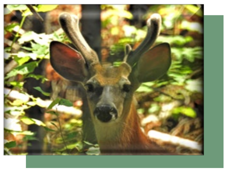
ACADIAN TIMBER

2021 ANNUAL REPORT



Acadian Timber Corp. (TSX:ADN) is one of the largest timberland owners in Eastern Canada and the Northeastern U.S. and has a total of approximately 2.4 million acres of land under management. Acadian owns and manages approximately 761,000 acres of freehold timberlands in New Brunswick ("New Brunswick Timberlands" or "NB Timberlands"), approximately 300,000 acres of freehold timberlands in Maine ("Maine Timberlands"), and provides timber services relating to approximately 1.3 million acres of Crown licensed timberlands in New Brunswick. Acadian's products include softwood and hardwood sawlogs, pulpwood, and biomass by-products, sold to approximately 90 regional customers.

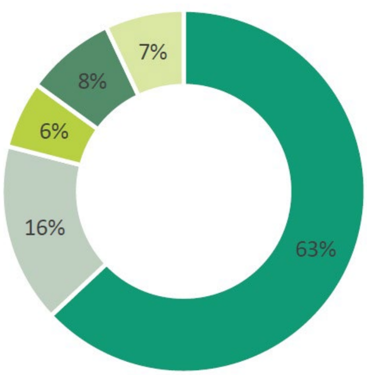
Acadian's business strategy is to maximize cash flows from its existing timberland assets through sustainable forest management and other land use activities while growing its business by acquiring assets and actively managing these assets to drive improved performance.

ACADIAN'S LOCATIONS

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

ACADIAN'S PRODUCT MIX BY END USE*

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



SOLID WOOD
63%

Softwood Dimension Lumber 48%
Hardwood Lumber 11%
Hardwood Specialty Products 3%

PACKAGING, TISSUE & SPECIALTY PAPER
16%

ENGINEERED WOOD PRODUCTS
6%

PULP
8%

FUEL
7%

**Percentage of log sales by value for the year ended December 31, 2021*

2021 HIGHLIGHTS

- New management team was finalized and full integration to a stand-alone company was completed
- Executed our first carbon development and marketing agreement
- Solid financial performance with sales of $95.7 million, Adjusted EBITDA[1] of $22.5 million, Free Cash Flow[1] of $16.9 million and net income of $18.7 million
- Declared dividends to shareholders of $19.4 million, or $1.16 per share
- Excellent safety performance with no recordable safety incidents among employees or contractors during the year
- Successfully renewed Sustainable Forestry Initiative® certification

FINANCIAL HIGHLIGHTS

Years Ended December 31 *(CAD thousands, except where indicated)*	**2021**	2020	2019
Sales volume (000s m^3)	**1,062.3**	1,138.1	1,251.1
Sales	**$ 95,729**	$ 91,031	$ 100,048
Adjusted EBITDA[1]	**$ 22,487**	$ 21,485	$ 23,604
Free Cash Flow[1]	**$ 16,933**	$ 15,153	$ 18,722
Net income	**$ 18,684**	$ 22,080	$ 17,325

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

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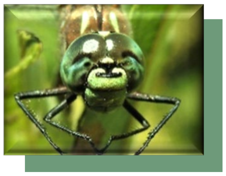


LETTER TO SHAREHOLDERS

Overview[1]

The year-ended December 31, 2021 was another transformative year for Acadian Timber Corp. ("Acadian", the "Company" or "we"). While the Company and its customers continued to operate through the pandemic, the new management team was finalized and full integration to a stand-alone company was completed.

Market demand for our products remained strong with a number of new customers beginning to take delivery, which has resulted in increases in pricing. Although Acadian experienced some headwinds in the form of unseasonal weather, challenging pulpwood markets, and significant increases in fuel costs, the financial results for the year demonstrate the stability of the timberland business.

In a time when need in our communities has heightened due to the pandemic, Acadian is proud that we continue to increase our contributions to the communities in which we live and work. We have made significant contributions to local food banks, school breakfast programs, and local amateur sports teams and will continue to do so in the years to come.

Solid Financial Performance

Acadian delivered solid financial results for the year ended December 31, 2021. Sales were $95.7 million in 2021, compared to $91.0 million in the prior year. Market demand for softwood sawlogs remained strong throughout fiscal 2021 with slight price increases driven by strong end use markets. Demand for softwood pulpwood remained weak through the year.

Hardwood sawlog demand continued to see increased demand and prices throughout the year due to both lumber and industrial markets.

Variable costs increased 2% from 2020 due to inflationary pressures on harvesting costs with the most significant increases coming from higher fuel prices.

The Company's Adjusted EBITDA[2] totaled $22.5 million in 2021, compared to $21.5 million during 2020, and Adjusted EBITDA[2] margins were relatively flat, at 23% compared to 24% in the prior year.

During the year, Acadian declared dividends to its shareholders of $19.4 million, or $1.16 per share, and generated Free Cash Flow[2] of $16.9 million.

Continued Commitment to Safety and the Environment

Acadian is extremely proud to announce there were no recordable safety incidents among employees and contractors during the year. Acadian's commitment to health and safety is our top priority as we believe that emphasizing and achieving a good safety record is a leading indicator of success in the broader business.

Both the New Brunswick and Maine operations completed their annual surveillance audit under the 2015-2019 standard of the Sustainable Forest Initiative® with no non-conformances; a testament to the sustainability of our operations.

Carbon Credit Project

During 2021, Acadian executed its first carbon development and marketing agreement to develop voluntary carbon credits on the portion of its Maine Timberlands that is subject to a working forest conservation easement. This project commits Acadian to balancing harvest and growth, and requires long term planning, annual reporting, periodic carbon inventory verification, and maintenance of the existing sustainable forestry certification.

While this project is relatively small and expected to contribute modestly to cash flow and have little impact on operations, it forms a foundation for further carbon credit development.

Market Outlook[1]

Continued demand from repair and remodeling activity and new home construction is expected to support North American softwood and hardwood lumber consumption in the short to medium term. Consensus forecast is for approximately 1.57 million U.S. housing starts in 2022 as compared to 1.58 million in 2021. Although interest rates are expected to rise, a large U.S. population entering their home buying years and a low inventory of homes for sale will be key drivers supporting this growth.

Accordingly, demand for our softwood sawlogs is expected to remain stable as a result of these positive end use market dynamics.

Acadian also expects continued strong demand and pricing for its hardwood sawlog products and to benefit from new customer relationships relating to both the appearance and industrial hardwood lumber markets.

We remain cautiously optimistic that hardwood pulpwood will remain stable through 2022 with increasing customer confidence and market demand for hardwood pulp. Meanwhile, markets for softwood pulpwood are expected to remain challenged given elevated regional inventories of both softwood pulpwood and sawmill residuals.

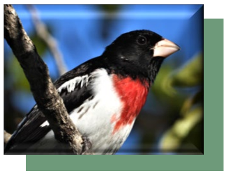
Looking Ahead

In 2022, we will continue to seek opportunities for growth, both internally and externally, and for improvements to our operating performance, while ensuring we are focused on disciplined capital allocation for you, our shareholders. Our carbon credit project is one example of an opportunity that is available to Acadian and its shareholders. We will use this experience to ensure that we understand the market and chart our next steps as it relates to carbon credit development.

On behalf of the Board of Directors and management of Acadian, I would like to thank all our shareholders for their ongoing support. We have a remarkable asset base, outstanding people, and I am excited for the opportunities that lie ahead.

Adam Sheparski
President and Chief Executive Officer
February 9, 2022

1. *This Letter to Shareholders contains forward-looking information within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Please refer to the section entitled "Cautionary Statement Regarding Forward-Looking Information and Statements" in Management's Discussion and Analysis for further details.*
2. *Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow, and Payout Ratio are key performance measures in evaluating Acadian's operations and are important in enhancing investors' understanding of the Company's operating performance. Adjusted EBITDA and Adjusted EBITDA margin are indicative of the underlying profitability of Acadian's operating segments and are used to evaluate operational performance. Free Cash Flow is used to evaluate Acadian's ability to generate sustainable cash flows from our operations while Payout Ratio is used to evaluate Acadian's ability to fund its distribution using Free Cash Flow. Acadian's management defines as net income before interest, income taxes, fair value adjustments, recovery of or impairment of land and roads, realized gain/loss on sale of other fixed assets, unrealized exchange gain/loss on long-term debt and depreciation and amortization, and to "Adjusted EBITDA margin", which is Adjusted EBITDA as a percentage of Acadian's sales. Reference is also made to "Free Cash Flow", which Acadian's management defines as Adjusted EBITDA less interest paid, current income tax expense, and capital expenditures plus net proceeds from the sale of timberlands and fixed assets (selling price less gains or losses included in Adjusted EBITDA). Reference made to "Payout Ratio" is defined as dividends declared divided by Free Cash Flow.*



MARKET OVERVIEW

Softwood Sawlogs – 48% of Freehold Sales

Softwood sawlogs accounted for 48% of Acadian's freehold sales and 46% of freehold sales volume for the year ended December 31, 2021. Demand for Acadian's softwood sawlogs remained strong through the year driven by favourable end use market dynamics. Acadian's weighted average realized price per m^3 increased 3% during 2021 due to continued softwood sawlog demand and a higher proportion of sales in Maine compared to the prior year.

Hardwood Sawlogs – 14% of Freehold Sales

Hardwood sawlogs accounted for 14% of Acadian's freehold sales and 7% of freehold sales volume for the year ended December 31, 2021. Hardwood sales volumes increased 6% year-over-year and prices increased 9%. Demand strengthened throughout the year due to strong end use markets.

Hardwood and Softwood Pulpwood– 32% of Freehold Sales

Hardwood and softwood pulpwood shipments accounted for 28% and 4%, respectively, of Acadian's freehold sales, and 30% and 7% of freehold sales volume, respectively, for the year ended December 31, 2021. Softwood pulpwood prices increased 1% and volume decreased 42%, with reduced deliveries in New Brunswick due to competition from sawmill residuals. Prices and sales volumes for hardwood pulpwood decreased 6% and 4%, respectively due to lower demand as a result of elevated inventories in the region and a stronger Canadian dollar.

Biomass – 6% of Freehold Sales

Biomass accounted for 6% of Acadian's freehold sales and 10% of sales volume for the year ended December 31, 2021. Volumes decreased 22% due to lower domestic sales in 2021. Key factors impacting the year-over-year decrease include a reduced regional demand and the use of a harvest system that is more cost-effective but generates less biomass material. Biomass margin increased 3% benefiting from favourable pricing on export sales.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(All figures in Canadian dollars unless otherwise stated)

February 9, 2022

Introduction

Acadian Timber Corp. ("Acadian", the "Company" or "we") is one of the largest timberland owners in Eastern Canada and the Northeastern U.S. and has a total of approximately 2.4 million acres of land under management. Acadian owns and manages approximately 761,000 acres of freehold timberlands in New Brunswick ("New Brunswick Timberlands" or "NB Timberlands"), approximately 300,000 acres of freehold timberlands in Maine ("Maine Timberlands"), and provides timber services relating to approximately 1.3 million acres of Crown licensed timberlands in New Brunswick. Acadian's products include softwood and hardwood sawlogs, pulpwood, and biomass by-products, sold to approximately 90 regional customers.

Acadian's business strategy is to maximize cash flows from its existing timberland assets through sustainable forest management and other land use activities while growing its business by acquiring assets and actively managing these assets to drive improved performance.

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 December 31, 2021 (herein referred to as the "fourth quarter") and the fiscal year ended December 31, 2021, compared to the fourth quarter and fiscal year ended December 31, 2020. The MD&A is intended to provide an assessment of our performance and should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the fiscal year ended December 31, 2021.

Our consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and are expressed in Canadian dollars ("CAD") unless otherwise stated. This MD&A has been prepared based on information available as at February 9, 2022. Additional information, including the Company's Annual Information Form, is available on Acadian's website at www.acadiantimber.com and on SEDAR at www.sedar.com.

During the fourth quarter, the Company determined that certain timber services contracts should be accounted for on a gross basis, rather than a net basis, and that the timing of recognition should be as the services are delivered and not when all services have been completed. The impact of the change increased sales and operating costs within the New Brunswick Timberlands segment by $3.2 million for the year ended December 31, 2021. The change has no impact on operating income, net income, Adjusted EBITDA, or Free Cash Flow for the year ended December 31, 2021. The change is not material to the 2020 financial statements.

Non-IFRS Measures

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

Internal Control over Financial Reporting

Management, which includes the Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in the Canadian Securities Administrators National Instrument 52-109). 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 design and operation of the Company's internal control over financial reporting as of December 31, 2021, based on the criteria set forth in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2021, 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, 2021.

Disclosure Controls

Management, including the Chief Executive Officer and Chief Financial Officer, have evaluated the design and operation 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 Financial Officer concluded that the disclosure controls and procedures were effective as of December 31, 2021. No material weaknesses have been determined by management in Acadian's disclosure controls and procedures as of December 31, 2021.

REVIEW OF ANNUAL 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)*	**2021**	2020	2019
Sales volume (000s m^3)	**1,062.3**	1,138.1	1,251.1
Sales	**$ 95,729**	$ 91,031	$ 100,048
Operating income	**21,757**	20,829	22,233
Net income	**18,684**	22,080	17,325
Total assets	**516,642**	513,398	498,709
Total debt	**100,888**	101,185	101,131
Adjusted EBITDA[1]	**$ 22,487**	$ 21,485	$ 23,604
Adjusted EBITDA margin[1]	**23%**	24%	24%
Free Cash Flow[1]	**$ 16,933**	$ 15,153	$ 18,722
Dividends declared	**19,357**	19,357	19,358
Payout Ratio[1]	**114%**	128%	103%
Per share – basic and diluted			
Net income	**$ 1.12**	$ 1.32	$ 1.04
Free Cash Flow[1]	**1.01**	0.91	1.12
Dividends declared	**1.16**	1.16	1.16
Book value	**17.47**	17.58	17.18
Common shares outstanding[2]	**16,686,916**	16,686,916	16,686,916
Weighted average shares outstanding	**16,686,916**	16,686,916	16,686,924

1. *Non-IFRS Measure. See "Non-IFRS Measures" on page 6 of this Annual Report*
2. *As at February 9, 2022 there were 16,686,916 common shares outstanding*

Acadian performed well throughout 2021 despite several challenges including unseasonably warm weather in the first quarter, the impact of sawmill residuals on the softwood pulpwood markets, and increased fuel prices. Acadian's operations benefited from strong demand for softwood and hardwood sawlogs driven by favourable end use markets.

Excluding the impact of the change in accounting discussed above, Acadian generated sales of $92.5 million, compared to $91.0 million in the prior year. Sales volume, excluding biomass, decreased 5% primarily due to lower softwood pulpwood sales due to the competition of sawmill residuals and to a lesser extent lower hardwood pulpwood sales due to increased regional inventories. Acadian's weighted average selling price, excluding biomass, increased 4% with a higher value product mix and strong sawlog prices.

Excluding the impact of the change in accounting discussed above, operating costs and expenses were $70.8 million during 2021, compared to $70.2 million in the prior year due to higher harvesting costs and timber services activity. Weighted average variable costs, excluding biomass, increased 2% due to higher fuel costs partially offset by a stronger Canadian dollar.

Adjusted EBITDA for the year ended December 31, 2021 was $22.5 million, compared to $21.5 million in the prior year, while Adjusted EBITDA margin, excluding the impact of the change in accounting discussed above, was 24%, flat compared to the prior year. Key factors impacting the year-over-year increase in Adjusted EBITDA include favourable sawlog prices, strong softwood sawlog sales in Maine and higher timber services activity in New Brunswick, partially offset by lower pulpwood sales and higher fuel costs. Free Cash Flow was $16.9 million compared to $15.2 million in 2020.

Net income for the year ended December 31, 2021 totaled $18.7 million, or $1.12 per share, compared to net income of $22.1 million, or $1.32 per share, in 2020. Net income was primarily impacted by lower gains on non-cash items such as unrealized foreign exchange on long-term debt and fair value adjustments in 2021 compared to 2020.

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)*		**2021**		2020		2019
Net income	**$**	**18,684**	$	22,080	$	17,325
Add / (deduct):						
Interest expense, net		**2,978**		4,324		4,130
Income tax expense		**7,769**		9,174		4,499
Depreciation and amortization		**261**		280		286
Fair value adjustments and other		**(6,773)**		(12,001)		(15,903)
Management agreement termination fee		**—**		—		18,000
Unrealized exchange gain on long-term debt		**(432)**		(2,372)		(4,733)
Adjusted EBITDA[1]	**$**	**22,487**	$	21,485	$	23,604
Add / (deduct):						
Interest paid on debt, net		**(2,843)**		(3,279)		(2,834)
Additions to timber, land, roads, and other fixed assets		**(333)**		(351)		(86)
Gain on sale of timberlands and other fixed assets		**(469)**		(376)		(1,085)
Proceeds from sale of timberlands and other fixed assets		**519**		383		1,159
Current tax effect of Termination Fee		**—**		—		(1,925)
Current income tax expense		**(2,428)**		(2,709)		(111)
Free Cash Flow[1]	**$**	**16,933**	$	15,153	$	18,722
Dividends declared	**$**	**19,357**	$	19,357	$	19,358
Payout Ratio[1]		**114%**		128%		103%

1. *Non-IFRS Measure. See "Non-IFRS Measures" on page 6 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. Dividends are paid on or about the 15th day following each dividend record date.

Total dividends declared to shareholders during the year ended December 31, 2021 were $19.4 million, or $1.16 per share, consistent with 2020. The Payout Ratio of Acadian, which represents the amount of dividends declared as a percentage of the Free Cash Flow generated, was 114% for 2021.

On February 9, 2022, Acadian announced the implementation of a Dividend Reinvestment Plan ("DRIP") whereby Canadian resident shareholders may elect to automatically have their dividends reinvested in additional shares. Shares issued under the DRIP are issued directly from the treasury of the Company at a price equal to the volume-weighted average trading price of the Company's shares on the TSX for the five trading days immediately preceding the relevant dividend payment date, which is typically on or about the 15th of April, July, October and January. The DRIP will be effective with eligible shareholders of record March 31, 2022. Macer Forest Holdings Inc., which owns approximately 45% of the outstanding common shares of Acadian, has indicated that it will initially participate in the DRIP for 50% of dividends payable to it.

Operating and Market Conditions

Acadian's operations performed well during the year. Softwood and hardwood sawlogs demand remained strong through the year driven by favourable end use market dynamics. Demand for hardwood pulpwood decreased compared to 2020 while softwood pulpwood markets remained weak due to high softwood pulpwood inventories and the impact of sawmill residuals on the pulpwood market. Acadian's sales volume, excluding biomass, of 950,000 m^3 was down 5% compared to last year.

The 4% increase in weighted average selling price, excluding biomass, was driven by strong sawlog prices and a higher value product mix, partially offset by lower hardwood pulpwood prices and a stronger Canadian dollar, compared to 2020. Pricing for hardwood sawlogs and softwood sawlogs increased 9% and 3%, respectively, driven by a strong demand while hardwood pulpwood pricing decreased 6% relative to 2020, mostly due to elevated inventories in the region. Biomass margins improved relative to last year, benefiting from favourable pricing on export sales partially offset by higher fuel costs compared to 2020.

Segmented Results of Operations

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

Year Ended December 31, 2021 *(CAD thousands)*	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m^3)	**755.0**	**307.3**	**—**	**1,062.3**
Sales	**$ 71,500**	**$ 24,229**	**$ —**	**$ 95,729**
Adjusted EBITDA[1]	**$ 17,876**	**$ 5,887**	**$ (1,276)**	**$ 22,487**
Adjusted EBITDA margin[1]	**25%**	**24%**	**n/a**	**23%**

Year Ended December 31, 2020 *(CAD thousands)*	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m^3)	860.3	277.8	—	1,138.1
Sales	$ 68,533	$ 22,498	$ —	$ 91,031
Adjusted EBITDA[1]	$ 18,382	$ 5,304	$ (2,201)	$ 21,485
Adjusted EBITDA margin[1]	27%	24%	n/a	24%

1. *Non-IFRS Measure. See "Non-IFRS Measures" on page 6 of this Annual Report.*

New Brunswick Timberlands

New Brunswick Timberlands owns and manages approximately 761,000 acres of freehold timberlands and provides harvesting and management services relating to approximately 1.3 million acres of Crown licensed timberlands. Approximately 92% of harvest operations are performed by third-party contractors and approximately 8% by New Brunswick Timberlands employees.

For the year ended December 31, 2021, there were no recordable safety incidents among employees and contractors.

New Brunswick Timberlands successfully completed a surveillance audit under the 2015-2019 Sustainable Forestry Initiative® Standard during the year with no non-conformances, which re-affirms our certificate and is a testament to the sustainability of our operations.

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

Year Ended December 31, 2021 *(CAD thousands)*	Harvest (000s m^3)	Sales (000s m^3)	Sales Mix	Results
Softwood	**340.3**	**338.7**	**45%**	**$ 21,480**
Hardwood	**310.1**	**305.4**	**40%**	**23,555**
Biomass	**110.9**	**110.9**	**15%**	**4,229**
	761.3	**755.0**	**100%**	**49,264**
Timber services and other sales				**22,236**
Sales				**$ 71,500**
Adjusted EBITDA[1]				**$ 17,876**
Adjusted EBITDA margin[1]				**25%**

Year Ended December 31, 2020 *(CAD thousands)*	Harvest (000s m^3)	Sales (000s m^3)	Sales Mix	Results
Softwood	413.6	410.3	48%	$ 24,034
Hardwood	293.2	307.5	36%	23,585
Biomass	142.5	142.5	16%	4,151
	849.3	860.3	100%	51,770
Timber services and other sales				16,763
Sales				$ 68,533
Adjusted EBITDA[1]				$ 18,382
Adjusted EBITDA margin[1]				27%

1. *Non-IFRS Measure. See "Non-IFRS Measures" on page 6 of this Annual Report.*

Sales for New Brunswick Timberlands totaled $71.5 million, compared to $68.5 million in 2020. Excluding the impact of the change in accounting discussed above sales were $68.3 million, or $0.2 million lower compared to 2020, as a result of lower sales volume offset by increased timber services activity. Sales volume, excluding biomass, decreased 10% primarily due to lower softwood pulpwood sales offset by higher sawlog sales. While softwood pulpwood markets remained weak due to high roundwood inventories and competition from sawmill residuals in the region, demand for sawlogs remained strong due to favourable end use markets. Biomass sales volume decreased 22% due to lower domestic sales.

The weighted average selling price, excluding biomass, for the year was $69.92 per m^3, 5% higher year-over-year, as a result of strong sawlog prices and a lower proportion of softwood pulpwood in the mix.

Excluding the impact of the change in accounting discussed above, operating costs and expenses were $50.6 million during 2021, compared to $50.3 million in the prior year due to higher harvesting costs and additional timber services activity. Weighted average variable costs, excluding biomass, increased 5% due to a higher proportion of hardwood in the mix combined with higher fuel costs compared to the prior year.

Adjusted EBITDA for the year ended December 31, 2021 was $17.9 million, compared to $18.4 million in the prior year, while Adjusted EBITDA margin, excluding the impact of the change in accounting discussed above, was 26% compared to 27% during the prior year.

Maine Timberlands

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

For the year ended December 31, 2021, there were no recordable safety incidents among employees and contractors.

Our Maine operations successfully completed a surveillance audit under the 2015-2019 Sustainable Forestry Initiative® Standard during the year with no non-conformances.

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

Year Ended December 31, 2021 *(CAD thousands)*	Harvest (000s m³)	Sales (000s m³)	Sales Mix	Results
Softwood	**221.7**	**221.7**	**72%**	**$ 16,744**
Hardwood	**83.2**	**84.2**	**27%**	**6,915**
Biomass	**1.4**	**1.4**	**1%**	**15**
	306.3	**307.3**	**100%**	**23,674**
Other sales				**555**
Sales				**$ 24,229**
Adjusted EBITDA[1]				**$ 5,887**
Adjusted EBITDA margin[1]				**24%**

Year Ended December 31, 2020 *(CAD thousands)*	Harvest (000s m³)	Sales (000s m³)	Sales Mix	Results
Softwood	185.9	186.0	67%	$ 14,037
Hardwood	95.7	91.2	33%	7,838
Biomass	0.6	0.6	0%	9
	282.2	277.8	100%	21,884
Other sales				614
Sales				$ 22,498
Adjusted EBITDA[1]				$ 5,304
Adjusted EBITDA margin[1]				24%

1. *Non-IFRS Measure. See "Non-IFRS Measures" on page 6 of this Annual Report.*

Sales for Maine Timberlands were $24.2 million compared to $22.5 million in 2020. Sales volume, excluding biomass, increased by 10% primarily due to a 16% increase in the softwood sawlog sales volume, as a result of favourable operating conditions and end use market dynamics during the fourth quarter.

The weighted average selling price, excluding biomass, in Canadian dollar terms was $77.35 per m³, compared to $78.90 per m³ in 2020. In U.S dollar terms, the weighted average selling price, excluding biomass, was $61.52 per m³, compared to $59.13 per m³ in 2020 with higher sawlog prices driven by a strong demand. The 4% price increase in U.S. dollar terms was more than offset by a stronger Canadian dollar.

Operating costs and expenses for 2021 were $18.9 million, compared to $17.7 million in 2020 primarily due to higher harvesting activity. Weighted average variable costs, excluding biomass, decreased 6% reflecting a stronger Canadian dollar.

Adjusted EBITDA for the year ended December 31, 2021 was $5.9 million compared to $5.3 million in the prior year and Adjusted EBITDA margin was flat year-over-year at 24%. Higher adjusted EBITDA was primarily the result of higher sales volume and stronger sawlog prices compared to 2020.

ANALYSIS OF FOURTH QUARTER RESULTS

Summary of Fourth Quarter Results

The table below summarizes operating and financial data for Acadian:

Three Months Ended December 31 *(CAD thousands, except where indicated)*	**2021**	2020	2019
Total			
Sales volume (000s m^3)	**290.1**	321.2	339.4
Sales	**$ 25,946**	$ 24,929	$ 25,835
Operating income	**6,166**	6,838	6,296
Net income	**6,541**	15,314	16,228
Adjusted EBITDA[1]	**6,315**	7,288	6,586
Adjusted EBITDA margin[1]	**24%**	29%	25%
Free Cash Flow[1]	**$ 5,149**	$ 5,648	$ 5,296
Dividends declared	**4,839**	4,839	4,839
Payout Ratio[1]	**94%**	86%	91%

1. *Non-IFRS Measure. See "Non-IFRS Measures" on page 6 of this Annual Report*

During the fourth quarter, Acadian generated sales of $25.9 million, compared to $24.9 million in the prior year period. The weighted average selling price, excluding biomass, increased 7% year-over-year benefiting from favourable operating conditions and increased sawlog pricing. Sales volume, excluding biomass, decreased 7% due to lower hardwood pulpwood sales. Biomass sales volume decreased 27% due to lower domestic sales.

Operating costs and expenses were $19.8 million during the fourth quarter, compared to $18.1 million during the prior year period. This year-over-year increase reflects higher harvesting activity in Maine and increased timber services in New Brunswick. Weighted average variable costs, excluding biomass, increased 10% reflecting higher log processing and fuel costs, partially offset by a stronger Canadian dollar.

Adjusted EBITDA was $6.3 million during the fourth quarter, compared to $7.3 million in the prior year period and Adjusted EBITDA margin for the quarter was 24% compared to 29% in the prior year period. This year-over-year decrease is driven by reduced sales volumes in New Brunswick combined with lower gains on timberland sales in Maine. Free Cash Flow was $5.1 million compared to $5.6 million in the same period of 2020.

Net income for the fourth quarter totaled $6.5 million, or $0.39 per share, compared to $15.3 million, or $0.92 per share in the same period of 2020. Net income was impacted by a combination of lower gains on non-cash items such as unrealized foreign exchange on long-term debt and fair value adjustments in 2021 compared to 2020.

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)*	**2021**	2020	2019
Net income	**$ 6,541**	$ 15,314	$ 16,228
Add / (deduct):			
Interest expense, net	**748**	719	1,141
Income tax expense	**3,155**	4,633	5,466
Depreciation and amortization	**69**	74	71
Fair value adjustments and other	**(4,182)**	(8,140)	(14,494)
Unrealized exchange gain on long-term debt	**(16)**	(5,312)	(1,826)
Adjusted EBITDA[1]	**$ 6,315**	$ 7,288	$ 6,586
Add / (deduct):			
Interest paid on debt, net	**(718)**	(809)	(785)
Additions to timber, land, roads, and other fixed assets	**(28)**	1	—
Gain on sale of timberlands and other fixed assets	**(80)**	(376)	(219)
Proceeds from sale of timberlands and other fixed assets	**105**	383	237
Current tax effect of Termination Fee	**—**	—	(77)
Current income tax expense	**(445)**	(839)	(446)
Free Cash Flow[1]	**$ 5,149**	$ 5,648	$ 5,296
Dividends declared	**$ 4,839**	$ 4,839	$ 4,839
Payout Ratio[1]	**94%**	86%	91%

1. *Non-IFRS Measure. See "Non-IFRS Measures" on page 6 of this Annual Report.*

Segmented Results of Operations

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

Three Months Ended December 31, 2021 *(CAD thousands)*	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m^3)	**190.4**	**99.7**	**—**	**290.1**
Sales	**$ 17,979**	**$ 7,967**	**$ —**	**$ 25,946**
Adjusted EBITDA[1]	**$ 4,458**	**$ 2,098**	**$ (241)**	**$ 6,315**
Adjusted EBITDA margin[1]	**25%**	**26%**	**n/a**	**24%**

Three Months Ended December 31, 2020 *(CAD thousands)*	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volumes (000s m^3)	249.6	71.6	—	321.2
Sales	$ 19,329	$ 5,600	$ —	$ 24,929
Adjusted EBITDA[1]	$ 6,481	$ 1,346	$ (539)	$ 7,288
Adjusted EBITDA margin[1]	34%	24%	n/a	29%

1. *Non-IFRS Measure. See "Non-IFRS Measures" on page 6 of this Annual Report.*

New Brunswick Timberlands

There were no recordable safety incidents among employees or contractors during the fourth quarter.

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

Three Months Ended December 31, 2021 *(CAD thousands)*	Harvest (000s m^3)	Sales (000s m^3)	Sales Mix	Results
Softwood	**102.5**	**98.0**	**51%**	**$ 6,029**
Hardwood	**70.0**	**64.2**	**34%**	**5,550**
Biomass	**28.2**	**28.2**	**15%**	**980**
	200.7	**190.4**	**100%**	**12,559**
Timber services and other sales				**5,420**
Sales				**$ 17,979**
Adjusted EBITDA[1]				**$ 4,458**
Adjusted EBITDA margin[1]				**25%**

Three Months Ended December 31, 2020 *(CAD thousands)*	Harvest (000s m^3)	Sales (000s m^3)	Sales Mix	Results
Softwood	131.1	126.1	51%	$ 7,846
Hardwood	81.7	84.2	34%	6,323
Biomass	39.3	39.3	15%	871
	252.1	249.6	100%	15,040
Timber services and other sales				4,289
Sales				$ 19,329
Adjusted EBITDA[1]				$ 6,481
Adjusted EBITDA margin[1]				34%

1. *Non-IFRS Measure. See "Non-IFRS Measures" on page 6 of this Annual Report.*

Sales for New Brunswick Timberlands were $18.0 million compared to $19.3 million during the prior year period. Sales volume, excluding biomass, decreased 23% due to reduced softwood sawlogs and hardwood pulpwood sales, partially offset by an increase in hardwood sawlogs sales, driven by strong demand, and increased timber services activity. The softwood lumber market continues to be strong but regional demand for softwood sawlogs was lower due to high inventories compared to the prior year period. Biomass sales volume decreased 28% during the quarter due to lower domestic sales.

The weighted average selling price, excluding biomass, for the fourth quarter was $71.39 per m^3, or 6% higher than the prior year period, as a result of strong hardwood sawlog prices and volumes.

Operating costs and expenses were $13.2 million during the fourth quarter, compared to $12.9 million in the prior year due to increased timber services activity and higher land management costs, partially offset by lower sales volume. Weighted average variable costs, excluding biomass, increased 13% reflecting higher log processing and fuel costs compared to the prior year period.

Adjusted EBITDA for the quarter was $4.6 million compared to $6.5 million during the prior year period and Adjusted EBITDA margin was 25% compared to 34% in the prior year period. Adjusted EBITDA and Adjusted EBITDA margin were impacted by lower sales volume in the fourth quarter as compared to the prior year period.

Maine Timberlands

There were no recordable safety incidents among employees or contractors during the fourth quarter.

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

Three Months Ended December 31, 2021 *(CAD thousands)*	Harvest (000s m^3)	Sales (000s m^3)	Sales Mix	Results
Softwood	**73.5**	**73.5**	**74%**	**$ 5,653**
Hardwood	**27.4**	**25.4**	**25%**	**2,150**
Biomass	**0.8**	**0.8**	**1%**	**5**
	101.7	**99.7**	**100%**	**7,808**
Other sales				**159**
Sales				**$ 7,967**
Adjusted EBITDA[1]				**$ 2,098**
Adjusted EBITDA margin[1]				**26%**

Three Months Ended December 31, 2020 *(CAD thousands)*	Harvest (000s m^3)	Sales (000s m^3)	Sales Mix	Results
Softwood	45.0	45.0	63%	$ 3,231
Hardwood	26.2	26.2	37%	2,173
Biomass	0.4	0.4	0%	5
	71.6	71.6	100%	5,409
Other sales				191
Sales				$ 5,600
Adjusted EBITDA[1]				$ 1,346
Adjusted EBITDA margin[1]				24%

1. *Non-IFRS Measure. See "Non-IFRS Measures" on page 6 of this Annual Report.*

Sales for Maine Timberlands during the fourth quarter totaled $8.0 million compared to $5.6 million in the prior year period. Sales volume, excluding biomass, increased by 39% due to higher softwood and hardwood sawlogs sales driven by favourable operating conditions and strong demand.

The weighted average selling price, excluding biomass, in Canadian dollar terms was $78.88 per m^3, compared to $75.78 per m^3 during the same period of 2020. In U.S dollar terms, the weighted average selling price, excluding biomass, was $62.56 per m^3, compared to $58.11 per m^3 in 2020 with higher sawlog prices benefiting from favourable market dynamics. The 8% price increase in U.S dollar terms was partially offset by a stronger Canadian dollar.

Operating costs and expenses for the fourth quarter were $6.0 million, compared to $4.7 million during the same period in 2020 as a result of higher harvesting activity. Weighted average variable costs, excluding biomass, decreased 4% benefiting from a higher proportion of softwood in the mix combined with a stronger Canadian dollar.

Adjusted EBITDA for the quarter was $2.1 million compared to $1.3 million during the prior year period and Adjusted EBITDA margin was 26% compared to 24% in the prior year period. The fourth quarter results include $0.1 million of gains recorded on timberlands sales compared to $0.4 million during the same quarter in 2020.

LIQUIDITY AND CAPITAL RESOURCES[1]

Liquidity

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

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

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.

Acadian had net liquidity of $19.8 million as at December 31, 2021, including funds available under the revolving facilities.

Capital Resources

The Company's capital structure consists of long-term borrowings and common share equity. To effectively manage capital resources, Acadian regularly reviews the terms of its long-term borrowings, has implemented a DRIP and initiated a normal course issuer bid, as discussed below.

Borrowings

During 2020, Acadian established new term credit facilities with MetLife Insurance Company, with maturity dates ranging from March 6, 2025 to March 6, 2030. These credit facilities include a revolving credit facility of up to U.S. $10.0 million (the "Revolving Facility") for general corporate purposes and term credit facilities of U.S. $80.0 million (the "Term Facilities"). The Term Facilities bear interest at rates ranging from 2.7% to 3.0%. The Revolving Facility bears interest at floating rates based on 90 day LIBOR plus applicable margin. Upon the decommissioning of LIBOR, interest is anticipated to be based on the Secured Overnight Financing Rate. Floating interest rates give rise to interest rate risk as income and cash flows may be negatively impacted by fluctuations in interest rates. As at December 31, 2021, Acadian had borrowings of U.S. $80.0 million under the Term Facilities (December 31, 2020 – U.S. $80 million) and the Revolving Facility remains undrawn.

As security 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 also subject to the maintenance of a maximum loan-to-value ratio and Acadian is in compliance as of December 31, 2021. In addition, U.S. $1.7 million of the Revolving Facility is reserved to support the minimum cash balance requirement of the Term Facilities.

Acadian has a $2.0 million Canadian dollar denominated revolving credit facility with a major Canadian bank for general corporate purposes. This facility bears interest at floating rates based on bank prime rates plus applicable margin and is due on demand. As at December 31, 2021 the facility remains undrawn.

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[1] *The following contains forward-looking information about Acadian Timber Corp.'s outlook for the remainder of 2022. For a description of material factors that could cause actual results to differ materially from the forward-looking statements in the following, please refer to the section entitled "Cautionary Statement Regarding Forward-Looking Information and Statements".*

Outstanding Shares

The Company is authorized to issue an unlimited number of shares of the same class with equal rights and privileges. Shareholders are entitled to receive dividends as and when declared by the Company's Board of Directors and are entitled to one vote per share on all matters to be voted on by shareholders at each meeting of shareholders.

As at December 31, 2021 and February 9, 2022, Acadian had 16,686,916 common shares outstanding and the weighted average common shares outstanding during the year was 16,686,916.

As at December 31, 2021, Macer Forest Holdings Inc. ("Macer") owned 7,513,262, approximately 45%, of the outstanding common shares of Acadian.

On February 9, 2022, Acadian announced the implementation of a DRIP as discussed within the section Dividend Policy of the Company of this MD&A, which will be effective with eligible shareholders of record March 31, 2022. Shares issued under the DRIP are issued directly from the treasury of the Company.

Normal Course Issuer Bid

On February 9, 2022, the Company filed a notice of intention with the Toronto Stock Exchange ("TSX") to purchase for cancellation up to 834,345 common shares representing 5% of the 16,686,916 common shares outstanding as of February 3, 2022, subject to regulatory approval. The purchases will be made through the facilities of the TSX and/or any alternative Canadian trading systems to the extent they are eligible. The price that the Company will pay for any such shares will be the market price at the time of acquisition. The Company believes that repurchasing shares at the prevailing market prices from time to time is a worthwhile use of funds and in the best interests of the Company and its shareholders. Purchases may commence on February 14, 2022 and shall terminate not later than February 13, 2023. Based on average daily trading volume ("ADTV") of 8,365 over the last six months, daily purchases will be limited to 2,091 common shares (25% of the ADTV of the Class A shares), other than block purchase exemptions. The Company has not purchased any of its common shares over the past 12 months.

MARKET OUTLOOK[2]

The following contains forward-looking information about Acadian Timber Corp.'s market outlook for 2022. Reference should be made to the section entitled "Cautionary Statement Regarding Forward-Looking Information and Statements" for further details. For a description of material factors that could cause actual results to differ materially from the forward-looking statements in the following, please see the Risk Factors section in this document and in our Annual Information Form available on our website at www.acadiantimber.com or www.sedar.com.

Continued demand from repair and remodeling activity and new home construction is expected to support North American softwood and hardwood lumber consumption in the short to medium term. Consensus forecast is for approximately 1.57 million U.S. housing starts in 2022 as compared to 1.58 million in 2021. Although interest rates are expected to rise, a large U.S. population entering their home buying years and a low inventory of homes for sale will be key drivers supporting this growth.

Accordingly, demand for our softwood sawlogs is expected to remain stable as a result of these positive end use market dynamics.

Acadian also expects continued strong demand and pricing for its hardwood sawlog products and to benefit from new customer relationships relating to both the appearance and industrial hardwood lumber markets.

We remain cautiously optimistic that hardwood pulpwood will remain stable through 2022 with increasing customer confidence and market demand for hardwood pulp. Meanwhile, markets for softwood pulpwood are expected to remain challenged given elevated regional inventories of both softwood pulpwood and sawmill residuals.

[2] *The following contains forward-looking information about Acadian Timber Corp.'s outlook for the remainder of 2022. For a description of material factors that could cause actual results to differ materially from the forward-looking statements in the following, please refer to the section entitled "Cautionary Statement Regarding Forward-Looking Information and Statements".*

SUPPLEMENTAL INFORMATION

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

Selected Consolidated Quarterly Information

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

	2021				2020			
(CAD thousands, except per share data and where indicated)	**Q4**	Q3[2]	Q2[2]	Q1	Q4	Q3	Q2	Q1
Sales volume (000s m^3)	**290.1**	270.9	211.3	290.0	321.2	302.3	139.7	374.9
Sales	**$ 25,946**	$ 24,488	$ 19,403	$ 25,892	$ 24,929	$ 23,236	$ 11,458	$ 31,408
Adjusted EBITDA[1]	**6,315**	5,394	3,904	6,874	7,288	4,514	1,354	8,329
Free Cash Flow[1]	**5,149**	3,853	2,941	4,990	5,648	3,149	(208)	6,565
Net income / (loss)	**6,541**	344	5,975	5,824	15,314	5,248	5,229	(3,711)
Per share – basic and diluted	**$ 0.39**	$ 0.02	$ 0.36	$ 0.35	$ 0.92	$ 0.31	$ 0.31	$ (0.22)

1. *Non-IFRS Measure. See "Non-IFRS Measures" on page 6 of this Annual Report.*
2. *During the fourth quarter, the Company determined that certain timber services contracts should be accounted for on a gross basis rather than a net basis, and that the timing of recognition should be as the services are delivered and not when all services have been completed. These changes were applied to the selected consolidated quarterly information for Q2 and Q3 2021 presented above. The changes increased sales by $1.0 million and $1.8 million, and increased Adjusted EBITDA, Free Cash Flow and Net Income by $77 thousand and $257 thousand, in the second quarter and third quarters of 2021, respectively. The change was not applied to the 2020 quarterly information as the impact is not material.*

Results are impacted by seasonality. Harvest activity is highest during the winter months, when the ground is frozen, providing a solid base for the harvesting and hauling equipment. There is a significant decrease in activity during the spring when the ground thaws. Harvesting activity resumes in the early summer when the ground dries and continues through the fall. At the end of the first quarter of 2021, temporary road closures caused by unseasonably warm weather resulted in fewer operating weeks compared to the same period in the prior year. Similarly, the financial results of the second quarter of 2020 were significantly impacted by an earlier end to winter operations, followed by highly unusual dry and hot weather that led to extreme fire risk and operating restrictions later in the quarter.

Net income can be significantly impacted by non-cash items such as fluctuations in foreign exchange as the Company's long-term debt is denominated in US dollars, and the fair value adjustment of the Company's timberlands, which are revalued at each reporting period. Net income for the third quarter of 2021 includes a non-cash unrealized foreign exchange loss on long-term debt of $3.1 million compared to a gain of $2.2 million in the same period in the prior year. Similarly, the first quarter of 2020 includes a non-cash unrealized foreign exchange loss on long term debt of $8.2 million.

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 consolidated financial statements affect the assessment of net recoverable amounts, net realizable values and fair values, depreciation rates and useful lives, determination of functional currency and the selection of accounting policies.

The critical estimates and 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 as discussed in Notes 3 and 4 to the consolidated financial statements. In making estimates and judgements, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgements have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making these estimates and judgements in these consolidated financial statements. Actual results could differ from those estimates. For further reference on critical accounting policies, see the significant accounting policies contained in Note 2 to the consolidated financial statements.

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

Related Party Transactions

There were no material related party transactions during the year ended December 31, 2021.

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") which expire in 2026, subject to a five-year extension at the option of Twin Rivers, and the provision of timber services under a Crown License Services Agreement at the direction of Twin Rivers with a term equal to the term of the Crown License, including any renewal terms.

The table below summarizes the Company's debt obligations as at December 31, 2021.

	Payments Due by Period				
(CAD thousands)	Total	Less Than One Year (2022)	1 to 3 Years (2023-2025)	4 to 5 Years (2026-2027)	After 5 Years (>2027)
Term facilities					
Tranche due March 6, 2025[1]	$ 18,700	—	18,700	—	—
Tranche due March 6, 2025[1]	21,869	—	21,869	—	—
Tranche due March 6, 2027[1]	40,570	—	—	40,570	—
Tranche due March 6, 2030[1]	20,285	—	—	—	20,285
	$ 101,424	$ —	$ 40,569	$ 40,570	$ 20,285
Interest payments	$ 14,346	$ 2,854	$ 7,643	$ 2,544	$ 1,305

1. *Represents principal of the U.S. dollar denominated term facilities with a U.S. to Canadian dollar conversion rate of 1.2678.*

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

Significant Contracts with Twin Rivers

Twin Rivers owns a softwood pulp mill in Edmundston, NB, a paper mill in Madawaska, ME, and a softwood lumber mill in Plaster Rock, NB. Approximately 18% of Acadian's total sales for the year ended December 31, 2021 (21% for the year ended December 31, 2020) were derived from lumber mills and pulp and paper mills owned or managed by Twin Rivers.

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

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

Dependence on the Lumber and Pulp and Paper Industries

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

Trade Restriction

A portion of the products manufactured by our customers in Canada using timber from our New Brunswick and Maine timberlands are exported to the United States for sale. Since 2006, Canadian softwood lumber exports to the United States have been subjected to export duties that were imposed under the Softwood Lumber Agreement between Canada and the United States (the "SLA"). However, Acadian customers were not adversely impacted by the 2006 SLA, as export measures did not apply on shipments of softwood lumber originating in the Atlantic provinces or the mills along the U.S./Canada border in the province of Quebec provided the shipment was covered by a Certificate of Origin. On October 12, 2015, the 2006 SLA expired. The SLA provided a standstill period of one year following the expiry of the SLA during which no trade actions could be imposed for the importation of softwood lumber from Canada to the U.S. In December 2016, the United States Department of Commerce announced its decision to initiate countervailing and anti-dumping investigations into imports of certain Canadian softwood lumber products. At the end of 2017, the U.S. Department of Commerce announced countervailing duties and antidumping rates for most Canadian producers. In response, Canada launched initiatives under NAFTA and with the WTO to review the new U.S. duties on softwood lumber imports. While U.S./Canada trade negotiations continue with little visibility on any negotiated softwood dispute resolution the countervailing duties and antidumping rates were further updated in 2021. Strength in lumber markets, combined with supply side factors are broadly expected to continue to support a pass through of duties to the market. Should our customers not be able to pass through these duties, the price of Acadian's harvested timber may be adversely impacted.

Dependence on the Housing, Construction, Repair and Remodeling Market

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

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

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

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

Cyclicality

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

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

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

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

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

Fuel and Energy Costs

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

Limitations on Ability to Harvest

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

Insect Infestations – Spruce Budworm

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

Restrictions Imposed by Forestry and Environmental Regulations

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

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

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

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

Disease Outbreak

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

The outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have affected economies and financial markets around the world resulting in an economic slowdown. This outbreak may also cause staff shortages, affect customer demand, and increase government regulations or intervention, all of which may negatively impact the Company and its financial results and conditions and the Company's accounting estimates and assumptions including the valuation of timberlands. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments as well as the impact on the financial results and condition of the Company in future periods.

Dependence on and Scarcity of Trained Labour

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

Highly Competitive Industry

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

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

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

Currency Risk

All of the sales from Maine Timberlands and a portion of the sales from New Brunswick Timberlands, representing a significant portion of gross revenues earned, are in U.S. dollars. In addition, all expenses incurred in respect of Maine Timberlands and a nominal amount of the expenses of New Brunswick Timberlands are in U.S. dollars and all of Acadian's debt financing and all interest payable thereon is in U.S. dollars. As a result, Acadian's cost competitiveness could be impacted by unfavourable fluctuations in currency exchange rates. In addition, the apparent historical correlation between currency rates and timber prices in regions within close proximity to the U.S./Canada border may weaken over time thereby undermining any hedge relating to Maine Timberlands. Acadian's customers are also susceptible to currency value fluctuations which may negatively impact the sawmills and pulp and paper mills to which Acadian sells its fibre, and accordingly the quantity of fibre sales to such customers could decline.

Forest Management

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

Geographic Concentration

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

Insurance

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

Seasonality

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

Non-Timber Income

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

Labour Relations

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

Protection of Threatened or Endangered Species and Waterways

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

Climate-related Legislation or Regulation

There are several international, federal, provincial and state-level proposals addressing domestic and global climate issues. Generally, such proposals could impose regulation or taxation on the production of carbon dioxide and other "greenhouse gases" in an attempt to reduce emissions to the atmosphere, and provide tax and other incentives to produce and use more "clean energy". Any future legislative and regulatory activity in this area could affect Acadian and its operations.

Physical Risks Related to Climate Change

Acadian's timberlands may be adversely affected by changes in global climate conditions, including increases in average temperatures, that may increase risks of severe weather events, such as prolonged drought or flooding. Climate change could exacerbate current risks including damage by fire, insect infestation and disease which could in turn impact the health, growth rate and species mix of Acadian's timber.

Cybersecurity

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

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

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

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

Aboriginal Claims[3]

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 as well as land owned by private land owners, which could affect a portion of the land covered by Twin Rivers' Crown licenses as well as the land owned by Acadian. Any settlements in respect of these claims could lower the volume of timber managed by Acadian and could increase the cost to harvest timber on such lands.

On November 30, 2021, the Wolastoqey Nation (made up of 6 Maliseet First Nations) filed an action in the Court of Queen's Bench of New Brunswick naming the Province of New Brunswick and the Attorney General of Canada and several other forestry and other companies operating in New Brunswick as defendants. Acadian's subsidiaries Acadian Timber Limited Partnership by its General Partner, Acadian Timber GP Inc. and Acadian Timber GP Inc. are among the defendants in this action. The action seeks, in part, a declaration of Aboriginal title to the land currently owned by the defendants in New Brunswick, including Acadian. Acadian has filed a Notice of Intent to Defend. It could be many years before any court decision is rendered if the action proceeds to court. The outcome of the claim is not determinable at this early stage. Although Acadian does not currently expect the claim to materially affect its business, no assurances can be given that the claim could not have a material effect on its financial position, results or operations. Should such claim be resolved by government or the courts in favour of the Wolastoqey Nation, it could materially adversely affect the business of Acadian.

Litigation

Acadian is subject to litigation risks. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which Acadian is or may become subject could have a material effect on its financial position, results of operations or Acadian's operations.

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.

[3] *The following contains forward-looking information. For a description of material factors that could cause actual results to differ materially from the forward-looking statements in the following, please refer to the section entitled "Cautionary Statement Regarding Forward-Looking Information and Statements".*

Ability to Identify and Complete Investment Opportunities

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

Risks Related to the Structure of the Company

Payment of Dividends

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

Dividends Depend on Performance of Subsidiaries

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

Market Price of Common Shares

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

Dilution of Existing Shareholders

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

Leverage and Restrictive Covenants in Agreements Relating to Indebtedness

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

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

Cautionary Statement Regarding Forward-Looking Information and Statements

This MD&A contains forward-looking information and statements within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking information is included in this MD&A and includes statements made in the sections entitled "Liquidity and Capital Resources," "Market Outlook," and "Supplemental Information" and without limitation other statements regarding management's beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, growth strategy and prospects, access to capital, liquidity and trading volumes, dividends, taxes, capital expenditures, projected costs, market trends and similar statements concerning anticipated future events, results, achievements, circumstances, performance or expectations that are not historical facts. All forward-looking statements in this 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. Actual results may vary. These forward-looking statements include, but are not limited to:

- *Expectations regarding the ability of the Company to pay dividends based on anticipated market conditions and anticipated financial performance, which may be impacted by changes in product demand, changes in selling prices, or weather and natural conditions affecting operations.*
- *Expectations regarding product demand and end use markets, including expectations for U.S. housing starts, which may be impacted by changes in interest rates, U.S. population demographics and the inventory of homes for sale. Expectations regarding product demand are based on anticipated market conditions, anticipated regional inventory levels of key customers, and the economic situation of key customers. Estimates for U.S. housing starts are based on forecasts published by major financial institutions.*
- *Expectations regarding the outcome of ongoing litigation, which may be impacted by negotiations and actions taken by the Province of New Brunswick or the Attorney General of Canada, judicial decisions in this matter or other matters that may create precedent.*

Other risks and factors are discussed under the heading "Risk Factors" in this MD&A and in each of the Annual Information Form dated March 26, 2021 and the Management Information Circular dated March 26, 2021 and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this 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 based on information currently available to management and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this MD&A. Acadian assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as may be required by applicable law.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Acadian Timber Corp.:

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

To assist management in fulfilling its responsibilities, a system of internal accounting controls has been established to provide reasonable assurance that the consolidated financial statements are accurate and reliable and that assets are safeguarded. Management believes that this system of internal controls is designed and operating effectively for the year ended December 31, 2021.

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

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

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

Adam Sheparski	Susan Wood
President and Chief Executive Officer	*Chief Financial Officer*

February 9, 2022

Independent auditor's report

To the Shareholders of Acadian Timber Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Acadian Timber Corp. and its subsidiaries (together, the Company) as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheet as at December 31, 2021;
- the consolidated statement of net income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
Cogswell Tower, 2000 Barrington Street, Suite 1101, Halifax, Nova Scotia, Canada B3J 3K1
T: +1 902 491 7400, F: +1 902 422 1166

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of timber and land under timber *Refer to note 2 – Significant accounting policies, note 3 – Timber and note 4 – Land, roads and other fixed assets to the consolidated financial statements.* As at December 31, 2021, the Company had timber and land under timber of $394.1 million and $86.0 million, respectively. The Company measures timber at fair value. The fair value of timber is determined by deducting the fair values of land under timber, roads and bridges from the fair value of the freehold timberlands, which include all the above assets plus the timber. The fair value of the freehold timberlands is determined by management with assistance from a licensed independent third-party appraiser (management's expert) using a weighted combination of two methods, the discounted cash flow and comparative sales methods. Significant assumptions used in: i) the discounted 30-year cash flow models included the discount rates and the net timber values per m^3 of timber sold; and ii) the comparative sales method included the adjusted benchmark sale prices per hectare. All of these significant assumptions are subject to management judgment. Land under timber is measured using the revaluation method and is not depreciated. The fair value of land under timber is based on soil expectation value analysis using discounted cash flow models, which measures the net present	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the fair values of timber and land under timber, which included the following: – Gained an understanding of the valuation process. – Professionals with specialized skill and knowledge in the field of timberland valuations assisted with the following: ○ Evaluating the appropriateness of the methods, the discounted cash flow models and the comparative sales valuations used to determine each of the fair values of the freehold timberlands and land under timber. ○ Evaluating the reasonableness of the significant assumptions used in the discounted 30-year cash flow models related to the fair values of the freehold timberlands, which included the discount rates and the net timber values per m^3 of timber sold, by considering, as relevant, the Company's Forest Management Plan, current and past performance of the Company and external industry data. ○ Evaluating the reasonableness of the significant assumptions used in the comparative sales valuations related to the fair values of the freehold timberlands, which included the

Key audit matter	How our audit addressed the key audit matter
value of bare land if used in perpetual timber production. Significant assumptions used in the discounted cash flow models included the discount rates and stumpage values per m^3 of timber sold. Valuations are completed annually by management with the assistance from management's expert concurrently with the aforementioned valuation of the freehold timberlands. We considered this a key audit matter due to (i) the significance of the timber and land under timber balances and (ii) the judgments made by management in determining each of the fair values of the freehold timberlands and land under timber and the significant assumptions used, which resulted in complexity and increased audit effort to evaluate the appropriateness of the methods and the reasonableness of the significant assumptions used by management. In addition, the audit effort involved the use of professionals with specialized skill and knowledge in the field of timberland valuations.	adjusted benchmark sale prices per hectare, by considering external market data and recent comparable sales. ○ Evaluating the reasonableness of the significant assumptions related to the fair values of the land under timber, which included the discount rates and the stumpage values per m^3 of timber sold, by considering, as relevant, the Company's Forest Management Plan, current and past performance of the Company and external industry data. – Tested the underlying data used in the discounted cash flow models and the comparative sales valuations. • Tested the disclosures made in the consolidated financial statements, particularly with regard to the sensitivity of the significant assumptions used.

Comparative information

The financial statements of the Company for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on February 10, 2021.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Donald M. Flinn.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Halifax, Nova Scotia
February 9, 2022

CONSOLIDATED BALANCE SHEETS

As at December 31 *(CAD thousands)*	Note	**2021**	2020
Assets			
Current assets			
Cash		**$ 7,316**	$ 10,258
Accounts receivable and other assets		**8,386**	7,731
Current income taxes receivable		**104**	415
Inventory		**1,450**	957
		17,256	19,361
Timber	3	**394,063**	388,005
Land, roads, and other fixed assets	4	**99,183**	99,892
Intangible asset		**6,140**	6,140
Total assets		**$ 516,642**	$ 513,398
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 8,800**	$ 8,640
Dividends payable to shareholders		**4,839**	4,839
		13,639	13,479
Long-term debt	5	**100,888**	101,185
Deferred income tax liabilities, net	10	**110,630**	105,493
Total liabilities		**225,157**	220,157
Shareholders' equity	6	**291,485**	293,241
Total liabilities and shareholders' equity		**$ 516,642**	$ 513,398

See accompanying notes to consolidated financial statements.

Malcolm Cockwell
Director

Bruce Robertson
Director

CONSOLIDATED STATEMENTS OF NET INCOME

For the Years Ended December 31 *(CAD thousands, except per share data)*	Note	**2021**	2020
Sales		**$ 95,729**	$ 91,031
Operating costs and expenses			
Cost of sales		**64,933**	60,897
Selling, administration and other		**7,622**	7,991
Silviculture		**1,156**	1,034
Depreciation and amortization		**261**	280
		73,972	70,202
Operating income		**21,757**	20,829
Interest expense, net		**(2,978)**	(4,324)
Other items			
Fair value adjustments and other		**6,773**	12,001
Unrealized exchange gain on long-term debt		**432**	2,372
Gain on sale of timberlands		**469**	376
Income before income taxes		**26,453**	31,254
Income tax expense	10	**(7,769)**	(9,174)
Net income		**18,684**	22,080
Net income per share – basic and diluted		**$ 1.12**	$ 1.32

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31 *(CAD thousands)*	**2021**	2020
Net income	**$ 18,684**	$ 22,080
Other comprehensive income / (loss)		
Items that may be reclassified subsequently to net income:		
(Loss) gain on revaluation of land and roads, net of deferred income tax recovery of $62 (2020 – deferred income tax expense of $(2,598))	**(483)**	6,442
Unrealized foreign currency translation loss	**(600)**	(2,625)
	(1,083)	3,817
Comprehensive income	**$ 17,601**	$ 25,897

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31 *(CAD thousands)*	Note	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Shareholders' Equity
Balances as at December 31, 2019		$ 139,394	$ 83,903	$ 35,679	$ 27,725	$ 286,701
Changes during the year						
Net income		—	22,080	—	—	22,080
Other comprehensive income / (loss)		—	—	6,442	(2,625)	3,817
Shareholders' dividends declared	11	—	(19,357)	—	—	(19,357)
Balances as at December 31, 2020		$ 139,394	$ 86,626	$ 42,121	$ 25,100	$ 293,241
Changes during the year						
Net income		**—**	**18,684**	**—**	**—**	**18,684**
Other comprehensive loss		**—**	**—**	**(483)**	**(600)**	**(1,083)**
Shareholders' dividends declared	11	**—**	**(19,357)**	**—**	**—**	**(19,357)**
Balances as at December 31, 2021		**$ 139,394**	**$ 85,953**	**$ 41,638**	**$ 24,500**	**$ 291,485**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31 *(CAD thousands)*	**2021**	2020
Cash provided by (used for):		
Operating activities		
Net income	**$ 18,684**	$ 22,080
Adjustments to net income:		
Income tax expense	**7,769**	9,174
Depreciation and amortization	**261**	280
Fair value adjustments and other	**(6,773)**	(12,001)
Unrealized exchange gain on long-term debt	**(432)**	(2,372)
Gain on sale of timberlands	**(469)**	(376)
Income taxes paid	**(2,117)**	—
Net change in non-cash working capital balances and other	**(694)**	3,832
	16,229	20,617
Financing activities		
Issuance of long-term debt	—	106,525
Repayment of short-term debt	—	(8,169)
Repayment of long-term debt	—	(96,459)
Deferred financing costs	—	(532)
Dividends paid to shareholders	**(19,357)**	(19,357)
	(19,357)	(17,992)
Investing activities		
Additions to timber, land, roads, and other fixed assets	**(333)**	(351)
Proceeds from sale of timberlands	**519**	383
	186	32
(Decrease) / increase in cash during the year	**(2,942)**	2,657
Cash, beginning of year	**10,258**	7,601
Cash, end of year	**$ 7,316**	$ 10,258

See accompanying notes to consolidated financial statements.

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

For the Years Ended December 31 *(CAD thousands)*	**2021**	2020
Accounts receivable and other assets	**$ (655)**	$ 3,871
Inventory	**(493)**	588
Accounts payable and accrued liabilities	**160**	(550)
Other	**294**	(77)
	$ (694)	$ 3,832

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020 (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 365 Canada Road, Edmundston, New Brunswick, E3V 1W2.

The Company and all of its consolidated subsidiaries (collectively "Acadian") own and manage approximately 761,000 acres of freehold timberlands in New Brunswick ("NB Timberlands") and approximately 300,000 acres of freehold timberlands in Maine ("Maine Timberlands") and provide timber services relating to approximately 1.3 million acres of Crown licensed timberlands in New Brunswick. Acadian's products include softwood and hardwood sawlogs, pulpwood and biomass by-products sold to approximately 90 regional customers.

As at December 31, 2021, Macer Forest Holdings Inc. owns 7,513,262 shares representing approximately 45% of the outstanding shares of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements present the financial performance of Acadian for the year ended December 31, 2021, along with the comparative results for the year ended December 31, 2020. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and were authorized for issuance by the Board of Directors on February 9, 2022.

Basis of Presentation

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

Cash and Cash Equivalents

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

Inventory

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

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

Timber

Timber is carried at fair value. The fair value of timber is determined by deducting the fair value of land under timber, roads and bridges from the total fair value of the freehold timberlands. The fair value of timber, land under timber, roads and bridges are reassessed on an annual basis with the assistance of 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 timber and roads on freehold land are measured using the revaluation method. They are carried at the revalued amounts and are not depreciated. The fair values are determined annually with the assistance of a licensed independent third-party appraiser. Where the carrying amount of an asset is increased as a result of a revaluation, the increase is recognized in income to the extent the increase reverses a previously recognized impairment recorded through income, with the remainder of the increase recognized in other comprehensive income ("OCI") and accumulated in revaluation surplus. Where the carrying amount of an asset is decreased, the decrease is recognized in OCI to the extent of any balance existing in revaluation surplus in respect of the asset, with the remainder of the decrease recognized in income as an impairment loss.

Buildings, 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
Software	5 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.

Silviculture

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

Business Combinations

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

Impairment of Long-lived Assets

Long-lived assets, other than timber, are assessed at each consolidated balance sheet date for indications of impairment or reversal of a previously recognized impairment. If any such indication exists, the recoverable amount of the asset is estimated and compared to its carrying amount.

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

An impairment loss is recognized if the recoverable amount of the asset is estimated to be less than the carrying amount. The impairment loss is recognized in net income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is recognized first 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 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, 2021. The Crown Lands Services Agreement is classified as an indefinite-life intangible asset and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that this asset may be impaired. During the year, no additions, disposals, impairments or reversal of impairments were recorded against the Company's intangible asset balance.

Revenue Recognition

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

Pursuant to the Crown Lands Services Agreement, Acadian provides various services relating to Crown Lands in consideration for fees. These fees are recognized over time as the services are performed. Acadian also provides certain silviculture services for which the revenue is recognized as services are performed.

During the year, the Company determined that the revenue from certain contracts should be accounted for on a gross basis rather than a net basis. This change does not have a material impact on the comparative statements for the year ended December 31, 2020.

Share-based Payments

The Company issues shared-based awards to Directors, comprised of deferred stock units, which are cash-settled. The fair value of units granted is recognized as an expense in the period the units are granted. The Company remeasures the fair value of the liability at the end of each reporting period with any changes in fair value recognized as an expense. Fair value is determined with reference to the market value of a common share of the Company.

Translation of Foreign Currencies

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

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

Financial Instruments

A financial asset or financial liability is recognized when the Company becomes party to the contractual provisions of the instrument and is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs directly attributable to its acquisition or issue.

Financial assets are subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). Cash and accounts receivable and other assets have been classified as measured at amortized cost using the effective interest method. No financial assets have been classified as measured at FVOCI or FVPTL.

Financial liabilities are subsequently measured at amortized cost or FVTPL. Accounts payable and accrued liabilities, dividends payable to shareholders and long-term debt have been measured at amortized cost.

The Company has not elected to designate any financial assets or liabilities as measured at FVTPL.

Financial assets are derecognized when the contractual rights to the cash flows expire or it transfers the rights to receive the contractual cash flows. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled, or expire, or the terms and cash flows are modified to be substantially different.

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Loss allowances for expected credit losses are recognized on financial assets measured at amortized cost. Loss allowances on accounts receivable and other assets are measured based on the expected credit loss model, which takes into account current economic conditions, historical information and forward-looking information.

Fair Value Hierarchy Levels

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.

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

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

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

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

The following table provides the fair value measurement hierarchy of the grouped assets as at December 31, 2021:

	Date of Valuation	Note	Level 1	Level 2	Level 3
Assets and liabilities measured at fair value:					
Timber	December 31, 2021	3			✓
Freehold land and roads	December 31, 2021	4			✓

Income Taxes

Deferred income tax assets and liabilities are determined based on differences between the carrying amounts and the tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The carrying amounts of the deferred income tax assets 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.

Critical Judgments and Estimates

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

The critical estimates and judgments made in the preparation of Acadian's consolidated financial statements include, among others, future prices and margins, future sales volumes, future harvest rates and sustainable yields, and discount rates utilized in the valuation of Acadian's timber, land and roads. In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgments have been applied in a manner consistent with prior periods. 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.

Future Accounting Standards

Amendment to IAS 41 Agriculture

In May 2020, the IASB issued an amendment to IAS 41 Agriculture as part of Annual Improvements to IFRS Standards 2018–2020. The amendment removes the requirement for an entity to exclude taxation cash flows when calculating the fair value of its biological assets. An entity is permitted to use post-tax cash flows and a post-tax rate to discount those cash flows. The amendment is effective for annual periods beginning on or after January 1, 2022. The adoption of this amendment will not have a material impact on the consolidated financial statements.

3. TIMBER

Acadian's freehold timberlands are classified as a growing forest, and include timber, land under timber, roads and bridges. Timber is recorded at fair value less costs of disposal at each reporting date. The underlying land is considered a component of land, roads and other fixed assets accounted for under the revaluation method.

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

(CAD thousands)		
Balance as at December 31, 2019	**$**	**377,992**
Disposals		(4)
Gains arising from growth		28,919
Reduction arising from harvest		(24,997)
Gain from fair value adjustment and other changes		8,506
Foreign exchange		(2,411)
Balance as at December 31, 2020	**$**	**388,005**
Disposals		(17)
Gains arising from growth		28,373
Reduction arising from harvest		(26,209)
Gain from fair value adjustment and other changes		4,419
Foreign exchange		(508)
Balance as at December 31, 2021	**$**	**394,063**

Appraisals by a licensed independent third-party appraiser are completed annually for NB Timberlands and Maine Timberlands to assist in reassessing the fair value less costs of disposal of the timber. The most recent appraisal was effective as at December 31, 2021. The appraiser uses a combination of the discounted cash flow and sales comparison approaches to arrive at the estimated value. As at December 31, 2021, the weighting between the two methods used by the appraiser was 70% discounted cash flow approach and 30% sales comparison approach for both the NB Timberlands and Maine Timberlands (2020 – 70% and 30%, respectively).

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

a. Annual growth is determined by multiplying the operable forested acres by the annual growth rate;
b. Annual harvest volumes are based on annual growth and reflect the long-term management plans for timber;
c. Unit net timber revenue is based on the appraisers' analysis of historical timber prices from regional surveys, net timber prices from other private properties in the region, and prices received by Acadian over recent years. Modest price appreciation is assumed for the Maine Timberlands (2020 – modest price appreciation), and modest price depreciation is assumed for the NB Timberlands (2020 – no price appreciation);

d. As the appraiser's discounted cash flow model uses net timber revenue, specific assumptions of harvesting and delivery costs are not required. The appraiser does reduce the net timber revenue by management costs reflecting the appraiser's understanding of the costs for an investor managing a property of this size, and actual historical costs incurred by Acadian;
e. Cash flow estimates were made for 30 years. A terminal value equal to the final year's cash flow divided by the discount rate is added to the final year of the model;
f. The valuation model assumes the continuation of existing practices with regards to silviculture and harvesting; and
g. A pre-tax discount rate of 5.02% (2020 – 4.98%) was applied to the estimated future cash flows for NB Timberlands in arriving at net present values as at December 31, 2021. A discount rate of 3.89% (2020 – 3.85%) was applied to the estimated future cash flows for Maine Timberlands in arriving at net present values as at December 31, 2021. The appraiser derived the discount rate by estimating the weighted average cost of capital of the typical prospective purchaser, deducting an assumed long-term background inflation rate and adjusting for specific risk attributes of each of NB Timberlands and Maine Timberlands. The reasonableness of the rate was then tested against rates extracted from recent comparable sales transactions.

Acadian's freehold timberlands are measured at fair value on a recurring basis. Management has classified the valuation of these assets under Level 3 of the fair value hierarchy and there were no transfers made between Levels 1 and 3 or Levels 2 and 3 during the years ended December 31, 2021 and 2020.

Sensitivity to Changes in Assumptions

The following table provides a description of the significant assumptions included in the valuation of the freehold timberlands:

Valuation Technique	Significant Assumption	Range (weighted average)	Sensitivity of the Assumption on Fair Value
Discounted cash flow	Discount rate	3.89% - 5.02% (4.65%)	0.25% increase / (decrease) in the discount rate would result in (decrease) / increase in fair value of ($7.9 million) / $8.1 million
Discounted cash flow	Net timber value per m^3 of timber sold	$1.58 - $76.07 ($30.98)	5% increase / (decrease) in the net timber value per m^3 of timber sold would result in increase / (decrease) in fair value of $20.9 million
Sales comparison	Adjusted benchmark sales price per hectare	$567 - $1,714 ($1,139)	5% increase / (decrease) in the adjusted benchmark sales price per hectare would result in increase / (decrease) in fair value of $7.4 million

4. LAND, ROADS AND OTHER FIXED ASSETS

(CAD thousands)	Land	Roads	Bridges and Pavement	Other	Total
Cost					
Balance as at December 31, 2019	$ 78,544	$ 9,099	$ 5,104	$ 2,521	$ 95,268
Additions	—	—	292	59	351
Disposals	(2)	—	—	(68)	(70)
Foreign exchange	(665)	(103)	(58)	(22)	(848)
Revaluations[1]	9,038	2	—	—	9,040
Balance as at December 31, 2020	$ 86,915	$ 8,998	$ 5,338	$ 2,490	$ 103,741
Additions	—	—	256	77	333
Disposals	(5)	—	—	(28)	(33)
Foreign exchange	(172)	(23)	(12)	(4)	(211)
Revaluations[1]	(780)	235	—	—	(545)
Balance as at December 31, 2021	**$ 85,958**	**$ 9,210**	**$ 5,582**	**$ 2,535**	**$ 103,285**
Accumulated Depreciation					
Balance as at December 31, 2019	$ —	$ —	$ (2,215)	$ (1,469)	$ (3,684)
Depreciation for the year	—	—	(132)	(148)	(280)
Disposals	—	—	—	68	68
Foreign exchange	—	—	37	10	47
Balance as at December 31, 2020	$ —	$ —	$ (2,310)	$ (1,539)	$ (3,849)
Depreciation for the year	—	—	(138)	(123)	(261)
Foreign exchange	—	—	7	1	8
Balance as at December 31, 2021	**$ —**	**$ —**	**$ (2,441)**	**$ (1,661)**	**$ (4,102)**
Carrying Amounts					
As at December 31, 2020	$ 86,915	$ 8,998	$ 3,028	$ 951	$ 99,892
As at December 31, 2021	**$ 85,958**	**$ 9,210**	**$ 3,141**	**$ 874**	**$ 99,183**

1. The current year revaluation impact recorded in OCI, net of tax, is $ (0.5) million (2020 - $ 6.4 million)

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

The freehold land and roads on freehold land are measured under Level 3 of the fair value hierarchy. The most recent date of revaluation of these assets is December 31, 2021. There were no transfers made between Levels 1 and 3 or Levels 2 and 3 during the years ended December 31, 2021 and 2020. Valuations are completed annually with the assistance of a licensed independent third-party appraiser who uses a discounted cash flow approach to establish the fair values.

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

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

Sensitivity to Changes in Assumptions

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

	Valuation Technique	Significant Assumption	Range (weighted average)	Sensitivity of the Input on Fair Value
Land	Discounted cash flow	Discount rate	3.89% - 5.02% (4.65%)	0.25% increase / (decrease) in the discount rate would result in (decrease) / increase in fair value of ($13.7 million) / $16.3 million
Land	Discounted cash flow	Stumpage value per m^3 of timber sold	$1.58 - $76.07 ($30.98)	5% increase / (decrease) in the stumpage value per m^3 of timber sold would result in increase / (decrease) in fair value of $5.3 million
Roads	Discounted cash flow	Discount rate	3.89% - 5.02% (4.65%)	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	$9,239 - $26,627 ($16,046)	5% increase / (decrease) in the construction cast per km would result in increase / (decrease) in fair value of $0.5 million

5. DEBT

As at December 31, debt consisted of the following:

(CAD thousands)		**2021**		2020
Term facilities	**$**	**101,424**	$	101,843
Less:				
Deferred debt issuance costs		**(536)**		(658)
Total	**$**	**100,888**	$	101,185

Acadian has term credit facilities with MetLife Insurance Company, with maturity dates ranging from March 6, 2025 to March 6, 2030. These credit facilities include a revolving credit facility of up to U.S. $10.0 million (the "Revolving Facility" for general corporate purposes and term credit facilities of U.S. $80 million (the "Term Facilities"). The Term Facilities bear interest at rates ranging from 2.7% to 3.0%. The Revolving Facility bears interest at floating rates based on 90-day LIBOR plus applicable margin. Upon the decommissioning of LIBOR, interest is anticipated to be based on the Secured Overnight Financing Rate. Floating interest rates give rise to interest rate risk as net income and cash flows may be negatively impacted by fluctuations in interest rates. There are no scheduled repayments of principal required prior to the maturity dates of the Term Facilities.

Acadian has a $2.0 million Canadian dollar denominated revolving credit facility with a major Canadian bank for general corporate purposes. This facility bears interest at floating rates based on bank prime rates plus applicable margin and is due on demand. No amounts were drawn on this facility at December 31, 2021 or December 31, 2020.

As at December 31, 2021, Acadian had borrowed U.S. $80 million (2020 – U.S. $80.0 million) under the Term Facilities and U.S. $nil (2020 – $nil) under the Revolving Facility. As well, U.S. $1.7 million of the Revolving Facility is reserved to support the minimum cash balance requirement of the Term Facilities. As security for these facilities, Acadian granted the lenders a security interest over all of its assets. The facilities are subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness and granting liens or selling assets without the consent of the lenders. The credit facilities are also subject to the maintenance of a maximum loan-to-value ratio. Acadian is in compliance with all covenants as at December 31, 2021.

The fair value of the Term Facilities as at December 31, 2021 is $103.3 million (2020 – $105.5 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 Facilities and discounted at a rate reflecting appropriate market fundamentals relating to the debt.

6. SHAREHOLDERS' EQUITY

Acadian is authorized to issue an unlimited number of common shares. The common shares have no stated par value. As at December 31, 2021 and December 31, 2020, 16,686,916 common shares were issued and outstanding.

7. SEGMENTED INFORMATION

Acadian's presentation of reportable segments is based on how management has organized the business in making operating and capital allocation decisions and assessing performance. Acadian has two operating segments: NB Timberlands and Maine Timberlands. The significant accounting policies followed for the segments are consistent with those described in Note 2.

Adjusted EBITDA is used to evaluate the operating performance of reportable segments. Adjusted EBITDA is defined as net income before interest, taxes, fair value adjustments and other, recovery of or impairment of land and roads, realized gain/ (loss) on sale of other fixed assets, unrealized exchange gain/ (loss) on long-term debt, and depreciation and amortization.

Sales, Adjusted EBITDA and assets by reportable segments are as follows:

For the Year Ended December 31, 2021 *(CAD thousands)*	Total	NB Timberlands	Maine Timberlands
Sales			
Softwood	**$ 38,224**	**$ 21,480**	**$ 16,744**
Hardwood	**30,470**	**23,555**	**6,915**
Biomass	**4,244**	**4,229**	**15**
Timber services and other sales	**22,791**	**22,236**	**555**
Total sales	**95,729**	**71,500**	**24,229**
Operating costs and expenses			
Cost of sales	**64,933**	**48,270**	**16,663**
Selling, administration and other	**6,346**	**4,323**	**2,023**
Silviculture	**1,156**	**1,031**	**125**
Depreciation and amortization	**261**	**156**	**105**
	72,696	**53,780**	**18,916**
	23,033	**17,720**	**5,313**
Corporate and other expenses	**(1,276)**		
Operating income	**21,757**		
Interest expense, net	**(2,978)**		
Fair value adjustments and other	**6,773**		
Unrealized exchange gain on long-term debt	**432**		
Gain on sale of timberlands	**469**		
Income before income taxes	**$ 26,453**		

For the year ended December 31, 2021 *(CAD thousands)*	NB Timberlands	Maine Timberlands
Operating income	**$ 17,720**	**$ 5,313**
Add: Depreciation and amortization	**156**	**105**
Add: Gain on sale of timberlands	**—**	**469**
Adjusted EBITDA	**$ 17,876**	**$ 5,887**

As at December 31, 2021 *(CAD thousands)*	NB Timberlands	Maine Timberlands
Non-current assets	**$ 331,606**	**$ 167,703**
Total assets	**$ 343,251**	**$ 171,971**

For the Year Ended December 31, 2020 *(CAD thousands)*	Total	NB Timberlands	Maine Timberlands
Sales			
Softwood	$ 38,071	$ 24,034	$ 14,037
Hardwood	31,423	23,585	7,838
Biomass	4,160	4,151	9
Timber services and other sales	17,377	16,763	614
Total sales	91,031	68,533	22,498
Operating costs and expenses			
Cost of sales	60,897	44,718	16,179
Selling, administration and other	5,790	4,514	1,276
Silviculture	1,034	919	115
Depreciation and amortization	280	167	113
	68,001	50,318	17,683
	23,030	18,215	4,815
Corporate and other expenses	(2,201)		
Operating income	20,829		
Interest expense, net	(4,324)		
Fair value adjustments and other	12,001		
Unrealized exchange gain on long-term debt	2,372		
Gain on sale of timberlands	376		
Income before income taxes	$ 31,254		

For the year ended December 31, 2020 *(CAD thousands)*	NB Timberlands	Maine Timberlands
Operating income	$ 18,215	$ 4,815
Add: Depreciation and amortization	167	113
Add: Gain on sale of timberlands	—	376
Adjusted EBITDA	$ 18,382	$ 5,304

As at December 31, 2020 *(CAD thousands)*	NB Timberlands	Maine Timberlands
Non-current assets	$ 322,331	$ 171,706
Total assets	$ 335,844	$ 175,383

During the year ended December 31, 2021, approximately 33% of consolidated total sales were originated with customers domiciled in the U.S. (2020 – 30% of consolidated total sales) with the remaining balance in Canada. During the same period, approximately 35% of consolidated total sales were denominated in U.S. dollars (2020 – 32% of consolidated total sales).

Acadian sells its products to many forest product companies in North America. For the year ended December 31, 2021, sales to its largest and next largest customers accounted for 18% and 11%, respectively (2020 – 21% and 11%, respectively).

8. CAPITAL MANAGEMENT

Acadian's capital structure consists of shareholders' equity, inclusive of accumulated other comprehensive income, and the Term Facilities. As at December 31, 2021, the recorded values of these items in Acadian's consolidated financial statements totaled $392.4 million (2020 – $394.4 million).

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

Acadian monitors its capital structure to ensure compliance with its financial covenants with debtholders.

9. FINANCIAL INSTRUMENTS

Financial Risk Management

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

Foreign Currency Risk

Changes in foreign exchange rates will impact the carrying value of financial instruments denominated in currencies other than the Canadian dollar. Acadian's most significant foreign currency risk exposure arises from its U.S. dollar denominated debt and its investment in the Maine Timberlands, which has a U.S. dollar functional currency. Accordingly, the impact of a strengthening (deteriorating) Canadian dollar will reduce (increase) the net income of Acadian and will also result in an other comprehensive income / (loss) on the translation of the Maine Timberlands' net assets in a given period. During the year ended December 31, 2021, a $0.01 appreciation (depreciation) in the U.S. to Canadian dollar foreign exchange rate, all else being equal, would increase (decrease) net income by $0.8 million (2020 – $0.8 million) and OCI by approximately $0.3 million (2020 – $0.3 million).

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

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Acadian's interest rate risk exposure arises due to its credit facilities (Note 5).

As at December 31, 2021, 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, 2021, $nil was drawn from the Revolving Facility (2020 – $nil). A change in interest rates would have no impact on the fixed interest rate Term Facilities.

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 is susceptible to fuel cost increases. . Accordingly, commodity price variations may impact Acadian's sales, costs of sales, cash flows and net income. Furthermore, weakness in the market prices of its timber products will also have an effect on Acadian's ability to attract additional capital, the cost of that capital and the value of its timberland assets.

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

Credit Risk

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

The objective of managing counterparty credit risk is to prevent losses in financial assets. Cash is invested with counterparties meeting minimum credit quality requirements. With respect to outstanding accounts receivable, NB Timberlands and Maine Timberlands each assess the credit quality of the counterparties, including customers, taking into account their financial position, past experience and other factors. In cases where the credit quality of a customer 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, 2021, Acadian recorded an allowance of $0.3 million against outstanding receivables (2020 – $0.3 million). Pursuant to their respective terms, all outstanding accounts receivable are current or less than 31 days overdue as at December 31, 2021, with the exception of approximately $46 thousand (2020 – $27 thousand).

Liquidity Risk

Liquidity risk is the risk that Acadian cannot meet a demand for cash or fund an obligation as it comes due. Acadian's objective in managing liquidity risk is to maintain sufficient reserves in order to meet operational and investing requirements at any point in time, and to maintain debt financing at levels that will allow Acadian to attract additional capital at reasonable cost. Acadian's principal sources of liquidity include cash earned from operations and the Revolving Facility of which $nil was drawn as at December 31, 2021 (2020 – $nil). U.S. $1.7 million of this facility is reserved to support the minimum cash balance requirement of the Term Facilities. These sources, combined with existing cash, are expected to allow Acadian to meet its short term and long-term operating, debt service, capital expenditure and dividend requirements.

Additionally, Acadian assesses the nature and timing of discretionary payments in an effort to mitigate any impact on the financial condition or results of operations of Acadian. As at December 31, 2021 and 2020, 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, 2021 *(CAD thousands)*	Total	Less Than One Year (2022)	1 to 3 Years (2023-2025)	4 to 5 Years (2026-2027)	After 5 Years (<2027)
Accounts payable and accrued liabilities	**$ 8,800**	**$ 8,800**	**$ —**	**$ —**	**$ —**
Dividends payable to shareholders	**4,839**	**4,839**	**—**	**—**	**—**
Long-term debt[1]					
Tranche D	**18,700**	**—**	**18,700**	**—**	**—**
Tranche E	**21,869**	**—**	**21,869**	**—**	**—**
Tranche F	**40,570**	**—**	**—**	**40,570**	**—**
Tranche G	**20,285**	**—**	**—**	**—**	**20,285**
	$115,063	**$ 13,639**	**$ 40,569**	**$ 40,570**	**$ 20,285**
Interest payments	**$ 14,346**	**$ 2,854**	**$ 7,643**	**$ 2,544**	**$ 1,305**

1. Represents principal of a U.S. dollar denominated revolving facility with a U.S. to Canadian dollar conversion rate of 1.2678.

December 31, 2020 *(CAD thousands)*	Total	Less Than One Year (2021)	1 to 3 Years (2022-2024)	4 to 5 Years (2025-2026)	After 5 Years (<2026)
Accounts payable and accrued liabilities	$ 8,640	$ 8,640	$ —	$ —	$ —
Dividends payable to shareholders	4,839	4,839	—	—	—
Long-term debt[1]					
Tranche D	18,780	—	—	18,780	—
Tranche E	21,950	—	—	21,950	—
Tranche F	40,742	—	—	—	40,742
Tranche G	20,371	—	—	—	20,371
	$115,322	$ 13,479	$ —	$ 40,730	$ 61,113
Interest payments	$ 17,274	$ 2,866	$ 8,599	$ 3,701	$ 2,108

1. Represents principal of a U.S. dollar denominated revolving facility with a U.S. to Canadian dollar conversion rate of 1.2732.

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. Cash, accounts receivable and other assets and current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

As at December 31, 2021 and 2020, there were no financial assets and financial liabilities that were measured at fair value on a recurring basis.

10. INCOME TAXES

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

For the Years Ended December 31 *(CAD thousands)*	**2021**	2020
Current income tax expense	**$ 2,428**	$ 2,709
Deferred income tax expense		
Origination and reversal of temporary differences	**5,408**	6,817
Benefit arising from unrecognized tax assets	**(67)**	(352)
Total income tax expense	**$ 7,769**	$ 9,174

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

For the Years Ended December 31 *(CAD thousands)*	**2021**	2020
Deferred tax arising on income and expenses recognized in OCI:		
Revaluation surplus	**$ (62)**	$ 2,598

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

For the Years Ended December 31 *(CAD thousands)*	**2021**	2020
Income taxes at statutory rate	**$ 7,671**	$ 9,023
Imposition of new legislation	—	652
Foreign tax rate differential	**(25)**	(5)
Non-taxable portion of gains	**(63)**	(316)
Unrecognized tax attributes (benefits of prior years)	**(67)**	(352)
Changes in estimates related to prior years	**250**	127
Other	**3**	45
Total income tax expense	**$ 7,769**	$ 9,174

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)*	**2021**	2020
Timber	**$ 3,131**	$ 5,055
Non-taxable portion of gains	**358**	103
Unrecognized tax attributes	**1,852**	1,307
Deferred income tax expense	**$ 5,341**	$ 6,465

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

For the Years Ended December 31 *(CAD thousands)*	**2021**	2020
Land	**$ (22,102)**	$ (22,284)
Timber	**(89,399)**	(86,360)
Roads and other fixed assets	**(2,964)**	(2,905)
Intangible asset	**(1,781)**	(1,781)
Investment tax credits	**5,055**	6,907
Other	**561**	930
Total deferred income tax liabilities, net	**$ (110,630)**	$ (105,493)

11. DIVIDENDS TO SHAREHOLDERS

Acadian pays quarterly dividends to the extent determined prudent by the Board of Directors. Total dividends declared for the year ended December 31, 2021 were $19.4 million or $1.16 per share (2020 – $19.4 million or $1.16 per share).

12. DEFERRED STOCK UNIT PLAN

Effective January 1, 2021 the Company implemented the Directors' Deferred Stock Unit Plan ("DSUP"). Under the DSUP, Directors may elect to receive all or any portion of their fees in Deferred Stock Units ("DSUs") in lieu of cash. Additional DSUs are received as dividend equivalents. The number of DSUs received is determined by the market value of a common share of the Company as of the director's fee or the dividend payment date, based on a 5-day volume weighted average price. DSUs cannot be redeemed until the holder is no longer a Director of the Company and can only be redeemed for cash. The redemption value of a DSU equals the market value of a common share of the Company at the time of redemption.

During the year ended December 31, 2021, the Company granted 7,341 DSUs and $141 thousand has been recognized as an expense in respect of the DSUs.

13. COMPENSATION OF KEY MANAGEMENT PERSONNEL

For the Years Ended December 31				
(CAD thousands)		**2021**		2020
Salaries	**$**	**718**	$	654
Incentives		**157**		62
Short-term benefits		**12**		57
Total compensation	**$**	**887**	$	773

14. LITIGATION AND CLAIMS

On November 30, 2021, the Wolastoqey Nation (made up of 6 Maliseet First Nations) filed an action in the Court of Queen's Bench of New Brunswick naming the Province of New Brunswick and the Attorney General of Canada and several other forestry and other companies operating in New Brunswick as defendants. Acadian's subsidiaries Acadian Timber Limited Partnership by its General Partner, Acadian Timber GP Inc. and Acadian Timber GP Inc. are among the defendants in this action. The action seeks, in part, a declaration of Aboriginal title to the land currently owned by the defendants in New Brunswick, including Acadian. Acadian has filed a Notice of Intent to Defend. The outcome of the claim is not determinable at this time.

15. SUBSEQUENT EVENTS

Dividend Reinvestment Plan

On February 9, 2022, Acadian announced the implementation of a DRIP whereby Canadian resident shareholders may elect to automatically have their dividends reinvested in additional shares. Shares issued under the DRIP are issued directly from the treasury of the Company at a price equal to the volume-weighted average trading price of the Company's shares on the TSX for the five trading days immediately preceding the relevant dividend payment date, which is typically on or about the 15th of April, July, October and January. The DRIP will be effective with eligible shareholders of record March 31, 2022.

Normal Course Issuer Bid

On February 9, 2022, the Company filed a notice of intention with the Toronto Stock Exchange ("TSX") to purchase for cancellation up to 834,345 common shares representing 5% of the 16,686,916 common shares outstanding as of February 3, 2022, subject to regulatory approval. The purchases will be made through the facilities of the TSX and/or any alternative Canadian trading systems to the extent they are eligible. The price that the Company will pay for any such shares will be the market price at the time of acquisition. Purchases may commence on February 14, 2022 and shall terminate not later than February 13, 2023. Based on average daily trading volume ("ADTV") of 8,365 over the last six months, daily purchases will be limited to 2,091 common shares (25% of the ADTV of the Class A shares), other than block purchase exemptions. The Company has not purchased any of its common shares over the past 12 months.

CORPORATE GOVERNANCE

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

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

BOARD AND MANAGEMENT

BOARD OF DIRECTORS

Malcolm Cockwell
Managing Director
Haliburton Forest

Bruce Robertson
Vice President
The Woodbridge Company Limited

Karen Oldfield
Corporate Director

Heather Fitzpatrick
President and CEO
Halmont Properties Corporation

Erika Reilly
Corporate Director

Adam Sheparski
President and
Chief Executive Officer
Acadian Timber Corp.

MANAGEMENT

Adam Sheparski
President and
Chief Executive Officer
Acadian Timber Corp.

Susan Wood
Chief Financial Officer
Acadian Timber Corp.

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

CORPORATE AND SHAREHOLDER INFORMATION

HEAD OFFICE

365 Canada Road
Edmundston, N.B. E3V 1W2

Please direct your inquiries to:
Susan Wood
Chief Financial Officer
t. 506-737-2345
e. ir@acadiantimber.com

TRANSFER AGENT AND REGISTRAR

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

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

SHARE INFORMATION
Toronto Stock Exchange: ADN
Fully Diluted Shares Outstanding (December 31, 2021): 16,686,916
Targeted 2022 Quarterly Dividend: $0.29 per share
Record Date: Last business day of each quarter
Payment Date: On or about the 15th day of each subsequent month

www.acadiantimber.com

The management discussion and analysis ("MD&A") contains forward-looking information and statements within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking information is included in this MD&A and includes statements made in the sections entitled "Liquidity and Capital Resources," "Market Outlook," and "Supplemental Information" and without limitation other statements regarding management's beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, growth strategy and prospects, access to capital, liquidity and trading volumes, dividends, taxes, capital expenditures, projected costs, market trends and similar statements concerning anticipated future events, results, achievements, circumstances, performance or expectations that are not historical facts. All forward-looking statements in this 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. Actual results may vary. These forward-looking statements include, but are not limited to expectations regarding the ability of the Company to pay dividends based on anticipated market conditions and anticipated financial performance, which may be impacted by changes in product demand, changes in selling prices, or weather and natural conditions affecting operations; expectations regarding product demand and end use markets, including expectations for U.S. housing starts, which may be impacted by changes in interest rates, U.S. population demographics and the inventory of homes for sale. Expectations regarding product demand are based on anticipated market conditions, anticipated regional inventory levels of key customers, and the economic situation of key customers. Estimates for U.S. housing starts are based on forecasts published by major financial institutions, and; expectations regarding the outcome of ongoing litigation, which may be impacted by negotiations and actions taken by the Province of New Brunswick or the Attorney General of Canada, judicial decisions in this matter or other matters that may create precedent. Other risks and factors are discussed under the heading "Risk Factors" in this MD&A and in each of the Annual Information Form dated March 26, 2021 and the Management Information Circular dated March 26, 2021 and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this 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 based on information currently available to management and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this 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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