

WESTERN FOREST PRODUCTS INC.



Annual Information Form – February 17, 2016

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FORWARD-LOOKING STATEMENTS AND INFORMATION

This Annual Information Form 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 as included in "Development of the Business – Changes Expected for 2016" and "Business of the Company" may be indicated by words such as "estimate", "expect", "anticipate", "plan", "intend", "believe", "should", "may", "can", "will" 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, misjudgments in the course of preparing forward-looking statements or information, changes in opportunities and other factors. The information contained in this Annual Information Form, including, without limitation, the information set forth under the heading "Business of the Company" and the information contained in our consolidated financial statements and accompanying management's discussion and analysis for the year ended December 31, 2015, identifies important factors that could cause such differences. 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 Forest Products Inc. does not expect to update forward-looking statements or information as conditions change.

THE COMPANY

In this Annual Information Form, unless the context otherwise requires, “Western”, “Company”, “we”, “us”, “our” and similar terms refer to Western Forest Products Inc. and its subsidiaries.

Western’s business is timber harvesting and lumber manufacturing for worldwide markets. Western’s operations are located in the coastal region of British Columbia, Canada. Western’s head office is located at Suite 510 – 700 West Georgia, TD Tower PO Box 10032, Pacific Centre, Vancouver, British Columbia, V7Y 1A1 and the registered office is located at Suite 2800, 666 Burrard Street, Vancouver, BC, V6C 2Z7.

The Company was incorporated as 4204247 Canada Inc. under the Canada Business Corporations Act on April 27, 2004 and changed its name to Western Forest Products Inc. on June 21, 2004. On July 27, 2004, Western acquired the solid wood assets and certain pulp assets of Doman Industries Limited (“Doman”) and certain related companies. Western commenced business on July 28, 2004 and on August 3, 2004, the Common Shares began trading on the Toronto Stock Exchange under the symbol “WEF”.

During 2014, Brookfield Special Situations Management Limited (“BSSML”), an indirect wholly-owned subsidiary of Brookfield Assets Management Inc. (“BAM”), completed secondary offerings of Western Common Shares on January 31, 2014 and September 10, 2014. In addition to the secondary offerings, BSSML delivered Western Common Shares from its holdings on all exercises of warrants prior to their expiry in July 2014. Through the secondary offerings and warrant exercises, BSSML’s ownership of Western’s Common Shares was reduced from approximately 49% to nil in 2014. As at February 17, 2016, Western was a widely held company.

Certain other terms used in this Annual Information Form are defined under “*Glossary of Certain Terms*”, which can be found at the end of this document, starting at page 30. All information in this Annual Information Form is as of February 17, 2016, unless otherwise indicated. All dollar amounts are expressed in Canadian dollars, unless otherwise indicated.

SUBSIDIARIES

On May 1, 2006, Western acquired all of the issued and outstanding shares of Cascadia Forest Products Ltd. (“Cascadia”). Immediately after the acquisition, Western and Cascadia amalgamated with two of Western’s subsidiaries, WFP Western Lumber Ltd. and Mid-Island Reman Inc. The amalgamated company continued as Western Forest Products Inc. On March 1, 2007, Western amalgamated with its wholly-owned subsidiary, Western Pulp Limited. The amalgamated company continues to be called Western Forest Products Inc.

The principal subsidiaries of the Company are:

Name	Jurisdiction of Incorporation	Percentage owned
Western Forest Products Japan Limited	Japan	100%
Western Lumber Sales Limited	Canada	100%

Western Forest Products Japan Limited has an office in Tokyo and sells Western’s lumber products to Japanese wholesale and manufacturing customers. Western Lumber Sales Limited sells the Company’s lumber products to customers in the United States (“US”).

The Company’s other wholly-owned subsidiary is Cascadia Fibre Supply Ltd., which is inactive.

The Company’s Board of Directors approved the wind-up of WFP Quatsino Navigation Limited in 2015 and it was substantially completed December 31, 2015.

DEVELOPMENT OF THE BUSINESS

Company Profile and Strategy

Western is a major integrated softwood forest products company operating in the coastal region of British Columbia ("BC"). The Company's long-term business objective is to create superior value for shareholders by building a margin-focused lumber and log business of sufficient size and scale to compete successfully in global softwood markets. To achieve this, our strategy is to hold tenure to harvest high quality Crown-owned coastal timberlands, to operate efficient, low-cost converting facilities and to produce and sell high-value softwood lumber and logs to global markets. We seek to manage our business with a focus on operating cash flow and maximizing the value of our fibre resource through the production cycle, from the planning of our logging operations to the production, marketing and sale of our lumber products.

Western's business includes the harvesting of timber, reforestation, forest management, the manufacturing and sale of lumber and wood chips, and the sale of logs. Western's lumber products are currently sold in over 25 countries worldwide. Our sawmills process hemlock and balsam, Douglas fir, yellow and western red cedar, into long-length, wide-width and high-grade appearance lumber, commodity grades of lumber and residual wood chips that are sold externally for pulp production. Our value-added lumber remanufacturing operations dry, saw and plane lumber for use in producing higher-value products such as mouldings, doors, windows, paneling, and siding.

Our business comprises seven sawmills with an annual lumber capacity in excess of 1.1 billion board feet, two value-added remanufacturing plants and timberland operations with approximately 6.2 million cubic metres of annual allowable cut ("AAC") from high-quality "evergreen" tenures (that are renewable within the tenure term) on Crown-owned land on Vancouver Island and the British Columbia mainland coast. Approximately 0.2 million cubic metres of additional potential harvest is available from our privately-owned timberlands and non-replaceable Crown tenures. In addition, we source additional fibre through our joint interests with coastal First Nations in sustainably harvesting timber. We also participate in auctions for the purchase of standing timber through BC Timber Sales.

Summary History

Following its initial acquisition of the assets of Doman Industries in 2004, the Company undertook a series of restructuring activities. These included the closure of its Silvertree sawmill in 2005, the exit from the pulp business in early 2006 and ceasing operations at the Duke Point log merchandiser, which was used primarily to supply whole log wood chips to the Company's former Squamish pulp mill. Except for the Duke Point site, these properties have since been sold with the most recent sale relating to the Squamish pulp mill site on February 6, 2015 (see "Significant Developments Since January 2013" below).

Western subsequently expanded its forest operations through two acquisitions. On March 17, 2006, the Company purchased the Englewood Logging Division ("Englewood"), consisting of Tree Farm License ("TFL") 37 on Vancouver Island and certain related assets for \$45.0 million plus the value of certain log inventories. On May 1, 2006, Western acquired all of the issued and outstanding shares of Cascadia from Trilon Bancorp Inc., a wholly-owned subsidiary of BAM, for cash consideration of \$202.2 million. Cascadia was a coastal BC integrated lumber producer that harvested timber and produced high-value, high-quality wood products for customers worldwide. Cascadia was, at the time, the largest Crown tenure holder in coastal BC, with an AAC of approximately 3.6 million cubic metres, and one of the largest lumber producers on the BC coast, owning or operating four specialized sawmills with an aggregate annual production capacity of approximately 570 million board feet of lumber, a "custom cut" division and four remanufacturing facilities.

With the closing of the Cascadia and Englewood acquisitions and completion of the restructuring activities, the Company focused on the integration of its ongoing business operations. Integration provided the opportunity for the consolidation of timberlands operations to improve productivity, reduce fixed costs per unit logged and optimize log flows from the timberlands to sawmills, taking advantage of shorter barging and towing distances available with the new timber tenure and mill configuration. Western closed its New Westminster sawmill in February 2007 and sold the property in March 2008.

The Company has since focused primarily on operational improvements in order to reduce costs, including through the rationalization of logging operations. Recovery rates of lumber produced from logs have been increased with the benefit of capital investments and refined sawmilling techniques. In addition, systems and processes have been improved, reducing costs across the organization.

Further restructuring took place in 2009 and into 2010 to address the continuing weak worldwide lumber markets, resulting in further organizational changes, plant down-time, headcount reductions and the relocation of the Company's corporate office to Vancouver. The Company has sold off a number of non-core assets since 2008, with the proceeds being used to pay down long-term debt.

Significant Developments Since January 2013

Western's financial results have improved significantly over the past three years, as a result of our cost-cutting and restructuring efforts, an increased focus on margins, combined with strengthening product demand. The increased demand, largely a result of China's increased activity in the lumber market, and the much anticipated improvement in the US housing markets has increased demand for lumber products.

Capital projects

Western announced a \$125.0 million strategic capital program in 2011 and to date we have implemented or announced \$97.4 million of these investments. This program is designed to position Western as the only company on the coast of BC capable of consuming the complete profile of the coastal forest and competitively manufacturing a diverse product mix. This positioning is expected to be achieved through reducing costs, increasing efficiencies, and improving product flexibility.

In the fourth quarter of 2015, we continued the commissioning of the \$40.3 million re-investment in the Saltair sawmill, making Saltair the largest single-line sawmill on the BC coast. The final phase of the strategic capital project involved completion of the log merchandiser installation and a new dual ring debarker. The second phase involved the installation of a new log in-feed and log merchandiser, with installation of the log in-feed completed in early 2015, and was achieving planned operational metrics soon after start up. The first phase was completed during 2013, including significant investment in a new sorter, trimmer, edgers and stacker.

Our Duke Point sawmill modernization project continues. The mill will take downtime in the first quarter of 2016 as part of the \$15.7 million phase three sawmill improvements. This will include the installation of a new stacking and packaging line as well as optimization equipment on both head rigs. The first two phases were completed in the fourth quarter of 2015 and involved a combined investment of \$10.2 million for the installation of a diptank to allow for the production of whitewoods, the expansion of the barge loading dock, and other improvements to the sawmill infrastructure to support a two-shift operation. These investments have resulted in reduced costs, improved flexibility to produce various grades of lumber, and increased lumber recovery.

Also at the Duke Point sawmill, we completed the \$5.1 million Phase one upgrade of the planer facility, with a new stacker, strapper and paperwrap system during the fourth quarter of 2015. Planer Phase two is now underway and expected to be complete in 2016. This \$11.9 million project will allow us to cost effectively process kiln dried products and includes the installation of an auto grader system.

In the fourth quarter of 2015, we installed a new timber deck at our Chemainus sawmill, and largely completed the conversion of our Ladysmith sawmill to a single line.

In the fourth quarter of 2014, we installed log auto-rotation project and our Cowichan Bay sawmill. In addition, we installed automated lumber grading technology in the Alberni Pacific sawmill in the same period.

In the fourth quarter of 2013, we completed the Cowichan Bay planer upgrade.

Share transactions

During 2014, the Company supported a number of share transactions that reduced Brookfield Special Situations Management Limited (“BSSML”) shareholdings from 49% to nil on a fully diluted basis. These transactions included:

- On January 31, 2014, 39,050,597 Non-Voting Shares of the Company were converted, on a one-for-one basis, into Common Shares of the Company. Following this transaction and further share sales, BSSML held no Non-Voting Shares and 163,012,474 Common Shares representing approximately 49% of the then issued and outstanding Common Shares on a non-diluted basis.
- Warrants exercised prior to their expiry on July 31, 2014. The Company had warrants outstanding that were issued in connection with an October 31, 2013 secondary offering of the Company’s shares by BSSML. Pursuant to a prior agreement, BSSML was required to deliver from its holdings all of the Common Shares issuable upon exercise of the warrants.
- On September 10, 2014, BSSML’s remaining 29% of Common Shares of the Company were sold through the completion of a secondary offering thereby reducing BSSML’s shareholding to nil.

These share transactions have been positive for Western’s shareholders and, building on a recent substantial issuer bid and secondary offering, have led to a significant increase in the public float of our Common Shares. In addition, the average daily trading volume of our shares increased by approximately 2.5 times over the same period in 2013.

During 2013, we initiated a regular quarterly dividend program that paid \$0.02 per share per quarter. To date, \$78.7 million in dividends have been paid out to the Company’s shareholders.

Non-core asset sales

In January 2013, Western entered into a conditional agreement for the sale of its former Woodfibre Pulp Mill site for gross proceeds of \$25.5 million. The site consists of 212 acres of industrial waterfront land and is located at the head of Howe Sound, southwest of Squamish, British Columbia. Closing was subject to certain conditions, with Western responsible for the satisfactory remediation of the property to applicable environmental standards prior to closing the sale. During 2013, both parties to the transaction agreed to a specific remediation plan and the transfer of a landfill permit and related obligations, and the purchase price was revised to \$21.8 million to reflect the modified terms of the agreement. On February 6, 2015, Western received proceeds of \$21.8 million as a result of the completion of the sale of the former pulp mill site and related assets. Proceeds were used to pay down the Company’s outstanding debt and the resulting increased liquidity was used to further the Company’s strategic capital plan.

Other developments

In August 2014, the Company announced that it had finalized an agreement to amend and extend its revolving term loan facility. Under the terms of the amended revolving term loan agreement, maturity of the facility has been extended from June 29, 2017 to June 29, 2019 and certain restrictive covenants have been removed from the agreement. In addition, Western reduced the effective interest rate on the term loan facility while keeping the availability of the \$110 million facility unchanged.

On November 2, 2015, the Company amended certain terms and conditions of its revolving credit facility, including the elimination of certain covenants and a reduction in applicable interest rates. The Company also extended the maturity date of the facility by one year to December 14, 2016.

Changes Expected for 2016

For additional information regarding changes expected to the Company’s business in 2016, see Western’s Management’s Discussion and Analysis for the year ended December 31, 2015; and in particular the “Market

Outlook” and “Strategic Capital Plan Update” sections, which is incorporated by reference herein and which is available on SEDAR at www.sedar.com.

BUSINESS OF THE COMPANY

Overview

Western’s business includes the harvesting of timber, reforestation, forest management, the manufacture and sale of lumber and wood chips, and the sale of logs. Western’s lumber products are currently sold in over 25 countries worldwide. Our sawmills process hemlock and balsam, Douglas fir, yellow and western red cedar, into long-length, wide-width and high-grade appearance lumber, commodity grades of lumber and residual wood chips that are sold externally and used for pulp production. Our value-added lumber remanufacturing operations dry, saw and plane lumber for use in producing higher-value products such as mouldings, doors, windows and paneling

We believe that extracting the maximum value from our timber resources is essential. The timberlands operations seek to supply the Company’s sawmills with a safe, efficiently-harvested supply of high-quality fibre of the appropriate species and log characteristics to enable the cost-effective manufacture of lumber to meet customers’ needs. In addition to supplying Western’s sawmills with logs harvested from its timber tenures, the Company also buys, sells and trades logs on the open market to ensure sufficient fibre supply to meet the cutting profile of its sawmills and to maximize log margins.

Operating results have been and continue to be affected by a number of factors, including economic conditions in the United States, Japan, China, Europe and Canada, which are the leading markets for the Company’s lumber products. Changes in the demand for our products in these markets and in the value of the Canadian dollar relative to the US dollar and, to a lesser degree, the Japanese Yen and the Euro can have a significant impact on our financial results. In all of these markets, our competition is of a global nature as we increasingly face competing products from various regions.

Forest Products Industry

British Columbia is one of the world’s leading forest products regions. Export revenues from lumber product sales in 2015 were \$8.5 billion, and from pulp and paper related products were \$4.4 billion. Current estimates of AAC in British Columbia available from Crown-owned and private timberlands are approximately 82 million cubic metres.

British Columbia has two major forest regions, coastal and interior, which are differentiated by climate, terrain and forest type and have given rise to two distinct segments of the forest industry. Historically, just less than one-third of British Columbia’s timber harvest has originated from the coastal region. In contrast to the interior forests, the British Columbia coastal forests are distinguished by a wet maritime climate, rugged topography and a variety of high-value coastal forest species with highly productive growing sites. Over the past decade, the coastal timber harvest has declined as a result of the establishment of new parks and protected areas and AAC reductions to conform harvest levels to long-term sustainable yields.

Softwoods such as hemlock, spruce, pine and fir are used primarily in construction due to their strength, light weight and ease of nailing. Cedar is a softwood that is used where appearance and decay resistance are valued such as for decks, paneling, fencing, fascia, siding and doors. The forest industry generally grades lumber into two broad categories: (i) “uppers” or “appearance-grade” lumber, which is evaluated on its visual attributes; and (ii) “commodity-grade lumber,” which is evaluated on attributes such as strength and stiffness.

The two broad categories within which all grades generally fall are based upon its strength or its appearance and are called “upper” or “appearance-grade lumber” and “commodity-grade lumber”.

Forest Resources

Fibre Supply

The Company's fibre requirements are primarily met with logs harvested from Western's timber tenures and private lands, supplemented by logs purchased on the open market, and log trading activities. The Company also participates in auctions for the purchase of standing timber through BC Timber Sales. In addition, we source additional fibre through our joint interests with coastal First Nations in sustainably harvesting timber. The Company's fibre supply department ensures an adequate supply of suitable logs for our manufacturing plants and sells the logs not used for Western's lumber production to both domestic and export markets.

All of Western's timber harvesting operations are located in the coastal region of British Columbia. In a normal operating year, approximately 95% of the Company's logging is conducted on government timberlands allocated to us under our TFLs and, to a lesser extent, under our Forest Licences ("FLs") and Timber Licences ("TLs"). Historically, logging of our private lands has accounted for approximately 5% of Western's harvest.

Western's timber tenures contain a substantial amount of presently harvestable mature timber stands located in areas that have never been commercially harvested. We believe that these stands are particularly valuable, as the substantial size of the trees should allow production of a high value upper-grade ("appearance") lumber. Appearance lumber is consumed in the manufacture of doors, window frames, paneling, mouldings and decking.

At the end of 2015, the species distribution of our timber resources was approximately 62% hemlock and balsam, 15% cedar, 14% Douglas fir, 5% cypress and 4% spruce and other minor species. Western's average production for the past five years was very close to this profile, being approximately 60% hemlock and balsam, 17% cedar, 17% Douglas fir, 4% cypress, 2% spruce and other minor species.

The available cut, including the AAC of TFLs and FLs, actual cut, log supply and log usage for each of the last three years are set out in the following table:

	Actual Net harvest ⁽¹⁾			Available Cut ⁽²⁾		
	Year Ended December 31,			As at December 31,		
	2015	2014	2013	2015	2014	2013
<i>(thousands of cubic metres)</i>						
TFLs	4,474	4,512	4,986	5,576	5,576	5,576
FLs	115	90	32	568	598	598
Other lands ⁽³⁾	546	526	395	194	194	194
Total log production	5,135	5,128	5,413			
Total available cut				6,338	6,368	6,368
Total logs purchased	1,280	1,475	1,297			
Total logs consumed	3,898	3,792	3,807			
Total logs sold	2,598	2,633	2,769			

- (1) The actual cut represents total log production with tenure assignment based on the Harvest Billing System. Residue volume, market logging, joint venture volumes and other volumes resulting from external logging agreements which contribute to the total AAC, are not included in the total amounts reported. Forest License volume includes third party license volume which Western has harvested as own production. Volumes harvested by market loggers amounted to 79,000 m³ in 2015. Net volumes harvested by joint ventures amounted to 88,000 m³ from Company tenures. Also, 228,000 m³ was harvested pursuant to a Forest License Utilization agreement.

- (2) The available cut for the TFLs and FLs is the AAC determined by British Columbia's Chief Forester as of December 31 and is not the average for the year. These AACs incorporate any temporary reductions put in place by the Provincial Chief Forester, and do not include volumes of timber available to third parties. See Timber Available for Harvest section below for more details.
- (3) At December 31, 2015, 144,000 m³ of available cut is attributed to private managed forest lands outside of TFLs and 50,000 m³ to TLs outside of TFLs following FRA reductions.

The Company's timberlands operations are located on Vancouver Island and the Mainland Coast of BC. Approximately 85% of the 2015 log production originated from Vancouver Island. In 2009, Western restructured into eight active logging and forestry operations that were separately managed. In 2015, Western completed the consolidation of its North Island operations and commenced the consolidation of its Central Island operations. For historical and legal reasons, logging is conducted by a combination of Company and contractor operations. Western plans the majority and co-ordinates substantially all of the timber production from the various operating sites.

Logs are sorted according to species, size and grade and directed to our sawmills, custom cutting operations and log markets to maximize the return. The pulp log volume produced from Western's timber tenures and private lands, and all residual chips produced from sawmilling operations, are committed under long-term fibre supply agreements. These agreements commonly require the delivery of minimum periodic chip volumes. In addition, Western has a number of long-term commitments for the sale, purchase or trade of saw logs and pulp logs to third parties. Some of the Company's log trade agreements involve the exchange of our logs for residual chips.

Logs are largely transported by water, using contracted towing and barging services, to Western's manufacturing plants and to external customers.

Timber Tenures

Approximately 95% of all forest land in British Columbia is owned by the Province and administered by the Ministry of Forests, Lands and Natural Resource Operations ("MFLNRO"). Subject to provincial legislation and related regulations and Constitutional obligations to Aboriginal peoples (see our Management's Discussion and Analysis "*Risk Factors – First Nations Land Claims*"), rights to harvest timber on such land may be granted on behalf of the Province by the MFLNRO in the form of timber tenures. Western's timber tenures comprise TFLs, FLs and TLs.

A TFL is a replaceable timber tenure that requires the licensee to manage a specified area of timberland on a sustained yield basis. TFLs are granted for 25-year terms and are replaced by the MFLNRO every five to ten years with a new TFL with a 25-year term, subject to satisfactory performance by the TFL holder of its legal and licence obligations. Approximately 90% of the Company's replaceable AAC comes from six TFLs.

TFLs 25 and 44 were replaced in 2009; TFLs 6, 37 and 39 were replaced in 2010 and TFL 19 was replaced in 2011. TFLs 60 and 61 were created in 2010 as subdivisions of TFL 39 and TFL 25, respectively. On January 31, 2007, the Company's private lands were withdrawn from TFLs 6, 19 and 25. The AACs of the three TFLs were reduced as of the withdrawal date to reflect the contribution that these private lands had made to the timber inventory and long-term sustainable productivity of these TFLs. The majority of these private lands are regulated under the *Private Managed Forest Land Act* (British Columbia) as well as other provincial and federal statutes. Western continues to evaluate private land opportunities to realize the highest-value contribution.

On March 16, 2011, TFL 61 was sold to Pacheedaht Andersen Timber Holdings, and TFL 60 was sold to Taan on June 28, 2012. As of January 1, 2015, TFL 39 and TFL 6 license agreements were amended for the transfer of TFL 39 Block 4 and the related AAC to TFL 6.

Other parts of the Province's timberlands not designated as TFLs are organized into timber supply areas ("TSAs"). FLs are issued within each TSA with the AAC being determined at the TSA level and the overall harvest for the TSA being allocated and managed by the MFLNRO on a sustained-yield basis. FLs are volume-based tenures which authorize a specified volume of timber to be cut within a specific TSA. FLs

generally have a term of 15 years and are replaceable every five to 10 years with a new FL with a term of 15 years, subject to satisfactory performance by the licensee of its legal and license obligations.

TLs are area-based tenures with various fixed terms. TLs within a TFL are managed on an integrated basis with other timberlands within the same TFL and the land remains part of the TFL when the TL is harvested. Harvesting from TLs external to TFLs is subject to provincial legislation and related regulations and Constitutional obligations to Aboriginal peoples. At the end of 2015, the Company had 16 active TLs external to TFLs, and three which are pending term extensions by MFLNRO.

Western Forest Products is one of five founding members of the Coast Forest Conservation Initiative (“CFCI”). CFCI is a collaborative effort amongst forest companies working in BC's Central and North Coast. Its purpose is to define and support the development of an ecosystem-based management (EBM) as part of 2003 Land and Resource Management Plan recommendations. Interim legal objectives for EBM were enacted in 2006 and amended in 2009 with final implementation deferred for 5 years while the concept, intended to be unique to this region, was fully defined. The CFCI Companies, along with major environmental groups, have delivered a suite of recommendations for consideration by the Province and the 27 First Nations who live in the region. How final resolution of EBM will impact WFP's timber supply is unknown at this time, however the impact will be limited to the Mainland Coast Forest Operation only. Further amendment of legal objectives is expected to be finalized in early 2016.

Timber Available For Harvest

The AACs for TFLs and TSAs are determined by the Chief Forester of the Province (“Chief Forester”) and are intended to reflect timber conditions, regional and local economic and social interests, and environmental considerations. Legislation requires the Chief Forester to review sustainable timber harvesting levels in each TSA and TFL in the Province at least every 10 years and to issue a “determination” relating to the same, which may recommend reductions or increases in the AAC of the TSA or TFL. The Chief Forester can also make permanent AAC reductions as a result of land use changes to the land base.

Late in 2014, TFL 39 and TFL 6 License Agreements were amended for the transfer of TFL 39 Block 4 and the transfer of 202,000 m³ of AAC from TFL 39 to TFL 6. The transfer, effective January 1, 2015, was requested by Western to streamline management and administration of the contiguous areas of TFL 6 and the former TFL 39 Block 4. An AAC determination by the Province's Chief Forester for TFL 39 is expected in the first half of 2016.

Under Part 13 of the *Forest Act* (British Columbia) (the “Forest Act”), if the Minister of Forests, Lands and Natural Resource Operations determines that it is in the public interest, the Province can “designate” areas of Crown land for up to 10 years and then suspend or vary permits, licences and plans in force within the designated area. At the same time, the Chief Forester can temporarily reduce the AAC of a timber tenure by an amount attributable to the designated Part 13 area. Part 13 is generally applied in support of land use planning or environmental reserves. There were no Part 13 designations in place on Western tenures in 2015.

Stumpage Charges

Stumpage is the fee that the Province charges forest companies for timber harvested from Crown land in British Columbia. Approximately 95% of the timber we harvest is from Crown land. In response to the US Softwood Lumber dispute, the Provincial Government adopted a more open and competitive market pricing system for timber from the Coastal region. Since February 29, 2004, stumpage is being set using the Coast version of the Market Pricing System (“MPS”). MPS uses the winning bids and stand characteristics of timber sold through British Columbia Timber Sales (“BCTS”) auctions to develop regression equations that predict the market (i.e. auction) value of Crown timber harvested under long-term tenures. The auction value is then adjusted to reflect costs that tenure holders incur that BCTS expends on behalf of bidders. These costs, like forest planning and administration and silviculture, are referred to as ‘Tenure Obligation Adjustments’. Coastal MPS has been updated every two to three years to reflect recent sale data and costs. The most recent update occurred on January 1, 2014. Stumpage rates are also adjusted quarterly to reflect changes in log prices.

The following table illustrates the relationship of Western's stumpage expenses relative to the total log production from Crown lands for each of the last three years. Stumpage expense presented reflects the dollar per cubic metre fee paid to the Province of BC for timber harvested from Crown land and related costs for residue and waste.

	Year Ended December 31,		
	2015	2014	2013
Net Log production (<i>thousands of cubic metres</i>)	5,135	5,128	5,413
Stumpage (<i>\$ millions</i>)	\$13.4	\$12.7	\$7.7

Net production is defined as sorted log production, net of harvesting residuals and waste.

Forest Management

Western manages its Crown-land forest tenures and its privately-owned forest lands according to sustainable forest management principles, which include a commitment to meeting government standards. As part of the rights and responsibilities that accompany Western's Crown tenures, staff carry out or supervise pre-harvest planning, road-building and harvesting operations and follow-up silviculture treatments to establish free-growing second-growth stands of trees.

Pre-harvest planning includes a wide spectrum of activities from the collection of inventory and assessment data to the development of higher-level Management Plans for TFLs and Forest Stewardship Plans for specific planning results and strategies for operations within TFLs, FLs and TLs. These plans take a broad range of timber and non-timber factors into account, including but not limited to: wildlife, fisheries, water quality, soil sensitivity, terrain stability, visual quality, biodiversity, archaeological sites and cultural features, cave and karst features, timber species distribution and value. These higher-level plans provide direction for the development of site-specific plans and lead to the applications for specific road-building and harvesting permits.

Following harvest, we ensure all disturbed areas are reforested and conduct follow-up surveys and silviculture treatments to ensure that these harvested areas meet free-growing requirements within specified timelines. Should a developing stand be damaged prior to being declared free growing, Western is responsible for taking the necessary corrective actions to meet free growing requirements. Substantially all of these basic silviculture requirements are carried out at our expense. Once young stands reach the free-growing stage, they are left to develop without further attention into second-growth forests ready for subsequent harvest.

Our tenures are managed by a staff of registered forest professionals who are involved in planning and inventory, road and bridge development, harvesting, silviculture and forest health and protection programs. We operate the Saanich Forestry Centre, which includes a three million-seedling nursery and a tree seed orchard that produces select seed for reforestation.

The forests on our timber tenures are at risk of damage from natural and human-caused forest fires. To deal with this hazard, we have equipment and trained personnel ready to handle initial attack and fire suppression. We are also required to pay a fire preparedness levy to the MFLNRO each year. Should a fire start as a result of our activities, and we did not willfully cause or contribute to the start or the spread of the fire by our act or omission, payment of this fee means that we will not be charged for any Ministry initial attack costs or the fire suppression costs associated with the wildfire once the Ministry has assumed fire control. Further, Western will not be charged for damages to Crown resources if the Company has been duly diligent. We remain responsible for fire-fighting on our private lands, whether inside or outside of TFLs, regardless of origin or cause. Western has entered into a cost-sharing agreement with the Crown for our private lands that will reduce individual incident costs of mobilizing helicopters and aerial water tankers.

Manufacturing Facilities

We own and operate seven sawmills and two value-added remanufacturing facilities. Our high-quality timber supply (western red cedar, hemlock, balsam, Douglas fir, yellow cedar and spruce) and the particular design of our sawmills enable us to produce appearance-grade products (those used in decks, paneling, fencing, fascia, siding and doors, for example), and specialty structural products for markets around the world. The species and products produced typically command premium prices compared to commodity construction grades, such as SPF 2x4 lumber. Much of the softwood timber in North America is not capable of producing substantial quantities of these specialty products.

All of our operating sawmills are located on Vancouver Island on land we own. All of Western's sawmills have adjacent water lots that are leased from the Province of British Columbia or a public Port Authority and some have barge and dock loading facilities to handle water-borne shipments of sawmill products. Our sawmill configuration provides significant flexibility, enabling us to change cut programs and log flows between different sawmills.

Operation	Log Processing Capability	Location
Ladysmith	4" to 12" diameter range	Ladysmith, BC
Cowichan Bay	6" to 28" diameter range	Duncan, BC
Saltair	6" to 28" diameter range	Ladysmith, BC
Duke Point	12" to 60" diameter range	Nanaimo, BC
Alberni Pacific	12" to 60" diameter range	Port Alberni, BC
Chemainus	15" to 80" diameter range	Chemainus, BC
Somass	15" to 108" diameter range	Port Alberni, BC

Our remanufacturing facilities are also located on Vancouver Island on land we own. Our Chemainus South Island remanufacturing plant dries hemlock, western red cedar and Douglas fir appearance-grade lumber used in the manufacture of doors, windows and moldings and structural lumber for the Japanese market. Our "Value Added Division", also located in Chemainus, specializes in remanufacturing all species for value and provides additional kiln-drying and planer capacity for our primary sawmills. We have a total of 42 kilns located at our remanufacturing plants and sawmills with an annual lumber drying capacity of about 250 million board feet per year. As part of marketing and manufacturing strategy, we continue to review the requirement to invest in future new kiln capacity.

In addition to lumber manufacturing and re-manufacturing at its own facilities, Western also operates a division known as "Custom Cut". The Custom Cut division focuses on converting logs to lumber on a custom basis to customer specifications. Unlike traditional lumber purchases, in which a customer will specify the volume of selected lumber products they wish to purchase, Western's Custom Cut customers typically acquire all the lumber products which are cut from a defined volume of logs. Custom Cuts may be conducted at third-party manufacturing facilities in the Lower Mainland of British Columbia using logs either harvested by Western or acquired on the open market. Alternatively, Custom Cuts may be conducted at Western's own sawmill facilities in situations where the customer specifications are compatible with mill capacities. Custom Cuts are routinely performed on Western's major species and are the primary method of manufacture for our yellow cedar logs.

The current annual lumber production capacity and actual lumber production for each of our sawmills for each of the last three years are set out in the following table:

Sawmills	Capacity ⁽¹⁾ (MMfbm)	Year Ended December 31,		
		2015	2014	2013
Alberni Pacific	175	153	144	150
Chemainus	130	113	114	114
Cowichan Bay	250	163	176	174
Duke Point ⁽²⁾	90	56	5	1
Ladysmith	130	85	86	90
Nanaimo ⁽³⁾	0	0	43	57
Saltair	240	183	191	148
Somass	90	37	35	37
	1,105	790	794	771
Custom Cut	n/a	101	114	113
Total	1,105	891	908	884

- (1) Based on two shifts and 250 operating days, except Chemainus at three shifts.
- (2) Operations at Duke Point recommenced in October 2011. Production remained low in the past few years as the Company assessed and executed capital plans to modernize the Duke Point sawmill.
- (3) In October 2014, the Nanaimo sawmill division was permanently closed as a result of the consolidation of the Company's Nanaimo-area sawmill operations at the Duke Point Sawmill.

Our sawmills have a total annual production capacity of approximately 750,000 volumetric units of wood chips. Residual chips and wood residue from our manufacturing operations are being sold under long-term fibre supply agreements. We also trade log volumes with third parties to secure preferred logs and chips or for cost benefit.

The wood chip supply and usage for each of the last three years from our operations are set out in the following table:

	Year Ended December 31,		
	2015	2014	2013
<i>(thousands of volumetric units)</i>			
Wood chips produced ⁽¹⁾	550	539	526
Wood chips purchased.....	292	274	267
Total wood chips sold	842	813	796

- (1) Production includes chips produced from whole-log chipping.

Sales, Marketing and Distribution

Western's lumber products are marketed by our sales and marketing division, which is based in Vancouver and has one office in Japan, and a representative office in China. Lumber sales into the United States are primarily made directly to lumber distributors or major manufacturers. Our sales into the Japanese market are serviced both from our Vancouver sales office, where we sell directly to Japanese trading houses, and also through our marketing organization located in Japan, which sells to wholesale and manufacturing customers. Our China lumber sales are made through a combination of direct sales and local Canadian wholesalers.

In addition, the sales and marketing division liaises directly with the consumers of our lumber products. This allows us to react quickly to changes in market conditions and customer requirements and to achieve lower selling costs. Western adjusts sawmill processing programs in order to customize products to meet the specific requirements of changing market conditions. Our order file is approximately six weeks on average which allows us to manage our risk.

While a significant percentage of our logs and lumber are sold in Canada, a majority of these sales are further processed by our customers for sale to global markets. Sales to the US market consist of a wide range of products from high-grade western red cedar and hemlock that is used for appearance end uses to structural dimension lumber. We offer a comprehensive line of traditional components for the Japanese market and provide hemlock products with high structural values which have been approved by Japanese government agencies. Our focus in Europe is Douglas fir structural and western red cedar products for Belgium, and western red cedar and kiln-dried, high-grade specialty products used predominantly in Germany, Italy, and the United Kingdom. Western's business to China is focused on commodity lumber used for construction. In addition, products are sold to customers that produce components and finished wood products for re-export to Japan, Europe and the US. Approximately 20% of our lumber products are sold kiln-dried.

The distribution of the Company's sales by geographic area and by product line for each of the last three years is set out in the following table:

	Year Ended December 31,		
	2015	2014	2013
<i>(millions of dollars)</i>			
<i>Sales by geographic area</i>			
Canada	\$473.0	\$441.8	\$429.8
Asia	312.1	349.5	369.7
US	231.7	189.3	122.0
Europe	37.6	36.2	38.7
Other	27.5	20.1	17.3
	<u>\$1,081.9</u>	<u>\$1,036.9</u>	<u>\$977.5</u>
<i>Sales by product line</i>			
Lumber	\$770.0	\$729.0	\$677.2
Logs	243.1	244.2	243.8
Sawmill by-products	68.8	63.7	56.5
	<u>\$1,081.9</u>	<u>\$1,036.9</u>	<u>\$977.5</u>
<i>Sales by product line by geographic area</i>			
<i>Lumber</i>			
Canada	\$256.4	\$232.3	\$227.6
Asia	229.8	260.6	275.6
US	218.7	179.6	118.1
Europe	37.6	36.6	38.7
Other	27.5	19.9	17.3
	<u>770.0</u>	<u>729.0</u>	<u>677.2</u>
<i>Logs</i>			
Canada	147.8	\$144.3	145.7
Asia	82.3	89.9	94.2
US	13.0	10.0	3.9
	<u>243.1</u>	<u>244.2</u>	<u>243.8</u>
<i>Sawmill by-products</i>			
Canada	68.8	63.7	56.5
Total Sales	<u>\$1,081.9</u>	<u>\$1,036.9</u>	<u>\$977.5</u>

Lumber is delivered to customers by various means, including ocean-going vessel, barge, rail and truck. Western's location on the coast of British Columbia helps us compete in terms of ease of access to overseas markets.

In a normal operating year there is seasonality to the Company's operations with higher lumber sales in the second and third quarters when construction activity, particularly for western red cedar and commodity lumber in the US, has historically tended to be higher. Logging activity may also vary depending on weather conditions

such as rain, snow and ice in the winter and the threat of forest fires in the summer which can restrict our ability to harvest.

Competition

To a great extent, lumber is a commodity and the market is cyclical. We compete on both a domestic and international level with a large number of forest products firms, ranging from very large integrated firms to smaller specialty companies. Western also competes indirectly with firms that manufacture substitutes for solid wood products, including non-wood and engineered wood products. The market for lumber is highly competitive and sensitive to cyclical changes in industry capacity and the economy, both domestically and internationally. Changes in the level of competition, industry capacity, foreign exchange rates and the global economy have a significant impact on our selling prices and overall profitability.

Our competitive position is influenced by the availability, quality and cost of fibre, labour, and energy, and our plant efficiencies and productivity in relation to our competitors. Western is the largest timber tenure holder and producer of lumber in the British Columbia coastal region. The diversity of species and high quality of wood enables the Company to produce products for a wide variety of end uses, from dimension lumber for home construction to high grade lumber used for millwork such as door and window frames, along with timbers for various structural applications. Western is also the world's largest producer of western red cedar. To a certain extent, the Company can use the flexibility of its operating platform and variety of species to shift production to markets according to global market conditions, limiting or growing exposure to various markets and products within the constraints of the long-term balance of the various species in our timber supply.

Softwood Lumber Agreement

Effective October 12, 2006, the Canadian and United States Governments implemented a softwood lumber agreement ("SLA") that replaced the United States imposed anti-dumping duty ("ADD") and countervailing duty ("CVD") regime with an export tax, payable to the Canadian Government. On October 12, 2015, the SLA expired. To date there have been no negotiations for the replacement of the agreement. The SLA provides that no action may be taken with respect to the imposition of softwood lumber duties from Canada for the twelve-month period following its expiry. There is no certainty that the agreement will be replaced and we are unable to predict the consequences should there be no SLA moving forward.

In the previous agreement, the export tax rate varied according to the price of lumber based on the Random Lengths Framing Lumber Composite Index ("Index") and ranged from zero percent, when the Index was above US\$355 per thousand board feet, to 15%, when the Index was under US\$315 per thousand board feet. The export tax only applied to the first US\$500 per thousand board feet for any product sales. In addition, if the monthly volume of exports from the British Columbia coastal region exceeded a certain "Trigger Volume" as defined in the SLA, a "surge" mechanism would apply to retroactively increase the rate of the export tax for that month by 50% (for example, the 15% export tax rate would become 22.5% for that month). During 2015, the Company recorded export tax expense of \$3.6 million (2014: \$nil).

Environment, Health & Safety

Safety

The Company's overall Medical Incident Rate ("MIR") was 1.59 recordable injuries per 100 employees per year at the end of 2015, an increase of 0.28 over our 2014 experience. When segmented out by business unit, our timberlands operations saw their MIR increase modestly to 0.84 in 2015 from 0.81 in 2014, while our manufacturing operations MIR increased to 2.27 in 2015 from 1.91 in the previous year.

The Company's Safety Policy reflects Western's values and commitment to providing a healthy and safe workplace for its people, while at the same time ensuring compliance with our regulatory requirements under WorkSafeBC ("WSBC").

The Company's comprehensive Safety Program is designed to set clear expectations for all employees and contractors employed by the Company. Safety initiatives, training programs, safety plans, incident

investigations, audits/inspections and contractor specific controls are all part of our comprehensive safety program and are a key to our success. Western's Environment, Health and Safety Department representatives continue to be active in working with Unions, WSBC, the British Columbia Forest Safety Council ("BCFSC") the Manufacturing Advisory Group ("MAG"), Coastal Harvesting Advisory Group, and the Safety Advisory Foundation for Education and Research to help shape programs, activities and regulations to ensure a safe workplace for all. In 2015, Western was recertified by the BCFSC as a SAFE Company.

Western's timberlands operations employ approximately 250 contractor companies who in turn employ approximately 1500 workers to assist in achieving the Company's overall timber harvesting targets. Western expects these contractors to work to the same standards established for its own operations. To this end, contractor specific programs are employed to support the contractors in their efforts to improve safety and performance. Assistance provided to contractor firms includes: safety program development, training, inspection protocols, access to Company safety materials, and support from Western's Environment, Health and Safety ("EHS") group personnel. Western requires all timberland contractors to obtain the BCFSC's "SAFE Company" certification and remain in good standing with the BCFSC.

We continue to ensure that our standards, procedures and equipment mitigate any risk with respect to sawmill dust. We work proactively with WorkSafeBC and the industry to continuously improve standards in the area of dust mitigation for the industry. Since the mill explosions and fires in the interior of BC in 2012, we established new more comprehensive protocols and procedures and, where warranted, are making investments in engineering controls in our mills regarding dust mitigation in order to maintain a safe work environment for our employees. These new protocols include the implementation of five dust-sampling labs to service our manufacturing operations, the results from which have refined our dust mitigation focus, further mitigating risk. We have conducted over 2200 dust samples since the inception of our sampling labs.

Environment

The Company's Environmental Policy reflects our values and commitment to the protection of the environment, the prevention of pollution and the sustainability of the resources in our care. The Company works with its employees, contractors, First Nations, government agencies, customers and other stakeholders to identify and address issues of environmental concern in all aspects of our forest management and solid wood operations.

Our operations are subject to a wide array of federal, provincial and local environmental legislation regulating water, land and air discharges and solid and hazardous waste management, disposal, transportation and remediation. To oversee and co-ordinate company-wide efforts for compliance with such legislation, we have an Environmental, Health and Safety Committee of the Board of Directors. Our reporting system is designed to monitor environmental compliance with regulatory requirements, identify environmental issues and to communicate them to all levels of management and operations. In conducting our operations, we minimize environmental impact through sound forestry and environmental management practices that meet or exceed government standards and adhere to an environmental policy based on the following:

- assessing and evaluating environmental risk on an ongoing basis in order to maintain meaningful environmental objectives and targets and effective operational controls;
- allocating sufficient resources to ensure continuing compliance with environmental responsibilities;
- meeting or surpassing all applicable legal requirements;
- establishing audit and reporting procedures to monitor environmental performance, continually improve environmental practices and prevent pollution; and
- communicating this policy and our environmental performance to the public as well as our staff, employees and contractors.

Environmental Management

During 2015, Western's timberlands operations were in substantial compliance with environmental requirements, except for incidents which have not had, or are not expected to have, a material impact on the Company or its operations. The manufacturing and processing side of the business employs a rigorous environmental management system targeted at ensuring ongoing regulatory compliance. We have an Environmental Management System and Sustainable Forest Management System for our timberlands as follows:

ISO 14001: All of our timberlands operations continue to be registered to the International Organization for Standardization ("ISO") 14001-2004 Environmental Management Systems standard under a single multi-site registration.

CSA Z809: Five Defined Forest Area's ("DFA") within our timberlands operations are currently certified to the Canadian Standards Association ("CSA") Z809-2008 Sustainable Forest Management standard under a single multi-site registration. The DFA's cover approximately 74% of the allowable annual cut and 48% of the land base.

Through annual third party audits by SAI Global Assurance Services, as well as internal audits, we confirm that we remain in conformance with both the ISO 14001 and CSA Z809 standards. These audits provide important feedback to senior management to ensure that staff, employees and contractors conduct their activities in compliance with the legislation and regulations relevant to the forest products industry. Environmental Management Programs are another tool used to achieve adherence to our environmental policies. Western maintains Chain of Custody ("CoC") certification from processing facilities and through the sales operations. CoC establishes procedures to track the flow of fiber from certified forest operations through transportation and manufacturing to a certified end-product that is delivered to a customer. In 2009, Western added the FSC Chain of Custody Standard and Controlled Wood Standard Program to the long standing Program for the Endorsement of Forest Certification Chain of Custody Standard (PEFC ST 2002-2013) that is maintained. Positioning our operations to address customer needs will drive future certification initiatives.

Since 2008, Western has been in a partnership with BC Hydro to develop a sustainable energy management program. BC Hydro sponsors the energy management program by providing incentive funding to execute our energy management strategy. Since commencement of the program, power consumption in our manufacturing operations has been reduced by an estimated 28 GWh, which equates to an annual energy costs savings in excess of \$1.9 million. In 2014, Western expanded the program to include the timberlands operations.

See "*Risk Factors – Environmental Regulation*" for additional information. This can be found in our Management's Discussion and Analysis for the year ended December 31, 2015 under the heading "*Risks and Uncertainties*", which is incorporated herein by reference and available under the Company's profile on SEDAR at www.sedar.com.

First Nations Relations

Western operates within the known traditional territories of over 45 First Nations on the coast. WFP has developed and will continue to develop positive working relationships with many of these First Nations through timber harvesting, silviculture, planning and other mutually beneficial arrangements.

Current Provincial policy requires forest management and operating plans to consider all aboriginal assertions of rights and title (proven or unproven). These considerations take place through a process of consultation, for which the Provincial government is solely responsible; however, while operating in areas subject to First Nations claims, of the forestry industry considers rights and title through a process of information sharing. The terms of the timber tenures provide that the Province may refuse to issue cutting permits in respect of a timber tenure if it is determined that the forestry operation would unjustifiably interfere with aboriginal rights and title. If a First Nation is opposed to a forest tenure or other operating authorization, they can slow or restrict the Province from granting the application by citing inadequate consultation. This is particularly the case when decisions could affect their lands claimed in the ongoing treaty process.

The Province is continually engaged with First Nations for the purposes of entering into formal agreements or Treaty. In an effort to be prepared for the impacts of Provincial agreements with First Nations and Treaty, Western developed a Communications Protocol with the Provincial government's Ministry of Aboriginal Relations and Reconciliation. It was signed by both parties in December 2009 and is still active today.

The potential impacts of both the Government to Government agreements with First Nations and of Treaty negotiations are identified below. In addition, Company efforts in building positive working relationships with First Nations are noted.

Potential Impacts as a result of Government to Government Agreements

As part of the Provincial government's First Nations Forest Strategy, the Province negotiates protocols and forest revenue sharing agreements with various First Nations, some whose traditional territories overlap with Western's operating areas.

On December 9, 2009, the Province of British Columbia and First Nations from the southern Central Coast (Nanwakolas First Nations) signed a Strategic Engagement Agreement ("SEA") to manage referrals on resource projects proposed within their asserted traditional territories. On December 10, 2012, this agreement was renewed for another three years and at this time the Province and Nanwakolas First Nations are working on further extension terms for the SEA. In July 2011, the Province signed a Reconciliation Protocol ("RP") with the Nanwakolas First Nations to provide direct opportunity for economic development. The Nanwakolas Amended RP includes a Forestry Schedule which, amongst other things, awarded the Nanwakolas First Nations timber volume within Western's tenures, from undercut timber volumes on the Central Coast and Vancouver Island. In 2013, Western came to agreement with the Nanwakolas First Nations to harvest and purchase the timber volume on Vancouver Island, within Tree Farm License 39.

Potential Impacts as a result of Treaty Negotiations

On April 1, 2011, the Maa'nulth First Nations Final Agreement Act extinguished Western's tenure and permit rights on a portion of TFL 44. The creation of Treaty Settlement Lands and an associated protected area tied to the Treaty resulted in the AAC of the TFL being permanently reduced by 104,000 m³. At the end of 2015, Western filed a Notice of Arbitration with the Province to define and establish compensation for the treaty impacts.

On March 14, 2013 the Province passed the "Tla'amin Final Agreement Act," and the treaty currently awaits Federal ratification. The impacts of a treaty on TFL 39 Block 1 are not expected to be significant. Western negotiated and received payment in December 2012 for the sale of infrastructure (i.e. roads and bridges) and related soft assets in the area deleted.

In 2012, the Province offered Treaty Settlement Lands to the 'Nam'gis which would result in a significant AAC reduction for TFL 37. In 2015, Western entered into a Limited Partnership agreement with the 'Namgis to harvest timber from the proposed Treaty Settlement Lands.

On March 24, 2012, the K'omox First Nation AIP was signed by the Nation and Provincial and Federal governments. The AIP outlines the K'omox First Nation's desire for forest tenure within their traditional territory which includes a portion of Tree Farm License 39, Block 2. However, until the final Treaty is negotiated, it is not possible to determine if there will be any impact on Western or our tenures.

In June 2014, the Supreme Court of Canada (the "Court") released its decision on the aboriginal title claim by the Tsilqot'in First Nation of British Columbia, regarding land outside their traditional reserve area. The Court recognized Tsilqot'in title to the area in dispute, including rights to decide how the land will be used, occupancy, and economic benefits. The court ruling held that while the provincial government had the constitutional authority to regulate forest activity on aboriginal title lands, it had not adequately consulted with the Tsilqot'in.

While the decision does not directly impact Western's business as we do not have tenure in this disputed area, we do operate on Crown tenures elsewhere that are subject to claims of aboriginal title. The potential impact on Western's tenure holdings is not ascertainable at this stage.

The Court's direction is consistent with our objective of establishing positive working relationships with the First Nations that have traditional territories which overlap our tenures. We will continue to develop and maintain relationships with First Nations, to operate respectfully and responsibly within their traditional territories, and wherever possible to create business opportunities for partnerships, tenures, and employment.

Western continues to work to build long-term business relationships with First Nations communities. Western has formed Limited Partnerships with the Quatsino First Nation and 'Namgis First Nation for harvesting activities on defined timber volumes. Western has also entered into various harvesting and timber purchase agreements with the Kitasoo, Heltsiuk, Nuchatlaht, and Huuayah Nations.

Capital Expenditures

The following table summarizes capital expenditures for each of the last three years:

	Year Ended December 31,		
<i>(millions of dollars)</i>	2015	2014	2013
Capital expenditures	\$62.1	\$49.9	\$59.0

The level of capital expenditures in each of the past three years reflects the Company's improved operating results and financial position. Expenditures in early 2013 reflected an emphasis on low-capital, high-return projects, after which the Company has focused on high-return strategic capital expenditures ranging from low-capital projects to the \$40.3 million Saltair sawmill upgrade, which was completed in late 2015.

Human Resources

As of December 31, 2015, Western had 2,230 employees (of whom 1,722 are unionized employees). The majority of the unionized employees are represented by the United Steel Workers ("USW"), who have three collective agreements with the Company. Approximately 1,581 Western employees represented by the USW are covered by a five-year collective agreement, expiring June 15, 2019. The agreement for South Island Remanufacturing (18 employees) expires on May 22, 2017. An agreement with the office clerical employees (3 employees) expires on December 31, 2016. The Public and Private Woodworkers of Canada ("PPWC") represents the remaining unionized employees. The PPWC collective agreement for the Ladysmith Sawmill (67 employees) are covered by a five year agreement which will expire on December 31, 2019. The collective agreement for the Value-Added Remanufacturing Operations (71 employees) expires on October 14, 2016. The Company also has one employee represented by the Canadian Merchant Service Guild. This collective agreement expired on September 30, 2015 and is under negotiation.

In our logging operations, approximately 70% of harvesting activities are performed by contractors. The majority of the contractors have replaceable contracts under the Timber Harvesting Contract and Subcontract Regulation (British Columbia). A substantial number of the employees who work for the contractors harvesting our tenures are represented by the USW.

Research and Development

Silviculture and tree improvement research is conducted primarily by our employees at our Saanich Forestry Centre on Vancouver Island (the "Centre") and from the Company's timberlands office in Campbell River. The Centre has seed orchards and a seedling nursery that supplies between a third and a half, depending on the year, of our requirements for most species of seedlings and provides us with the ability to select and breed trees with superior growth and form that should improve the quality and quantity of timber produced over time. The Company's logging and sawmilling operations also assess new equipment and methods for the potential to improve our operational efficiency.

RISK FACTORS

A detailed discussion of risks and uncertainties that may have a material adverse effect on our operations is included in our Management's Discussion & Analysis for the year ended December 31, 2015 under the heading "Risks and Uncertainties". That material is incorporated herein by reference and available under the Company's profile on SEDAR at www.sedar.com. These risks should be considered in the context of our business, which is described under "DEVELOPMENT OF THE BUSINESS" and "BUSINESS OF THE COMPANY".

DIVIDENDS

The payment of dividends on the Company's Common Shares is at the discretion of the Board and depends on our financial condition, the need to finance capital expenditures, financial covenants in credit agreements and other factors the Board of Directors may wish to consider. Commencing in the third quarter of 2013, the Company initiated a regular quarterly dividend program. A dividend of \$0.02 per share was paid in every quarter since in September 2013 on the outstanding Common Shares.

The Company's revolving term facility contains various financial covenants, of which certain distributions, including dividends, are permitted within the agreement but are subject to a fixed charge coverage ratio calculation.

CAPITAL STRUCTURE

Share Capital

Western's authorized capital consists of an unlimited number of Common Shares, and an unlimited number of Preferred Shares. As of the date hereof, 395,245,407 Common Shares are issued and outstanding.

There are no Preferred Shares issued and outstanding.

Common Shares

The Common Shares entitle the holders thereof to one vote per share.

Preferred Shares

The Preferred Shares may, at any time or from time to time, be issued in one or more series, and the directors may, by resolution, fix the number of Preferred Shares in, and determine the designation, rights, privileges, restrictions and conditions attaching to the Preferred Shares of each series. Before issuing Preferred Shares of a series, the directors must file articles of amendment with the Director appointed under the Canada Business Corporations Act ("CBCA"). Preferred Shares of each series rank on a parity with the Preferred Shares of every other series with respect to priority in the payment of dividends and in the distribution of our assets in the event of our liquidation, dissolution or winding-up or any other distribution of our assets among shareholders for the purpose of winding-up our affairs.

If Preferred Shares were outstanding, the holders of such shares would be entitled to priority over the Common Shares with respect to the payment of dividends and the distribution of our assets on a liquidation, dissolution or winding-up or other distribution of our assets for the purpose of winding-up our affairs. The Preferred Shares of each series may be given such other preferences not inconsistent with the above over the Common Shares as may be determined in the case of each series authorized to be issued.

Except as otherwise required by law, the holders of the Preferred Shares are not entitled to receive notice of or to attend or to vote at any meeting of shareholders of Western. There are currently no Preferred Shares outstanding.

MARKET FOR SECURITIES

Trading Price and Volume

As of the date hereof, the Common Shares are listed and posted for trading on the Toronto Stock Exchange under the symbol “WEF”. The following sets out the price range and volumes traded on the Toronto Stock Exchange on a monthly basis for each month of the most recently completed financial year:

Month	High	Low	Monthly Volume
January 2015	\$2.80	\$2.09	89,293,491
February 2015	\$2.75	\$2.12	89,842,636
March 2015	\$2.20	\$1.86	89,286,777
April 2015	\$2.05	\$1.78	69,694,736
May 2015	\$2.33	\$1.82	48,933,263
June 2015	\$2.35	\$2.02	42,766,069
July 2015	\$2.30	\$1.84	54,680,338
August 2015	\$2.10	\$1.57	44,065,554
September 2015	\$1.91	\$1.60	35,445,610
October 2015	\$2.06	\$1.71	30,875,255
November 2015	\$2.24	\$1.91	47,669,748
December 2015	\$2.29	\$2.06	36,013,270

DIRECTORS AND OFFICERS

Western’s articles provide that the Board is to consist of a minimum of three directors and a maximum of 15 directors. Western currently has seven directors.

At each annual meeting of shareholders of Western, the entire Board of Directors retires and directors are elected for the next term. Each director serves until the close of the next annual meeting or until his successor is elected or appointed, unless his office is earlier vacated in accordance with our articles or with the provisions of the CBCA. Not less than 25% of the members of our Board of Directors are required to be resident Canadians, in accordance with the CBCA. Western’s officers serve at the discretion of the Board.

Directors

The table below sets forth the names, provinces of residence and positions with Western of the directors of Western as of the date hereof, and the principal occupation of each of them during the past five years:

Name and Province and Country of Residence

Principal Occupation

Director Since

JAMES ARTHURS ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾
North Vancouver, BC, Canada

Executive Vice President, Heavy Duty Systems for Westport Innovations Inc., a developer and supplier of natural gas engine technologies. Previously, Mr. Arthurs was President of Cummins Westport Inc. from 2012 to 2013; and Vice President, Cryogenic Systems for Westport Innovations Inc. from 2011 to 2012. Previously, he was a Managing Partner with i3 Transition Partners, a Vancouver-based management consulting firm. Prior to this, Mr. Arthurs was Senior Vice President, North American Operations, Integrated Paving Concepts Inc., a manufacturer of equipment, tooling and high technology coatings for the decorative asphalt industry from 2004 to 2009. From 2002 through 2004, he was Managing Director, Operations, for The Jim Pattison Group. Mr. Arthurs is currently Chairman of Cummins Westport Inc. He is a member of the Institute of Corporate Directors.

July 27, 2004

<u>Name and Province and Country of Residence</u>	<u>Principal Occupation</u>	<u>Director Since</u>
JANE BIRD ⁽³⁾⁽⁴⁾ Vancouver, BC, Canada	Ms. Bird recently completed an engagement as an attaché to Canada's Department of Foreign Affairs, International Trade and Development in London, UK, where she was responsible for the renewal of Canada House on Trafalgar Square. Prior to this, Ms. Bird was CEO of Columbia Power Corporation, a BC crown corporation that develops and operates hydroelectric generation facilities. Ms. Bird was also CEO of Canada Line Rapid Transit Inc. Prior to her career in infrastructure, Ms. Bird practiced law. Ms. Bird is a Director of BC Ferry Services Inc., Global Container Terminals Inc. and IBI Group Inc. She is a member of the Institute of Corporate Directors.	August 4, 2015
DONALD DEMENS Vancouver, BC, Canada	President and Chief Executive Officer of Western since February 21, 2013, and prior to that President since July 2012. Before this, Mr. Demens was Chief Operating Officer since 2011, and before that he was Senior Vice President, Sales and Manufacturing since August 2009, and Senior Vice President, Western Red Cedar and Custom Cut from April 2009. He was General Manager for Andersen Pacific Products from January 2008 until December 2008, and prior to that was a Forest Industry Consultant from November 2006 until January 2008. From July 2004 until July 2006, Mr. Demens was General Manager, Whitewood for Interfor Corporation.	February 21, 2013
LEE DONEY ⁽²⁾ Victoria, BC, Canada	Chairman of the Board since February 2014, and prior to that Vice-Chairman since November 2008 and Director since July 2004. Independent consultant. Mr. Doney is a consultant working in public policy and industrial relations. Mr. Doney is currently the Chairman of the Board of Columbia Power Corporation and member of the Board of Directors of the College of New Caledonia.	July 27, 2004
DANIEL NOCENTE ⁽¹⁾⁽³⁾⁽⁴⁾ Vancouver, BC, Canada	Independent Lead Director of the Board since August 2015 and Director of the Board since May 2014. Mr. Nocente currently sits on the Vancouver Coastal Health Board and is Chairman of its Audit Committee. Previously, Mr. Nocente held positions of: Chairman of the Nature Trust of BC; Vice Chairman of Corporate and Investment Banking with National Bank Financial Inc.; Vice Chairman and BC Geography Head with RBC Dominion Securities; Director and Audit Committee Chair with Canada Line Rapid Transit Inc.; Chair of St. Paul's Hospital Foundation; Chairman of the Nature Trust of BC; Vice Chair and Director of Providence Healthcare; Director and Head of the Governance Committee with the Arts Club Theatre Company; and Director with Carmanah Technologies. Mr. Nocente holds a Bachelor of Arts in Classical Studies from the University of British Columbia, a Masters of Business Administration from George Washington University, and has completed the Executive Leadership Program at the Harvard Business School.	May 8, 2014
J. BARRIE SHINETON ⁽²⁾⁽⁴⁾ Toronto, ON, Canada	Director of the Board since January 2015. Mr. Shineton currently serves as the Vice Chair of the Board of Directors at Norbord Inc. Mr. Shineton previously held the position of President and Chief Executive Officer of Norbord from 2004 through 2013, and was named #1 CEO of the Year by Financial Post Magazine. Prior to that, he has held various positions with Norbord, including Executive Vice President, Wood Products of Norbord Inc., President, Norbord Industries Inc., and Managing Director, Norbord Limited (UK). Mr. Shineton has more than 30 years of experience in the forest products industry, having held senior marketing, sales, and operations positions for companies in North America and Europe. Mr. Shineton holds a Degree in Mechanical Engineering from the University of Manitoba.	January 19, 2015

<u>Name and Province and Country of Residence</u>	<u>Principal Occupation</u>	<u>Director Since</u>
MICHAEL T. WAITES ⁽¹⁾⁽²⁾⁽³⁾ Vancouver, BC, Canada	Director of the Board since November 2014. Mr. Waites currently serves as a member of the Board of Directors for Repsol Oil & Gas Canada Inc., formerly Talisman Energy Inc., and is Chair of its Audit Committee. Mr. Waites also currently serves as a member of the Board of Directors for HudBay, and is a member of both its Audit and Technical Committees. Previously, Mr. Waites served as President and CEO of Finning International Inc. for five years, retiring in 2013. Prior to that, Mr. Waites was Executive Vice President and CFO of Finning. He has also held senior positions with Canadian Pacific Railway and Chevron Canada Resources. Mr. Waites holds a Bachelor of Arts (Honours) in Economics from the University of Calgary, a Master of Business Administration from Saint Mary's College of California, and a Master of Arts, Graduate Studies in Economics from the University of Calgary. He has also completed the Executive Program at the University of Michigan Business School.	November 13, 2014

- (1) Member of the Audit Committee.
- (2) Member of the Environmental, Health and Safety Committee.
- (3) Member of the Nominating and Corporate Governance Committee.
- (4) Member of the Management Resources and Compensation Committee.

Executive Officers

The table below sets forth the names, provinces of residence and positions with Western of the executive officers of Western as of the date hereof, and the principal occupation of each of them during the past five years (other than the CEO, whose information is set forth above).

<u>Name and Province and Country of Residence</u>	<u>Position with Western and Principal Occupation</u>
MIKE CASS BC, Canada	Vice President, Timberlands since July 2015, having previously held the position of Vice President, Human Resources since October 2011. He spent the prior 38 years working for Island Timberlands and its predecessor companies where he held the position of Director, Human Resources. Mr. Cass has a Master of Business Administration degree from Royal Roads University and a Master's Certificate in Project Management from University of Victoria & Schulich School of Business. He is a Certified Human Resources Professional (CHRP) and a past president of the BC Human Resource Management Association.
DONALD DEMENS BC, Canada	President and Chief Executive Officer (see table above in Director section).
RICK FORGAARD BC, Canada	Vice President, Manufacturing since October 2014. Mr. Forgaard has more than 30 years of forest industry experience in the Pacific Northwest including 9 years on the Coast of British Columbia. Mr. Forgaard now oversees all of the Company's manufacturing operations, with a focus on safety and margin improvement, and the implementation of significant capital programs to deliver top quartile results. Mr. Forgaard has a diploma in Wood Products Manufacturing from the BC Institute of Technology.
JENNIFER FOSTER BC, Canada	Vice President, Human Resources since December 2015. Ms. Foster is responsible for the Company's human resource strategy, programs and initiatives. Ms. Foster has 18 years of Human Resource experience, with the last ten years as Vice President of Human Resources for Stackpole International, a global manufacturing company based out of Ontario. Ms. Foster holds an Honours Bachelor of Psychology from University of Waterloo, and an MBA in Strategic Management and Organizational Behaviour/Industrial Relations from the Schulich School of Business, York University in Ontario.

**Name and Province and
Country of Residence**

Position with Western and Principal Occupation

SHANNON JANZEN
BC, Canada

Vice President and Chief Forester since July 2013. In Ms. Janzen's previous role as Manager, Strategic Planning, she established strategic relationships with First Nations, environmental groups and various levels of government on the coast of B.C. Ms. Janzen now oversees Western's strategic business investments on crown lands and ensures the company continues to demonstrate sustainability throughout its operations and through the safe management of its forest tenures. Ms. Janzen is a Registered Professional Forester and holds a Bachelor of Science in Natural Resource Management from the University of Northern B.C.

TONY PEIFFER
BC, Canada

Vice President, Log Sales and Marketing since August 2012. Mr. Peiffer has a diverse background in the Forest Products Sector. From 1994 to 2012, Mr. Peiffer held several management roles at Interfor Corporation in Lumber Remanufacturing, Lumber Marketing and Fiber Supply. Prior to that he held two management roles at Seaboard Lumber Sales. Mr. Peiffer brings to his current role more than 20 years' management experience within the coastal log and lumber manufacturing industry in the areas of sales, marketing and general management. Mr. Peiffer holds a Bachelor of Science degree with Honors in Forestry from Lakehead University in Ontario. BC.

FRANK TURNBULL
BC, Canada

Vice President, Lumber Sales and Marketing since December 2015. Mr. Turnbull is responsible for the Company's lumber sales and marketing activities across the organization. Prior to joining the Company, Mr. Turnbull held various senior management roles at Canfor with his most recent position being Divisional General Manager Southern Yellow Pine Sales. Prior to that, Mr. Turnbull served as the General Manager, North American Sales & Marketing as well as General Manager, Offshore Sales. Mr. Turnbull holds a Bachelor of Arts from University of Victoria, a diploma in Wood Products Processing from British Columbia Institute of Technology, and an MBA from McMaster University.

STEPHEN WILLIAMS
BC, Canada

Senior Vice President, Chief Financial Officer and Corporate Secretary since October 2014. Mr. Williams' career in the lumber industry spans more than 20 years. Mr. Williams previously served as the Vice President, Finance & Administration at Interfor Corporation. Mr. Williams is a Chartered Accountant and holds a Bachelor's Degree in Commerce from the University of British Columbia.

Shareholdings of Directors and Executive Officers

As at the date hereof, except as described herein, none of our Common Shares are beneficially owned, directly or indirectly, and no direction or control over any of our shares is exercised, by any of the directors and executive officers of Western. Mr. Arthurs, Mr. Doney, Mr. Nocente, and Mr. Waites beneficially owned, or controlled or directed, directly or indirectly, 52,436, 5,000, 15,400, and 40,000 Common Shares, respectively. Individually and in aggregate these shares represent less than one percent of the Company's outstanding Common Shares.

AUDIT COMMITTEE

The Audit Committee was established to assist the Board in fulfilling its oversight responsibilities regarding:

- (a) the accuracy and completeness of our financial statements;
- (b) our internal control and financial reporting systems;
- (c) the selection and activities of our external auditor;
- (d) risk management; and
- (e) our compliance with legal and regulatory requirements.

The Committee is responsible for the oversight of financial reporting and disclosure, annual and quarterly review of financial statements, and the related management's discussion and analysis and earnings release, and oversight of internal controls and disclosure procedures. The Committee also recommends the appointment of our external auditors, reviews the annual audit plan and auditor compensation, approves non-audit services provided by the external auditor, reviews hiring policies regarding former staff and auditors and

reviews the adequacy of our risk management policies and procedures. The Committee is also responsible for establishing procedures for handling complaints and employee concerns regarding accounting and auditing matters.

The Audit Committee has adopted a charter that reflects these and other responsibilities. The charter as most recently approved by the Board of Directors is attached as an appendix to this Annual Information Form.

Composition of and Education and Experience of Members of the Audit Committee

The Audit Committee is composed of three directors, being, as of February 17, 2016, James Arthurs (Chairman), Daniel Nocente and Michael T. Waites (Vice-Chairman). The Board of Directors has determined that all three members of the Audit Committee are independent and financially literate under the standards established by Canadian securities regulatory authorities in National Instrument 52-110-Audit Committees. During 2015, the Audit Committee met six times.

Relevant Education and Experience

James Arthurs – Chairman – Mr. Arthurs is Executive Vice President, Heavy Duty Engine Systems for Westport Innovations Inc., a developer and supplier of natural gas engine technologies. Previously, Mr. Arthurs was President of Cummins Westport Inc., a supplier of natural gas engines for commercial transportation applications such as trucks and buses. Before that, he was Vice President Cryogenic Systems for Westport Innovations Inc., a supplier of natural gas fuel systems for vehicles. Previously, he was a Managing Partner with i3 Transition Partners, a Vancouver-based management consulting firm. Prior to this, from 2004 until 2009, he was Senior Vice President, North American Operations, Integrated Paving Concepts Inc., a manufacturer of equipment, tooling and high technology coatings for the decorative asphalt industry. Previously he has held several other positions requiring a high degree of financial acumen including Managing Director, Operations, for The Jim Pattison Group and Senior Vice President and Chief Information Officer for the Alderwoods Group, Inc. Mr. Arthurs holds a Bachelor of Science Degree in Computer Science from the University of Calgary.

Daniel Nocente – Mr. Nocente currently sits on the Vancouver Coastal Health Board and is Chairman of its Audit Committee. Previously, Mr. Nocente held positions of: Chairman of the Nature Trust of BC; Vice Chairman of Corporate and Investment Banking with National Bank Financial Inc.; Vice Chairman and BC Geography Head with RBC Dominion Securities; Director and Audit Committee Chair with Canada Line Rapid Transit Inc.; Chair of St. Paul's Hospital Foundation; Vice Chair and Director of Providence Healthcare; Director and Head of the Governance Committee with the Arts Club Theatre Company; and Director with Carmanah Technologies. Mr. Nocente holds a Bachelor of Arts in Classical Studies from the University of British Columbia, a Masters of Business Administration from George Washington University, and has completed the Executive Leadership Program at the Harvard Business School.

Michael T. Waites – Mr. Waites currently serves as a member of the Board of Directors for Repsol Oil & Gas Canada Inc., formerly Talisman Energy Inc., and is a member of both its Audit and Reserves Committees. Mr. Waites also currently serves as a member of the Board of Directors for HudBay, and is a member of its Audit Committee. Previously, Mr. Waites served as President and CEO of Finning International Inc. for five years, retiring in 2013. Prior to that, Mr. Waites was Executive Vice President and CFO of Finning. He has also held senior positions with Canadian Pacific Railway and Chevron Canada Resources. Mr. Waites holds a Bachelor of Arts (Honours) in Economics from the University of Calgary, a Master of Business Administration from Saint Mary's College of California, and a Master of Arts, Graduate Studies in Economics from the University of Calgary. He has also completed the Executive Program at the University of Michigan Business School.

Pre-Approval Policies and Procedures of Non-Audit Services

The Audit Committee has adopted a policy that requires, in accordance with applicable law, its pre-approval of all non-audit services to be provided by the Company's auditors. The Audit Committee has adopted the following pre-approval policies:

- (a) Annually, the Audit Committee will review a list of audit, audit-related, tax and other non-audit services and recommend pre-approval of these services.
- (b) All additional requests to engage our auditor for other services will be addressed on a case-by-case specific engagement basis. Except as otherwise permitted by applicable law, the engagement may commence only upon approval by the Audit Committee.

External Auditor Service Fees

The aggregate fees billed for professional services rendered by our auditors, KPMG LLP, to us for the years ended December 31, 2015 and 2014 are as follows:

	Fees Paid	
	2015	2014
Audit	\$527,900	\$648,600
Audit-related	29,500	105,010
Taxation	103,053	72,320
Total for all services	\$660,453	\$825,930

Description of Services:

- *Audit* includes the audit of the annual financial statements of the Corporation and the review of the Company's unaudited condensed consolidated interim financial statements, prospectus work and accounting consultation.
- *Audit-related* includes audits of the Company's pension plans, supplemental audit and review procedures conducted during the course of the year, and French translation costs.
- *Taxation* services consist of tax compliance services and tax planning and structuring.

LEGAL PROCEEDINGS

In addition to the legal proceedings referred to elsewhere in this Annual Information Form, including in the "Risks and Uncertainties" section in our Management's Discussion and Analysis for the fiscal year ended December 31, 2015 incorporated by reference in this Annual Information Form and available under the Company's profile on SEDAR found at www.sedar.com, in the normal course of business, Western is subject to a number of claims and legal actions that may be made by customers, suppliers, logging contractors and others in respect of which either provision has been made or no material liability is expected. Where we are not able to determine the outcome of these disputes, no amounts have been accrued in our financial statements.

Other than as disclosed elsewhere herein, we are not aware of any material legal proceedings to which we are a party or to which our property is subject, nor are we aware that any such proceedings are contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed below, we are not aware of any material interest, direct or indirect, of any director or executive officer of the Company, any person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, directly or indirectly, more than 10% of the voting rights attached to the Common Shares, or any associate or affiliate of any of the foregoing, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect us:

- The Company had certain arrangements with entities related to BAM to provide financing, acquire and sell logs, lease certain facilities, provide access to roads and other areas, and acquire services including insurance, all in the normal course and at market rates or at cost. During the year ended December 31, 2015, the Company incurred costs of \$nil (2014 - \$18.8 million; 2013 - \$24.6 million) and charged entities related to BAM \$nil million (2014 - \$12.4 million; 2013 - \$14.8 million) in connection with these arrangements. Concurrent with the sale of all remaining Common Shares in the Company by BSSML through a secondary offering completed on September 10, 2014 BSSML and BAM are no longer related parties to the Company and the amounts disclosed above for the year ended December 31, 2014 are only for the period up to September 10, 2014.
- On December 4, 2012, the Company and BSSML closed a bought deal secondary offering (the "Offering") through which BSSML sold 62,500,000 Non-Voting Shares of Western at an offering price of \$1.20 per share for aggregate gross proceeds to BSSML of \$75.0 million. On closing of the Offering, the shares were converted, on a one-for-one basis, into Common Shares of Western, representing approximately 33% of the then issued and outstanding Common Shares of Western on a non-diluted basis after giving effect to the Offering. Immediately following completion of the Offering, 59,612,801 of the then remaining Non-Voting Shares held by BSSML were converted into Common Shares on a one-for-one basis. As at December 31, 2012, BSSML beneficially held 122,639,345 Common Shares, or 48.82% of the Company's 251,218,424 Common Shares, and 100% of the 216,833,059 Non-Voting Shares issued and outstanding. This represents the same percentages of Common Shares and Non-Voting Shares that BSSML held prior to the Offering.
- On August 16, 2013, the Company closed a substantial issuer bid, repurchasing a total of 76,923,076 shares for a purchase price of \$1.30 per share, for gross aggregate consideration of \$100.0 million excluding transaction costs, paid in cash from funds previously drawn on its revolving term loan facility. These shares represent approximately 16% of the total number of shares issued and outstanding as of August 16, 2013. 76,914,830 of the shares were repurchased from BSSML for consideration of approximately \$100.0 million. Immediately following the repurchase, the Company converted 36,800,000 Non-Voting Shares held by BSSML, on a one-for-one basis, into Common Shares of the Company.
- On October 9, 2013, on closing of a secondary offering of the Company's shares by BSSML, 46,000,000 Non-Voting Shares of the Company were converted, on a one-for-one basis, into Common Shares of the Company. Immediately following completion of the secondary offering, 45,119,820 of the remaining Non-Voting Shares held by BSSML were converted into Common Shares on a one-for-one basis.
- On January 31, 2014, on closing of a secondary offering of the Company's shares by BSSML, 39,050,597 Non-Voting Shares of the Company were converted, on a one-for-one basis, into Common Shares of the Company. Following this transaction BSSML held no Non-Voting Shares and 163,012,474 Common Shares representing approximately 42% of the then issued and outstanding Common Shares on a non-diluted basis.
- On September 10, 2014, on closing of a further secondary offering of the Company's shares, BSSML sold its remaining Common Shares of the Company. Following this transaction BSSML held no Common Shares.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for our Common Shares is Computershare Investor Services Inc. at its principal offices in Vancouver and Toronto located at 3rd Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9 and 11th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, respectively.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business or as otherwise disclosed herein, Western has not entered into any other material contracts within the most recently completed financial year or before the most recently completed financial year (but after January 1, 2002) and still in effect.

On January 17, 2006, Western executed a 40-year fibre supply agreement with the owners of Howe Sound Pulp and Paper Mill ("HSPP"). As consideration for entering into this long-term fibre supply agreement, the Company received the chip price premium of \$80.0 million, of which a non-refundable \$35.0 million was paid to Western in cash on March 17, 2006. The balance of \$45 million of the chip price premium was set off against the consideration due on the acquisition of the Englewood Logging Division consisting of TFL 37 on Vancouver Island and certain related assets formerly owned by Canfor Corporation. Western granted a security interest in TFL 37 and related assets to the owners of HSPP that may be discharged by Western on the latest of the tenth anniversary of the agreement and the date when 3,000,000 volumetric units of wood chips have been delivered, except in certain circumstances. The Company and the owners of HSPP amended the long-term fibre supply agreement and associated agreements in 2009 and in 2011 with changes effective December 31, 2010. The Company delivered the required minimum volumes of pulp logs and chips in 2015.

See "Development of the Business - Significant Developments Since January 2013".

INTEREST OF EXPERTS

Our auditors, KPMG LLP, have prepared the audit report attached to our audited financial statements for our most recent fiscal year. KPMG LLP has confirmed that it is independent with respect to the Company within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia as of February 17, 2016.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans, is contained in our management information circular in respect of our most recent annual meeting of shareholders held on May 8, 2015. Additional financial information is provided in our audited financial statements and accompanying Management's Discussion and Analysis for our most recent fiscal year. Additional information relating to Western is available on SEDAR at www.sedar.com under the Company's name.

GLOSSARY OF CERTAIN TERMS

Certain terms used herein are defined below.

“AAC”	Annual allowable cut — the volume of timber which the holder of a tree farm licence or forest licence may harvest under the licence in any given year as determined by the Ministry of Forests, Lands and Natural Resource Operations.
“annual cut”	The volume of timber which the holder of a timber licence expects to harvest annually from that timber licence.
“BAM”	Brookfield Asset Management Inc.
“BCPI”	Brookfield Capital Partners Fund I.
“BSSML”	Brookfield Special Situations Management Limited (formerly Tricap Management Limited.)
“board feet”	The plural of board foot; a board foot is calculated by multiplying 1” x 12” x 12” = 1 foot board measure gross count. Lumber is then finished (planed/sanded) to a smaller size and sold based on the original gross count. The difference between gross size and net size is approximately 7%.
“CBCA”	<i>Canada Business Corporations Act</i> , as amended.
“CIT”	CIT Business Credit Canada Inc.
“Exchange Limitation”	Means the requirement that no holder or group of holders should beneficially own, or exercise control or direction over, 50% or more of the Common Shares.
“forest licence” or “FL”	A licence granted by the Ministry of Forests, Lands and Natural Resource Operations which entitles the holder to cut up to a specific volume of timber on government lands.
“FRA”	<i>Forestry Revitalization Act</i> (British Columbia).
“green”	A term used to describe lumber that is not kiln-dried or air-dried.
“hectare”	An area 100 metres by 100 metres, equal to 2.47 acres.
“IFRSs”	International Financial Reporting Standards
“hog fuel”	Wood residue produced by a sawmill or a log merchandiser.
“ISO”	International Standards Organization.
“m ³ ”	A cubic metre.
“MFLNRO”	The Ministry of Forests, Lands and Natural Resource Operations of British Columbia.
“MMfbm”	One million board feet measure (see “board feet”).
“Part 13”	Part 13 of the Forest Act, under which the Province of BC may suspend cutting authorities or plans in identified areas in the public interest for a period of time specified in regulations. Also known as “Designated” or “Protected” areas.

“replaceable contract”	Replaceable contract under the Forest Act. An “evergreen” timber harvesting contract that is entered into between a holder of a replaceable licence and a contractor, whereby the contractor is obligated to perform one or more defined phases of timber harvesting within the licence and, if satisfactorily performed, the licence holder is obligated, prior to the expiry of the term of the contract, to offer the contractor a replacement contract on substantially the same terms and conditions as the contract being replaced.
“SPF 2x4 lumber”	2” x 4” kiln-dried random lengths of spruce, pine and fir lumber, which is a North American commodity grade of standard and better dimensional lumber.
“sustained yield”	The yield that a forest can produce continuously (i.e. in perpetuity) at a given intensity of management without impairment of the land’s productivity, with the intent that there will be a balance between timber growth and harvesting on a sustainable basis.
“timber licence” or “TL”	A licence granted by the Ministry of Forests, Lands and Natural Resource Operations which entitles the holder to harvest the area over a specified period.
“timber supply areas” or “TSA”	The areas of Provincial Government timberland which are not designated as TFLs.
“tonne”	A metric tonne — 1,000 kilograms or 2,204.6 pounds.
“tree farm licence” or “TFL”	A TFL is a replaceable timber tenure that requires the licensee to manage a specified area of timberland on a sustained yield basis. TFLs are granted for 25-year terms and, subject to satisfactory performance of its obligations under the TFL agreement by the licensee, are replaced by the Minister of Forests, Lands and Natural Resource Operations every five to 10 years with a new TFL with a 25-year term.
“volumetric unit”	Equals 200 cubic feet of wood chips, hog fuel or sawdust.
“wood chips”	Small pieces of wood used to make pulp. The wood chips are produced either from wood-waste in a sawmill or a log merchandiser or from pulp wood cut specifically for this purpose. Wood chips are generally uniform in size and are larger and coarser than sawdust.

APPENDIX

WESTERN FOREST PRODUCTS INC.

AUDIT COMMITTEE CHARTER

1. Purpose

The Board of Directors (the "Board") of Western Forest Products Inc. (the "Corporation") has established an Audit Committee (the "Committee") to assist the Board in fulfilling its oversight responsibilities regarding:

- (a) the accuracy and completeness of the Corporation's financial statements;
- (b) the internal control and financial reporting systems of the Corporation;
- (c) the selection and activities of the Corporation's external auditor;
- (d) risk management;
- (e) the Corporation's compliance with legal and regulatory requirements, and
- (f) any additional duties set out in this Charter or otherwise delegated to the Committee by the Board.

2. Members

Committee members, including the Committee Chair, shall be appointed annually by the Board based on recommendations of the Nominating and Corporate Governance Committee and shall consist of at least three members of the Board who meet the independence requirements of Multilateral Instrument 52-110 - Audit Committees.

All members of the Committee shall be financially literate. While the Board shall determine the definition of and criteria for financial literacy, this shall, at a minimum, include the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

3. Duties

The Committee shall have the following duties:

- (a) Financial Reporting and Disclosure
 - (i) *Audited Annual Financial Statements*: Review the audited annual financial statements as prepared by management in conjunction with the external auditors, related management discussion and analysis ("MD&A") and earnings press releases for submission to Board for approval.
 - (ii) *Quarterly Review*: Review the unaudited quarterly financial statements, the related MD&A and earnings press releases for submission to the Board for approval.
 - (iii) *Significant Accounting Practices and Disclosure Issues*: Review with management and the external auditor, significant accounting practices employed by the Corporation and disclosure issues, including complex or unusual transactions, judgmental areas such as reserves or estimates, significant changes to accounting principles, and alternative treatments under IFRS for material transactions. This review process shall be undertaken in order to have reasonable assurance that the financial statements are complete, do not contain any misrepresentations, and present fairly the Corporation's financial position and the results of its operations in accordance with IFRS.

- (iv) *Compliance*: Confirm through discussions with management and auditors whether IFRS and all applicable laws or regulations related to financial reporting and disclosure have been considered and obtain confirmations from management that IFRS and all such applicable laws have been complied with.
 - (v) *Legal Events*: Review any actual or anticipated litigation or other events, including tax assessments, which could have a material current or future effect on the Corporation's financial statements, and the manner in which these have been disclosed in the financial statements.
 - (vi) *Off-Balance Sheet Transactions*: Discuss with management the effect of any off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons that may have a material current or future effect on the Corporation's financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components or revenues and expenses.
 - (vii) *Disclosure Procedures*: Satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted from the Corporation's financial statements and periodically assess the adequacy of those procedures.
- (b) Oversight of Internal Controls
- (i) *Review and Assessment*: Review the adequacy and effectiveness of the Corporation's system of internal control and management information systems through discussions with management and the external auditor.
 - (ii) *Oversight*: Oversee system of internal control, by:
 - Consulting with the external auditor regarding the adequacy of the Corporation's internal controls;
 - Monitoring policies and procedures for internal accounting, financial control and management information, electronic data control and computer security;
 - Obtaining from management adequate assurances that all statutory payments and withholdings have been made; and
 - Taking other actions as considered necessary.
 - (iii) *Fraud*: Oversee investigations of alleged fraud and illegality relating to the Corporation's finances and any resulting actions.
 - (iv) *Complaint*: Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters, and for the protection from retaliation of those who report such complaints in good faith.
- (c) External Audit
- (i) *Appointment or Replacement*: Recommend the appointment or replacement of the external auditor to the Board, who will consider the recommendation prior to submitting the nomination to the shareholders for their approval.
 - (ii) *Compensation*: Review with management, and make recommendations to the Board, regarding the compensation of the external auditor. In making a recommendation with respect to compensation, the Committee shall consider the number and nature of reports issued by the external auditor, the quality of internal controls, the size, complexity and financial condition of the Corporation, and the extent of other support provided by the Corporation to the external auditor.

- (iii) *Reporting Relationships*: The external auditor will report directly to the Committee.
- (iv) *Performance*: Review with management the terms of the external auditor's engagement, accountability, experience, qualifications and performance. Evaluate the performance of the external auditor.
- (v) *Transition*: Review management's plans for an orderly transition to a new external auditor, if required.
- (vi) *Audit Plan*: Review the audit plan and scope of the external audit with the external auditor and management, and consider the nature and scope of the planned audit procedures.
- (vii) *Audit Plan Changes*: Discuss with the external auditor any significant changes required in the approach or scope of their audit plan, management's handling of any proposed adjustments identified by the external auditor, and any actions or inactions by management that limited or restricted the scope of their work.
- (viii) *Review of Results*: Review, independently from management and without management present, the results of the annual external audit, the audit report thereon and the auditor's review of the related MD&A, and discuss with the external auditor the quality (not just the acceptability) of accounting principles used, any alternative treatments of financial information that have been discussed with management, the ramifications of their use and the auditor's preferred treatment, and any other material communications with management.
- (ix) *Disagreements with Management*: Resolve any disagreements between management and the external auditor regarding financial reporting.
- (x) *Material Written Communications*: Review all other material written communications between the external auditor and management, including the post-audit management letter containing the recommendations of the external auditor, management's response and, subsequently, follow up identified weaknesses.
- (xi) *Interim Financial Statements*: Engage the external auditor to review all internal financial statements and review the results of the auditor's review of the interim financial statements and the auditor's review of the related MD&A independent of and without management present.
- (xii) *Other Audit Matters*: Review any other matters related to the external audit that are to be communicated to the Committee under generally accepted auditing standards or that relate to the external auditor.
- (xiii) *Meeting with External Auditor*: Meet with the external auditor independently from management and without management present (1) at least annually to discuss and review specific issues; and (2) as appropriate with respect to any significant matters that the auditor may wish to bring to the Committee for its consideration.
- (xiv) *Correspondence*: Review with management and the external auditor any correspondence with regulators or governmental agencies, employee complaints or published reports that raise material issues regarding the Corporation's financial statements or accounting policies.
- (xv) *Independence*: At least annually, and before the external auditor issues its report on the annual financial statements, review and confirm the independence of the external auditor through discussions with the auditor on their relationship with the Corporation, including details of all non-audit services provided. Consider the safeguards implemented by the external auditor to minimize any threats to their independence, and take action to eliminate all factors that might impair, or be perceived to impair, the independence of the external auditor. Consider the number of years the lead audit partner has been assigned to the Corporation, and consider whether it is appropriate to

recommend to the Board a policy of rotating the lead audit partner more frequently than every five years, as is required under the rules of the Canadian Public Accountability Board.

- (xvi) *Non-Audit/Audit Services*: Pre-approve, in accordance with applicable law, any non-audit services to be provided to the Corporation by the external auditor, with reference to compatibility of the service with the external auditor's independence.
- (xvii) *Hiring Policies*: Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor.

(d) Risk Management

Review and assess the adequacy of the Corporation's risk management policies and procedures with respect to the Corporation's principal business risks. Review and assess the adequacy of the implementation of appropriate systems to mitigate and manage the risks, and report regularly to the Board. Review the Corporation's insurance program.

(e) Regulatory Compliance

Review with management the Corporation's relationship with regulators and the timeliness and accuracy of Corporation filings with regulatory authorities.

(f) Related Party Transactions

Review with management all related party transactions and the development of policies and procedures related to those transactions.

(g) Board Relationship and Reporting

- (i) *Adequacy of Charter*: Review and assess the adequacy of the Committee Charter annually and submit such amendments as the Committee proposes to the Board.
- (ii) *Disclosure*: Oversee appropriate disclosure of the Committee's Charter, and other information required to be disclosed by applicable legislation, in the Corporation's Annual Information Form and all other applicable disclosure documents, including any management information circular distributed in connection with the solicitation of proxies from the Corporation's security holders.
- (iii) *Reporting*: Report regularly to the Board on Committee activities, issues and related recommendations.

4. **Chair**

The Board will in each year appoint the Chair of the Committee. The Chair shall be financially literate. In the Chair's absence, or if the position is vacant, the Committee may select another member as Chair. The Chair will have the right to exercise all powers of the Committee between meetings but will attempt to involve all other members as appropriate prior to the exercise of any powers and will, in any event, advise all other members of any decisions made or powers exercised.

5. **Meetings**

The Committee shall meet at the request of its Chair, but in any event it will meet at least four times a year. Notices calling meetings shall be sent to all Committee members. The external auditor or any member of the Committee may call a meeting of the Committee. The Chair of the Committee shall develop and set the Committee's agenda, in consultation with the other members of the Committee. Each member of the Committee is free to suggest the inclusion of items on the agenda. The agenda and information concerning the business to be conducted at each Committee meeting shall be distributed to the members of the Committee in advance of each meeting to permit meaningful review.

6. **Quorum**

A majority of members of the Committee, present in person, by teleconference, or by videoconference will constitute a quorum.

7. **Removal and Vacancy**

A member may resign from the Committee, and may be removed and replaced at any time by the Board, and will automatically cease to be a member as soon as the member ceases to be a director. The Board will fill vacancies in the Committee by appointment from among the directors of the Board in accordance with Section 2 of this Charter. Subject to quorum requirements, if a vacancy exists on the Committee, the remaining members will exercise all its powers.

8. **Experts and Advisors**

In order to carry out its duties, the Committee may retain or appoint, at the Corporation's expense, such independent counsel and other experts and advisors as it deems necessary. The Committee shall provide notice to the Nominating and Corporate Governance Committee of its actions in this regard.

9. **Access**

The Committee may have access to and direct contact with any employee, contractor, supplier, customer or other person that is engaged in any business relationship with the Corporation to confirm information or to investigate any matter within the mandate of the Committee.

10. **Secretary and Minutes**

The Chair of the Committee shall appoint a secretary for each meeting to keep minutes of such meeting. The minutes of the Committee will be in writing and duly entered into the books of the Corporation. The minutes of the Committee will be circulated to all members of the Board.

Dated as of Feb 21, 2013