

Q3 2015 Interim Report

Letter to Shareholders

Overview

Acadian Timber Corp.'s ("Acadian") operations performed well for the three-month period ending September 26, 2015 (the "third quarter"). Operating conditions were typical of the summer season and the continued strength in hardwood markets contributed to improved financial performance.

Results of Operations

Acadian's operations experienced one recordable safety incident among employees during the quarter and one among contractors. The employee incident did result in lost time, but the employee is expected to make a full recovery. We continue to focus on improving our safety performance.

We are pleased to report that in mid-September, the Maine operations successfully completed a surveillance audit under the 2015-2019 standard of the Sustainable Forest Initiative® with no non-conformances.

Acadian generated net sales of \$22.6 million during the third quarter, \$1.0 million more than the same period last year as a result of improved selling prices. On a year-to-date basis, net sales were 14% higher than in the same period in 2014 due to strong pricing and very good operating conditions in the first half of the year.

Adjusted EBITDA¹ for the third quarter was \$6.5 million, compared to \$5.7 million during the comparable period in 2014, and Adjusted EBITDA margin in the third quarter of 2015 climbed to 29% from 26% in the same period in 2014 due to the higher selling prices noted above.

During the third quarter, Acadian completed the refinancing of existing loan facilities extending the term for five years and locking in a lower interest rate that will result in significantly reduced interest expense.

Our balance sheet continues to be solid with \$93.7 million of net liquidity as at September 26, 2015, including funds available under Acadian's Revolving Facility and our stand-by equity commitment with Brookfield.

Outlook²

While near-term markets for Acadian's softwood sawlogs may experience modest headwinds, demand fundamentals remain strong. To date in 2015, U.S. housing starts are up 12% year-over-year and consensus expectations are for increases of a further 10 to 15% in 2016.

After strengthening significantly early in the third quarter, North American lumber pricing declined to multiyear lows during August and September. Regional sawmills continued to operate on full shifts, but do appear to be carrying log inventories above normal seasonal levels. The combination of weak offshore export markets, the weak Canadian dollar, and the end of the Canada-US Softwood Lumber Agreement, resulting in a temporary removal of Canadian export taxes, is expected to maintain pressure on lumber prices into 2016. This has begun to put pressure on markets for softwood sawlogs although pricing has remained stable to date.

Markets for hardwood sawlogs are expected to remain stable at their current positive levels, while the current favourable demand and pricing for hardwood pulpwood may experience increasing softness as the region adapts to recently announced pulp and paper mill curtailments and closures. The softwood pulpwood market continues to be challenging, however this product represents only a small portion of Acadian's sales and an even lower proportion of our operating earnings. Biomass markets remain positive and we anticipate demand to remain stable, supporting improved margin levels.

Business Development

We continue to be challenged in our pursuit of business development opportunities in the U.S., Australasia and South America in support of Acadian's growth strategy. While we have remained very active in this pursuit, we are experiencing very aggressive competition for opportunities that have generally been small and relatively unattractive. We continue to actively explore these business development opportunities and Acadian's shareholders can be confident that we remain focused and disciplined in our efforts to protect and maximize shareholder value.

In conclusion, while we expect pulpwood markets to become more challenging as we enter into the fourth quarter of 2015, we expect overall operating results to remain strong and are pleased that Acadian continues to have a solid balance sheet, healthy and diverse markets and a strong operating team. We thank you for your continued support of Acadian Timber Corp.



President and Chief Executive Officer
October 27, 2015

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1. Adjusted EBITDA is a key performance measure in evaluating Acadian's operations and is 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. As this performance measure does not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"), it 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.

Management's Discussion and Analysis

INTRODUCTION

Acadian Timber Corp. ("Acadian" or the "Company") is a leading supplier of primary forest products in Eastern Canada and the Northeastern U.S. 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 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 byproducts, 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 management's discussion and analysis ("MD&A") discusses the financial condition and results of operations of the Company for the three months ended September 26, 2015 (herein referred to as the "third quarter") and the nine-month period ended September 26, 2015 compared to the three- and nine-month periods ended September 27, 2014, and should be read in conjunction with the interim consolidated financial statements and notes thereto included at page 15 of this interim report.

Our third quarter financial results are determined in accordance with IAS 34 "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") and are expressed in Canadian dollars unless otherwise noted. External economic and industry factors remain unchanged since the previous annual report, unless otherwise noted. This MD&A has been prepared based on information available as at September 26, 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.

Assessment and Changes in Disclosure Controls and Internal Controls

Management has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as at December 31, 2014. There have been no changes in our disclosure controls and procedures during the period ended September 26, 2015 that have materially affected, or are reasonably likely to materially affect, our disclosure controls and procedures.

Management has also evaluated the design and effectiveness of our internal controls over financial reporting in accordance with Multilateral Instrument 52-109 using the COSO framework as at December 31, 2014. There have been no changes in our internal controls over financial reporting during the period ended September 26, 2015 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

REVIEW OF OPERATIONS

Summary of Third Quarter Results

The table below summarizes operating and financial data for Acadian:

	Three Months Ended		Nine Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
<i>(CAD thousands, except where indicated)</i>				
Sales volume (000s m ³)	354.2	367.7	978.1	946.8
Net sales	\$ 22,632	\$ 21,583	\$ 62,687	\$ 54,855
Operating earnings	6,335	5,545	18,496	13,807
Net income / (loss)	(2,851)	(557)	(124)	4,878
Adjusted EBITDA ¹	\$ 6,465	\$ 5,699	\$ 19,011	\$ 14,331
Free Cash Flow ¹	\$ 5,245	\$ 4,669	\$ 15,624	\$ 11,321
Dividends declared	3,765	3,451	11,294	10,353
Payout ratio	72%	74%	72%	91%
Per share – basic and diluted				
Net income / (loss)	\$ (0.17)	\$ (0.03)	\$ (0.01)	\$ 0.29
Free Cash Flow ¹	0.31	0.28	0.93	0.68
Dividends declared	0.23	0.21	0.68	0.62
Book Value	15.26	10.85	15.26	10.85
Common Shares Outstanding	16,731,216	16,731,216	16,731,216	16,731,216

1. Non-IFRS Measure. See “Reconciliation of net income, in accordance with IFRS, to Adjusted EBITDA and Free Cash Flow”.

For the three months ended September 26, 2015 (the “third quarter”), Acadian generated net sales of \$22.6 million on sales volumes of 354 thousand m³, compared with net sales of \$21.6 million on sales volumes of 368 thousand m³ during the same period last year. The 5% increase in net sales year-over-year reflects strong pricing across all our products partially offset by a 4% decrease in sales volumes. For the nine months ended September 26, 2015, Acadian generated net sales of \$62.7 million on sales volume of 978 thousand m³ as compared to net sales of \$54.9 million on sales volume of 947 thousand m³ in the comparable period of 2014 with strong pricing throughout this year and very good operating conditions in the first half of the year being the primary contributors.

Operating earnings for the period, at \$6.3 million, increased \$0.8 million year-over-year, again reflecting improved log selling prices. The net loss totaled \$2.9 million, or \$0.17 per share, for the third quarter, an increase of \$2.3 million from the same period in 2014, as the higher operating earnings and lower non-cash fair value adjustments to timber were offset by a \$3.4 million increase in the unrealized exchange loss on long-term debt.

Adjusted EBITDA and Free Cash Flow

Adjusted EBITDA for the third quarter was \$6.5 million, compared to \$5.7 million during the comparable period in 2014. This increase is largely due to the favourable pricing discussed above. Adjusted EBITDA margin in the third quarter was 29%, an increase from 26% in the same period in 2014. For the nine months ended September 26, 2015, Adjusted EBITDA was \$19.0 million, \$4.7 million higher than during the same period last year.

Free Cash Flow was \$5.2 million during the third quarter, which represents an increase of \$0.6 million from the same period in 2014. Free cash flow for the nine months ended September 26, 2015 was \$15.6 million, as compared to \$11.3 million during the same period last year.

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

<i>(CAD thousands)</i>	Three Months Ended		Nine Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Net income / (loss)	\$ (2,851)	\$ (557)	\$ (124)	\$ 4,878
Add / (deduct):				
Interest expense, net	804	801	2,585	2,371
Current income tax expense	132	101	355	370
Deferred income tax expense	289	294	1,611	1,636
Depreciation and amortization	131	137	381	409
Fair value adjustments	792	1,110	1,930	505
Unrealized exchange loss on long-term debt	7,168	3,813	12,273	4,162
Adjusted EBITDA ¹	\$ 6,465	\$ 5,699	\$ 19,011	\$ 14,331
Add / (deduct):				
Interest paid on debt, net	(916)	(807)	(2,708)	(2,386)
Additions to timber, land, roads and other fixed assets	(187)	(122)	(341)	(255)
Gain on sale of timberlands	(13)	(17)	(140)	(115)
Loss on disposal of land, roads and other fixed assets	14	—	6	—
Proceeds on sale of timberlands	14	17	151	116
Current income tax expense	(132)	(101)	(355)	(370)
Free Cash Flow ¹	\$ 5,245	\$ 4,669	\$ 15,624	\$ 11,321
Dividends declared	\$ 3,765	\$ 3,451	\$ 11,294	\$ 10,353
Payout ratio	72%	74%	72%	91%

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 3 of this interim 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 three months ended September 26, 2015 were \$3.8 million, or \$0.225 per share, an increase from \$3.5 million or \$0.20625 per share in the same period in 2014. The payout ratio of the Company, which represents the amount of dividends declared as a percentage of the Free Cash Flow generated, for the year-to-date period ended September 26, 2015 was 72% compared to 91% in the same period of 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 throughout 2015 and into 2016.

Operating and Market Conditions

Acadian's operations ran well during the third quarter. Weather conditions were typical for the summer season and continued strong demand for hardwood resulted in harvesting being more focused on those stands during the quarter.

Acadian's weighted average log price during the third quarter increased 8% year-over-year due to increased prices across almost all products and the positive effect of the weaker Canadian dollar. Softwood sawlog markets remained healthy, however a stronger focus on hardwood harvests and corresponding lower proportion of higher value sawlogs from Maine

resulted in a 1% decrease in weighted average softwood sawlog prices relative to the third quarter of 2014. Hardwood sawlog markets remained strong, with weighted average selling prices increasing 3%. Selling prices for softwood and hardwood pulpwood increased 8% and 18%, respectively, year-over-year with the softwood increase being entirely currency driven while the hardwood increase reflects both continued strong markets and the benefit of the weaker Canadian dollar. While hardwood pulpwood markets have been strong, softwood pulpwood markets continue to be over supplied. Biomass markets also remained strong, with margins increasing 49% year-over-year, primarily reflecting continued sales to export markets in the New Brunswick operations.

Segmented Results of Operations

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

<i>Three Months Ended September 26, 2015</i> <i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	280.4	73.8	—	354.2
Net sales	\$ 17,009	\$ 5,623	\$ —	\$ 22,632
Adjusted EBITDA ¹	\$ 5,951	\$ 1,007	\$ (493)	\$ 6,465
Adjusted EBITDA margin ¹	35%	18%	n/a	29%

<i>Three Months Ended September 27, 2014</i> <i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	290.7	77.0	—	367.7
Net sales	\$ 16,288	\$ 5,295	\$ —	\$ 21,583
Adjusted EBITDA ¹	\$ 4,510	\$ 1,526	\$ (337)	\$ 5,699
Adjusted EBITDA margin ¹	28%	29%	n/a	26%

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 3 of this interim report.

<i>Nine Months Ended September 26, 2015</i> <i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	756.0	222.1	—	978.1
Net sales	\$ 45,419	\$ 17,268	\$ —	\$ 62,687
Adjusted EBITDA ¹	\$ 14,716	\$ 5,235	\$ (940)	\$ 19,011
Adjusted EBITDA margin ¹	32%	30%	n/a	30%

<i>Nine Months Ended September 27, 2014</i> <i>(CAD thousands)</i>	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m ³)	717.5	229.3	—	946.8
Net sales	\$ 40,024	\$ 14,831	\$ —	\$ 54,855
Adjusted EBITDA ¹	\$ 10,620	\$ 4,388	\$ (677)	\$ 14,331
Adjusted EBITDA margin ¹	27%	30%	n/a	26%

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 3 of this interim 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 are performed by third-party contractors and approximately 24% by NB Timberlands employees.

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

	Three Months Ended September 26, 2015			Three Months Ended September 27, 2014		
	Harvest (000s m ³)	Sales (000s m ³)	Results (\$000s)	Harvest (000s m ³)	Sales (000s m ³)	Results (\$000s)
Softwood	104.8	105.8	\$ 5,910	107.6	109.2	\$ 6,281
Hardwood	120.2	112.1	8,249	108.7	112.3	7,354
Biomass	62.5	62.5	1,596	69.2	69.2	1,544
	287.5	280.4	15,755	285.5	290.7	15,179
Other sales			1,254			1,109
Net sales			\$ 17,009			\$ 16,288
Adjusted EBITDA ¹			\$ 5,951			\$ 4,510
Adjusted EBITDA margin ¹			35%			28%

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 3 of this interim report.

	Nine Months Ended September 26, 2015			Nine Months Ended September 27, 2014		
	Harvest (000s m ³)	Sales (000s m ³)	Results (\$000s)	Harvest (000s m ³)	Sales (000s m ³)	Results (\$000s)
Softwood	300.9	299.1	\$ 16,550	273.7	276.9	\$ 15,405
Hardwood	315.6	311.2	22,831	294.6	302.1	20,027
Biomass	145.7	145.7	3,989	138.5	138.5	2,853
	762.2	756.0	43,370	706.8	717.5	38,285
Other sales			2,049			1,739
Net sales			\$ 45,419			\$ 40,024
Adjusted EBITDA ¹			\$ 14,716			\$ 10,620
Adjusted EBITDA margin ¹			32%			27%

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 3 of this interim report.

Softwood, hardwood and biomass shipments were 106 thousand m³, 112 thousand m³ and 63 thousand m³, respectively, during the third quarter. This represents a year-over-year decrease in sales volume of 4% reflecting a modest increase in hardwood log inventories compared with the prior year. Harvest volume in the third quarter of 2015 was in line with the prior year although the harvest was more heavily weighted to hardwood. Approximately 38% of sales volume was sold as sawlogs, 40% as pulpwood and 22% as biomass in the third quarter. This compares to 36% sold as sawlogs, 43% as pulpwood and 24% as biomass in the third quarter of 2014.

Net sales for the third quarter totaled \$17.0 million compared to \$16.3 million for the same period last year with the small decrease in sales volume more than offset by improved prices for hardwood logs. The weighted average log selling price was \$64.98 per m³ in the third quarter of 2015, a 6% increase from \$61.55 per m³ in the same period of 2014. Net sales for the first nine months ended September 26, 2015 were \$45.4 million, an increase of \$5.4 million over the same period of 2014 due to higher sales volumes and selling prices.

Costs for the third quarter were \$11.1 million, compared to \$11.8 million in the same period in 2014, with the benefit of 5% lower variable costs per m³ partially offset by higher harvest volumes of primary products. For the nine months ended September 26, 2015, costs were \$30.7 million, \$1.3 million higher than during the same period of 2014, due to higher harvest volumes partially offset by 3% lower variable costs per m³.

Adjusted EBITDA for the third quarter was \$6.0 million, compared to \$4.5 million in the third quarter of 2014 reflecting the improved pricing and decreased per unit costs discussed above. For the nine months ended September 26, 2015, Adjusted EBITDA was \$14.7 million, an increase of \$4.1 million over the same period of 2014 with improvements in sales volume, pricing and per unit variable costs all contributing to the year-over-year gain. Adjusted EBITDA margin for the third quarter increased to 35% from 28% in the prior year and for first nine months of 2015 increased to 32% from 27% in the prior year.

There was one recordable safety incident among employees and one recordable safety incident among contractors during the third quarter of 2015. The employee incident did result in lost time, but the employee is expected to make a full recovery.

Maine Timberlands

Maine Timberlands owns and manages 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:

	Three Months Ended September 26, 2015			Three Months Ended September 27, 2014		
	Harvest (000s m ³)	Sales (000s m ³)	Results (\$000s)	Harvest (000s m ³)	Sales (000s m ³)	Results (\$000s)
Softwood	37.7	37.6	\$ 2,780	48.9	48.7	\$ 3,343
Hardwood	34.8	30.9	2,675	24.8	24.6	1,788
Biomass	5.3	5.3	35	3.7	3.7	25
	77.8	73.8	5,490	77.4	77.0	5,156
Other sales			133			139
Net sales			\$ 5,623			\$ 5,295
Adjusted EBITDA ¹			\$ 1,007			\$ 1,526
Adjusted EBITDA margin ¹			18%			29%

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 3 of this interim report.

	Nine Months Ended September 26, 2015			Nine Months Ended September 27, 2014		
	Harvest (000s m ³)	Sales (000s m ³)	Results (\$000s)	Harvest (000s m ³)	Sales (000s m ³)	Results (\$000s)
Softwood	138.3	137.7	\$ 10,692	138.1	137.6	\$ 9,049
Hardwood	73.5	71.4	6,125	70.0	71.6	5,308
Biomass	13.0	13.0	110	20.1	20.1	138
	224.8	222.1	16,927	228.2	229.3	14,495
Other sales			341			336
Net sales			\$ 17,268			\$ 14,831
Adjusted EBITDA ¹			\$ 5,235			\$ 4,388
Adjusted EBITDA margin ¹			30%			30%

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 3 of this interim report.

Softwood, hardwood and biomass shipments were 38 thousand m³, 31 thousand m³, and 5 thousand m³, respectively, during the third quarter. This represents a year-over-year decrease in sales volume of 4%, with the significant drop in softwood volumes mostly offset by increased hardwood volumes. Approximately 34% of sales volume was sold as sawlogs, 59% as pulpwood and 7% as biomass during the third quarter. This compares to 55% sold as sawlogs, 40% as pulpwood and 5% as biomass in the third quarter of 2014. The decreased sawlog volume largely reflects the greater proportion of hardwood in the sales mix as hardwood stands generate significantly higher volumes of pulpwood.

Net sales for the third quarter totaled \$5.6 million compared to \$5.3 million for the same period last year, with reduced sales volumes more than offset by improved hardwood pulpwood prices and the positive impact of the weaker Canadian dollar. The weighted average log selling price was \$79.58 per m³ in the third quarter of 2015, a 14% increase from \$69.95 per m³ in the same period of 2014 in Canadian dollar terms. The weighted average log selling price in U.S. dollar terms was \$60.84 per m³, down 5% year-over-year, as improved hardwood pulpwood prices were more than offset by the decreased proportion of softwood sawlogs in the sales mix. Net sales for the first nine months ended September 26, 2015 were \$17.3 million, an increase of \$2.4 million over the same period of 2014 again reflecting the positive impact of the weaker Canadian dollar along with improved U.S. dollar prices for softwood sawlog and hardwood pulpwood.

Costs for the third quarter were \$4.6 million, compared to \$3.8 million during the same period in 2014. This increase primarily reflects the effect of adverse foreign exchange movements as harvest volumes were almost unchanged year-over-year while variable costs per m³ in U.S. dollar terms climbed just 4%, but increased 25% in Canadian dollar terms. For the nine months ended September 26, 2015, costs were \$12.0 million, \$1.6 million higher than during the same period of 2014, due to adverse foreign exchange movements year-over-year.

Adjusted EBITDA for the third quarter was \$1.0 million, down \$0.5 million from the same period in 2014 as a result of less favourable sales mix and the timing of road maintenance work. For the nine months ended September 26, 2015, Adjusted EBITDA was \$5.2 million, an increase of \$0.8 million over the same period of 2014. Adjusted EBITDA margin for the third quarter fell to 18% from 29% in the prior year and for the first nine months of 2015 was unchanged from the prior year at 30%.

There were no recordable safety incidents among employees or contractors during the third quarter of 2015. In mid-September, the Maine operations successfully completed a surveillance audit under the 2015-2019 standard of the Sustainable Forest Initiative® with no non-conformances.

Financial Position

As at September 26, 2015, Acadian's balance sheet consisted of total assets of \$438.3 million (December 31, 2014 – \$406.4 million), represented primarily by timber, land, roads and other fixed assets of \$401.4 million (December 31, 2014 – \$379.1 million) with the balance in cash and current assets of \$30.8 million (December 31, 2014 – \$21.2 million), and intangible assets of \$6.1 million (December 31, 2014 – \$6.1 million). Timber has been recorded at fair value as determined through independent third party appraisal at December 31, 2014 and adjusted for growth estimates and harvest during the first nine months of the year. Reforestation costs have been expensed as incurred.

During the third quarter, Acadian completed a five year extension of its existing loan facilities resulting in a decrease in the fixed interest rate to 3.01% from 3.97%, reducing the annual interest expense by US\$0.7 million.

MARKET OUTLOOK

The following contains forward-looking statements about Acadian Timber Corp.'s market outlook for the remainder of 2015 and into 2016. Reference should be made to "Forward-Looking Statements" on page 14. 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 of Acadian's most recent Annual Report and Annual Information Form available on our website at www.acadiantimber.com or www.sedar.com.

While near-term markets for Acadian's softwood sawlogs may experience modest headwinds, demand fundamentals remain strong. To date in 2015, U.S. housing starts are up 12% year-over-year and consensus expectations are for increases of a further 10 to 15% in 2016.

After strengthening significantly early in the third quarter, North American lumber pricing declined to multiyear lows during August and September. Regional sawmills continued to operate on full shifts, but do appear to be carrying log inventories above normal seasonal levels. The combination of weak offshore export markets, the weak Canadian dollar, and the end of the Canada-US Softwood Lumber Agreement, resulting in a temporary removal of Canadian export taxes, is expected to maintain pressure on lumber prices into 2016. This has begun to put pressure on markets for softwood sawlogs although pricing has remained stable to date.

Markets for hardwood sawlogs are expected to remain stable at their current positive levels, while the current favourable demand and pricing for hardwood pulpwood may experience increasing softness as the region adapts to recently announced pulp and paper mill curtailments and closures. The softwood pulpwood market continues to be challenging, however this product represents only a small portion of Acadian's sales and an even lower proportion of our operating earnings. Biomass markets remain positive and we anticipate demand to remain stable, supporting improved margin levels.

SUPPLEMENTAL INFORMATION

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

Selected Consolidated Quarterly Information

The table below sets forth selected consolidated quarterly information for the current and last eight quarters. See “Additional Quarterly Information” section for the segmented quarterly results.

	2015			2014				2013
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<i>(CAD thousands, except per share data and where indicated)</i>								
Sales volume (000s m ³)	354	276	348	361	368	229	350	370
Net sales	\$ 22,632	\$ 15,368	\$ 24,687	\$ 22,514	\$ 21,583	\$ 12,029	\$ 21,243	\$ 21,764
Adjusted EBITDA ¹	6,465	3,794	8,752	7,470	5,699	1,935	6,697	6,139
Free Cash Flow ¹	5,245	2,833	7,546	6,313	4,669	1,052	5,600	5,304
Net income / (loss)	(2,851)	5,650	(2,923)	38,360	(557)	4,738	697	3,420
Per share – basic and diluted	\$ (0.17)	\$ 0.34	\$ (0.17)	\$ 2.29	\$ (0.03)	\$ 0.28	\$ 0.04	\$ 0.20

1. Non-IFRS Measure. See “Non-IFRS Measures” on page 3 of this interim 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. 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 of Acadian’s 2014 annual report.

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 September 26, 2015, 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.

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

- a) 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 in the three and nine months ended September 26, 2015 totaled \$0.6 million (2014 – \$0.6 million) and \$1.7 million (2014 – \$1.7 million), respectively. As at September 26, 2015, fees of \$nil (2014 – \$0.6 million) remain outstanding.
- b) Maine Timberlands sold 2.93 acres of land for net proceeds of \$15 thousand for the three months ended September 26, 2015 and 6.54 acres of land for the nine months ended September 26, 2015 for the net proceeds of \$143 to Katahdin Timberlands LLC (2014 – 0.7 acres for \$17 thousand and 4.83 acres for \$116 thousand, respectively).

Further to the related party transactions noted above, the total net receivable due from related parties as at September 26, 2015 is \$42 thousand (December 31, 2014 net receivable due from related parties – \$20 thousand).

Contractual Obligations

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

A summary of the Company's debt obligations is as follows:

<i>(CAD thousands)</i>	Total Available	Payments Due by Period				
		Total	Less Than One Year	1 to 3 Years	3 to 5 Years	After 5 Years
Debt						
Term facility ¹	\$ 96,494	\$ 96,494	\$ —	\$ —	\$ —	\$ 96,494
Revolving facility	13,310	—	—	—	—	—
	\$ 109,804	\$ 96,494	\$ —	\$ —	\$ —	\$ 96,494
Interest payments ²		\$ 15,443	\$ 3,098	\$ 8,714	\$ 2,905	\$ 726

1. Represents principal of a U.S. dollar denominated term loan with a U.S. to Canadian dollar conversion of 1.331, excluding the unamortized deferred financing costs.

2. Interest payments are determined assuming a fixed interest rate at 3.01% with a U.S. to Canadian dollar conversion of 1.331.

Additional Quarterly Information

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

NB Timberlands

	2015 Q3			2015 Q2			2015 Q1			2014 Q4		
	Harvest	Sales	Results									
	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)
Softwood	104.8	105.8	\$ 5,910	66.0	103.3	\$ 5,713	130.1	90.0	\$ 4,927	92.9	93.3	\$ 5,306
Hardwood	120.2	112.1	8,249	86.0	92.3	6,544	109.4	106.8	8,038	109.6	104.9	7,490
Biomass	62.5	62.5	1,596	48.5	48.5	1,146	34.7	34.7	1,247	57.0	57.0	1,310
	287.5	280.4	15,755	200.5	244.1	13,403	274.2	231.5	14,212	259.5	255.2	14,106
Other sales			1,254			(288)			1,083			1,475
Net sales			\$ 17,009			\$ 13,115			\$ 15,295			\$ 15,581
Adjusted EBITDA ¹			\$ 5,951			\$ 3,472			\$ 5,293			\$ 5,424
Adjusted EBITDA margin ¹			35%			26%			35%			35%

Maine Timberlands

	2015 Q3			2015 Q2			2015 Q1			2014 Q4		
	Harvest	Sales	Results									
	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)
Softwood	37.7	37.6	\$ 2,780	14.2	14.1	\$ 976	86.4	86.0	\$ 6,936	63.9	63.5	\$ 4,333
Hardwood	34.8	30.9	2,675	8.8	13.2	1,123	29.9	27.3	2,327	34.4	32.7	2,430
Biomass	5.3	5.3	35	4.5	4.5	33	3.2	3.2	42	9.1	9.1	83
	77.8	73.8	5,490	27.5	31.8	2,132	119.5	116.5	9,305	107.4	105.3	6,846
Other sales			133			121			87			87
Net sales			\$ 5,623			\$ 2,253			\$ 9,392			\$ 6,933
Adjusted EBITDA ¹			\$ 1,007			\$ 376			\$ 3,852			\$ 2,367
Adjusted EBITDA margin ¹			18%			17%			41%			34%

Corporate

	2015 Q3	2015 Q2	2015 Q1	2014 Q4
	Results (\$000s)	Results (\$000s)	Results (\$000s)	Results (\$000s)
Net sales	\$ —	\$ —	\$ —	\$ —
Adjusted EBITDA ¹	\$ (493)	\$ (54)	\$ (393)	\$ (321)

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 3 of this interim report.

NB Timberlands

	2014 Q3			2014 Q2			2014 Q1			2013 Q4		
	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results	Harvest	Sales	Results
	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)
Softwood	107.6	109.2	\$ 6,281	45.5	67.6	\$ 3,745	120.6	100.1	\$ 5,379	121.7	119.9	\$ 6,681
Hardwood	108.7	112.3	7,354	62.0	74.1	4,914	123.9	115.7	7,759	115.9	110.0	7,142
Biomass	69.2	69.2	1,544	40.0	40.0	663	29.3	29.3	646	52.3	52.3	1,658
	285.5	290.7	15,179	147.5	181.7	9,322	273.8	245.1	13,784	289.9	282.2	15,481
Other sales			1,109			(32)			662			1,241
Net sales			\$ 16,288			\$ 9,290			\$ 14,446			\$ 16,722
Adjusted EBITDA ¹			\$ 4,510			\$ 1,652			\$ 4,458			\$ 5,047
Adjusted EBITDA margin ¹			28%			18%			31%			30%

Maine Timberlands

	2014 Q3			2014 Q2			2014 Q1			2013 Q4		
	Harvest	Sales	Results									
	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)	(000s m ³)	(000s m ³)	(\$000s)
Softwood	48.9	48.7	\$ 3,343	17.6	17.6	\$ 1,030	71.6	71.3	\$ 4,676	54.4	54.4	\$ 3,228
Hardwood	24.8	24.6	1,788	12.7	19.9	1,529	32.5	27.1	1,991	26.5	26.1	1,698
Biomass	3.7	3.7	25	9.7	9.7	52	6.7	6.7	61	7.0	7.0	42
	77.4	77.0	5,156	40.0	47.2	2,611	110.8	105.1	6,728	87.9	87.5	4,968
Other sales			139			128			69			74
Net sales			\$ 5,295			\$ 2,739			\$ 6,797			\$ 5,042
Adjusted EBITDA ¹			\$ 1,526			\$ 385			\$ 2,477			\$ 1,577
Adjusted EBITDA margin ¹			29%			14%			36%			31%

Corporate

	2014 Q3	2014 Q2	2014 Q1	2013 Q4
	Results (\$000s)	Results (\$000s)	Results (\$000s)	Results (\$000s)
Net sales	\$ —	\$ —	\$ —	\$ —
Adjusted EBITDA ¹	\$ (337)	\$ (102)	\$ (238)	\$ (485)

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 3 of this interim report.

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,” “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 24, 2015 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.

Interim Consolidated Statements of Net Income

(unaudited)

	Note	Three Months Ended		Nine Months Ended	
		September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
<i>(CAD thousands, except per share data)</i>					
Net sales		\$ 22,632	\$ 21,583	\$ 62,687	\$ 54,855
Operating costs and expenses					
Cost of sales		13,984	13,987	38,568	35,846
Selling, administration and other		1,744	1,532	4,627	4,346
Reforestation		438	382	615	447
Depreciation and amortization		131	137	381	409
		16,297	16,038	44,191	41,048
Operating earnings		6,335	5,545	18,496	13,807
Interest expense, net		(804)	(801)	(2,585)	(2,371)
Other items					
Fair value adjustments		(792)	(1,110)	(1,930)	(505)
Unrealized exchange loss on long-term debt		(7,168)	(3,813)	(12,273)	(4,162)
Gain on sale of timberlands		13	17	140	115
Loss on disposal of land, roads and other fixed assets		(14)	—	(6)	—
Earnings / (loss) before income taxes		(2,430)	(162)	1,842	6,884
Current income tax expense	7	(132)	(101)	(355)	(370)
Deferred income tax expense	7	(289)	(294)	(1,611)	(1,636)
Net income / (loss)		\$ (2,851)	\$ (557)	\$ (124)	\$ 4,878
Net income / (loss) per share - basic and diluted		\$ (0.17)	\$ (0.03)	\$ (0.01)	\$ 0.29

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Comprehensive Income

(unaudited)

<i>(CAD thousands)</i>	Three Months Ended		Nine Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Net income / (loss)	\$ (2,851)	\$ (557)	\$ (124)	\$ 4,878
Other comprehensive income				
Items that may be reclassified subsequently to net income:				
Unrealized foreign currency translation adjustment	10,899	4,551	18,378	4,970
Amortization of derivatives designated as cash flow hedges	(145)	(47)	(241)	(141)
Comprehensive income	\$ 7,903	\$ 3,947	\$ 18,013	\$ 9,707

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Balance Sheets

(unaudited)

<i>As at</i> <i>(CAD thousands)</i>	Note	September 26, 2015	December 31, 2014
Assets			
Current assets			
Cash and cash equivalents		\$ 16,012	\$ 12,660
Accounts receivable and other assets	5	12,950	7,351
Inventory		1,805	1,191
		30,767	21,202
Timber	10	313,325	296,681
Land, roads and other fixed assets		88,056	82,403
Intangible assets		6,140	6,140
		\$ 438,288	\$ 406,426
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 10,933	\$ 6,978
Dividends payable to shareholders	9	3,765	3,451
		14,698	10,429
Long-term debt	3	95,950	83,944
Deferred income tax liability	7	72,309	63,441
Shareholders' equity	4	255,331	248,612
		\$ 438,288	\$ 406,426

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Changes in Equity

(unaudited)

<i>Nine Months Ended September 26, 2015</i> <i>(CAD thousands)</i>	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Cash Flow Hedges	Shareholders' Equity
Balance as at December 31, 2014	\$ 140,067	\$ 66,454	\$ 29,364	\$ 12,486	\$ 241	\$ 248,612
Changes in period						
Net loss	—	(124)	—	—	—	(124)
Other comprehensive income / (loss)	—	—	—	18,378	(241)	18,137
Shareholders' dividends declared	—	(11,294)	—	—	—	(11,294)
Balance as at September 26, 2015	\$ 140,067	\$ 55,036	\$ 29,364	\$ 30,864	\$ —	\$ 255,331

See accompanying notes to interim consolidated financial statements.

<i>Nine Months Ended September 27, 2014</i> <i>(CAD thousands)</i>	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Cash Flow Hedges	Shareholders' Equity
Balance as at December 31, 2013	\$ 140,067	\$ 37,020	\$ 1,383	\$ 3,294	\$ 429	\$ 182,193
Changes in period						
Net income	—	4,878	—	—	—	4,878
Other comprehensive income / (loss)	—	—	—	4,970	(141)	4,829
Shareholders' dividends declared	—	(10,353)	—	—	—	(10,353)
Balance as at September 27, 2014	\$ 140,067	\$ 31,545	\$ 1,383	\$ 8,264	\$ 288	\$ 181,547

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

(unaudited)

(CAD thousands)	Note	Three Months Ended		Nine Months Ended	
		September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Cash provided by (used for):					
Operating activities					
Net income / (loss)		\$ (2,851)	\$ (557)	\$ (124)	\$ 4,878
Adjustments to net income / (loss):					
Deferred income tax expense	7	289	294	1,611	1,636
Depreciation and amortization		131	137	381	409
Fair value adjustments		792	1,110	1,930	505
Unrealized exchange loss on long-term debt		7,168	3,813	12,273	4,162
Interest expense, net		804	801	2,585	2,371
Interest paid, net		(916)	(807)	(2,708)	(2,386)
Gain on sale of timberlands		(13)	(17)	(140)	(115)
Loss on disposal of land, roads and other fixed assets		14	—	6	—
Other, net		532	—	775	—
Net change in non-cash working capital balances and other		(1,134)	3,759	(1,619)	3,367
		4,816	8,533	14,970	14,827
Financing activities					
Deferred financing costs	3	(448)	—	(448)	—
Dividends paid to shareholders	9	(3,765)	(3,451)	(10,980)	(10,353)
		(4,213)	(3,451)	(11,428)	(10,353)
Investing activities					
Additions to timber, land, roads and other fixed assets		(187)	(122)	(341)	(255)
Proceeds from sale of timberlands		14	17	143	116
Proceeds from sale of land, roads and other fixed assets		—	—	8	—
		(173)	(105)	(190)	(139)
Increase in cash and cash equivalents during the period		430	4,977	3,352	4,335
Cash and cash equivalents, beginning of period		15,582	7,922	12,660	8,564
Cash and cash equivalents, end of period		\$ 16,012	\$ 12,899	\$ 16,012	\$ 12,899

See accompanying notes to interim consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited) (All figures in Canadian dollars unless otherwise stated)

NOTE 1. GENERAL

Acadian Timber Corp. (the “Corporation”) is governed by the Canada Business Corporation Act pursuant to articles of arrangement dated January 1, 2010. The Corporation 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 Corporation is located at Suite 1800-1055 West Georgia Street, P.O. Box 11179, Royal Centre, Vancouver, British Columbia, V6E 3R5.

The Corporation 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.

The ultimate parent of the Corporation is Brookfield Asset Management Inc. As at September 26, 2015, affiliates of Brookfield Asset Management Inc. (collectively “Brookfield”) own 7,513,262 common shares representing approximately 45% of the outstanding common shares of the Corporation.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies adopted and disclosed in Note 2 of Acadian’s 2014 annual report. These interim condensed consolidated financial statements should be read in conjunction with Acadian’s 2014 annual report.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of Acadian on October 27, 2015.

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. This standard is not expected to have any impact on the consolidated financial statements of the Corporation.

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, 2018 with early adoption permitted. The Corporation 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 Corporation as the Corporation has not used a revenue-based method to depreciate its non-current assets.

NOTE 3. DEBT

Debt consisted of the following:

<i>As at (CAD thousands)</i>	September 26, 2015	December 31, 2014
Term facility, due October 2020	\$ 96,494	\$ 84,221
Less: Deferred debt issuance costs	(544)	(277)
Total	\$ 95,950	\$ 83,944

During the third quarter, Acadian completed a five year extension of its existing loan facilities with Metropolitan Life Insurance Company. The facilities will now mature on October 1, 2020. These loan facilities include 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 3.01%. The Revolving Facility bears interest at floating rates based on 90 day LIBOR plus applicable margin.

As at September 26, 2015 and December 31, 2014, Acadian had borrowed US\$72.5 million under the Term Facility and \$nil under the Revolving Facility.

As collateral for these facilities, Acadian has granted the lenders a security interest over all of its assets. The facilities are subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness, granting liens or selling assets without the consent of the lenders. The credit facilities are subject to the maintenance of a maximum ratio of loan-to-appraised value and Acadian was in compliance as of September 26, 2015 and December 31, 2014. In addition, US\$1.6 million is reserved under the Revolving Facility to support the minimum cash balance requirement of the Term Facility.

The fair value of the Term Facility as at September 26, 2015 is \$97.3 million (December 31, 2014 – \$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.

Debt issuance costs of \$0.4 million were incurred as part of the loan refinancing. These costs are amortized over the life of the 5 year extension period.

NOTE 4. SHAREHOLDERS' EQUITY

Acadian is authorized to issue an unlimited number of common shares. The common shares have no stated par value.

Common shares outstanding as at September 26, 2015 and December 31, 2014 were 16,731,216.

NOTE 5. RELATED PARTY TRANSACTIONS

In the normal course of operations, Acadian enters into various transactions on market terms with related parties which have been measured at exchange value and recognized in the consolidated financial statements. Acadian has one significant related party, Brookfield Asset Management Inc., and its affiliates (collectively "Brookfield"). As at September 26, 2015, Brookfield owned 7,513,262 common shares, representing approximately 45% of the outstanding shares of the Corporation. Acadian is also a related party of Katahdin Timberlands LLC as a result of their common significant shareholder.

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

- a) 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 in the three and nine months ended September 26, 2015 totaled \$0.6 million (2014 – \$0.6 million) and \$1.7 million (2014 – \$1.7 million), respectively. As at September 26, 2015, fees of \$nil (2014 – \$0.6) remain outstanding.
- b) Maine Timberlands sold 2.93 acres of land for net proceeds of \$15 thousand for the three months ended September 26, 2015 and 6.54 acres of land for the nine months ended September 26, 2015 for the net proceeds of \$143 to Katahdin Timberlands LLC (2014 – 0.7 acres for \$17 thousand and 4.83 acres for \$116 thousand, respectively).

Further to the related party transactions noted above, the total net receivable due from related parties as at September 26, 2015 is \$42 thousand (December 31, 2014 net receivable due from related parties – \$20 thousand).

NOTE 6. 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, the NB Timberlands and Maine Timberlands. Net sales, net income, assets and liabilities by reportable segments are as follows:

<i>Three Months Ended September 26, 2015</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	\$ 8,690	\$ 5,910	\$ 2,780	\$ —
Hardwood	10,924	8,249	2,675	—
Biomass	1,631	1,598	35	—
Other	1,387	1,254	133	—
Total net sales	22,632	17,009	5,623	—
Operating costs	(15,728)	(10,668)	(4,568)	(492)
Reforestation	(438)	(393)	(45)	—
Depreciation and amortization	(131)	(56)	(75)	—
Operating earnings / (loss)	6,335	5,892	935	(492)
Gain on sale of timberlands	13	—	13	—
Loss on disposal of land, roads and other fixed assets	(14)	1	(15)	—
Fair value adjustments	(792)	(824)	32	—
Earnings / (loss) before the under noted	5,542	5,069	965	(492)
Unrealized exchange loss on long-term debt	(7,168)			
Interest expense, net	(804)			
Current income tax expense	(132)			
Deferred income tax expense	(289)			
Net loss	\$ (2,851)			

<i>As at September 26, 2015</i> <i>(CAD thousands)</i>	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	\$ 407,521	\$ 214,538	\$ 192,983	\$ —
Total assets	438,288	230,315	198,493	9,480
Total liabilities	\$ 182,957	\$ 9,183	\$ 49,060	\$ 124,714

(unaudited) (All figures in Canadian dollars unless otherwise stated)

<i>Three Months Ended September 27, 2014</i>				
<i>(CAD thousands)</i>				
	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	\$ 9,624	\$ 6,281	\$ 3,343	\$ —
Hardwood	9,142	7,354	1,788	—
Biomass	1,569	1,544	25	—
Other	1,248	1,109	139	—
Total net sales	21,583	16,288	5,295	—
Operating costs	(15,519)	(11,435)	(3,747)	(337)
Reforestation	(382)	(343)	(39)	—
Depreciation and amortization	(137)	(50)	(87)	—
Operating earnings / (loss)	5,545	4,460	1,422	(337)
Gain on sale of timberlands	17	—	17	—
Fair value adjustments	(1,110)	(662)	(448)	—
Earnings / (loss) before the under noted	4,452	3,798	991	(337)
Unrealized exchange loss on long-term debt	(3,813)			
Interest expense, net	(801)			
Current income tax expense	(101)			
Deferred income tax expense	(294)			
Net loss	\$ (557)			

<i>As at September 27, 2014</i>				
<i>(CAD thousands)</i>				
	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	\$ 284,460	\$ 161,102	\$ 123,358	\$ —
Total assets	308,307	175,893	125,423	6,991
Total liabilities	\$ 126,760	\$ 10,683	\$ 24,705	\$ 91,372

<i>Nine Months Ended September 26, 2015</i>				
<i>(CAD thousands)</i>				
	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	\$ 27,242	\$ 16,550	\$ 10,692	\$ —
Hardwood	28,956	22,831	6,125	—
Biomass	4,099	3,989	110	—
Other	2,390	2,049	341	—
Total net sales	62,687	45,419	17,268	—
Operating costs	(43,195)	(30,186)	(12,069)	(940)
Reforestation	(615)	(547)	(68)	—
Depreciation and amortization	(381)	(163)	(218)	—
Operating earnings / (loss)	18,496	14,523	4,913	(940)
Gain on sale of timberlands	140	—	140	—
Loss on disposal of land, roads and other fixed assets	(6)	9	(15)	—
Fair value adjustments	(1,930)	(1,268)	(662)	—
Earnings / (loss) before the under noted	16,700	13,264	4,376	(940)
Unrealized exchange loss on long-term debt	(12,273)			
Interest expense, net	(2,585)			
Current income tax expense	(355)			
Deferred income tax expense	(1,611)			
Net loss	\$ (124)			

<i>Nine Months Ended September 27, 2014</i>				
<i>(CAD thousands)</i>				
	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Net sales				
Softwood	\$ 24,454	\$ 15,405	\$ 9,049	\$ —
Hardwood	25,335	20,027	5,308	—
Biomass	2,991	2,853	138	—
Other	2,075	1,739	336	—
Total net sales	54,855	40,024	14,831	—
Operating costs	(40,192)	(29,022)	(10,493)	(677)
Reforestation	(447)	(384)	(63)	—
Depreciation and amortization	(409)	(148)	(261)	—
Operating earnings / (loss)	13,807	10,470	4,014	(677)
Gain on sale of timberlands	115	2	113	—
Fair value adjustments	(505)	53	(558)	—
Earnings / (loss) before the under noted	13,417	10,525	3,569	(677)
Unrealized exchange loss on long-term debt	(4,162)			
Interest expense, net	(2,371)			
Current income tax expense	(370)			
Deferred income tax expense	(1,636)			
Net income	\$ 4,878			

During the three months ended September 26, 2015 approximately 32% of total sales were originated with customers domiciled in the U.S. and the balance in Canada (2014 – 28%). During the same period, approximately 26% of total sales (2014 – 21%) were denominated in U.S. dollars.

Acadian outsources much of its harvesting, transportation and other services which comprise the majority of Acadian's cost of sales. For the three months ended September 26, 2015, Acadian's top three suppliers accounted for approximately 17%, 16% and 9%, respectively, of Acadian's total harvesting and delivery costs (2014 – 16%, 15% and 19%, respectively).

Acadian sells its products to many forest product companies in North America. For the three-month period ended September 26, 2015, sales to the largest and next largest customer accounted for 27% and 9%, respectively (2014 – 30% and 6%, respectively).

NOTE 7. INCOME TAXES

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

<i>Nine Months Ended (CAD thousands)</i>	September 26, 2015	September 27, 2014
Income tax expense		
Income tax at statutory rate	\$ 497	\$ 1,859
Foreign tax rate differential	568	465
Permanent differences	354	(421)
Benefit of previously unrecognized tax attributes	495	159
Other	52	(56)
Total income tax expense	\$ 1,966	\$ 2,006

NOTE 8. EMPLOYEE BENEFIT PLANS

NB Timberlands and Maine Timberlands each have defined contribution pension plans covering substantially all employees. During the three and nine months ended September 26, 2015, contributions recorded as expenses amounted to \$69 thousand (2014 – \$69 thousand) and \$195 thousand (2014 - \$201 thousand), respectively.

NOTE 9. DIVIDENDS TO SHAREHOLDERS

Acadian pays quarterly dividends to the extent determined prudent by the Board of Directors.

Total dividends declared for the three months ended September 26, 2015 were \$3.8 million (2014 – \$3.5 million) or \$0.23 per share (2014 – \$0.21 per share). For the nine months ended September 26, 2015, total dividends were \$11.3 million (2014 - \$10.4 million) or \$0.68 per share (2014 - \$0.62 per share).

NOTE 10. TIMBER

<i>(CAD thousands)</i>	
Fair Value 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
Gains arising from growth	20,124
Decrease arising from harvest	(22,389)
Foreign exchange	18,909
Balance at September 26, 2015	\$ 313,325

Board and Management

Corporate and Shareholder Information

BOARD OF DIRECTORS MANAGEMENT

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

Mark Bishop
*President and
Chief Executive Officer
of Acadian and Senior Vice
President of the Manager*

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

Mark Bishop
*President and
Chief Executive Officer
of Acadian and Senior Vice
President of the Manager*

Phil Brown
*Executive Managing
Director of Partner
Recruitment
Momentum Search Group*

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

Reid Carter
*Managing Partner of the
Manager*

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

David Mann
*Legal Counsel
Cox & Palmer*

Marcia McKeague
*Vice President,
Maine Woodland
Operations*

Ben Vaughan
*Senior Managing Partner
Brookfield Asset
Management Inc.*

Luc Ouellet
*Vice President,
NB Woodland Operations*

Saul Shulman
*Chief Executive Officer
MLG Management Inc.*

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:
Tracy Steele
Investor Relations and Communications
t. 604.661.9621 f. 604.687.3419
e. tsteel@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 (September 26, 2015): 16,731,216
Targeted 2015 Quarterly Dividend: \$0.25 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," "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 24, 2015 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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