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FOR IMMEDIATE RELEASE **TSX: WEF**

Western's Reports First Quarter 2012 Results

May 8, 2012 – Vancouver, British Columbia. Western Forest Products Inc. (TSX: WEF) ("Western" or "the Company") today announced results for the first quarter of 2012. The Company reported EBITDA of $9.3 million for the first quarter of 2012 compared to EBITDA of $11.6 million for the fourth quarter of 2011 and $13.0 million for the first quarter of 2011.

Q1 2012 HIGHLIGHTS

- EBITDA of $9.3 million marks the tenth consecutive quarter of positive EBITDA earnings
- Top line revenues grew by 24% compared to Q1 2011
- Lumber shipments increased to 220 million board feet or $157.2 million, our highest quarterly lumber revenue since Q2 2007
- Log shipments up 39% from Q1 last year with strong domestic pulp mill demand and export log demand
- Mill productivity levels increased 8% over the first quarter of 2011
- Balance sheet and liquidity positions continue to improve with net debt to capitalization at 13% and $114.9 million in total available liquidity
- $16 million investment in Saltair sawmill to increase productivity by 15%.

"Western has produced a tenth successful quarter with a positive EBITDA, increased production, and our highest lumber revenue since 2007. Achieving this in such challenging markets shows Western is positioned to be more resilient to these conditions and that we can operate successfully through them. At Western, we continue to put our positive earnings back into the company to build on this strength. This quarter we saw the start of the first step in our capital plan with the commencement of our $16 million investment in the Saltair Sawmill, with further investment anticipated. We look forward to the next evolution for Western as we refine our focus on margin. As always, we do this with safety our most significant priority. As always, we do this with safety our most significant priority" says Dominic Gammiero, Chairman and Chief Executive Officer.

Net income for the first quarter of 2012 was $1.9 million ($nil per share), on sales of $223.4 million, which compared to a net income reported in the first quarter of 2011 of $3.8 million ($0.01 per share) and a net income reported for the fourth quarter of 2011 of $3.3 million ($0.01 per share).

FINANCIAL SUMMARY

	Three months ended March 31,	
(millions of dollars except where noted)	2012	2011
Sales	$ 223.4	$ 180.8
EBITDA	9.3	13.0
EBITDA as % of revenues	4.2%	7.2%
Operating income before restructuring items and other income	2.4	6.8
Net income from continuing operations	2.1	4.1
Net income for the period	1.9	3.8
Basic and diluted earnings per share (in dollars)	-	0.01
Net Debt at March 31	48.4	45.2
Liquidity at March 31	114.9	95.2

First quarter 2012

The first quarter EBITDA result of $9.3 million marks the tenth consecutive quarter of positive EBITDA earnings. During the quarter the Company grew revenues to $223.4 million, including lumber sales of $157.2 million, which was our highest quarterly lumber sales revenue since the second quarter of 2007. The increase in lumber revenue over the first quarter 2011 is mainly a function of higher shipment volumes, as prices of lumber were not significantly different over the two periods. Log sales revenues were also strong this quarter, driven primarily by an increased domestic pulp mill and export log demand. To support the increased product sale levels, production of logs, lumber and by-products all increased over the same quarter in 2011, while lumber conversion costs were reduced by 7% from the same quarter one year ago.

These positive elements were achieved in what continues to be challenging market conditions. Lumber markets in the US remain below trend levels and while there are positive signs in the US economy, a meaningful recovery of the US housing market is still not on the horizon. Chinese demand for lumber has recently softened, and markets in Japan were weaker than anticipated.

Despite the EBITDA result being in line with management’s seasonal expectations, EBITDA margins have decreased by 3% from the previous year. The lower EBITDA margin was largely a result of higher costs in our timberlands operations, higher cost of goods sold for lumber, increased log and lumber inventory provisions and the timing of certain selling and administration expenses.

The EBITDA result for the three months ended March 31, 2011 was restated to $13.0 million, an increase of $4.8 million, due to the adoption of a new inventory accounting policy on January 1, 2012. The annual impact of the policy on 2011 EBITDA results amounted to an increase of $0.2 million. There was minimal impact of the policy change on 2012 first quarter results.

Net income for the first quarter of 2012 was $1.9 million, a decrease of $1.9 million from net income of $3.8 million reported a year earlier, and is also a decline from the net income of $3.3 million reported in the previous quarter. The decline in net income is principally because of lower EBITDA generated in the current quarter.

Our liquidity position at March 31, 2012 increased to $114.9 million from $112.1 million at the end of the previous quarter, and from $95.2 million at March 31, 2011.

As part of the Company’s strategic capital plan, on February 13, 2012, Western announced a $16 million investment in the Saltair sawmill. This mill, built in 1972, converts coastal mid-size logs into high value specialized lumber products in Hemlock, Douglas fir and western Red Cedar. This capital project will make Saltair the largest single line sawmill on the coast of British Columbia and will provide upgrades to the edgers, stackers and sorters. The upgrades will increase production by approximately 15%, lower unit cost of production, and increase our ability to provide a greater variety of products to our customers.

The previously announced agreement to sell Tree Farm Licence 60 (“TFL 60”) and related assets on Haida Gwaii to Taan Forest Limited Partnership (“Taan”), a partnership of the Council of the Haida Nation and Haida Enterprise Corporation, the business arm of the Haida Nation is now expected to close in the second quarter of 2012. Proceeds from the sale will be used to pay down the Company’s revolving term debt. The associated assets and liabilities included in the sale are currently presented as “assets held for sale” in the statement of financial position at March 31, 2012. Subsequent to the quarter end, Taan has paid additional deposits with respect to the transaction which now total $4.5 million. Of this amount, $3.9 million is non-refundable, with $2.6 million being paid to the Company and the balance of the non-refundable amount of $1.3 million is held in trust. The sale is now expected to close before the end of the second quarter of 2012.

Lumber sales revenues increased by 22% when compared to the first quarter of 2011 primarily due to higher shipment volumes. Global economic conditions remain uncertain, but market demand for the majority of our lumber products has improved in the current quarter. Lumber shipment volumes increased by 20% to 220 million board feet in the first quarter of 2012 from 183 million board feet in the first quarter of 2011. The geographic destination of the lumber changed this quarter with relatively less lumber being shipped to China and a corresponding increase in the percentage of product sold in the domestic Canadian market. In the current quarter 39% of our sales were to the Canadian market, 23% to China, 20% to Japan, and 13% to the US.

In the first quarter of 2012, our overall average lumber price realized was approximately 2% higher at $716 per thousand board feet, compared to $705 in the same quarter of 2011. In general, lumber prices did not change significantly over the two quarters, with the exception of Western Red Cedar prices, which were approximately 4% higher in the current quarter. Our sales mix in the current quarter changed only marginally with approximately 2% more Western Red Cedar sales and 2% less Douglas fir sales this quarter compared to the first quarter of 2011. The improvement also reflects the beneficial effects of the weaker Canadian dollar on both US dollar and Japanese Yen denominated revenues.

Log sales revenues in the first quarter of 2012 increased by 43% compared to the same quarter last year. The increase is due to a 39% increase in the volume of logs sold and average log prices realized in the first quarter of 2012 being 6%, or $4 per cubic metre, higher than a year ago. Overall log demand in our domestic market for the quarter was strong, relative to a year ago. Demand for logs in our export markets remains stable but prices have decreased compared to the same quarter a year ago. Increases in volumes sold were achieved in our pulp log, fir sawlogs and cedar shingle log sales in North American markets as well as export sales to Korea, Japan and China. The quarter over quarter price increase is mostly reflective of a change in the mix of log sold, with relatively fewer of the less expensive pulp logs and more of the higher priced hembal export logs sold in the current quarter. Cedar shingle log prices increased by over 30% in the current quarter over last year’s level as a result of higher demand for roofing materials.

By-product revenues decreased by $1.2 million, or 8%, in the current quarter compared to the first quarter of 2011. While chip volumes sold in this quarter were 10% higher than the first quarter last year, prices received for the chips were on average 20% lower this year which more than offset the impact of the favourable volume increase. Prices realized for our chips sold under fibre agreements with certain of our customers are based on a chip pricing formula which is a function of pulp prices and the mix of chips sold. Pulp prices were lower in the current quarter by an average of approximately 20% compared to the same quarter in 2011 and this resulted in the lower chip prices.

EBITDA

EBITDA of $9.3 million reported for the first quarter of 2012, compares to EBITDA reported in the same quarter last year of $13.0 million and to $11.6 million earned in the fourth quarter of 2011. As previously mentioned, the Company changed its inventory accounting policy for logs and lumber on January 1, 2012. As a result of this policy change, EBITDA for the first quarter of 2011 was restated from $8.2 million to $13.0 million. There was minimal impact of the policy change on 2012 first quarter results.

The EBITDA result for the first quarter of 2012 reflects increased operating levels, higher sales volumes for most products and improvements in mill productivity levels compared to the first quarter of 2011. However, these positive variances were more than offset by the negative impacts of higher logging costs, higher per unit cost of lumber drawn from opening inventory, increased log and lumber inventory provisions, and higher selling and administrative expenses in the current quarter.

Our operations increased production levels to meet increased demand for our products. In the case of our timberlands operations, logging operations have extended into areas with higher cost implications reflecting both location and terrain, when compared to the first quarter of 2011. This required greater use of higher cost road building and harvesting methods, including the use of more heli-logging. Logging costs were also higher in the quarter due to working in poor winter weather conditions in this and the preceding quarter. Despite the increase in logging costs, the operating results for the first quarter of 2012 incorporated lower shutdown costs by $2.4 million than those incurred in 2011.

Lumber production was 20% higher in the first quarter of 2012 compared to the first quarter of 2011, and our sawmills operated at 91% of capacity (on a shifts available basis) in the first quarter of 2012 compared to 78% of capacity in the same quarter of 2011. The majority of this increase in operating capacity relates to the Duke Point and Ladysmith mills, which ran closer to capacity for the first quarter of 2012 compared to last year. In addition, our Cowichan Bay, Somass and Alberni Pacific sawmills took downtime in 2011 whereas they ran fully in the current quarter. Our mills, on average, increased productivity, as measured on a production volume per shift basis, by 8% in the current quarter compared to the same quarter in 2011, largely driven by improvements at the Saltair and Somass mills. In addition, conversion costs of lumber produced in the first quarter of 2012 decreased by 8% from the same period a year ago. These productivity improvements and reduced conversion costs reflect a number of initiatives undertaken as part of the companywide margin improvement program initiated in 2011, as well as some natural synergies that result from being able to operate at higher rates.

During this quarter we did not benefit fully from these operating improvements at our sawmills as we continued to draw down lumber from inventory which carried higher costs incurred in the fourth quarter of 2011. Much of these costs were absorbed into our 2012 first quarter results and will not impact results in future quarters, particularly as the current production conversion costs are reduced.

An increase in inventory provisions for logs and lumber during the first quarter of 2012 also reduced EBITDA compared to the same period last year. The log inventory provision increased by $1.0 million in the first quarter of 2012 compared to a decrease of $3.5 million in 2011. The 2012 increase was due to an increase in volume of pulplogs and hemlock compared to last year and a general increase in log costs described above. The lumber inventory provision increased by $1.5 million in the first quarter of 2012, compared to an increase of only $0.1 million last year. The higher lumber provision this year is attributable to an increase in hemlock lumber volume remaining in inventory compared to a decrease of hemlock volume during the same period last year.

Our operating results were positively impacted by an approximate 2% weakening in the value of the Canadian dollar relative to the US dollar from the first quarter of 2011, which increased our Canadian dollar proceeds received on US dollar denominated sales (the major share of our lumber sales are denominated in US dollars, including those to China). Western mitigates its foreign exchange risk associated with sales transactions denominated in US dollars and Japanese Yen by utilizing forward currency transactions available to it under a facility provided by Brookfield Asset Management Inc. ("BAM"). As at March 31, 2012, Western had obligations to sell an aggregate Yen 3,600 million at average rate of 79.73 yen per C$. The Yen exchange rate weakened against the Canadian dollar over the course of the first quarter of 2012 (from a rate of 75.70 Yen per C$, to 82.51). As a result, net realized and unrealized gains of $3.8 million were recorded in the quarter (2011: $2.8 million).

Total freight costs were $23.1 million in the first quarter of 2012, which compared to the first quarter of 2011 costs of $21.1 million. The increase is because of higher shipment volumes of lumber this year, and this is partially offset by the impact of proportionately more of our shipments this quarter being in the Canadian market and less to the China market, which incurs significantly higher unit freight costs. On a per unit basis, freight costs decreased by 4% compared to the same period in 2011, despite rising oil prices led to surcharges on bunker fuel in this quarter compared to last year.

Selling and administration costs increased by $1.2 million to $7.8 million in the current quarter compared to $6.6 million in the same quarter of 2011, mainly because of increased salary costs, higher information technology costs and contractor costs in the current quarter.

Non-operating income and costs

Finance costs decreased from $1.9 million in the first quarter of 2011 to $1.3 million in the current quarter. This decrease is primarily attributable to a reduction in the outstanding debt amount over the respective periods, resulting from the proceeds of non-core asset sales being used to pay down debt subsequent to March 31, 2011. Also contributing to this reduction is the benefit of lower interest rates on the revolving term loan.
Other income of $1.0 million for the first quarter of 2012 compares to net expenses of $0.5 million in the first quarter of 2011. The current quarter includes net gains on asset disposals of $1.1 million. The net expense of $0.5 million in the first quarter of 2011 includes a number of significant non-operating transactions, including a gain on the sale of an equity interest in certain real estate properties of $2.4 million, an expense of $2.5 million to amend the terms of certain contractual arrangements, and other minor expenses totaling $0.4 million.

Markets and Outlook

Western remains focused on improving product margins to take us through today's difficult market conditions. With the possible exception of cedar lumber, product pricing has been relatively flat, so an emphasis has been placed on ensuring the highest margin end use is achieved for our fibre resource. With our improved balance sheet, lower cost structure, and margin focus, we will continue to operate at higher rates and further grow the business. Management will continue to expand our four key lumber market segments: Western Red Cedar, Commodity, Japan, and Niche.

The US housing market, while still at low historical start levels, appears to have started a slow but fragile recovery. However, given that the housing construction market has only improved marginally, and with only slightly improved unemployment statistics, we expect the return to trend housing construction levels is still a few years off.

With a modest recovery underway in both the housing and renovations sectors in the US, we are forecasting an increase in Western Red Cedar sales for 2012 compared to 2011. Pricing remains a challenge with the high Canadian dollar; however we are starting to see some pricing gains in the items that are in the highest demand. A tight log supply has supported increased pricing and our ability to supply the product has led to an increased market share for Western. We anticipate that cedar lumber prices will remain higher through the summer months.

In the commodity markets, China has not yet recovered from the slowdown in housing starts. Inventories of logs and lumber remain high, leading to lower prices. We still believe that this slowdown is short term in nature and anticipate significant long term opportunities in the Chinese market. In 2011, we began a process of identifying opportunities to diversify our commodity sales base away from China, and into higher margin opportunities in the local Canadian market. We have been successful in developing some specialty industrial use commodity products in domestic markets and will continue to grow these business lines. However, our diversion strategy may not be sufficient to replace the weaker demand from China and production curtailments may become necessary in the future to ensure we do not build excess inventory.

Japanese market demand in the early part of 2012 was slower than anticipated, as rebuilding associated with last year's tsunami is not having a significant impact on demand so far. However the outlook is improving and customers are showing more signs of confidence, which should translate into higher sales volumes for the remainder of the year. However, with increased competition in the market, resulting from softness in the China market, Japan could prove to be a challenging market.

The North American market for Niche appearance lumber remains soft, with our timbers business line representing our best growth prospect. Markets for higher grade Douglas fir and hemlock products used in appearance applications remains muted with only marginal recovery in the US housing market expected in 2012, as described above. Europe, a high value niche market, appears to be moving deeper into recession.

Despite less than robust lumber markets, the combination of our strong balance sheet and management's confidence that its business strategy will continue to generate sufficient cash from operations, we have commenced the implementation of our strategic capital plan. As announced in the first quarter of 2012, the Saltair sawmill phase I upgrade, is the first investment in this plan. The Saltair upgrades will increase production volumes by approximately 15%, lowering the per-unit cost of production, and improving competitiveness with global producers. Increased efficiencies with the upgrade will reduce mill bottlenecks, not only a benefit to productivity, but also to the safety of the work environment. Our ability to provide a variety of products to a diverse customer base will ensure they are able to operate through varying market conditions. Upgraded edgers will facilitate onsite production of finished products for the ever growing Asian market; a critical part of Western's customer profile which also includes Europe, Australia, and North America. All major equipment for the first phase of the Saltair mill strategic capital investment program has been ordered (stacker, sorter and edger), and is expected to arrive late in the third quarter of 2012. Installation is expected to commence before the end of the year.

In addition to our strategic capital investments, management is focused on improving product margins and has adopted a formalized, non-capital, margin improvement program. This program is targeted to deliver an additional $25 million of margin improvement over the next three years, through a variety of cost reduction and productivity initiatives. These programs are underway and are starting to generate tangible improvements which we will provide some detail on in our next report.

As already mentioned, the closing date for the sale of TFL 60 has been extended and the transaction is now expected to be completed by the end of the second quarter of 2012. The net proceeds from the sale of $11.6 million will be used to pay down the Company's debt in accordance with its lending agreements. Subsequent to the quarter end, the Company received additional non-refundable deposits of $2.6 million from Taan, which together with previous non-refundable deposits amounts to $3.9 million with respect to the transaction.

We will continue to pursue further opportunities that may arise to sell non-core or other land assets as appropriate. Proceeds from such sales will first be directed to reduce or eliminate long-term debt with any surplus being used to provide additional liquidity.

In April 2012, the US Lumber Coalition ("Coalition") has claimed that the BC government has been undercharging the coastal forestry industry for timber harvested on crown lands and is questioning the accuracy of BC's market pricing system (MPS). The Coalition has taken the issue to the office of the US Trade Representative, which has in turn written to the Ministry of Forests to enquire as to the status of the update of the Coast MPS. The Coast MPS was introduced in 2004 and updated in 2007 and 2009. There is no time requirement in the SLA as to when updates occur. The Ministry has not responded to the US Trade Representative and technical work is ongoing. Due to the preliminary nature of this situation there is no evidence of the existence of any potential liability, and so no amount has been provided for it in the March 31, 2012 financial statements.

The Company's Q1 2012 news release, management's discussion and analysis, unaudited condensed unaudited interim financial statements and notes to the financial statements have been filed on SEDAR and are also available on the Company's website at www.westernforest.com.

Forward Looking Statements and Information

This press release contains statements which constitute forward-looking statements and forward-looking information within the meaning of applicable securities laws. Those statements and information appear in a number of places in this document and include statements and information regarding our current intent, belief or expectations primarily with respect to market and general economic conditions, future costs, expenditures, available harvest levels and our future operating performance, objectives and strategies. Such statements and information may be indicated by words such as "estimate", "expect", "anticipate", "plan", "intend", "believe", "should", "may" and similar words and phrases. Readers are cautioned that it would be unreasonable to rely on any such forward-looking statements and information as creating any legal rights, and that the statements and information are not guarantees and may involve known and unknown risks and uncertainties, and that actual results and objectives and strategies may differ or change from those expressed or implied in the forward-looking statements or information as a result of various factors. Such risks and uncertainties include, among others: general economic conditions, competition and selling prices, changes in foreign currency exchange rates, labour disruptions, natural disasters, relations with First Nations groups, changes in laws, regulations or public policy, misjudgements in the course of preparing forward-looking statements or information, changes in opportunities and other factors referenced under the "Risks and Uncertainties" section of our MD&A in our 2011 Annual Report dated February 22, 2012. All written and oral forward-looking statements or information attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. Except as required by law, Western does not expect to update forward-looking statements or information as conditions change.

Reference is made in this report to EBITDA which is defined as operating income prior to operating restructuring items and other income (expenses), plus amortization of property, plant, equipment, and intangible assets, impairment adjustments, and changes in fair value of biological assets. Western uses EBITDA as a benchmark measurement of our own operating results and as a benchmark relative to our competitors. We consider EBITDA to be a meaningful supplement to operating income as a performance measure primarily because amortization expense, impairment adjustments and changes in the fair value of biological assets are non-cash costs, and vary widely from company to company in a manner that we consider largely independent of the underlying cost efficiency of their operating facilities. Further, the inclusion of operating restructuring items which are unpredictable in nature and timing may make comparisons of our operating results between periods more difficult. We also believe EBITDA is commonly used by securities analysts, investors and other interested parties to evaluate our financial performance.

EBITDA does not represent cash generated from operations as defined by IFRSs and it is not necessarily indicative of cash available to fund cash needs. Furthermore, EBITDA does not reflect the impact of a number of items that affect our net income. EBITDA is not a measure of financial performance under IFRSs, and should not be considered as an alternative to measures of performance under IFRSs. Moreover, because all companies do not calculate EBITDA in the same manner, EBITDA as calculated by Western may differ from EBITDA as calculated by other companies. A reconciliation between the Company's net income as reported in accordance with IFRSs and EBITDA is included in Appendix A to the Company's Management's Discussion & Analysis for the quarter ended March 31, 2012, which is available under the Company's profile on SEDAR at www.sedar.com.

Western is an integrated Canadian forest products company and the largest coastal British Columbia woodland operator and lumber producer with an annual available harvest of approximately 7.3 million cubic metres of timber of which approximately 7.1 million cubic metres is from Crown lands and lumber capacity in excess of 1.2 billion board feet from eight sawmills and three remanufacturing plants. Principal activities conducted by the Company include timber harvesting, reforestation, sawmilling logs into lumber and wood chips and value-added remanufacturing. Substantially all of Western's operations, employees and corporate facilities are located in the coastal region of British Columbia while its products are sold in over 25 countries worldwide.

TELECONFERENCE CALL NOTIFICATION:
Thursday, May 10, 2012 at 10:00 a.m. PST/1:00 p.m. EST

On Thursday, May 10, 2012, Western Forest Products Inc. will host a teleconference call at 10:00 a.m. PST (1:00 p.m. EST). To participate in the teleconference please dial 416-340-2218 or 866-226-1793. This call will be taped, available one hour after the teleconference, and on replay until June 9, 2012. To hear a complete replay, please call 905-694-9451 / 800-408-3053 Passcode 2963908.

Contacts:
For further information, please contact:

Dominic Gammiero (250) 734-4711
Chairman and CEO

Brian Cairo (250) 734-4710
CFO and Corporate Secretary

May 8, 2012

To our Shareholders,
Western has produced a tenth successful quarter with a positive EBITDA, increased production, and our highest lumber revenue since 2007. Achieving this in challenging markets shows Western is positioned to be more resilient to these conditions and that we can operate successfully through them. At Western, we continue to put our positive earnings back into the company to build on this strength. This quarter we saw the start of the first step in our capital plan with the commencement of our $16 million investment in the Saltair Sawmill with further investment anticipated. We look forward to the next evolution for Western as we refine our focus on margin. As always, we do this with safety our most significant priority.

Q1 2012 financial highlights are as follows:

- EBITDA of $9.3 million
- Sales revenues increased 24% over the same quarter last year
- Sales volumes of all our major product segments increased over last year
- Liquidity of $114.9 million compared to $95.2 million a year ago
- Net debt to capitalization remains at 13%
- Operating cash flow generated $8.6 million in the quarter

As a result of our continued strategic focus, the quarter saw several achievements, including:

- Safety results are trending positively
- Log production increasing by 48% compared to Q1 2011
- Mill productivity levels increasing by 8% over Q1 2011
- Initiating the first of many projects in our strategic capital plan

We continue to have positive financials, despite current market conditions, due to our vigilant focus on productivity and margin. Western generated EBITDA of $9.3 million during the first quarter of 2012 and we grew revenue to $223.4 million compared to $180.8 million one year ago. Included in this quarter's revenue were lumber sales totaling $157.2 million, which is the highest quarterly amount since the second quarter of 2007.

Despite the EBITDA result being in line with last quarter, we were disappointed with the increase in costs, particularly the log cost of goods sold. Although such cost increases were consistent with our annual plan, log margins were under pressure in the first quarter 2012. The first quarter of the year tends to have higher log costs due to seasonality impacts, predominantly weather.

Consistent with our business plan, production continues to increase as we restart capacity and increase sales. Despite poor weather conditions, our Timberlands group still increased production. With a strong log supply to the mills, our manufacturing facilities increased production by 20%. In these tough market conditions we will continue to match production to market demand and manage inventories to support these positive increases. Our workforce has been instrumental in these initiatives and is engaged in our drive for continuous improvement.

Markets are as we forecasted and are not expected to significantly improve in the first half of 2012.

- Western Red Cedar: The market in Q1 2012 was undersupplied. The tight log supply has supported increased pricing and our ability to supply the product has led to increased market share for Western. Our Q2 outlook is for a continuation of the tight supply that prevailed in Q1.

- Japan: Our outlook from Japan is improving as customers are feeling more confident. The weak Yen and increased foreign supply to the market are likely to make price gains difficult as the market improves.

- Niche: The North American market for higher grade Douglas Fir and Hemlock products used in appearance products remains soft and our growth is coming from increases in our timber business. Off-shore opportunities, especially Europe, remain challenging in the face of uncertain economic conditions.

- Commodity: The demand for lumber and logs in China has slowed due to the slowdown in housing. Inventories of logs and lumber remain high which has led to price pressure. We have diverted volume once directed at China to other programs and products which offer better returns. We are optimistic the excess inventory will be consumed through Q2 2012 and a more regular pattern of buying will develop.

A $16 million investment in the Saltair Sawmill will lower the mill's per unit cost of production providing a competitive platform for the future. An upgrade to the Saltair Sawmill's edgers, stacker, and sorter, will increase production by 15%, increasing competitiveness. The improvements will also enhance safety with a better material flow. Purchasing of equipment and preparation for the retrofit has begun with deliveries of equipment expected in the latter half of the year. Improvements are planned to occur with a minimal amount of production interruption, maintaining mill output. We anticipate another investment in this mill later in the year.

Our Margin Improvement Program is already showing results that will continue to strengthen our earnings quarter after quarter. The focus on margin continues through all of the business units, starting with raising awareness about the costs and opportunities to increase sales revenue, and improving our margins. These efforts are intended to instill a "margin based" culture in our company.

We continue our safety focus throughout the company. In light of recent tragic events in two interior sawmills, and as we increase production, we must continue our drive to improve safety. Our safety team is meeting with key operations and contractors to determine action plans that reinforce accountability for safety in the workplace at all levels.

On behalf of Western, I would like to thank our shareholders for their continued support, and our employees, contractors, suppliers and communities for their engagement in Western's strategy toward building a competitive and sustainable Coastal business.

Dominic Gammiero
Chairman and CEO

Lee Doney
Vice Chairman