MANAGEMENT'S DISCUSSION AND ANALYSIS

(All figures in Canadian dollars unless otherwise stated)

INTRODUCTION

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

Acadian owns and manages approximately 761,000 acres of freehold timberlands in New Brunswick ("NB Timberlands"), approximately 300,000 acres of freehold timberlands in Maine ("Maine Timberlands") and provides management services relating to approximately 1.3 million acres of Crown licensed timberlands ("NB Crown Lands"). Acadian also owns and operates a forest nursery in Second Falls, New Brunswick. Acadian's products include softwood and hardwood sawlogs, pulpwood and biomass by-products sold to over 100 regional customers.

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

Basis of Presentation

This section of our annual report presents management's discussion and analysis ("MD&A") of our financial results and is followed by our consolidated financial statements for the year ended December 31, 2017. The MD&A is intended to provide an assessment of our performance during the three month period and year ended December 31, 2017, as compared to the three month period and year ended December 31, 2016.

Our financial results are determined in accordance with International Financial Reporting Standards ("IFRS") and are expressed in Canadian dollars ("CAD") unless otherwise stated. External economic and industry factors remain unchanged since the previous annual report, unless otherwise noted. This MD&A has been prepared based on information available as at February 14, 2018. Additional information is available on Acadian's website at *www.acadiantimber.com* and on SEDAR's website at *www.sedar.com.*

Non-IFRS Measures

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

Internal Control over Financial Reporting

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2017, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2017, 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, 2017.

Disclosure Controls

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in the Canadian Securities Administrators National Instrument 52-109). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of December 31, 2017 in providing reasonable assurance around material information relating to the Company and its consolidated subsidiaries.

REVIEW OF OPERATIONS

Summary of Results for the Years Ended December 31

The table below summarizes operating and financial data for Acadian:

Years Ended December 31 (CAD thousands, except per share data and where indicated)	**2017**	2016	2015
Sales volume (000s m³)	**1,252.0**	1,213.4	1,289.5
Net sales	**$ 77,827**	$ 77,168	$ 84,422
Operating earnings	**20,739**	21,706	25,608
Net income	**30,819**	16,072	13,641
Total assets	**462,216**	454,578	449,778
Total debt	**91,156**	97,462	100,321
Adjusted EBITDA[1]	**$ 23,344**	$ 22,547	$ 26,423
Adjusted EBITDA margin[1]	**30%**	29%	31%
Free Cash Flow[1]	**$ 19,480**	$ 19,384	$ 22,012
Dividends declared	**18,404**	16,731	15,476
Payout ratio[1]	**94%**	86%	70%
Per share – basic and diluted			
Net income	**$ 1.84**	$ 0.96	$ 0.82
Free Cash Flow[1]	**1.16**	1.16	1.32
Dividends declared	**1.10**	1.00	0.92
Book value	**16.38**	16.01	15.96
Common shares outstanding	**16,731,216**	16,731,216	16,731,216

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

Acadian generated net sales of $77.8 million in 2017, a year-over-year increase of $0.6 million as the Company benefited from a 6% increase in log sales volumes due to strong seasonal demand and favourable operating conditions. Weighted average log sales prices decreased 2% as hardwood pulpwood prices fell as a result of changes in customer mix while softwood sawlog prices remained in line with the prior year. While regional demand for biomass products remained solid, contributions from those products decreased 50% reflecting limited export markets.

Costs of $56.8 million in 2017 increased 4% from $54.9 million in the prior year primarily due to increased log sales volumes. Variable log costs per m^3 increased marginally reflecting slightly longer average hauling distances. In addition, Acadian benefited from strong sales of higher and better use ("HBU") land in Maine. As a result of the aforementioned factors, the Adjusted EBITDA margin increased to 30% during 2017 from 29% in the prior year.

Net income for the year ended December 31, 2017 totaled $30.8 million, or $1.84 per share, compared to $16.1 million, or $0.96 per share, in 2016. The increase is primarily a result of a favourable fair value revaluation of timber assets and an unrealized foreign exchange gain on long term debt.

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)	**2017**	2016
Net income	**$ 30,819**	$ 16,072
Add (deduct):		
Interest expense, net	**2,895**	2,942
Current income tax expense	**1,381**	61
Deferred income tax expense	**3,564**	5,121
Depreciation and amortization	**313**	502
Fair value adjustments	**(9,327)**	705
Unrealized exchange gain on long term debt	**(6,301)**	(2,856)
Adjusted EBITDA[1]	**$ 23,344**	$ 22,547
Add (deduct):		
Interest paid on debt, net	**(2,790)**	(2,836)
Additions to timber, land, roads and other fixed assets	**(384)**	(283)
Gain on sale of timberlands	**(2,292)**	(339)
Proceeds from sale of timberlands	**2,983**	356
Current income tax expense	**(1,381)**	(61)
Free Cash Flow[1]	**$ 19,480**	$ 19,384
Dividends declared	**$ 18,404**	$ 16,731
Payout ratio[1]	**94%**	86%

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

Dividend Policy of the Company

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

Total dividends declared to shareholders during the year ended December 31, 2017 were $18.4 million, or $1.10 per share, up from $16.7 million or $1.00 per share in 2016. The payout ratio of Acadian, which represents the amount of dividends declared as a percentage of the Free Cash Flow generated, was 94% for 2017, in line with our long-term target of 95%.

With continued strong performance, further supported by our strong liquidity, our Board of Directors have approved a dividend of $0.275 per share for the first quarter of 2018.

Operating and Market Conditions

Acadian's operations benefited from strong seasonal demand and favourable operating conditions throughout the year resulting in log sales volumes of 1,041 thousand m^3, a 6% increase from 978 thousand m^3 in 2016. In New Brunswick, softwood sawlog markets continued to remain strong while demand for softwood pulpwood products was impacted by limited markets for sawmill residuals. Regional sawlog markets in Maine, which had been impacted during 2016 and early 2017 by higher customer inventories and limited markets for sawmill residuals, have recently strengthened. In addition, our Maine operation benefited from strong market conditions for hardwood pulpwood and captured additional regional market share. As a result, hardwood pulpwood harvest volumes during 2017 were higher than Maine's average Long Run Sustainable Yield ("LRSY") target. Maine's Forest Management Plan ("FMP") and Sustainable Forestry Initiative® certification provide sufficient flexibility so that the Company has the ability to respond to market conditions to maximize cash flows over an economic cycle. Going forward, our Maine operations continue to target longer term average harvest levels in line with our 2013-2022 FMP.

Selling prices for our products continue to be solid, with weighted average log sales prices decreasing just 2% as softwood sawlog prices remained in line with the prior year while hardwood pulpwood prices decreased as a result of changes in customer mix. In New Brunswick, the weighted average log selling price decreased 2% year-over-year as softwood sawlog prices increased 2% due to strong demand while hardwood pulpwood prices decreased 4% as a result of changes in customer mix. The weighted average log selling price in Canadian dollar terms in Maine decreased by 4% relative to the prior year, however, was consistent on a U.S. dollar basis. Maine benefited from strengthening regional sawlog markets, which were impacted during 2016 and early 2017 by higher customer inventories and limited markets for sawmill residuals. However, this benefit was offset by the impact of higher relative sales volumes of hardwood pulpwood which experienced a slight decline in average pricing over the prior year.

While regional demand remained solid, contributions from biomass decreased 50% year-over-year as export markets were disrupted by geopolitical events in Eastern Europe.

Segmented Results of Operations

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

	Year Ended December 31, 2017				*Year Ended December 31, 2016*			
(CAD thousands, except where indicated)	**NB Timberlands**	**Maine Timberlands**	**Corporate**	**Consolidated**	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volume (000s m^3)	**921.5**	**330.5**	**—**	**1,252.0**	939.3	274.1	—	1,213.4
Net sales	**$ 54,106**	**$ 23,721**	**$ —**	**$ 77,827**	$ 56,533	$ 20,635	$ —	$ 77,168
Adjusted EBITDA[1]	**$ 18,073**	**$ 6,751**	**$ (1,480)**	**$ 23,344**	$ 19,320	$ 4,256	$ (1,029)	$ 22,547
Adjusted EBITDA margin[1]	**33%**	**28%**	**n/a**	**30%**	34%	21%	n/a	29%

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

NB Timberlands

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

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

	Year Ended December 31, 2017				*Year Ended December 31, 2016*			
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Sales Mix**	**Results** *($000s)*	Harvest *(000s m^3)*	Sales *(000s m^3)*	Sales Mix	Results *(000s m^3)*
Softwood	**379.3**	**378.2**	**41%**	**$ 20,932**	361.4	358.7	38%	$ 19,394
Hardwood	**345.6**	**356.9**	**39%**	**27,295**	373.0	362.5	39%	28,948
Biomass	**186.4**	**186.4**	**20%**	**3,160**	218.1	218.1	23%	5,539
	911.3	**921.5**	**100%**	**51,387**	952.5	939.3	100%	53,881
Other sales				**2,719**				2,652
Net sales				**$ 54,106**				$ 56,533
Adjusted EBITDA[1]				**$ 18,073**				$ 19,320
Adjusted EBITDA margin[1]				**33%**				34%

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

Net sales for the year ended December 31, 2017 totaled $54.1 million compared to $56.5 million in 2016. This decrease primarily reflects the impact of limited export markets for biomass products, as log sales volumes and weighted average log selling prices were largely in line with the prior year. Log sales volumes increased 2% to 735 thousand m^3 in 2017, from 721 thousand m^3 in 2016, driven by favourable harvest conditions throughout the year and the continued strength of softwood sawlog markets.

The weighted average log selling price of $65.60 per m^3 in 2017 decreased marginally from $67.03 per m^3 in the prior year as softwood sawlog prices increased 2% due to strong demand while hardwood pulpwood prices decreased 4% as a result of changes in customer mix.

Costs were \$36.0 million in 2017 compared to \$37.2 million in 2016, reflecting lower volumes and pricing for biomass products due to limited export markets, whereas variable log costs per m^3 remained in line with 2016. Adjusted EBITDA for the year ended December 31, 2017 was \$18.1 million compared to \$19.3 million in 2016, and the Adjusted EBITDA margin was 33% compared to 34% in the prior year.

For the year ended December 31, 2017, our New Brunswick operations experienced one recordable safety incident among employees and three recordable safety incidents among contractors. While these four incidents resulted in lost time, the injuries were relatively minor in nature and the individuals have already made a full recovery. We continue to work with our New Brunswick contractors and employees to target continuous improvement in workplace safety. Furthermore, our New Brunswick operations successfully completed an audit in 2017 under the 2015-2019 standard of the Sustainable Forest Initiative® without any non-conformances, which re-affirms our certificate and is a testament to the sustainability of our operations.

Maine Timberlands

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

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

	Year Ended December 31, 2017				*Year Ended December 31, 2016*			
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Sales Mix**	**Results** *(\$000s)*	Harvest *(000s m^3)*	Sales *(000s m^3)*	Sales Mix	Results *(000s m^3)*
Softwood	**161.4**	**160.8**	**49%**	**\$ 12,250**	166.1	165.4	60%	\$ 12,833
Hardwood	**144.5**	**145.1**	**44%**	**10,855**	94.0	91.4	34%	7,353
Biomass	**24.6**	**24.6**	**7%**	**38**	17.3	17.3	6%	80
	330.5	**330.5**	**100%**	**23,143**	277.4	274.1	100%	20,266
Other sales				**578**				369
Net sales				**\$ 23,721**				\$ 20,635
Adjusted EBITDA[1]				**\$ 6,751**				\$ 4,256
Adjusted EBITDA margin[1]				**28%**				21%

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

Net sales for the year ended December 31, 2017 totaled \$23.7 million compared to \$20.6 million during the prior year, primarily due to a 19% increase in log sales volumes. This increase was driven by a meaningful 63% increase in hardwood pulpwood sales volume as a result of favourable harvest conditions relative to 2016 and an increase in regional market share. We believe that Acadian has been able to capture additional market share, in part, because it has built up a strong track record of reliability over time, and also due to its Sustainable Forestry Initiative® certification, which is a requirement of certain customers.

The weighted average log selling price during 2017 in Canadian dollar terms was \$75.54 per m^3, a decrease from \$78.61 per m^3 during the prior year. The weighted average log selling price in U.S. dollar terms of \$58.62 per m^3 during 2017 was in line with the prior year. Softwood sawlog prices, which had been impacted during 2016 and early 2017 by higher customer inventories and limited markets for sawmill residuals, increased 2% over the prior year. However, this benefit was offset by the impact of higher relative sales volumes of hardwood pulpwood which experienced a slight decline in average pricing over the prior year.

Costs for the year ended December 31, 2017 were \$19.3 million compared to \$16.7 million during 2016, driven by the aforementioned increase in log sales volumes. While variable log costs per m^3 in Canadian dollars remained in line with 2016, in U.S. dollar terms, variable log costs per m^3 increased 3% over the prior year due to longer hauling distances. Adjusted EBITDA for the year ended December 31, 2017 was \$6.8 million compared to \$4.3 million in the prior year, driven by the benefit of HBU land sales as well as the aforementioned increase in sales volumes. As a result, the Adjusted EBITDA margin in 2017 increased to 28% from 21% in the prior year.

For the year ended December 31, 2017, there were no recordable safety incidents among employees and one lost time incident among contractors. We are pleased to report that our Maine employees have now extended their impressive record of accident-free years to seventeen. Furthermore, our Maine operations successfully completed a surveillance audit in 2017 under the 2015-2019 standard of the Sustainable Forest Initiative® without any non-conformances, which re-affirms our certificate and is a testament to the sustainability of our operations.

Maine Timberlands invested $0.5 million during of the year ended December 31, 2017 on approximately 1,300 acres of freehold timberlands to eliminate third party common and undivided ownership interests which will strengthen our regional operating position.

Financial Position

Acadian's financial position continues to be solid with $97.3 million of net liquidity as at December 31, 2017, including funds available under the Company's Revolving Facility and a stand-by equity commitment from Brookfield.

As at December 31, 2017, Acadian's balance sheet consisted of total assets of $462.2 million (2016 – $454.6 million), represented primarily by timber, land, roads and other fixed assets of $419.9 million (2016 – $419.7 million), with the balance in cash and current assets of $36.2 million (2016 – $28.8 million), and intangible assets of $6.1 million (2016 – $6.1 million). The balance sheet also reflects the acquisition of Katahdin Timberlands LLC on January 1, 2017 for $1.3 million, a related company owned by Brookfield that leased and held parcels of land complementary to Acadian's Maine Timberlands. Timber has been recorded at fair value as determined through an independent third party appraisal at December 31, 2017. Reforestation costs have been expensed as incurred.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

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

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

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

Capital Resources

Borrowings

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

As at December 31, 2017, Acadian had borrowings of US$72.5 million under the Term Facility and the Revolving Facility was undrawn.

As collateral for these facilities, Acadian has granted the lenders a security interest over all of its assets. The facilities are subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness, granting liens or selling assets without the consent of the lenders. The credit facilities are subject to the maintenance of a maximum ratio of loan to appraised value and Acadian is in compliance as of December 31, 2017. In addition, US$1.6 million of the Revolving Facility is reserved to support the minimum cash balance requirement of the Term Facility.

Stand-by Equity Commitment

In September 2017, Acadian extended its stand-by equity commitment with Brookfield in an aggregate amount of US$50 million for an additional two years to July 2019. The equity commitment is structured so that Acadian may call on the equity commitment in exchange for the issuance of a number of common shares that corresponds to the amount of the equity commitment called, divided by the volume-weighted average of the trading price for Acadian's common shares on the Toronto Stock Exchange for a period of up to twenty trading days immediately preceding the date of the call, as approved by the Toronto Stock Exchange. All issuances of shares pursuant to the equity commitment will be subject to meeting Toronto Stock Exchange and other applicable regulatory requirements (if any).

As at December 31, 2017, no amounts have been drawn on the equity commitment.

Outstanding Shares

As at December 31, 2017, 16,731,216 common shares were issued and outstanding. The Company is authorized to issue an unlimited number of shares of the same class with equal rights and privileges. Shareholders are entitled to receive dividends as and when declared by the Company's Board of Directors and are entitled to one vote per share on all matters to be voted on by shareholders at each meeting of shareholders. As of March 2, 2017, Acadian implemented a normal course issuer bid ("NCIB") that permits the Company to acquire a block of shares if they become available. During 2017, no purchases were made.

As at December 31, 2017, affiliates of Brookfield Asset Management Inc. (collectively "Brookfield") owned 7,513,262, approximately 45%, of the outstanding common shares of Acadian.

MARKET OUTLOOK

The following contains forward-looking statements about Acadian Timber Corp.'s market outlook for the remainder of 2018. Reference should be made to "Forward-Looking Statements" on page 26. For a description of material factors that could cause actual results to differ materially from the forward-looking statements in the following, please see the Risk Factors section starting on page 19 of this Annual Report and in our Annual Information Form available on our website at www.acadiantimber.com or www.sedar.com.

The U.S. economy is expected to continue to grow at an above-trend pace in 2018, which should contribute to continued positive wage growth. Tight construction labour markets and additional interest rate hikes remain as headwinds, but the underlying fundamental driver of pent-up household formation remains very strong. While economic forecasters continue to revise their outlook for U.S. housing starts reflecting near term supply side headwinds, all are predicting steady growth in the 6-8% range for 2018, up from 2.5% growth in 2017. A higher proportion of single-family starts and strong repair and renovation activity in 2018 will continue to increase demand and boost softwood lumber and wood product pricing. Industry forecasters predict that North American sawtimber demand will grow at over 5% per year over the next few years supported by expanding domestic construction needs.

During the second half of 2017, a number of supply side factors including wildfires in the BC Interior, severe hurricane activity in the Caribbean and U.S. South, and severe cold December weather throughout North America had a negative impact on lumber production. These events helped push lumber prices to multi-year highs, with average year to date 2017 benchmark prices sitting 26% above year-ago levels. With inventories remaining low as the typical seasonal purchasing ramps up for spring building season, we anticipate lumber pricing to remain elevated well into early 2018. Northeast North American softwood dimension sawmills represent over one third of Acadian's end-use market and are the primary market for our softwood sawtimber. Regional mills continue to operate on full shifts and appear to be carrying inventories consistent with historic seasonal practices.

In the quarter, the U.S. Department of Commerce announced final countervailing duty ("CVD") and antidumping ("AD") rates, lowering the combined duty from preliminary rates set earlier in the year of 26.75% to 20.23% for most Canadian producers. In response, Canada launched initiatives under the North American Free Trade Agreement ("NAFTA") and with the World Trade Organization ("WTO") to review the new U.S. duties on softwood lumber imports. With U.S. Canadian NAFTA negotiations continuing, there is little visibility on any negotiated softwood dispute resolution. Strength in lumber markets, combined with supply side factors are broadly expected to continue to support a pass through of duties to the market in 2018.

Acadian's hardwood sawtimber markets, which focus on industrial mill work end uses, remain strong and stable and are unaffected by U.S. trade initiatives. The supply demand balance for northeast hardwood pulpwood markets also remains tight, supporting an ongoing stable price environment. Acadian continues to be a preferred partner for hardwood fibre supply to this important market segment. Demand for Acadian's smallest segment by margin, softwood pulpwood and biomass, remains at historic low levels, however, we anticipate biomass exports from New Brunswick will resume by mid-2018.

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)*	**2017**	2016	2015
Total			
Sales volume (000s m^3)	**297.6**	351.2	311.4
Net sales	**$ 19,964**	$ 22,723	$ 21,735
Operating earnings	**5,450**	6,753	7,112
Net income	**12,348**	3,121	13,765
Adjusted EBITDA[1]	**6,005**	7,049	7,412
Adjusted EBITDA margin[1]	**30%**	31%	34%
Free Cash Flow[1]	**$ 4,756**	$ 6,276	$ 6,388
Dividends declared	**4,601**	4,183	4,182
Payout ratio[1]	**97%**	67%	65%

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

For the three months ended December 31, 2017 (the "fourth quarter"), Acadian generated net sales of $20.0 million compared with net sales of $22.7 million during the prior year period. The year-over-year change is primarily due to a 12% decrease in log sales volumes driven by timing of harvest activities as our New Brunswick operations benefited from favourable harvest and market conditions, particularly for softwood sawlogs and hardwood pulpwood, earlier in the year.

Weighted average log selling prices decreased 1% as the benefit of continued strength in softwood sawlog markets was offset by slightly lower pricing for hardwood pulpwood. Variable log costs per m^3 increased 2% during the fourth quarter compared to the prior year period due to lower relative softwood sawlog sales volumes. Adjusted EBITDA and Adjusted EBITDA margin for the fourth quarter were $6.0 million and 30%, respectively, compared to $7.0 million and 31%, respectively, during the prior year period primarily due to the above noted decrease in harvest volumes.

Net income for the fourth quarter totaled $12.3 million compared to $3.1 million for the same period in 2016, primarily as a result of a favourable fair value revaluation of timber assets and lower unrealized foreign exchange losses on U.S. dollar denominated long term debt.

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)*	**2017**	2016
Net income	**$ 12,348**	$ 3,121
Add / (deduct):		
Interest expense, net	**706**	756
Current income tax expense	**565**	53
Deferred income tax recovery	**(140)**	(2,230)
Depreciation and amortization	**80**	131
Fair value adjustments	**(8,307)**	2,941
Unrealized exchange loss on long term debt	**753**	2,277
Adjusted EBITDA[1]	**$ 6,005**	$ 7,049
Add / (deduct):		
Interest paid on debt, net	**(681)**	(729)
Additions to timber, land, roads and other fixed assets	**(35)**	(4)
Gain on sale of timberlands	**(475)**	(165)
Proceeds from sale of timberlands	**507**	178
Current income tax expense	**(565)**	(53)
Free Cash Flow[1]	**$ 4,756**	$ 6,276
Dividends declared	**$ 4,601**	$ 4,183
Payout ratio[1]	**97%**	67%

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

Segmented Results of Operations

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

	Three Months Ended December 31, 2017				*Three Months Ended December 31, 2016*			
CAD thousands	**NB Timberlands**	**Maine Timberlands**	**Corporate**	**Consolidated**	NB Timberlands	Maine Timberlands	Corporate	Consolidated
Sales volume (000s m^3)	**195.6**	**102.0**	**—**	**297.6**	269.9	81.3	—	351.2
Net sales	**$ 12,462**	**$ 7,502**	**$ —**	**$ 19,964**	$ 16,534	$ 6,189	$ —	$ 22,723
Adjusted EBITDA[1]	**$ 4,463**	**$ 2,135**	**$ (593)**	**$ 6,005**	$ 5,867	$ 1,393	$ (211)	$ 7,049
Adjusted EBITDA margin[1]	**36%**	**28%**	**n/a**	**30%**	35%	23%	n/a	31%

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

NB Timberlands

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

	Three Months Ended December 31, 2017				*Three Months Ended December 31, 2016*			
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Sales Mix**	**Results** *($000s)*	Harvest *(000s m^3)*	Sales *(000s m^3)*	Sales Mix	Results *(000s m^3)*
Softwood	**103.2**	**97.1**	**50%**	**$ 5,371**	117.6	113.5	42%	$ 6,189
Hardwood	**68.8**	**66.9**	**34%**	**5,111**	115.4	104.7	39%	8,251
Biomass	**31.6**	**31.6**	**16%**	**549**	51.7	51.7	19%	980
	203.6	**195.6**	**100%**	**11,031**	284.7	269.9	100%	15,420
Other sales				**1,431**				1,114
Net sales				**$ 12,462**				$ 16,534
Adjusted EBITDA[1]				**$ 4,463**				$ 5,867
Adjusted EBITDA margin[1]				**36%**				35%

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

Net sales totaled $12.5 million compared to $16.5 million for the same period last year. Excluding biomass, log sales volumes decreased 25% to 164 thousand m^3 from 218 thousand m^3 in the prior year period. This decrease was largely driven by timing of harvest activities as the New Brunswick operations benefited from favourable harvest and market conditions, particularly for softwood sawlogs and hardwood pulpwood, earlier in 2017. Overall, harvest volumes were in line with expectations for the year-ended December 31, 2017.

The weighted average log selling price during the fourth quarter was $63.92 per m^3, or 3% lower than the prior year period of $66.15 per m^3, as the benefit from a 1% increase in softwood sawlog prices was offset by the impact of lower relative hardwood pulpwood sales volumes, as well as a 4% price decrease due to a change in customer mix. Local demand for biomass products remained strong, but results were impacted by the aforementioned timing of harvest activities, with sales volumes and margins decreasing 39% year-over-year.

Costs for the fourth quarter were $8.0 million, compared to $10.6 million during the same period in 2016, due to the aforementioned decrease in sales volumes, while variable log costs per m^3 improved marginally compared to the prior year period. Adjusted EBITDA for the quarter was $4.5 million, compared to $5.9 million in the prior year period, and Adjusted EBITDA margin increased to 36% from 35%.

During the fourth quarter of 2017, our New Brunswick operations experienced no recordable incidents among employees and one lost time incident among contractors.

Maine Timberlands

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

	Three Months Ended December 31, 2017				*Three Months Ended December 31, 2016*			
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Sales Mix**	**Results** *($000s)*	Harvest *(000s m^3*	Sales *(000s m^3*	Sales Mix	Results *(000s m^3*
Softwood	**47.0**	**46.8**	**46%**	**$ 3,752**	52.8	52.7	65%	$ 4,037
Hardwood	**44.5**	**49.7**	**49%**	**3,620**	25.9	26.6	33%	2,094
Biomass	**5.5**	**5.5**	**5%**	**9**	2.0	2.0	2%	4
	97.0	**102.0**	**100%**	**7,381**	80.7	81.3	100%	6,135
Other sales				**121**				54
Net sales				**$ 7,502**				$ 6,189
Adjusted EBITDA[1]				**$ 2,135**				$ 1,393
Adjusted EBITDA margin[1]				**28%**				23%

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

Net sales totaled $7.5 million compared to $6.2 million during the prior year period, benefiting from a meaningful year-over-year increase in hardwood log sales volumes from 27 thousand m^3 to 50 thousand m^3. This increase was driven primarily by favourable harvest conditions relative to the same quarter of 2016. Additionally, we believe that Acadian has been able to capture additional market share, in part, because it has built up a strong track record of reliability over time, and also due to its Sustainable Forestry Initiative® certification, which is a requirement of certain customers.

The weighted average log selling price in Canadian dollar terms was $76.48 per m^3, compared to $77.36 per m^3 in the same period of 2016. The weighted average log selling price in U.S. dollar terms increased 4% from $57.94 m^3 in the prior year period to $60.19 per m^3 during the fourth quarter of this year. Softwood sawlog prices increased 9% year-over-year due to strengthening regional sawlog markets which had been impacted in 2016 and early 2017 by high customer inventories and limited markets for sawmill residuals. However, this benefit was partially offset by the impact of higher relative sales volumes of hardwood pulpwood which experienced a slight decline in average pricing over the prior year.

Costs for the fourth quarter were $5.8 million compared to $5.0 million during the same period in 2016 due to the aforementioned increase in sales volumes, while variable log costs per m^3 remained in line with the prior year period. Adjusted EBITDA for the quarter was $2.1 million, compared to $1.4 million in the prior year period, and Adjusted EBITDA margin increased to 28% from 23%.

During the fourth quarter of 2017, there were no recordable safety incidents at our Maine Timberlands among employees and one lost time incident among contractors.

SUPPLEMENTAL INFORMATION

Selected Consolidated Quarterly Information

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

	2017				2016			
(CAD thousands, except per share data and where indicated)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales volume (000s m³)	**298**	381	217	356	351	352	209	302
Net sales	**$ 19,964**	$22,161	$12,630	$23,072	$ 22,723	$19,342	$13,656	$21,447
Adjusted EBITDA[1]	**6,005**	6,687	2,622	8,030	7,049	5,153	3,301	7,044
Free Cash Flow[1]	**4,756**	5,302	2,034	7,388	6,276	4,195	2,743	6,170
Net income / (loss)	**12,348**	9,702	4,011	4,758	3,121	2,779	5,830	4,342
Per share – basic and diluted	**$ 0.74**	$ 0.58	$ 0.24	$ 0.28	$ 0.18	$ 0.17	$ 0.35	$ 0.26

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

Additional Quarterly Information

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

NB Timberlands

	2017 Q4			2017 Q3			2017 Q2			2017 Q1		
	Harvest *(000s m³)*	**Sales** *(000s m³)*	**Results** *($000s)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *($000s)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *($000s)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *($000s)*
Softwood	**103.2**	**97.1**	**$ 5,371**	113.0	115.2	$ 6,265	27.8	39.4	$ 2,038	135.3	126.5	$ 7,258
Hardwood	**68.8**	**66.9**	**5,111**	99.5	103.2	7,396	62.0	92.1	7,186	115.3	94.7	7,602
Biomass	**31.6**	**31.6**	**549**	70.2	70.2	863	39.3	39.3	783	45.3	45.3	965
	203.6	**195.6**	**11,031**	282.7	288.6	14,524	129.1	170.8	10,007	295.9	266.5	15,825
Other sales			**1,431**			1,023			(223)			488
Net sales			**$ 12,462**			$ 15,547			$ 9,784			$16,313
Adjusted EBITDA[1]			**$ 4,463**			$ 5,454			$ 2,028			$ 6,128
Adjusted EBITDA margin[1]			**36%**			35%			21%			38%

	2016 Q4			2016 Q3			2016 Q2			2016 Q1		
	Harvest *(000s m³)*	Sales *(000s m³)*	Results *($000s)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *($000s)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *($000s)*	Harvest *(000s m³)*	Sales *(000s m³)*	Results *($000s)*
Softwood	117.6	113.5	$ 6,189	97.4	99.2	$ 5,258	35.4	65.5	$ 3,588	111.0	80.5	$ 4,359
Hardwood	115.4	104.7	8,251	98.5	91.2	6,663	49.5	76.6	6,475	109.6	90.0	7,559
Biomass	51.7	51.7	980	92.3	92.3	1,660	40.8	40.8	1,561	33.3	33.3	1,338
	284.7	269.9	15,420	288.2	282.7	13,581	125.7	182.9	11,624	253.9	203.8	13,256
Other sales			1,114			747			116			675
Net sales			$ 16,534			$ 14,328			$ 11,740			$ 13,931
Adjusted EBITDA[1]			$ 5,867			$ 4,608			$ 3,887			$ 4,958
Adjusted EBITDA margin[1]			35%			32%			33%			36%

Maine Timberlands

	2017 Q4			2017 Q3			2017 Q2			2017 Q1		
	Harvest *(000s m^3)*	**Sales** *(000s m^3)*	**Results** *($000s)*	Harvest *(000s m^3)*	Sales *(000s m^3)*	Results *($000s)*	Harvest *(000s m^3)*	Sales *(000s m^3)*	Results *($000s)*	Harvest *(000s m^3)*	Sales *(000s m^3)*	Results *($000s)*
Softwood	**47.0**	**46.8**	**$ 3,752**	35.0	34.9	$ 2,592	16.6	16.5	$ 1,155	62.8	62.6	$ 4,751
Hardwood	**44.5**	**49.7**	**3,620**	56.8	50.2	3,799	13.8	19.5	1,544	29.4	25.7	1,892
Biomass	**5.5**	**5.5**	**9**	7.3	7.3	11	10.6	10.6	16	1.2	1.2	2
	97.0	**102.0**	**7,381**	99.1	92.4	6,402	41.0	46.6	2,715	93.4	89.5	6,645
Other sales			**121**			212			131			114
Net sales			**$ 7,502**			$ 6,614			$ 2,846			$ 6,759
Adjusted EBITDA[1]			**$ 2,135**			$ 1,551			$ 909			$ 2,156
Adjusted EBITDA margin[1]			**28%**			23%			32%			32%

	2016 Q4			2016 Q3			2016 Q2			2016 Q1		
	Harvest (000s m^3)	Sales (000s m^3)	Results ($000s)	Harvest (000s m^3)	Sales (000s m^3)	Results ($000s)	Harvest (000s m^3)	Sales (000s m^3)	Results ($000s)	Harvest (000s m^3)	Sales (000s m^3)	Results ($000s)
Softwood	52.8	52.7	$ 4,037	36.3	36.2	$ 2,878	11.8	11.6	$ 776	65.2	64.9	$ 5,142
Hardwood	25.9	26.6	2,094	29.7	25.6	1,977	8.6	11.8	984	29.8	27.4	2,298
Biomass	2.0	2.0	4	7.2	7.2	23	2.6	2.6	16	5.5	5.5	37
	80.7	81.3	6,135	73.2	69.0	4,878	23.0	26.0	1,776	100.5	97.8	7,477
Other sales			54			136			140			39
Net sales			$ 6,189			$ 5,014			$ 1,916			$ 7,516
Adjusted EBITDA[1]			$ 1,393			$ 749			$ (167)			$ 2,281
Adjusted EBITDA margin[1]			23%			15%			(9%)			30%

Corporate

	2017 Q4	2017 Q3	2017 Q2	2017 Q1
	Results *($000s)*	Results *($000s)*	Results *($000s)*	Results *($000s)*
Net sales	**$ —**	$ —	$ —	$ —
Adjusted EBITDA[1]	**$ (593)**	$ (318)	$ (315)	$ (254)

	2016 Q4	2016 Q3	2016 Q2	2016 Q1
	Results ($000s)	Results ($000s)	Results ($000s)	Results ($000s)
Net sales	$ —	$ —	$ —	$ —
Adjusted EBITDA[1]	$ (211)	$ (204)	$ (419)	$ (195)

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

Critical Accounting Policies and Estimates

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

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

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

Related Party Transactions

In the normal course of operations, the Company enters into various transactions on market terms with related parties which have been measured at exchange value and recognized in the consolidated financial statements. The Company has one significant related party, Brookfield Asset Management Inc., and its affiliates (collectively "Brookfield"). As at December 31, 2017, Brookfield owned 7,513,262 common shares, representing approximately 45% of the outstanding shares of the Company.

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

a) Upon inception, Acadian entered into an agreement with Brookfield whereby Brookfield will provide a number of administrative and advisory services to Acadian. Total fees for services provided during the year ended December 31, 2017 totaled $2.9 million (2016 – $2.6 million), of which $0.5 million (2016 - $0.2 million) remain outstanding.

b) On January 1, 2017, Acadian acquired a 100% equity interest in Katahdin Timberlands LLC ("KTL"), a related company owned by Brookfield, that leased and held parcels of land complementary to Acadian's Maine Timberlands for $1,276 thousand (US$954 thousand). The parcels of land acquired were historically managed by Maine Timberlands on behalf of Brookfield. The acquisition represented an opportunity for Acadian to integrate the acquired parcels into its existing operations and increase income from HBU sales.

Further to the related party transactions noted above, the total net receivables due from related parties as at December 31, 2017 is $49 thousand (2016 - $42 thousand) and net payable due to related parties is $0.5 million (2016 - $0.2 million). Acadian also has a US$50 million stand-by equity commitment with Brookfield. In September 2017, Brookfield agreed to extend the stand-by equity commitment for an additional two years to July 2019.

Contractual Obligations

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

The table below summarizes the Company's debt obligations as at December 31, 2017.

			Payments Due by Period			
(CAD thousands)	**Total Available**	**Total**	**Less Than One Year (2018)**	**1 to 3 Years (2019-2021)**	**3 to 5 Years (2022-2024)**	**After 5 Years (>2024)**
Debt						
Term loan[1]	$ 91,156	$ 91,156	$ —	$ 91,156	$ —	$ —
Revolving credit facility[2]	12,574	—	—	—	—	—
	$ 103,730	$ 91,156	$ —	$ 91,156	$ —	$ —
Interest payments[3]		$ 8,232	$ 2,744	$ 5,488	$ —	$ —

1 Represents principal of a U.S. dollar denominated term loan with a U.S. to Canadian dollar conversion rate of 1.2574, excluding the unamortized deferred financing costs

2 Represents credit reserved to support the minimum cash balance requirement of the U.S. dollar denominated revolving credit facility with a U.S. to Canadian conversion rate of 1.2574

3 Interest payments are determined assuming a fixed interest rate at 3.01% with a U.S. to Canadian dollar conversion rate of 1.2574

RISK FACTORS

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

Risks Related to the Business and Industry

Dependence on Twin Rivers

Twin Rivers owns a softwood pulp mill in Edmundston, NB, a paper mill in Madawaska, NB, and a softwood lumber mill in Plaster Rock, NB. Approximately 11% of Acadian's total sales for the year ended December 31, 2017 (13% for the year ended December 31, 2016) were derived from lumber mills and pulp and paper mills owned or managed by Twin Rivers. Under the Fibre Supply Agreement, Twin Rivers is permitted to permanently reduce its purchases by any amount, subject to certain notice periods and also has the right to temporarily reduce the volume of fibre that it purchases as a result of market factors or the sale or closure (whether temporary or permanent) of any of its owned or managed mills, while retaining the right to increase such volumes in the future up to the committed level. These rights may restrict Acadian's ability to find replacement customers given the uncertainty of ongoing supply to which such replacement customers would be subject. In addition, Crown licenses have been granted to Twin Rivers as the owner/operator of its mills. If Twin Rivers sells or closes these mills in the future, the Crown licenses would likely be required to be transferred to the purchaser or revert to the Crown, as the case may be, resulting in Twin Rivers potentially losing management over the NB Crown Lands subject to these licenses. Such events could potentially eliminate the fees earned by Acadian in providing services relating to the NB Crown Lands, and thus would result in a reduction of Free Cash Flow and could result in the impairment of intangible assets.

Dependence on the Lumber and Pulp and Paper Industries

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

Trade Restriction

A portion of the products manufactured in Canada using timber from our New Brunswick and Maine operations are exported to the United States for sale. Our financial results are impacted by continued Canadian domestic sawmill ("customer") access to the export markets and tariffs and other trade barriers that restrict or prevent access represent a continuing risk to us. Since 2006, Canadian softwood lumber exports to the United States were subject 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 Quebec border mills 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 US. In December 2016, the United States Department of Commerce announced its decision to initiate countervailing and anti-dumping investigations into imports of certain Canadian softwood lumber products. At the end of 2017, the U.S. Department of Commerce announced final countervailing duties and antidumping rates for most Canadian producers. In response, Canada launched initiatives under NAFTA and with the WTO to review the new U.S. duties on softwood lumber imports. As U.S./Canadian NAFTA negotiations continue with little visibility on any negotiated softwood dispute resolution, a risk remains to Acadian. However, strength in lumber markets, combined with supply side factors are broadly expected to continue to support a pass through of duties to the market in 2018.

Dependence on the Housing, Construction, Repair and Remodeling Market

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

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

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

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

Cyclicality

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

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

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

There is a risk that Acadian's overhead expenses incurred to provide services relating to the NB Crown Lands may not be fully recovered through the fees it is permitted to charge.

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

Furthermore, increased Allowable Annual Cut ("AAC") on Crown Lands could have a negative impact on Acadian's ability to market its timber harvested from the NB Timberlands and the Maine Timberlands. The AAC on Crown Lands for New

Brunswick is determined by the Minister of Natural Resources of New Brunswick and reflects timber conditions, regional and local economic and social interests, and environmental considerations. A significant increase in the AAC in any given year could have an adverse impact on Acadian's operating results.

Fuel and Energy Costs

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

Limitations on Ability to Harvest

Weather conditions, timber growth cycles, access limitations and regulatory requirements associated with the protection of wildlife and water resources may restrict Acadian's harvesting, as may other factors, including damage by fire, insect infestation, disease, prolonged drought and other natural and man-made disasters. There can be no assurance that Acadian will achieve harvest levels in the future necessary to maintain or increase revenues, earnings and cash flows.

Insect Infestations – Spruce Budworm

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

Restrictions Imposed by Forestry and Environmental Regulations

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

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

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

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

Dependence on and Scarcity of Trained Labour

Acadian relies significantly on a limited number of entities to cut and haul harvested timber, as well as to conduct road building and silviculture activities. If any of these entities were to stop doing business with Acadian, Acadian's operations could be negatively impacted. In addition, there is a limited supply of trained foresters and trained operators/contractors in the New Brunswick and Maine regions which may result in increased costs to Acadian to retain its workforce. The ability of trained contractors to operate across the 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 net sales from the Maine Timberlands and a portion of the sales from the NB Timberlands, representing a significant portion of gross revenues earned, are in U.S. dollars. In addition, all expenses incurred in respect of the Maine Timberlands and a nominal amount of the expenses of NB Timberlands are in U.S. dollars and all of Acadian's debt financing and all interest payable thereon is in U.S. dollars. As a result, Acadian's cost competitiveness could be impacted by unfavourable fluctuations in currency exchange rates. In addition, the apparent historical correlation between currency rates and timber prices in regions within close proximity to the Canadian/U.S. border may weaken over time thereby undermining any hedge relating to the Maine Timberlands. Acadian's customers are also susceptible to currency value fluctuations which may negatively impact the sawmills and pulp and paper mills to which Acadian sells its fibre, and accordingly the quantity of fibre sales to such customers could decline.

Forest Management

Although management believes it follows best practices with regard to forest sustainability and general forest management, there can be no assurance that the established LRSY of the NB Timberlands and Maine Timberlands and management's forest management planning, including silviculture, will have the intended result of ensuring that Acadian's asset base 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 concentrated in Maine and New Brunswick. Accordingly, if the level of production from these forests substantially declines or demand in the region were to decline for any reason, including closure of pulp, paper or lumber manufacturing operations in the region, such changes could have a material adverse effect on Acadian's overall harvest levels and its financial results.

Insurance

Acadian's business is subject to risks from fires, drought, tree diseases, severe weather, unforeseen equipment breakdowns, and other events, including events of force majeure, which could result in material damages to Acadian. Insurance for Acadian's standing timber is not available on commercially acceptable terms, but Acadian is insured against all other business risks.

Seasonality

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

Non-Timber Income

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

Labour Relations

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

Protection of Threatened or Endangered Species and Waterways

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

Aboriginal Claims

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

Undetected Environmental Liabilities

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

Ability to Identify and Complete Investment Opportunities

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

Risks Related to the Structure of the Company

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

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

Payment of Dividends

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

Dividends Depend on Performance of Subsidiaries

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

Market Price of Common Shares

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

Dilution of Existing Shareholders

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

Leverage and Restrictive Covenants in Agreements Relating to Indebtedness

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

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

Risks Related to the Arrangement

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

Taxation Risk

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

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

Forward-Looking Statements

This management discussion and analysis ("MD&A") contains forward-looking information within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, such statements may contain such words as "may," "will," "intend," "should," "expect," "believe," "outlook," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the negative of these terms or other similar terminology. Forward-looking information in this MD&A includes statements made in sections entitled "Dividend Policy of the Company,""Liquidity and Capital Resources" and "Market Outlook" and without limitation other statements regarding management's beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, growth strategy and prospects, access to capital, liquidity and trading volumes, dividends, taxes, capital expenditures, projected costs, market trends and similar statements concerning anticipated future events, results, achievements, circumstances, performance or expectations that are not historical facts. These statements, which reflect management's current expectations regarding future events and operating performance, are based on information currently available to management and speak only as of the date of this MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon, and will not necessarily be accurate indications of whether or not such results will be achieved. Factors that could cause actual results to differ materially from the results discussed in the forward-looking statements include, but are not limited to: general economic and market conditions; product demand; concentration of customers; commodity pricing; interest rate and foreign currency fluctuations; seasonality; weather and natural conditions; regulatory, trade or environmental policy changes; changes in Canadian income tax law; economic situation of key customers; Brookfield's ability to source and secure potential investment opportunities; the availability of potential acquisitions that suit Acadian's growth profile; and other risks and factors discussed under the heading "Risk Factors" in this Annual Report and in each of the Annual Information Form dated March 29, 2017 and the Management Information Circular dated March 29, 2017, and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: anticipated financial performance; anticipated market conditions; business prospects; the economic situation of key customers; strategies; regulatory developments; exchange rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services and the ability to obtain financing on acceptable terms. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are made as of the date of this MD&A, and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this MD&A. Acadian assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as may be required by applicable law.