Interim Condensed Consolidated Statements of Net Income / (Loss)

(unaudited)

		Three Months Ended		Nine Months Ended	
(CAD thousands, except per share data)	Note	**September 28, 2019**	September 29, 2018	**September 28, 2019**	September 29, 2018
Sales		**$ 25,357**	$ 26,634	**$ 74,213**	$ 75,681
Operating costs and expenses					
Cost of sales		**17,404**	18,694	**49,900**	51,362
Selling, administration and other		**2,789**	2,392	**7,412**	7,112
Reforestation		**375**	31	**749**	453
Depreciation and amortization		**71**	69	**215**	230
		20,639	21,186	**58,276**	59,157
Operating earnings		**4,718**	5,448	**15,937**	16,524
Interest expense, net		**(1,010)**	(936)	**(2,989)**	(2,897)
Other items					
Fair value adjustments and other		**139**	822	**1,409**	2,088
Unrealized exchange (loss) / gain on long-term debt		**(1,030)**	1,568	**2,907**	(2,371)
Management agreement termination fee		**(18,000)**	—	**(18,000)**	—
Gain on sale of timberlands		**333**	387	**864**	850
Gain / (loss) on disposal of other fixed assets		**1**	155	**2**	(93)
(Loss) / earnings before income taxes		**(14,849)**	7,444	**130**	14,101
Current income tax recovery / (expense)	7	**1,667**	(575)	**335**	(1,844)
Deferred income tax recovery / (expense)	7	**2,313**	(920)	**632**	(2,434)
Net (loss) / income		**$ (10,869)**	$ 5,949	**$ 1,097**	$ 9,823
Net (loss) / income per share - basic and diluted		**$ (0.65)**	$ 0.36	**$ 0.07**	$ 0.59

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Comprehensive Income / (Loss)

(unaudited)

(CAD thousands)	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	**September 28, 2019**	September 29, 2018
Net (loss) / income	**$ (10,869)**	$ 5,949	**$ 1,097**	$ 9,823
Other comprehensive (loss) / income				
Items that may be reclassified subsequently to net income:				
Unrealized foreign currency translation (loss) / gain	**1,500**	(2,228)	**(4,447)**	3,226
Gain on revaluation of land	**(9)**	—	**(23)**	—
Deferred income tax recovery	**3**	—	**7**	—
Comprehensive (loss) / income	**$ (9,375)**	$ 3,721	**$ (3,366)**	$ 13,049

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Balance Sheets

(unaudited)

As at (CAD thousands)	Note	**September 28, 2019**	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents		**$ 12,900**	$ 22,320
Accounts receivable and other assets	5	**10,191**	7,230
Current taxes receivable		**2,695**	—
Inventory		**1,098**	2,756
		26,884	32,306
Timber	9	**366,169**	367,901
Land, roads and other fixed assets		**84,769**	86,103
Intangible assets		**6,140**	6,140
Total assets		**$ 483,962**	$ 492,450
Liabilities and shareholders’ equity			
Current liabilities			
Short-term debt		**$ 9,930**	$ —
Accounts payable and accrued liabilities	5	**11,462**	7,963
Current tax liabilities		**—**	647
Dividends payable to shareholders	8	**4,839**	4,714
		26,231	13,324
Long-term debt	3	**94,722**	96,595
Deferred income tax liability		**90,519**	92,119
Shareholders’ equity		**272,490**	290,412
Total liabilities and shareholders’ equity		**$ 483,962**	$ 492,450

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Equity

(unaudited)

Nine Months Ended September 28, 2019 (CAD thousands)	Note	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Shareholders' Equity
Balance as at December 31, 2018		**$ 139,431**	**$ 85,936**	**$ 30,272**	**$ 34,773**	**$ 290,412**
Changes in period						
Net income		**—**	**1,097**	**—**	**—**	**1,097**
Common shares repurchased under NCIB	4	**(37)**	**—**	**—**	**—**	**(37)**
Other comprehensive loss		**—**	**—**	**(16)**	**(4,447)**	**(4,463)**
Shareholders' dividends declared	8	**—**	**(14,519)**	**—**	**—**	**(14,519)**
Balance as at September 28, 2019		**$ 139,394**	**$ 72,514**	**$ 30,256**	**$ 30,326**	**$ 272,490**

See accompanying notes to interim condensed consolidated financial statements.

Nine Months Ended September 29, 2018 (CAD thousands)	Note	Common Share Capital	Retained Earnings	Revaluation Surplus	Currency Translation	Shareholders' Equity
Balance as at December 31, 2017		$ 140,067	$ 76,375	$ 33,877	$ 23,766	$ 274,085
Impact of adopting IFRS 9, net of income taxes			2,066			2,066
Adjusted opening balance under IFRS 9		140,067	78,441	33,877	23,766	276,151
Changes in period						
Net income		—	9,823	—	—	9,823
Other comprehensive income		—	—	—	3,226	3,226
Shareholders' dividends declared	8	—	(14,054)	—	—	(14,054)
Balance as at September 29, 2018		$ 140,067	$ 74,210	$ 33,877	$ 26,992	$ 275,146

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows

(unaudited)

(CAD thousands)	Three Months Ended September 28, 2019	Three Months Ended September 29, 2018	Nine Months Ended September 28, 2019	Nine Months Ended September 29, 2018
Cash and cash equivalents provided by (used for):				
Operating activities				
Net (loss) / income	**$ (10,869)**	$ 5,949	**$ 1,097**	$ 9,823
Adjustments to net (loss) / income:				
Deferred income tax (recovery) / expense	**(2,313)**	920	**(632)**	2,434
Depreciation and amortization	**71**	69	**215**	230
Fair value adjustments and other	**(139)**	(822)	**(1,409)**	(2,088)
Unrealized exchange loss / (gain) on long-term debt	**1,030**	(1,568)	**(2,907)**	2,371
Gain on sale of timberlands	**(333)**	(387)	**(864)**	(850)
(Gain) / loss on disposal of other fixed assets	**(1)**	(155)	**(2)**	93
Accretion of gain resulting from refinancing of long-term debt	**276**	267	**861**	774
Net change in non-cash working capital balances and other	**(1,079)**	(1,511)	**(2,114)**	(2,561)
	(13,357)	2,762	**(5,755)**	10,226
Financing activities				
Borrowings	**9,930**	—	**9,930**	—
Dividends paid to shareholders	**(4,840)**	(4,726)	**(14,394)**	(13,928)
Common shares repurchased under NCIB	**—**	—	**(37)**	—
	5,090	(4,726)	**(4,501)**	(13,928)
Investing activities				
Additions to timber, land, roads and other fixed assets	**(68)**	(159)	**(86)**	(190)
Proceeds from sale of timberlands	**353**	469	**920**	966
Proceeds from sale of roads and other fixed assets	**1**	387	**2**	574
	286	697	**836**	1,350
Decrease in cash and cash equivalents during the period	**(7,981)**	(1,267)	**(9,420)**	(2,352)
Cash and cash equivalents, beginning of period	**20,881**	22,866	**22,320**	23,951
Cash and cash equivalents, end of period	**$ 12,900**	$ 21,599	**$ 12,900**	$ 21,599

See accompanying notes to interim condensed consolidated financial statements.

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

(CAD thousands)	Three Months Ended September 28, 2019	Three Months Ended September 29, 2018	Nine Months Ended September 28, 2019	Nine Months Ended September 29, 2018
Accounts receivable and other assets	**$ (3,166)**	$ (5,630)	**$ (2,961)**	$ (738)
Inventory	**21**	(673)	**1,658**	(248)
Accounts payable and accrued liabilities	**6,374**	4,690	**3,499**	(2,103)
Current tax assets / liabilities	**(4,332)**	470	**(3,342)**	1,739
Other	**24**	(368)	**(968)**	(1,211)
	$ (1,079)	$ (1,511)	**$ (2,114)**	$ (2,561)

Notes to the Interim Condensed Consolidated Financial Statements

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

NOTE 1. GENERAL

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

The Company and all of its consolidated operations (collectively, "Acadian"), 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 85 regional customers.

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

On August 20, 2019, Brookfield Asset Management Inc. ("Brookfield") sold its 45% interest in the Company comprising 7,513,262 common shares to Macer Forest Holdings Inc ("Macer").

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board and using the accounting policies adopted and disclosed in Note 2 of Acadian's 2018 annual report. These interim condensed consolidated financial statements should be read in conjunction with Acadian's 2018 annual report.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of Acadian on October 30, 2019.

Recently Adopted Accounting Policies

International Financial Reporting Standards 16, *Leases* ("IFRS 16")

IFRS 16, which was issued in January 2016, was adopted by the Company on January 1, 2019 using the full retrospective approach. The Company performed an assessment of its current leases and identified no material capital or operating lease obligations. As a result, adopting this standard did not have a material impact on the interim condensed consolidated financial statements.

NOTE 3. LONG-TERM DEBT

Long-term debt consists of the following:

As at (CAD thousands)	**September 28, 2019**	December 31, 2018
Term facility, due October 2020	**$ 95,990**	$ 98,897
Less:		
Gain resulting from refinancing, net of accretion	**(1,162)**	(2,118)
Deferred debt issuance costs	**(106)**	(184)
Total	**$ 94,722**	$ 96,595

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 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 the 90-day LIBOR plus applicable margin. Floating interest rates give rise to interest rate risk as earnings and cash flows may be negatively impacted by fluctuations in interest rates.

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

As at September 28, 2019, Acadian had borrowed US$72.5 million (December 31, 2018 - US$72.5 million) under the Term Facility and US$7.5 million (December 31, 2018 - US$Nil) under the Revolving Facility. In addition, US$1.6 million of the Revolving Facility is reserved to support the minimum cash balance requirement of the Term Facility. As security for these facilities, Acadian granted the lenders a security interest over all of its assets. The facilities are subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness and granting liens or selling assets without the consent of the lenders. The credit facilities are also subject to the maintenance of a maximum loan-to-value ratio. Acadian is in compliance with all covenants as at September 28, 2019 and December 31, 2018.

The fair value of the Term Facility as at September 28, 2019 is $96.1 million (December 31, 2018 – $98.2 million). The fair value of debt is determined using the discounted cash flow approach and is measured under Level 2 of the fair value hierarchy. Future cash flows are estimated based on the terms under the Term Facility and discounted at a rate reflecting appropriate market fundamentals relating to the debt.

NOTE 4. SHAREHOLDERS' EQUITY

Acadian is authorized to issue an unlimited number of common shares. The common shares have no stated par value. As of March 2, 2017, Acadian implemented a normal course issuer bid ("NCIB") that permits the Company to acquire shares under certain circumstances if they become available. During the nine months ended September 28, 2019, the Company repurchased and cancelled 1,500 common shares under the NCIB at an average price of $15.16 per share for total consideration of $23 thousand and made a payment of $14 thousand related to the finalization of 2018 purchases. Common shares issued and outstanding are as follows:

	September 28, 2019	December 31, 2018
Outstanding, beginning of year	**16,688,416**	16,731,216
Purchased under NCIB	**(1,500)**	(42,800)
Outstanding, end of period	**16,686,916**	16,688,416
Weighted average shares outstanding	**16,686,927**	16,728,823

NOTE 5. 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 the exchange value and recognized in the interim condensed consolidated financial statements. The Company's one significant related party prior to August 20, 2019 was Brookfield. Prior to August 20, 2019, Brookfield owned 7,513,262 common shares of the Company representing 45% of the Company's outstanding shares. The common shares previously owned by Brookfield were sold to Macer on August 20, 2019, resulting in Macer becoming a related party.

As at September 28, 2019, Macer owned 7,513,262 common shares, representing approximately 45% of the Company's outstanding shares.

Upon inception, Acadian entered into a management agreement with Brookfield whereby Brookfield provided a number of administrative and advisory services to Acadian. The agreement with Brookfield was terminated by Acadian on September 9, 2019. Total fees for services provided up to and including September 9, 2019, and in the three and nine months ended September 28, 2019, totaled $1.0 million (2018 – $0.6 million) and $2.2 million (2018 – $1.8 million), respectively. In addition, Acadian paid fees of $18.0 million to Brookfield in connection with the termination of the management agreement during the three months ended September 28, 2019 (2018 - $Nil). As at September 28, 2019, no fees (December 31, 2018 – $0.5 million) remain outstanding.

Further to the related party transactions noted above, the total net receivables due from related parties as at September 28, 2019 is $Nil (December 31, 2018 – $42 thousand) and net payables due to related parties is $Nil (December 31, 2018 – $446 thousand).

NOTE 6. SEGMENTED INFORMATION

Acadian's presentation of reportable segments is based on how management has organized the business in making operating and capital allocation decisions and assessing performance. Acadian has two operating segments, the NB Timberlands and Maine Timberlands. Timber sales are recognized upon harvest and delivery of the softwood and hardwood timber or biomass to the customer and timber services are recognized when the service provided to the customer has been completed. Sales, net income (loss), assets and liabilities by reportable segments are as follows:

Three Months Ended September 28, 2019 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Sales				
Softwood	$ 9,415	$ 5,864	$ 3,551	$ —
Hardwood	10,352	8,188	2,164	—
Biomass	822	818	4	—
Timber services and other sales	4,768	4,599	169	—
Total sales	25,357	19,469	5,888	—
Operating costs	(20,193)	(14,631)	(5,185)	(377)
Reforestation	(375)	(275)	(100)	—
Depreciation and amortization	(71)	(43)	(28)	—
Operating earnings / (loss)	4,718	4,520	575	(377)
Gain on sale of timberlands	333	227	106	—
Gain on disposal of other fixed assets	1	—	1	—
Fair value adjustments and other	139	582	(451)	8
Management agreement termination fee	(18,000)	(11,988)	(6,012)	—
Loss before the undernoted	(12,809)	(6,659)	(5,781)	(369)
Unrealized exchange loss on long-term debt	(1,030)			
Interest expense, net	(1,010)			
Loss before income taxes	(14,849)			
Current income tax recovery	1,667			
Deferred income tax recovery	2,313			
Net loss	$ (10,869)			

As at September 28, 2019 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	$ 457,078	$ 287,652	$ 169,426	$ —
Total assets	483,962	301,261	172,421	10,280
Total liabilities	$ 211,472	$ 8,930	$ 33,933	$ 168,609

Three Months Ended September 29, 2018 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Sales				
Softwood	$ 9,885	$ 5,417	$ 4,468	$ —
Hardwood	8,922	7,063	1,859	—
Biomass	1,855	1,848	7	—
Timber services and other sales	5,972	5,792	180	—
Total sales	26,634	20,120	6,514	—
Operating costs	(21,086)	(15,857)	(4,879)	(350)
Reforestation	(31)	81	(112)	—
Depreciation and amortization	(69)	(41)	(28)	—
Operating earnings / (loss)	5,448	4,303	1,495	(350)
Gain on sale of timberlands	387	—	387	—
Gain on disposal of other fixed assets	155	151	4	—
Fair value adjustments and other	822	1,291	(350)	(119)
Earnings / (loss) before the undernoted	6,812	5,745	1,536	(469)
Unrealized exchange gain on long-term debt	1,568			
Interest expense, net	(936)			
Earnings before income taxes	7,444			
Current income tax expense	(575)			
Deferred income tax expense	(920)			
Net income	$ 5,949			

As at September 29, 2018 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Timber, land, roads and other fixed assets and intangible assets	$ 430,611	$ 284,142	$ 146,469	$ —
Total assets	465,429	300,058	150,953	14,418
Total liabilities	190,283	8,482	26,656	155,145

Nine Months Ended September 28, 2019 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Sales				
Softwood	$ 30,288	$ 17,817	$ 12,471	$ —
Hardwood	26,743	20,849	5,894	—
Biomass	3,566	3,554	12	—
Timber services and other sales	13,616	13,147	469	—
Total sales	74,213	55,367	18,846	—
Operating costs	(57,312)	(41,800)	(14,548)	(964)
Reforestation	(749)	(649)	(100)	—
Depreciation and amortization	(215)	(130)	(85)	—
Operating earnings / (loss)	15,937	12,788	4,113	(964)
Gain on sale of timberlands	864	470	394	—
Gain on disposal of other fixed assets	2	—	2	—
Fair value adjustments and other	1,409	2,336	(636)	(291)
Management agreement termination fee	(18,000)	(11,988)	(6,012)	—
Earnings / (loss) before the undernoted	212	3,606	(2,139)	(1,255)
Unrealized exchange gain on long-term debt	2,907			
Interest expense, net	(2,989)			
Earnings before income taxes	130			
Current income tax recovery	335			
Deferred income tax recovery	632			
Net income	$ 1,097			

Nine Months Ended September 29, 2018 (CAD thousands)	Total	NB Timberlands	Maine Timberlands	Corporate and Other
Sales				
Softwood	$ 30,935	$ 17,232	$ 13,703	$ —
Hardwood	25,365	20,096	5,269	—
Biomass	4,827	4,802	25	—
Timber services and other sales	14,554	14,027	527	
Total sales	75,681	56,157	19,524	—
Operating costs	(58,474)	(43,471)	(14,054)	(949)
Reforestation	(453)	(323)	(130)	
Depreciation and amortization	(230)	(141)	(89)	—
Operating earnings / (loss)	16,524	12,222	5,251	(949)
Gain on sale of timberlands	850	—	850	—
(Loss) / gain on disposal of other fixed assets	(93)	151	(244)	
Fair value adjustments and other	2,088	2,922	(1,120)	286
Earnings / (loss) before the undernoted	19,369	15,295	4,737	(663)
Unrealized exchange loss on long-term debt	(2,371)			
Interest expense, net	(2,897)			
Earnings before income taxes	14,101			
Current income tax expense	(1,844)			
Deferred income tax expense	(2,434)			
Net income	$ 9,823			

During the three months ended September 28, 2019, approximately 38% of total sales (2018 – 33%) were originated with customers domiciled in the U.S. and the balance in Canada. During the same period, approximately 34% of total sales (2018 – 31%) were denominated in U.S. dollars.

Acadian outsources much of its harvesting, transportation and other services that comprise the majority of Acadian's operating costs. For the three months ended September 28, 2019, Acadian's top three suppliers accounted for approximately 12%, 10% and 4%, respectively, of Acadian's total operating costs (2018 – 12%, 10% and 8%, respectively).

Acadian sells its products to many forest product companies in North America. For the three months ended September 28, 2019, sales to the largest and next largest customer accounted for 17% and 13%, respectively, of Acadian's total sales (2018 – 20% and 13%, respectively).

NOTE 7. INCOME TAXES

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

	Three months ended		Nine months ended	
Three Months Ended (CAD thousands)	**September 28, 2019**	September 29, 2018	**September 28, 2019**	September 29, 2018
Income tax (recovery) / expense				
Income taxes at statutory rate	**$ (4,309)**	$ 2,158	**$ 37**	$ 4,089
Foreign tax rate differential	**60**	(16)	**24**	(47)
Permanent differences	**(8)**	(372)	**(824)**	(23)
Expense / (benefit) of previously unrecognized tax attributes	**261**	(256)	**(217)**	298
Other	**16**	(19)	**13**	(39)
Total income tax (recovery) / expense	**$ (3,980)**	$ 1,495	**$ (967)**	$ 4,278

NOTE 8. DIVIDENDS TO SHAREHOLDERS

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

Total dividends declared for the three months ended September 28, 2019 were $4.8 million (2018 – $4.7 million) or $0.29 per share (2018 – $0.2825 per share). For the nine months ended September 28, 2019, total dividends declared were $14.5 million (2018 – $14.1 million) or $0.87 per share (2018 – $0.84 per share).

NOTE 9. TIMBER

(CAD thousands)		
Fair value as at December 31, 2017	$	330,879
Disposals		(47)
Gains arising from growth		31,021
Reduction arising from harvest		(28,589)
Gain from fair value price and other changes		24,541
Foreign exchange		10,096
Balance as at December 31, 2018	$	367,901
Disposals		(4)
Gains arising from growth		23,023
Reduction arising from harvest		(20,723)
Foreign exchange		(4,028)
Balance as at September 28, 2019	**$**	**366,169**