ACADIAN TIMBER CORP.

MANAGEMENT’S DISCUSSION AND ANALYSIS

SEPTEMBER 28, 2024

MANAGEMENT’S DISCUSSION AND ANALYSIS

(All figures in Canadian dollars unless otherwise stated)

October 30, 2024

INTRODUCTION

Acadian Timber Corp. (“Acadian”, the “Company” or “we”) is one of the largest timberland owners in Eastern Canada and the Northeastern U.S. and has a total of approximately 2.4 million acres of land under management. Acadian owns and manages approximately 775,000 acres of freehold timberlands in New Brunswick, approximately 300,000 acres of freehold timberlands in Maine and provides timber services relating to approximately 1.3 million acres of Crown licensed timberlands in New Brunswick. Acadian’s products include softwood and hardwood sawlogs, pulpwood and biomass by-products, sold to approximately 90 regional customers. Acadian also develops carbon credits for sale in voluntary carbon credit markets.

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

Basis of Presentation

This management’s discussion and analysis (“MD&A”) discusses the financial condition and results of operations of the Company for the three and nine months ended September 28, 2024 (herein referred to as the “third quarter”) compared to the three and nine months ended September 30, 2023 and should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto for the third quarter and the audited annual consolidated financial statements and the related MD&A for the fiscal year ended December 31, 2023.

Our third quarter unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” using the accounting policies adopted and disclosed in Note 2 of Acadian’s audited 2023 consolidated financial statements and as updated in Note 2 of the third quarter unaudited condensed consolidated financial statements, and are expressed in Canadian dollars unless otherwise noted. External economic and industry factors remain unchanged since the previous annual report, unless otherwise noted. This MD&A has been prepared based on information available as at October 30, 2024. Additional information is available on Acadian’s website at www.acadiantimber.com and on SEDAR+ at www.sedarplus.ca.

Non-IFRS Measures

Throughout this MD&A, reference is made to “Adjusted EBITDA”, which Acadian’s management defines as net income before interest, income taxes, fair value adjustments, non-cash cost of sales related to carbon credits, recovery of or impairment of land and roads and depreciation and amortization, and to “Adjusted EBITDA margin”, which is Adjusted EBITDA as a percentage of sales. Reference is also made to “Free Cash Flow”, which Acadian’s management defines as Adjusted EBITDA less interest paid, current income tax expense, and capital expenditures excluding acquisitions of timberlands, plus net proceeds from the sale of timberlands and other fixed assets (proceeds less gains or losses). Reference made to “Payout Ratio” is defined as dividends declared divided by Free Cash Flow and “Payout Ratio with DRIP” is defined as dividends paid in cash divided by Free Cash Flow. Management believes that Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow, and Payout Ratios are key performance measures in evaluating Acadian’s operations and are important in enhancing investors’ understanding of the Company’s operating performance. Adjusted EBITDA and Adjusted EBITDA margin are indicative of the underlying profitability of Acadian’s operating segments and are used to evaluate operational performance. Free Cash Flow is used to evaluate Acadian’s ability to generate sustainable cash flows from our operations while Payout Ratios are used to evaluate Acadian’s ability to fund its distribution using Free Cash Flow. 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. Reference is also made to net liquidity which includes cash and cash equivalents and funds available under credit facilities less amounts reserved to support the minimum cash balance related to long-term debt.

As these measures do not have a standardized meaning prescribed by IFRS, they may not be comparable to similar measures presented by other companies.

Assessment and Changes in Disclosure Controls and Internal Controls

Management, including the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as at December 31, 2023. There have been no changes in our disclosure controls and procedures during the nine months ended September 28, 2024 that have materially affected, or are reasonably likely to materially affect, our disclosure controls and procedures.

Management, including the Chief Executive Officer and Chief Financial Officer, have also evaluated the design and effectiveness of our internal controls over financial reporting in accordance with Multilateral Instrument 52-109 using the COSO Framework 2013 as at December 31, 2023. There have been no changes in our internal controls over financial reporting during the nine months ended September 28, 2024 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

REVIEW OF OPERATIONS

Summary of Third Quarter Results

The table below summarizes operating and financial data for Acadian:

(CAD thousands,	**Three Months Ended**		**Nine Months Ended**	
except volume and per share information)	**September 28, 2024**	September 30, 2023	**September 28, 2024**	September 30, 2023
Timber sales volume (000s m^3)	**287.4**	272.9	**744.9**	662.3
Carbon credit sales volume (000s credits)	—	—	**752.1**	—
Timber sales and services	**$ 25,959**	$ 26,593	**$ 71,371**	$ 69,662
Carbon credit sales	—	—	**24,588**	—
Operating income	**3,899**	4,733	**20,444**	15,254
Net income	**2,215**	6,408	**16,153**	17,841
Adjusted EBITDA[1]	**$ 4,039**	$ 4,916	**$ 35,194**	$ 16,168
Adjusted EBITDA margin[1]	**16%**	18%	**37%**	23%
Free Cash Flow[1]	**$ 2,540**	$ 4,312	**$ 26,680**	$ 12,188
Dividends declared	**5,080**	4,961	**15,128**	14,819
Dividends paid in cash	**2,588**	3,721	**8,900**	11,166
Payout Ratio[1]	**200%**	115%	**57%**	122%
Payout Ratio with DRIP[1]	**102%**	86%	**33%**	92%
Per share – basic and diluted				
Net income	**$ 0.13**	$ 0.37	**$ 0.93**	$ 1.05
Free Cash Flow[1]	**0.15**	0.25	**1.53**	0.71
Dividends declared	**0.29**	0.29	**0.87**	0.87
Book value	**18.69**	18.15	**18.69**	18.15
Common shares outstanding[2]	**17,536,815**	17,108,241	**17,536,815**	17,108,241
Weighted average shares outstanding	**17,511,464**	17,092,341	**17,432,390**	17,054,970

1. Non-IFRS Measure. See "Non-IFRS Measures" on page 1 of this report.
2. As at October 30, 2024 there were 17,675,686 common shares outstanding.

During the third quarter, Acadian generated sales of $26.0 million, compared to $26.6 million in the prior year period with increased sales volumes from our freehold land ("freehold sales") offset by a lower weighted average selling price and lower timber services activity. Freehold sales volume, excluding biomass, increased 15% compared to the prior year period primarily due to a favourable change in customer mix which shifted harvesting volumes from Crown licensed timberlands to our freehold timberlands. The shift decreased our timber services revenue and increased our freehold sales.

Weighted average selling price, excluding biomass, decreased 5% year-over-year. Softwood sawlog pricing decreased due to changes in product mix and weakness in end use markets. Hardwood sawlog pricing decreased primarily due to weakness in lumber markets. Softwood pulpwood pricing remained relatively flat on an overall basis and hardwood pulpwood pricing decreased as a result of shorter hauling distances. Biomass pricing decreased 54% as a result of roadside sales instead of delivered sales.

Operating costs and expenses were $22.1 million during the third quarter, compared to $21.9 million during the prior year period. The year-over-year increase reflects higher timber sales volumes and increased weighted average variable costs partially offset by lower timber services activity. Weighted average variable harvesting costs, excluding biomass, increased 5% as a result of greater hauling distances for softwood sawlogs and higher contractor rates overall.

Adjusted EBITDA was $4.0 million during the third quarter compared to $4.9 million in the prior year period. Adjusted EBITDA margin for the quarter was 16% compared to 18% in the prior year period. Free Cash Flow was $2.5 million as compared to $4.3 million for the same period in the prior year.

Net income for the third quarter totaled $2.2 million, or $0.13 per share, compared to $6.4 million, or $0.37 per share in the same period of 2023, primarily due to lower non-cash fair value adjustments. Operating income and gain on sale of timberlands and other fixed assets were also lower than the prior year period and were partially offset by lower income tax expense.

During the first nine months of 2024, Acadian generated sales of $96.0 million as compared to $69.7 million in the prior year period. The sale of 752,100 voluntary carbon credits contributed $24.6 million to total sales. Timber sales volume, excluding biomass, was 22% higher than the same period of 2023 but was partially offset by a 5% decrease in the weighted average selling price, excluding biomass, as well as lower timber services activity. Operating costs and expenses of $75.5 million were $21.1 million higher year-over-year due to the addition of costs related to carbon credit sales as well as increased timber sales volumes and higher weighted average variable harvesting costs, partially offset by lower timber services activity. Weighted average variable harvesting costs increased 3% compared to the same period in the prior year as a result of greater softwood sawlog hauling distances and higher contractor rates partially offset by changes in product mix. Adjusted EBITDA of $35.2 million was $19.0 million higher compared to the prior year period.

For the nine months ended September 28, 2024, net income was $16.2 million, or $0.93 per share, compared to $17.8 million, or $1.05 per share, in the prior year period, primarily the result of higher operating income offset by lower non-cash fair value adjustments, lower gains on sale of timberlands and other fixed assets, as well as higher income tax expense.

Adjusted EBITDA and Free Cash Flow

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:

	Three Months Ended		Nine Months Ended	
(CAD thousands)	**September 28, 2024**	September 30, 2023	**September 28, 2024**	September 30, 2023
Net income	**$ 2,215**	$ 6,408	**$ 16,153**	$ 17,841
Add / (deduct):				
Interest expense, net	**654**	795	**2,400**	2,375
Income tax expense	**939**	1,200	**7,085**	5,816
Depreciation and amortization	**139**	106	**369**	262
Fair value adjustments and other	**92**	(3,593)	**(4,991)**	(10,126)
Non-cash cost of sales related to carbon credits[2]	**—**	—	**14,178**	—
Adjusted EBITDA[1]	**$ 4,039**	$ 4,916	**$ 35,194**	$ 16,168
Add / (deduct):				
Interest paid on debt, net	**(764)**	(764)	**(2,485)**	(2,238)
Additions to land, roads, and other fixed assets	**(292)**	(373)	**(740)**	(550)
Gain on sale of timberlands and other fixed assets	**(1)**	(77)	**(203)**	(652)
Proceeds from sale of timberlands and other assets	**1**	80	**218**	670
Current income tax recovery (expense)	**(443)**	530	**(5,304)**	(1,210)
Free Cash Flow[1]	**$ 2,540**	$ 4,312	**$ 26,680**	$ 12,188
Dividends declared	**$ 5,080**	$ 4,961	**$ 15,128**	$ 14,819
Dividends paid in cash	**$ 2,588**	$ 3,721	**$ 8,900**	$ 11,166
Payout Ratio[1]	**200%**	115%	**57%**	122%
Payout Ratio with DRIP[1]	**102%**	86%	**33%**	92%

1. *Non-IFRS Measure. See "Non-IFRS Measures" on page 1 of this report.*
2. *A portion of the book value of carbon credit inventory originates in transfers of fair value from timber and is recorded as an expense at the time of a sale. These amounts are added back to Adjusted EBITDA to be consistent with the treatment of fair value adjustments to timber.*

Dividend Policy of the Company

Acadian declares dividends from its available cash and cash equivalents to the extent determined prudent by the Board of Directors. Dividends are paid on or about the 15th day following each dividend record date.

Total dividends declared to shareholders during the three months and nine months ended September 28, 2024 were $5.1 million, or $0.29 per share, and $15.1 million, or $0.87 per share, respectively, compared to $5.0 million, or $0.29 per share, and $14.8 million, or $0.87 per share, during the same periods in 2023.

Acadian has in place a dividend reinvestment plan ("DRIP") effective with eligible shareholders whereby Canadian resident shareholders may elect to automatically have their dividends reinvested in additional shares issued directly from the treasury of the Company. During the three months and nine months ended September 28, 2024, Acadian issued 144,181 and 354,257 common shares in accordance with the DRIP.

Macer Forest Holdings Inc. ("Macer"), which owns approximately 47% of the outstanding common shares of Acadian, increased its participation in the DRIP from 50% of dividends payable to it to 100% beginning with the dividend paid April 15, 2024.

Operating and Market Conditions

Acadian's operations during the third quarter benefited from stable demand for most products. Contractor availability remained at sufficient levels in New Brunswick to achieve targeted volumes but remained challenged in Maine. Freehold sales volume, excluding biomass, of 266,200 m^3 was 15% higher than the same period in 2023. A favourable change in customer mix shifted New Brunswick harvesting volumes from Crown licensed timberlands to our freehold timberlands, decreasing our timber services revenue and increasing our freehold sales. More favourable weather conditions, as compared to the same period of the prior, contributed to increased sales volumes in Maine.

Weighted average selling price of timber, excluding biomass, decreased 5% year-over-year. Softwood sawlog pricing decreased 13% due to a lower value product mix and weakness in end use markets. Hardwood sawlog pricing decreased 5% due to weakness in lumber markets. Softwood pulpwood pricing remained relatively flat on an overall basis and hardwood pulpwood pricing decreased 2% as a result of shorter hauling distances. Biomass pricing decreased 54% as a result of roadside sales instead of delivered sales.

Segmented Results of Operations

In the prior year ended December 31, 2023, Acadian had two reportable segments: New Brunswick Timberlands and Maine Timberlands. As a result of increased diversification in business activities, an additional reportable segment, Environmental Solutions, was added in the first quarter of 2024.

The table below summarizes financial results by segment:

	Three Months Ended		**Nine Months Ended**	
	September 28, 2024	September 30, 2023	**September 28, 2024**	September 30, 2023
Sales				
New Brunswick Timberlands	**$ 21,805**	$ 22,836	**$ 57,092**	$ 57,311
Maine Timberlands	**4,154**	3,757	**14,279**	12,351
Environmental Solutions	**—**	—	**24,588**	—
Total	**$ 25,959**	$ 26,593	**$ 95,959**	$ 69,662
Adjusted EBITDA[1]				
New Brunswick Timberlands	**$ 4,784**	$ 5,495	**$ 15,303**	$ 15,373
Maine Timberlands	**(207)**	(149)	**1,843**	2,084
Environmental Solutions	**—**	—	**19,839**	—
Corporate	**(538)**	(430)	**(1,791)**	(1,289)
Total	**$ 4,039**	$ 4,916	**$ 35,194**	$ 16,168

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

New Brunswick Timberlands

New Brunswick Timberlands owns and manages approximately 775,000 acres of freehold timberlands and provides harvesting and management services relating to approximately 1.3 million acres of Crown licensed timberlands. All harvesting operations are performed by third-party contractors.

During the third quarter of 2024, Acadian's New Brunswick operations experienced one recordable safety incident among contractors and none among employees.

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

		Three Months Ended		Nine Months Ended	
		September 28, 2024	September 30, 2023	**September 28, 2024**	September 30, 2023
Sales (000s m^3)					
	Softwood	**152.9**	129.9	**354.4**	275.2
	Hardwood	**71.8**	63.5	**207.7**	187.9
	Biomass	**18.4**	41.6	**32.3**	74.5
	Total	**243.1**	235.0	**594.4**	537.6
Sales ($000s)					
	Softwood	**$ 10,694**	$ 9,701	**$ 25,928**	$ 20,185
	Hardwood	**5,800**	5,333	**18,503**	18,093
	Biomass	**238**	1,336	**946**	2,966
	Total	**$ 16,732**	$ 16,370	**$ 45,377**	$ 41,244
Timber services and other		**5,073**	6,466	**11,715**	16,067
Total Sales ($000s)		**$ 21,805**	$ 22,836	**$ 57,092**	$ 57,311
Adjusted EBITDA[1] ($000s)		**$ 4,784**	$ 5,495	**$ 15,303**	$ 15,373
Adjusted EBITDA margin[1]		**22%**	24%	**27%**	27%

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

Sales for New Brunswick Timberlands were $21.8 million compared to $22.8 million during the prior year period, with increased freehold sales volumes offset by a lower weighted average selling price and lower timber services activity. Freehold sales volume, excluding biomass, increased 16% compared to the prior year period primarily due to a favourable change in customer mix which shifted harvesting volumes from Crown licensed timberlands to our freehold timberlands, decreasing our timber services revenue and increasing our freehold sales. Biomass sales volume was lower compared to the prior year period due to limited processing capacity.

The weighted average selling price, excluding biomass, for the third quarter was $73.46 per m^3, or 6% lower than the prior year period. Softwood sawlog pricing decreased 12%, as compared to the prior year period, due to a lower value product mix and weakness in end use markets. Hardwood sawlog pricing decreased 7% primarily due to weakness in lumber markets. Softwood pulpwood pricing decreased 7% as a result of abundant regional sawmill residuals impacting demand. Hardwood pulpwood pricing decreased 4% as compared to the prior year period as a result of shorter hauling distances.

Operating costs and expenses were $17.1 million during the third quarter, compared to $17.5 million in the prior year period. Increased freehold harvesting activity and increased weighted average variable costs were offset by lower timber services activity. Weighted average variable costs, excluding biomass, increased 5% as a result of greater hauling distances for softwood sawlogs and higher contractor rates.

Adjusted EBITDA for the quarter was $4.8 million compared to $5.5 million during the prior year period and Adjusted EBITDA margin was 22% compared to 24%.

During the first nine months of 2024, New Brunswick Timberlands' sales of $57.1 million were consistent with the prior year period with increased freehold sales volumes offset by a lower weighted average selling price and lower timber services activity. Freehold sales volume, excluding biomass, increased 21% compared to the prior year period primarily due to a favourable change in customer mix which shifted harvesting volumes from Crown licensed timberlands to our freehold timberlands, decreasing our timber services revenue and increasing our freehold sales. Operating costs and expenses of $42.0 million during the first nine months of 2024 were $0.6 million lower than the prior year period. Increased freehold harvesting activity and increased weighted average variable costs were offset by lower timber services activity. Weighted average variable costs, excluding biomass, increased 2% as a result of greater softwood sawlog hauling distances and higher contractor rates partially offset by a higher proportion of softwood products which carry lower variable costs. Adjusted EBITDA was

$15.3 million, consistent with the first nine months of 2023, and Adjusted EBITDA margin remained the same at 27%.

Maine Timberlands

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

There were no recordable safety incidents among employees or contractors during the third quarter of 2024.

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

		Three Months Ended		**Nine Months Ended**	
		September 28, 2024	September 30, 2023	**September 28, 2024**	September 30, 2023
Sales (000s m^3)					
	Softwood	**24.2**	20.6	**84.3**	72.8
	Hardwood	**17.3**	17.3	**61.0**	45.4
	Biomass	**2.8**	—	**5.2**	6.5
	Total	**44.3**	37.9	**150.5**	124.7
Sales ($000s)					
	Softwood	**$ 2,191**	$ 2,114	**$ 7,894**	$ 7,487
	Hardwood	**1,538**	1,415	**5,416**	4,149
	Biomass	**77**	—	**100**	60
	Total	**$ 3,806**	$ 3,529	**$ 13,410**	$ 11,696
Other sales		**348**	228	**869**	655
Total Sales ($000s)		**$ 4,154**	$ 3,757	**$ 14,279**	$ 12,351
Adjusted EBITDA[1] ($000s)		**$ (207)**	$ (149)	**$ 1,843**	$ 2,084
Adjusted EBITDA margin[1]		**(5)%**	(4)%	**13%**	17%

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

Sales for Maine Timberlands during the third quarter totaled $4.2 million compared to $3.8 million in the prior year period. Timber sales volume, excluding biomass, increased 9% reflecting more favourable weather conditions.

The weighted average selling price, excluding biomass, in Canadian dollar terms was $90.01 per m^3, compared to $93.08 per m^3 during the same period of 2023. In U.S. dollar terms, the weighted average selling price, excluding biomass, was $65.97 per m^3, compared to $69.45 per m^3 in 2023. Softwood sawlog pricing was 12% lower than the prior year period as a result of weakness in lumber markets and a lower value product mix. Softwood pulpwood pricing increased 29% due to increased demand. Hardwood pulpwood pricing increased 4% as compared to the same period of 2023 due to stable demand. Hardwood sawlog volumes were minimal during the quarter.

Operating costs and expenses for the third quarter were $4.4 million, compared to $3.9 million during the same period in 2023, due primarily to increased sales volumes and higher weighted average variable costs. Weighted average variable costs, excluding biomass, increased 11% in Canadian dollar terms as a result of greater hauling distances partially offset by changes in product mix.

Adjusted EBITDA for the quarter was $(0.2) million compared to $(0.1) million during the prior year period and Adjusted EBITDA margin was (5)% compared to (4)%.

During the first nine months of 2024, Maine Timberlands' sales were $14.3 million compared to $12.4 million in the first nine months of 2023. Maine Timberlands' timber sales volumes, excluding biomass, were 23% higher than the first nine months of 2023 due to more favourable weather conditions, however, the weighted average selling price, excluding biomass, decreased 7% in Canadian dollar terms and 8% in U.S. dollar terms. Operating costs and expenses of $12.7 million during the first nine months of 2024 were $2.3 million higher than the prior year period as a result of higher harvesting activity and higher weighted average variable costs. Weighted average variable costs, excluding biomass, increased 6% as a result of greater hauling distances and higher contractor rates partially offset by changes in product mix.

Environmental Solutions[1]

Environmental Solutions leverages the ecological functions of Acadian's land and the operational expertise of its team to address pressing environmental challenges, such as climate change and biodiversity. In line with these objectives, Acadian has undertaken a voluntary carbon credit project which increases carbon sequestration and provides significant environmental benefits on the portion of our Maine Timberlands that is subject to a working forest conservation easement.

The project is registered on the ACR under the name Anew – Katahdin Forestry Project, and requires balancing harvest and growth, long-term planning, periodic carbon inventory verification, and maintenance of the Acadian's sustainable forestry certification.

On June 8, 2023, 770,071 voluntary carbon credits relating to the first reporting period of the project were registered and made available for sale. During the first quarter of 2024, an agreement was reached to sell 752,100 of Acadian's registered carbon credits. The first delivery under this agreement for approximately 152,100 carbon credits occurred in March and the remaining 600,000 credits were delivered in May.

The table below summarizes operating and financial results for Environmental Solutions. There were registered carbon credits available for sale and therefore no sales or related costs in the comparative periods presented.

	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	**September 28, 2024**	September 30, 2023
Sales volume (000s credits)	**—**	—	**752.1**	—
Sales ($000s)	**$ —**	—	**$ 24,588**	—
Adjusted EBITDA[1] ($000s)	**$ —**	—	**$ 19,839**	—

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

The current model for the project estimates an additional 1.1 million credits to be generated over the remainder of the 10-year crediting period. The registration process for the second and third tranches of carbon credits for this project is expected to result in approximately 0.4 million credits in total and is expected to be completed by the end of 2024. Actual credit issuances will be adjusted each reporting period based on actual harvesting, natural disturbances, and other factors, as well as periodic updating for inventory and verification activities.

SUBSEQUENT EVENT[1]

On October 24, 2024, subsequent to the third quarter, Acadian entered into an agreement to sell approximately 2,100 acres of timberland. The land included in the disposition is composed of smaller parcels of relatively low operational or strategic value to Acadian. The transaction is expected to close in the fourth quarter and to result in gross proceeds of $1.4 million and a gain on sale of $0.4 million.

LIQUIDITY AND CAPITAL RESOURCES[1]

Acadian had net liquidity of $27.8 million as at September 28, 2024, which includes cash and cash equivalents and funds available under credit facilities less amounts reserved to support the minimum cash balance related to long-term debt.

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[1] *The following contains forward-looking information about Acadian Timber Corp.'s outlook for the remainder of 2024. Reference should be made to the section entitled "Cautionary Statement Regarding Forward-Looking Information and Statements" for further details. For a description of material factors that could cause actual results to differ materially from the forward-looking information in the following, please see the Risk Factors section of Acadian's most recent Annual Report and Annual Information Form available on our website at www.acadiantimber.com or www.sedarplus.ca.*

A portion of long-term debt totaling $43.2 million is scheduled to mature March 6, 2025, as described within Contractual Obligations. It is management's intention to refinance the debt prior to the maturity date.

Normal Course Issuer Bid

On February 7, 2024, the Company renewed its Normal Course Issuer Bid ("NCIB") by filing a notice of intention with the TSX to purchase for cancellation up to 862,739 common shares representing 5% of the 17,254,798 common shares outstanding as at January 31, 2024, subject to regulatory approval. The purchases will be made through the facilities of the TSX and/or any alternative Canadian trading systems to the extent they are eligible. The price that the Company will pay for any such shares will be the market price at the time of acquisition.

The Company believes that repurchasing shares at the prevailing market prices from time to time is a worthwhile use of funds and in the best interests of the Company and its shareholders. Purchases may commence on February 14, 2024 and shall terminate not later than February 13, 2025. Based on average daily trading volume ("ADTV") of 5,524 over the last six months, daily purchases will be limited to 1,381 common shares (25% of the ADTV of the common shares), other than block purchase exemptions.

The previous NCIB expired February 13, 2024. During the three and nine months ended September 28, 2024, the Company did not purchase any of its common shares.

Liquidity and capital resources are discussed in the Company's MD&A for the year ended December 31, 2023.

OUTLOOK[1]

While near-term pressure on end use markets persists, North American interest rates and inflation are showing signs of easing. U.S. housing starts year-to-date are lower than originally expected, but the consensus forecast for U.S. housing starts is steady at approximately 1.35 million starts in 2024, as compared to 1.42 million in 2023. We remain confident that the stability of the northeastern forestry sector, combined with long-term demand for new homes and repair and remodel activity, will support the long-term demand for our products as has been demonstrated in recent years.

Although labour markets remained tight in Maine, we maintained sufficient contractor availability in New Brunswick through the third quarter. Management will continue to focus on further increasing harvesting capacity in Maine through the remainder of 2024 while controlling operating costs. In the short to medium term, elevated contractor rates are expected to impact our financial results, offset by the stable pricing of primary forest products like sawlogs and pulpwood.

Demand for Acadian's sawlogs is mainly driven by regional supply and demand. Near-term sawlog demand is expected to remain stable while pricing may remain challenged until end-use markets improve. Demand and pricing for softwood pulpwood is expected to remain at reduced levels in the near term due to abundant regional sawmill residuals and hardwood pulpwood is expected to be steady.

During 2023, purchasers of voluntary carbon credits increased their focus on carbon credits of high quality, and expended greater time and effort performing due diligence. This shift may have delayed some sales, however, underlying demand and pricing for voluntary carbon credits are expected to remain stable. The protocol for developing compliance market carbon credits from managed forests in Canada was recently finalized. Acadian is evaluating the opportunities to develop eligible carbon credits that the compliance protocol may present, in conjunction with the opportunities that exist under the current protocols.

[1] *The following contains forward-looking information about Acadian Timber Corp.'s outlook for the remainder of 2024. Reference should be made to the section entitled "Cautionary Statement Regarding Forward-Looking Information and Statements" for further details. For a description of material factors that could cause actual results to differ materially from the forward-looking information in the following, please see the Risk Factors section of Acadian's most recent Annual Report and Annual Information Form available on our website at www.acadiantimber.com or www.sedarplus.ca.*

SELECTED CONSOLIDATED QUARTERLY INFORMATION

The table below sets forth selected consolidated quarterly information for the current and last seven quarters.

	2024			2023				2022
(CAD thousands, except per share data and where indicated)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Timber sales volume (000s m³)	**287.4**	210.5	247.0	231.9	272.9	184.2	205.2	230.5
Carbon credit sales volumes (000s credits)	—	600.0	152.1	1.5	—	—	—	—
Timber sales and services	**$ 25,959**	$ 21,533	$ 23,879	$ 23,778	$ 26,593	$ 20,707	$ 22,362	$ 23,755
Carbon credit sales	—	19,658	4,930	37	—	—	—	—
Adjusted EBITDA[1]	**4,039**	20,556	10,599	4,418	4,916	5,651	5,601	4,058
Free Cash Flow[1]	**2,540**	16,370	7,770	2,811	4,312	4,108	3,723	2,000
Net income	**2,215**	7,913	6,025	11,593	6,408	5,813	5,621	22,002
Per share – basic and diluted	**$ 0.13**	$ 0.46	$ 0.35	$ 0.68	$ 0.37	$ 0.34	$ 0.33	$ 1.30

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

Results are impacted by seasonality. Harvest activity is highest during the winter months, when the ground is frozen, providing a solid base for harvesting and hauling equipment. There is a significant decrease in activity during the spring when the ground thaws. Harvesting activity resumes in the early summer when the ground dries and continues through the fall.

Net income can be significantly impacted by non-cash items such as fluctuations in foreign exchange and the fair value adjustment of the Company's timberlands, which are revalued at each reporting period. During the fourth quarter of 2022, Acadian recorded a fair value adjustment gain on timberlands which increased net income by $18.8 million.

During the first and second quarters of 2024, Acadian sold significant volumes of voluntary carbon credits, which increased Adjusted EBITDA by $4.1 million and $15.7 million, respectively. A portion of the book value of carbon credit inventory originates in transfers of fair value from timber and is recorded as an expense at the time of a sale. These amounts are added back to Adjusted EBITDA to be consistent with the treatment of fair value adjustments to timber. This adjustment to net income to calculate Adjusted EBITDA was $2.8 million and $11.4 million during the first and second quarters of 2024, respectively.

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 included in the Selected Consolidated Quarterly Information above:

	2024			2023				2022
(CAD thousands)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net income	**$ 2,215**	$ 7,913	$ 6,025	$ 11,593	$ 6,408	$ 5,813	$ 5,621	$ 22,002
Add / (deduct):								
Interest expense, net	**654**	887	859	778	795	771	809	803
Income tax expense	**939**	3,170	2,976	4,795	1,200	2,334	2,281	8,300
Depreciation and amortization	**139**	128	102	101	106	83	73	79
Fair value adjustments and other	**92**	(2,894)	(2,189)	(12,849)	(3,593)	(3,350)	(3,183)	(27,126)
Non-cash cost of sales related to carbon credits	**—**	11,352	2,826	—	—	—	—	—
Adjusted EBITDA[1]	**$ 4,039**	$ 20,556	$ 10,599	$ 4,418	$ 4,916	$ 5,651	$ 5,601	$ 4,058
Add / (deduct):								
Interest paid on debt, net	**(764)**	(892)	(829)	(793)	(764)	(740)	(779)	(772)
Additions to land, roads and other fixed assets	**(292)**	(320)	(128)	(69)	(373)	(146)	(31)	(127)
Gain on sale of timberlands and other fixed assets	**(1)**	(129)	(73)	(5)	(77)	(351)	(224)	(42)
Proceeds from sale of timberlands and other assets	**1**	138	79	5	80	360	230	45
Current income tax recovery (expense)	**(443)**	(2,983)	(1,878)	(745)	530	(666)	(1,074)	(1,162)
Free Cash Flow[1]	**$ 2,540**	$ 16,370	$ 7,770	$ 2,811	$ 4,312	$ 4,108	$ 3,723	$ 2,000

1. Non-IFRS Measure. See “Non-IFRS Measures” on page 1 of this report.

Critical Judgments and Estimates

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

The critical estimates and judgements made in the preparation of Acadian’s consolidated financial statements include, among other things, future prices and margins, future sales volumes, future harvest rates and sustainable yields, and discount rates utilized in the valuation of Acadian’s timber, roads and land. 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, except as noted below.

In determining the reported amounts of revenue and expenses from the sale of carbon credits, critical judgments were applied in determining Acadian’s customer in the sales arrangement and the timing of satisfaction of performance obligations. In determining Acadian’s customer, management applied judgment in evaluating the responsibilities of Acadian and the third-party sales agent in the arrangement.

The most critical area of judgment was concluding that Acadian retains control of the registered carbon credits until they are transferred to, or retired on behalf of, the end customer, and that the third-party sales agent does not take control of the carbon credits. As a result, the end customer is determined to be Acadian's customer. Judgment was also applied when determining the timing of satisfaction of performance obligations, and therefore, the timing of recognizing revenue, which is when control of the registered carbon credit transfers to, or the carbon credit is retired on behalf of, the end customer. Accordingly, Acadian recognizes as revenue the gross amount paid by the end customer for the registered carbon credits and recognizes as an expense the amount that is retained by the third-party sales agent.

For further reference on critical accounting policies, see our material accounting policies contained in Note 2 of Acadian's audited 2023 consolidated financial statements and Note 2 of Acadian's Q3 2024 interim condensed consolidated financial statements.

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

Related Party Transactions

There were no related party transactions during the first quarter other than shares issued to Macer in accordance with the DRIP, as described under Dividend Policy of the Company.

Contractual Obligations

The Company has two significant contractual obligations, being the Fibre Supply Agreement and the Crown Lands Services Agreement. The Fibre Supply Agreement between the Company and Groupe Lebel expires in 2026, subject to a five-year extension at the option of Groupe Lebel. The provision of timber services under the Crown Lands Services Agreement at the direction of Twin Rivers Paper Company has a term equal to the term of the Crown License, including any renewal terms.

The table below summarizes the Company's long-term debt obligations as at September 28, 2024:

	Payments Due by Period				
(CAD thousands)	Total	Within 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Term facilities					
Tranche due March 6, 2025[1]	$ 19,911	$ 19,911	$ —	$ —	$ —
Tranche due March 6, 2025[1]	23,286	23,286	—	—	—
Tranche due March 6, 2027[1]	43,197	—	43,197	—	—
Tranche due March 6, 2030[1]	21,598	—	—	—	21,598
	$ 107,992	$ 43,197	$ 43,197	$ —	$ 21,598
Interest payments	$ 6,919	$ 2,354	$ 3,015	$ 1,283	$ 267

1. *Represents principal of the U.S. dollar denominated term facilities with a U.S. to Canadian dollar conversion rate of 1.3499, excluding unamortized deferred financing costs.*

RISK FACTORS

Risk factors are discussed in the Company's MD&A for the year ended December 31, 2023.

Cautionary Statement Regarding Forward-Looking Information and Statements

This MD&A contains forward-looking information and statements within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking information is included in this MD&A and includes statements made in the sections entitled "Segmented Results of Operations – Environmental Solutions" and "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. All forward-looking statements in this MD&A are qualified by these cautionary statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon, and will not necessarily be accurate indications of whether or not such results will be achieved. Actual results may vary. These forward-looking statements include, but are not limited to:

- *Expectations regarding the number and timing of carbon credits that will be successfully registered and available for sale, as well as the timing of sales. Actual credit issuances will be adjusted each reporting period based on actual harvesting, natural disturbances and other factors, as well as periodic updating for inventory and verification activities. The timing of sales is dependent on negotiations with third parties.*
- *Expectations regarding product demand, pricing and end use markets, including expectations for U.S. housing starts, which may be impacted by changes in interest rates, U.S. population demographics and the inventory of homes for sale. Expectations regarding product demand and pricing are based on anticipated market conditions, anticipated regional inventory levels of key customers, and the economic situation of key customers. Estimates for U.S. housing starts are based on forecasts published by major financial institutions.*

Other risks and factors are discussed in each of the Annual Information Form dated March 28, 2024 and the Management Information Circular dated March 28, 2024 and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR+ at www.sedarplus.ca. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are made as of the date of this MD&A based on information currently available to management and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this MD&A. Acadian assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as may be required by applicable law.