation of Fair Value

	Land	Freehold Roads	Total
Balance at December 31, 2013	**$ 20,077**	**$ 7,226**	**$ 27,303**
Gain on revaluation recognized in the Statement of Net Income	6,443	222	6,665
Gain on revaluation recognized in the Statement of Comprehensive Income[1]	41,816	696	42,512
Additions	—	206	206
Foreign Exchange	771	364	1,135
Balance at December 31, 2014	**$ 69,107**	**$ 8,714**	**$ 77,821**

1 Net of tax, total impact of the revaluation recorded in Other Comprehensive Income is $29.3 million

6. DEBT

As at December 31, debt consisted of the following:

As at December 31 (CAD thousands)	**2014**	2013
Term facility, due March 2016	**$ 84,221**	$ 77,013
Less: Deferred debt issuance costs	**(277)**	(517)
Total	**$ 83,944**	$ 76,496

In February 2011, Acadian refinanced its Canadian and U.S. dollar denominated loan facilities by entering into a first mortgage loan agreement with Metropolitan Life Insurance Company which will mature on March 1, 2016. This agreement established a revolving credit facility of up to US$10.0 million (the "Revolving Facility") for general corporate purposes and a term credit facility of US$72.5 million (the "Term Facility"). The Term Facility bears interest at a fixed rate of 3.97%. The Revolving Facility bears interest at floating rates based on 30 or 90 day LIBOR plus applicable margin. Floating interest rates give rise to interest rate risk as earnings and cash flows may be negatively impacted by fluctuations in interest rates.

As at December 31, 2013 and 2014, Acadian borrowed US$72.5 million under the Term Facility and $nil under the Revolving Facility, however, US$2.2 million of the Revolving Facility is reserved to support the minimum cash balance requirement of the Term Facility. As security for these facilities, Acadian granted the lenders a security interest over all of its assets. The facilities are subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness and granting liens or selling assets without the consent of the lenders. The credit facilities are also subject to the maintenance of a maximum loan-to-value ratio. Acadian is in compliance with all covenants as of December 31, 2014.

The fair value of the Term Facility as at December 31, 2014 is $87.0 million. The fair value of debt is determined using the discounted cash flow approach and is measured under level 2 of the fair value hierarchy. Future cash flows are estimated based on the terms under the Term Facility and discounted at a rate reflecting appropriate market fundamentals relating to the debt.

7. SHAREHOLDERS' EQUITY

Acadian is authorized to issue an unlimited number of common shares. The common shares have no stated par value. Common shares issued and outstanding changed as follows:

As at December 31	**2014**	2013
Outstanding at beginning of year	**16,731,216**	16,731,216
Shares issued	**—**	—
Outstanding at end of year	**16,731,216**	16,731,216

8. RELATED PARTY TRANSACTIONS

In the normal course of operations, the Company enters into various transactions on market terms with related parties which have been measured at exchange value and recognized in the consolidated financial statements. The Company has one significant related party, Brookfield Asset Management Inc., and its affiliates (collectively "Brookfield"). As at December 31, 2014, Brookfield owned 7,513,262 common shares, representing approximately 45% of the outstanding shares of the Company. Acadian is also a related party of Katahdin Timberlands LLC as a result of their common significant shareholder and was a related party of Twin Rivers Paper Company ("Twin Rivers") prior to Brookfield completing the sale of its interest in Twin Rivers on June 10, 2013. References in this report to Twin Rivers refer to transactions and relationships with Brookfield prior to the sale of this interest.

A summary of the significant related party transactions is provided below.

a) Upon inception Acadian became party to fibre supply agreements whereby Acadian agreed to provide fibre to Twin Rivers for periods of up to 20 years. In addition, Acadian agreed to administer certain licenses on behalf of Twin Rivers. Total sales to Twin Rivers in 2013 prior to the sale of Brookfield's interest in Twin Rivers on June 10, 2013 totaled $6.1 million, which represents 33% of Acadian's total sales for the first half of 2013.

b) Upon inception, Acadian entered into an agreement with Brookfield whereby Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided during the year ended December 31, 2014 totaled $2.3 million (2013 – $2.2 million). All fees have been fully paid in accordance with the services agreement.

c) Maine Timberlands sold 5.33 acres of land during the year ended December 31, 2014 for net proceeds of $117 thousand to Katahdin Timberlands LLC (2013 – 1.67 acres for $87 thousand).

Further to the related party transactions noted above, the total net receivables due from related parties as at December 31, 2014 is $20 thousand (December 31, 2013 net receivable due from related parties – $65 thousand).

9. SEGMENTED INFORMATION

Acadian's presentation of reportable segments is based on how management has organized the business in making operating and capital allocation decisions and assessing performance. Acadian has two reporting segments, NB Timberlands and Maine Timberlands. Net sales, net income, assets and liabilities by reportable segments are as follows:

For the Year Ended December 31, 2014 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 34,093	$ 20,711	$ 13,382	$ —
Hardwood	35,255	27,517	7,738	—
Biomass	4,384	4,163	221	—
Other	3,637	3,214	423	—
Total net sales	77,369	55,605	21,764	—
Operating costs	(54,995)	(39,147)	(14,850)	(998)
Reforestation	(482)	(419)	(63)	—
Depreciation and amortization	(535)	(200)	(335)	—
Operating earnings / (loss)	21,357	15,839	6,516	(998)
Gain on sale of timberlands	119	2	117	—
Loss on disposal of land, roads and other fixed assets	(210)	—	(210)	—
Fair value adjustments	45,979	29,364	16,615	—
Gain on revaluation of roads and land	6,665	6,665	—	—
Earnings / (loss) before the undernoted	73,910	51,870	23,038	(998)
Unrealized exchange loss on long term debt	(7,214)			
Interest expense, net	(3,203)			
Current income tax expense	(841)			
Deferred income tax expense	(19,414)			
Net income	$ 43,238			

As at December 31, 2014 (CAD thousands)				
Timber, land, roads and other fixed assets and intangible assets	$ 385,224	$ 216,027	$ 169,197	$ —
Total assets	406,426	225,946	172,860	7,620
Total liabilities	$ 157,814	$ 4,847	$ 42,534	$ 110,433

For the Year Ended December 31, 2013 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	$ 34,037	$ 22,424	$ 11,613	$ —
Hardwood	31,327	25,217	6,110	—
Biomass	5,272	5,040	232	—
Other	3,747	3,350	397	—
Total net sales	74,383	56,031	18,352	—
Operating costs	(56,443)	(41,845)	(13,119)	(1,479)
Reforestation	(563)	(503)	(60)	—
Depreciation and amortization	(566)	(245)	(321)	—
Operating earnings / (loss)	16,811	13,438	4,852	(1,479)
Gain on sale of timberlands	103	—	103	—
Fair value adjustments	2,633	2,812	(179)	—
Loss on revaluation of roads and land	(134)	(134)	—	—
Earnings / (loss) before the undernoted	19,413	16,116	4,776	(1,479)
Unrealized exchange loss on long term debt	(5,078)			
Interest expense, net	(3,032)			
Current income tax expense	(51)			
Deferred income tax expense	(4,004)			
Net income	$ 7,248			

As at December 31, 2013 (CAD thousands)				
Timber, land, roads and other fixed assets and intangible assets	$ 278,551	$ 160,765	$ 117,786	$ —
Total assets	296,168	172,632	120,443	3,093
Total liabilities	$ 113,975	$ 6,211	$ 23,217	$ 84,547

During the year ended December 31, 2014, approximately 32% of consolidated total sales were originated with customers domiciled in the U.S. with the remaining balance in Canada (2013 – 30% of consolidated total sales). During the same period, approximately 24% of consolidated total sales were denominated in U.S. dollars (2013 – 21% of consolidated total sales).

Acadian outsources much of its harvesting, transportation and other services which comprise the majority of its cost of sales. For the year ended December 31, 2014, Acadian's top three suppliers accounted for approximately 16%, 15% and 9%, respectively, of its cost of sales (2013 – 16%, 14% and 9%, respectively).

Acadian sells its products to many forest product companies in North America. For the year ended December 31, 2014, sales to the largest and next largest customer accounted for 29% and 7%, respectively (2013 – 28% and 8%, respectively).

10. CAPITAL MANAGEMENT

Acadian's capital structure is comprised of shareholders' equity, inclusive of comprehensive income, and the credit facilities. As at December 31, 2014, the recorded values of these items in Acadian's consolidated financial statements totalled $332.6 million (2013 – $258.7 million).

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

Acadian monitors its capital structure to ensure compliance with its financial covenants with debtholders. Acadian refinanced its loan facilities in February 2011 (Note 6). The Term Facility and Revolving Facility are subject to customary terms and conditions for borrowers of this nature as well as the maintenance of a maximum loan-to-value ratio. Acadian was in compliance during the years ended December 31, 2014 and 2013.

11. FINANCIAL INSTRUMENTS

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

Financial Risk Management

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

Foreign Currency Risk

Changes in foreign exchange rates will impact the carrying value of financial instruments denominated in currencies other than the Canadian dollar. Acadian's most significant foreign currency risk exposure arises from its U.S. dollar denominated debt and due to its investment in the Maine Timberlands which operates in the U.S. dollar. Accordingly, the impact of a strengthening (deteriorating) Canadian dollar will reduce (increase) the net income (loss) of Acadian, and will also result in an other comprehensive (gain) loss on the translation of the Maine Timberlands' assets in a given period. During the year ended December 31, 2014, a $0.01 appreciation (depreciation) in U.S. to Canadian dollar foreign exchange rate, all else being equal, would have affected net income by $0.7 million (2013 – $0.7 million) and OCI by approximately $0.4 million (2013 – $0.2 million).

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

Interest Rate Risk

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

As at December 31, 2014, Acadian is exposed to interest rate risk from its floating interest rate Revolving Facility, to the extent funds are drawn. For the year ended December 31, 2014 and December 31, 2013, the Revolving Facility remained undrawn. A change in interest rates would have no impact on the fixed interest rate Term Facility.

Other Price Risk

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads. Acadian is exposed to commodity price risk as its financial performance is dependent on the sale prices of its products and the costs incurred in harvesting its timber. The markets for timber are cyclical and are influenced by a variety of factors beyond Acadian's control. Amongst other things, the market prices for timber can be affected by changes in regional and global demand, global supply and economic conditions, including increased competition from a variety of substitute products. Additionally, Acadian's operating expenses can be impacted by fuel cost increases. Acadian relies almost exclusively on land transportation and, therefore, may be more susceptible to fuel cost increases than other timberland companies which rely more heavily on other transportation methods that are less exposed to fuel prices. Accordingly, commodity price variations may impact Acadian's sales, costs of sales, cash flows and earnings. Furthermore, weakness in the market prices of its timber products will also have an effect on Acadian's ability to attract additional capital, the cost of that capital and the value of its timberland assets.

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

Credit Risk

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

The objective of managing counterparty credit risk is to prevent losses in financial assets. Cash and cash equivalents are invested with counterparties meeting minimum credit quality requirements. With respect to outstanding accounts receivable, NB Timberlands and Maine Timberlands each assess the credit quality of the counterparties, including customers, taking into account their financial position, past experience and other factors. In cases where the credit quality of a client does not meet Acadian's credit requirements, a cash deposit is received before any timber is harvested and sold. Upon evaluating all accounts receivable balances as at December 31, 2014, Acadian recorded an allowance of $nil against outstanding receivables (2013 – $0.2 million). Pursuant to their respective terms, all outstanding accounts receivable are current as at December 31, 2014 with the exception of approximately $4.0 million (2013 – $3.6 million).

Liquidity Risk

Liquidity risk is the risk that Acadian cannot meet a demand for cash or fund an obligation as it comes due. Acadian's objective in managing liquidity risk is to maintain sufficient reserves in order to meet operational and investing requirements at any point in time, and to maintain debt financing at levels which will allow Acadian to attract additional capital at reasonable cost. Acadian's principal sources of liquidity include cash earned from operations and a US$10 million revolving credit facility which was undrawn at December 31, 2014, however, US$2.2 million of this facility is reserved to support the minimum cash balance requirement of the Term Facility. These sources, combined with existing cash and cash equivalents, are expected to allow Acadian to meet its operating, debt service, capital expenditure and dividend requirements. Acadian also has a US$50 million stand-by equity commitment with Brookfield.

Additionally, Acadian assesses the nature and timing of discretionary payments in an effort to mitigate any impact on the financial condition or results of operations of Acadian. As at December 31, 2014 and 2013, the accounts payable and accrued liabilities and dividends payable of Acadian are due in less than 30 days.

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

December 31, 2014 (CAD thousands)	Total	Less Than One Year	1 to 3 Years	3 to 5 Years	After 5 Years
Accounts payable and other liabilities	**$ 10,429**	**$ 10,429**	**$ —**	**$ —**	**$ —**
Long-term debt[1]	**84,221**	**—**	**84,221**	**—**	**—**
	$ 94,650	**$ 10,429**	**$ 84,221**	**$ —**	**$ —**
Interest payment[2]	**$ 4,711**	**$ 3,344**	**$ 1,367**	**$ —**	**$ —**

1 Represents principal of a U.S. dollar denominated term loan with a U.S. to Canadian dollar conversion of 1.1617, excluding the unamortized deferred financing costs;

2 Interest payment was determined using a fixed interest rate at 3.97% with a U.S. to Canadian dollar conversion of 1.1617.

December 31, 2013 (CAD thousands)	Total	Less Than One Year	1 to 3 Years	3 to 5 Years	After 5 Years
Accounts payable and other liabilities	$ 11,131	$ 11,131	$ —	$ —	$ —
Long-term debt[1]	77,013	—	77,013	—	—
	$ 88,144	$ 11,131	$ 77,013	$ —	$ —
Interest payment[2]	$ 7,365	$ 3,057	$ 4,307	$ —	$ —

1 Represents principal of a U.S. dollar denominated term loan with a U.S. to Canadian dollar conversion of 1.0622, excluding the unamortized deferred financing costs;

2 Interest payments are determined assuming a fixed interest rate at 3.97% with a U.S. to Canadian dollar conversion of 1.0622.

Fair Value of Financial Instruments

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

As at December 31, 2013 and 2014, there were no financial assets and financial liabilities that were measured at fair value on a recurring basis.

During the year ended December 31, 2011, a derivative asset was settled and a realized gain of $1.3 million was recorded in OCI for the effective portion of the cash flow hedge. The gain is reclassified into earnings in the same periods during which the hedged transaction affects earnings, which in this case is over the term of the Term Facility.

12. INCOME TAXES

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

For the Years Ended December 31 *(CAD thousands)*	**2014**	2013
Current income tax expense	**$ 841**	$ 51
Deferred income tax expense		
Origination and reversal of temporary differences	**19,821**	2,888
Benefit arising from previously unrecognized tax assets	**275**	104
Change of tax rates and imposition of new legislation	**—**	1,187
Other	**(682)**	(175)
Total income tax expense	**$20,255**	$ 4,055

The major components of income tax recognized in other comprehensive income:

For the Years Ended December 31 *(CAD thousands)*	**2014**	2013
Deferred tax arising on income and expenses recognized in other comprehensive income:		
Revaluation surplus	**$ 14,530**	$ (810)
Currency translation	**698**	473
Cash flow hedge	**(70)**	(68)
Total income tax expense / (benefit) recognized directly in other comprehensive income	**$ 15,158**	$ (405)

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

For the Years Ended December 31 *(CAD thousands)*	**2014**	2013
Income tax at statutory rate	**$17,143**	$ 2,940
Foreign tax rate differential	**2,996**	668
Permanent differences	**(318)**	(720)
Rate adjustments	**—**	1,187
Tax assets not benefited	**275**	104
Other	**(682)**	(175)
Total deferred income tax expense	**$19,414**	$ 4,004

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

For the Years Ended December 31 (CAD thousands)	**2014**	2013
Land	**$ 1,739**	$ 106
Timber	**16,363**	3,706
Roads and other fixed assets	**(80)**	(44)
Intangible asset	**—**	266
Scientific Research and Experimental Development and Input Tax Credits	**2,270**	831
Disallowed interest	**(231)**	(550)
Net operating losses	**—**	60
Other	**(647)**	(371)
Total deferred income tax expense	**$ 19,414**	$ 4,004

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

For the Years ended December 31 (CAD thousands)	**2014**	2013
Deferred income tax asset	**$ —**	$ —
Deferred income tax liability	**(63,441)**	(26,348)
Total net deferred income tax liability	**$ (63,441)**	$ (26,348)

For the Years ended December 31 (CAD thousands)	**2014**	2013
Land	**$ (20,498)**	$ (4,184)
Timber	**(59,156)**	(40,502)
Roads and other fixed assets	**(3,725)**	(3,331)
Intangible asset	**(1,775)**	(1,765)
Scientific Research and Experimental Development and Input Tax Credits	**17,840**	20,109
Disallowed interest	**3,587**	3,057
Other	**286**	268
Total net deferred income tax liability	**$ (63,441)**	$ (26,348)

13. EMPLOYEE BENEFIT PLANS

NB Timberlands and Maine Timberlands each have defined contribution plans covering substantially all employees. During the year, contributions recorded as expenses amounted to $0.4 million (2013 – $0.3 million).

14. DIVIDENDS TO SHAREHOLDERS

Acadian pays quarterly dividends to the extent determined prudent by the Board of Directors. Total dividends declared for the years ended December 31, 2014 and December 31, 2013 were $13.8 million or $0.83 per share.

15. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors, members of the executive and other key personnel of the company is as follows:

For the Years Ended December 31 *(CAD thousands)*		**2014**		2013
Salaries	**$**	**805**	$	835
Incentives		**618**		427
Short-term benefits		**66**		67
	$	**1,489**	$	1,329

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

16. SUPPLEMENTAL CASH FLOW INFORMATION

Net Change in Non-Cash Working Capital

The net change in non-cash working capital balances related to operations consisted of the following:

For the Years Ended December 31 *(CAD thousands)*		**2014**		2013
Accounts receivable and other assets	**$**	**322**	$	(1,054)
Inventory		**189**		271
Accounts payable and accrued liabilities		**(702)**		2,995
	$	**(191)**	$	2,212

Income Taxes

Included in the operating activities were current income taxes paid of $413 thousand.

CORPORATE GOVERNANCE

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

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

BOARD AND MANAGEMENT

BOARD OF DIRECTORS

J. W. Bud Bird, O.C.
Chairman and
Chief Executive Officer,
Bird Holdings Ltd. and
Bird Lands Limited

Reid Carter
President and
Chief Executive Officer
of Acadian and Managing
Partner of the Manager

David Mann
Legal Counsel
Cox & Palmer

Samuel J.B. Pollock
Senior Managing Partner
Brookfield Asset
Management Inc.

Saul Shulman
Chief Executive Officer
MLG Management Inc.

MANAGEMENT

Acadian Timber Corp.'s
Manager:
Brookfield Timberlands
Management LP

Reid Carter
President and
Chief Executive Officer
of Acadian and Managing
Partner of the Manager

Brian Banfill
Chief Operating Officer
of Acadian and Senior Vice
President of the Manager

Erika Reilly
Chief Financial Officer
of Acadian and Senior Vice
President of the Manager

Marcia McKeague
Vice President,
Maine Woodland Operations

Luc Ouellet
Vice President,
NB Woodland Operations

CORPORATE AND SHAREHOLDER INFORMATION

HEAD OFFICE OF THE MANAGER

Brookfield Timberlands Management LP
(wholly-owned subsidiary of Brookfield Asset Management Inc.)
Suite 1800 – 1055 West Georgia Street, PO Box 11179, Royal Centre
Vancouver, B.C. V6E 3R5
Please direct your inquiries to:
Robert Lee
Investor Relations and Communications
t. 604.661.9607 f. 604.687.3419
e. rlee@acadiantimber.com

TRANSFER AGENT AND REGISTRAR

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

CST Trust Company
P.O. Box 700 Postal Station B
Montreal, QC H3B 3K3
t. 1-800-387-0825 (toll free in North America)
f. 1-888-249-6189
e. inquiries@canstockta.com
www.canstockta.com

SHARE INFORMATION

Toronto Stock Exchange: ADN
Fully Diluted Shares Outstanding (December 31, 2014): 16,731,216
Targeted Quarterly Dividend: $0.225 per share
Record Date: Last business day of each quarter
Payment Date: On or about the 15th day of each subsequent month

www.acadiantimber.com

This management discussion and analysis ("MD&A") contains forward-looking information within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, such statements may contain such words as "may," "will," "intend," "should," "expect," "believe," "outlook," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the negative of these terms or other similar terminology. Forward-looking information in this MD&A includes statements made in sections entitled "Dividend Policy of the Company," "Operating and Market Conditions," "Liquidity and Capital Resources" and "Market Outlook" and without limitation other statements regarding management's beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, growth strategy and prospects, access to capital, liquidity and trading volumes, dividends, taxes, capital expenditures, projected costs, market trends and similar statements concerning anticipated future events, results, achievements, circumstances, performance or expectations that are not historical facts. These statements, which reflect management's current expectations regarding future events and operating performance, are based on information currently available to management and speak only as of the date of this MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon, and will not necessarily be accurate indications of whether or not such results will be achieved. Factors that could cause actual results to differ materially from the results discussed in the forward-looking statements include, but are not limited to: general economic and market conditions; 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 income tax law; economic situation of key customers; Brookfield's ability to source and secure potential investment opportunities; the availability of potential acquisitions that suit Acadian's growth profile; and other risks and factors discussed under the heading "Risk Factors" in each of the Annual Information Form dated March 28, 2014 and the Management Information Circular dated May 13, 2014, and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: anticipated financial performance; anticipated market conditions; business prospects; the economic situation of key customers; strategies; regulatory developments; exchange rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services and the ability to obtain financing on acceptable terms. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are made as of the date of this MD&A, and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this MD&A. Acadian assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as may be required by applicable law.

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