Western Forest Products Inc.

2013 Third Quarter Report

October 31, 2013

Letter to Shareholders

Dear Shareholders,

Strong operational performance allows Western to deliver $27.6 million in adjusted EBITDA in the third quarter of 2013.

Another quarter of strong operating performance allowed us to capitalize on improved markets and deliver $27.6 million in adjusted EBITDA. We continued to implement our balanced approach to capital allocation, by paying out the first dividend in company history and completing a $100 million share buy-back, while continuing the implementation of our strategic capital plan.

Company safety improved 40% from a year ago and our timberlands operations were incident free for two of the three months in the third quarter. These financial, operational and safety achievements were accomplished during a challenging period, when harvesting activity was restricted due to extremely dry summer weather conditions and when key markets began their seasonal decline.

Third quarter 2013 financial highlights:

- Adjusted EBITDA of $27.6 million, an increase of $19.1 million over the third quarter of 2012.
- Completed a $100 million share buy-back for 76.9 million shares.
- Initiated and paid a regular quarterly dividend of $0.02 per share on September 20, 2013, yielding more than 5.5% at the current share price.
- Maintained strong liquidity and a conservative net debt-to-capitalization ratio of 19%.
- Completed a $66.7 million bought deal secondary offering by Brookfield Special Situations.

Operational successes:

- Realized a medical incident rate of 1.25 in our company operations.
- Continued directing logs to the highest margin alternatives under our margin focused fibre utilization strategy.
- Increased mill productivity levels by 2% over the third quarter of 2012.
- Delivered an additional $1.1 million in the quarter through our margin improvement program.
- Completed the first phase of the capital project at our Saltair sawmill, with phase two scheduled for completion in the second quarter of 2014.

Lumber and log pricing was strong. Western Red Cedar pricing remained strong, as limited coastal log supply offset the usual seasonal decline in demand. Japanese demand for lumber, spurred by increased home construction, increased pricing in our key product lines. Our third quarter commodity pricing was influenced by the $116/mfbm second quarter decline in Benchmark KD SPF. Log inventory in China came into balance in the quarter, which allowed us to increase export pricing. Domestic log markets remained positive, supported by lower than expected coastal logging and strong end markets.

Looking forward to the fourth quarter of 2013, a seasonal decline in lumber demand will put pressure on pricing. We anticipate price erosion in the Japanese market as a result of the increased competition. By contrast, Western Red Cedar pricing should remain at third quarter 2013 levels, although volumes will decline in keeping with our customers' normal buying cycle. In China, commodity markets are expected to remain strong. In North America, the seasonal decline in home construction will slow the demand for higher value specialty commodity products. On a positive note, niche pricing is expected to remain firm.

Log markets will remain steady. Strong demand in both the domestic and export markets is expected to continue into the fourth quarter of 2013, with the exception of pulp log markets, which we believe will remain flat. Log harvesting activities will experience a seasonal decline, limiting our ability to build inventory.

We continue to invest in our manufacturing base. Implementation of our strategic capital plan is progressing and, to date, we have invested $27 million of the projected $38 million for the Saltair mill upgrade in Ladysmith. At our Alberni Pacific sawmill, our first auto-grader will be installed in late November. Notably, Western will be the first company to utilize this technology for coastal species.

We have once again improved our year-over-year financial results and delivered on our corporate priority to improve safety. We also continue to implement our capital allocation strategy, which is designed to maximize returns for our shareholders.

I would like to thank the team at Western and our contract partners for their commitment to continuous improvement and dedication to operating safely, while sustainably producing high quality products for our customers worldwide.

Don Demens
President and CEO

Management's Discussion & Analysis

The following discussion and analysis reports and comments on the financial condition and results of operations of Western Forest Products Inc. (the "Company", "Western", "us", "we", or "our"), on a consolidated basis, for the three and nine months ended September 30, 2013 to help security holders and other readers understand our Company and the key factors underlying our financial results. This discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2013 and the audited annual consolidated financial statements and management's discussion and analysis ("MD&A") for the year ended December 31, 2012 (the "2012 Annual Report"), all of which can be found on SEDAR at www.sedar.com.

The Company has prepared unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2013 in accordance with IAS 34, *Interim Financial Reporting*, and these do not include all of the information required for full annual financial statements.

Reference is made in this MD&A to adjusted EBITDA[1]. Adjusted EBITDA is defined as operating income prior to operating restructuring items and other income, plus amortization of property, plant, equipment, and intangible assets, impairment adjustments, and changes in fair value of biological assets. Western uses adjusted EBITDA as a benchmark measurement of our own operating results and as a benchmark relative to our competitors. We consider adjusted EBITDA to be a meaningful supplement to operating income as a performance measure primarily because amortization expense, impairment adjustments and changes in the fair value of biological assets are non-cash costs, and vary widely from company to company in a manner that we consider largely independent of the underlying cost efficiency of their operating facilities. Further, the inclusion of operating restructuring items which are unpredictable in nature and timing may make comparisons of our operating results between periods more difficult. We also believe adjusted EBITDA is commonly used by securities analysts, investors and other interested parties to evaluate our financial performance.

Adjusted EBITDA does not represent cash generated from operations as defined by IFRSs and it is not necessarily indicative of cash available to fund cash needs. Furthermore, adjusted EBITDA does not reflect the impact of a number of items that affect our net income. Adjusted EBITDA is not a measure of financial performance under IFRSs, and should not be considered as an alternative to measures of performance under IFRSs. Moreover, because all companies do not calculate adjusted EBITDA in the same manner, adjusted EBITDA as calculated by Western may differ from adjusted EBITDA as calculated by other companies. A reconciliation between the Company's net income as reported in accordance with IFRSs and adjusted EBITDA is included in Appendix A to this report.

This MD&A contains statements which constitute forward-looking statements and forward-looking information within the meaning of applicable securities laws. Those statements and information appear in a number of places in this document and include statements and information regarding our current intent, belief or expectations primarily with respect to market and general economic conditions, future costs, expenditures, available harvest levels and our future operating performance, objectives and strategies. Such statements and information may be indicated by words such as "estimate", "expect", "anticipate", "plan", "intend", "believe", "should", "may" and similar words and phrases. Readers are cautioned that it would be unreasonable to rely on any such forward-looking statements and information as creating any legal rights, and that the statements and information are not guarantees and may involve known and unknown risks and uncertainties, and that actual results and objectives and strategies may differ or change from those expressed or implied in the forward-looking statements or information as a result of various factors. Such risks and uncertainties include, among others: general economic conditions, competition and selling prices, changes in foreign currency exchange rates, labour disruptions, natural disasters, relations with First Nations groups, changes in laws, regulations or public policy, misjudgments in the course of preparing forward-looking statements or information, changes in opportunities and other factors referenced under the "Risk Factors" section in the MD&A in our December 31, 2012 annual report. All written and oral forward-looking statements or information attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. Except as required by law, Western does not expect to update forward-looking statements or information as conditions change.

[1] Earnings Before Interest, Tax, Depreciation and Amortization

Unless otherwise noted, the information in this discussion and analysis is updated to October 31, 2013. Certain prior period comparative figures may have been reclassified to conform to the current period's presentation. All financial references are in millions of Canadian dollars unless otherwise noted.

Summary of Selected Quarterly Results[1]

(millions of dollars except per share amount)	Three months ended September 30, 2013	Three months ended September 30, 2012 Restated[2]	Nine months ended September 30, 2013	Nine months ended September 30, 2012 Restated[2]
Revenue	$ 239.4	$ 219.4	$ 735.5	$ 694.2
Adjusted EBITDA[2]	27.6	8.5	104.4	36.7
Adjusted EBITDA as % of revenue	11.5%	3.9%	14.2%	5.3%
Operating income prior to restructuring items and other income (expense)	19.8	2.7	80.6	16.7
Net income from continuing operations	17.2	2.1	76.0	14.8
Net income for the period	17.2	1.8	75.5	13.9
Basic earnings per share (in dollars)	$ 0.04	$ -	$ 0.17	$ 0.03
Diluted earnings per share (in dollars)	$ 0.04	$ -	$ 0.16	$ 0.03

[1] Included in Appendix A is a table of selected results for the last eight quarters.

[2] Restated to reflect implementation of revised IAS 19 *Employee Benefits* as described on page 10.

Overview

Third quarter 2013

Our third quarter 2013 adjusted EBITDA of $27.6 million is a $19.1 million improvement over the same period last year, and represents our best third quarter result ever. Adjusted EBITDA margins improved to 11.5% this quarter from 3.9% a year ago. Results were driven by higher lumber shipments and operational improvements that were made possible by stronger lumber and log markets.

Markets for our lumber and logs were driven by increased housing starts in both Japan and the United States ("US") and a more balanced inventory situation in China. Our average realized prices for lumber and logs were higher by 11% and 28%, respectively, over the third quarter of 2012. Housing starts in the US were 14% higher than the same period in 2012, which supported stronger lumber demand. Benchmark Kiln Dried WSPF 2x4 prices were on average 9% higher during the third quarter 2013 compared to the same period last year. Western red cedar, whitewood specialty lumber and commodity lumber prices were all significantly higher this quarter compared to a year ago. Log markets continued to reflect strong demand with prices for domestic sawlogs and export logs stronger than in the third quarter of 2012.

Total revenue for the third quarter of 2013 was $239.4 million, an increase of $20.0 million, or 9%, from the third quarter of 2012. Our lumber revenue was 17% higher than a year ago while log revenue was lower on reduced volume. Net income for the third quarter of 2013 was $17.2 million, an increase of $15.4 million from the net income of $1.8 million a year earlier, and a decrease of $18.3 million from the net income in the previous quarter.

Year to date, September 30, 2013

Net income for the first nine months of 2013 was $75.5 million, which compares to net income for the first nine months of 2012 of $13.9 million. The improved net income for the first nine months of 2013 reflects improved market conditions and the resulting higher prices for our products. Adjusted EBITDA of $104.4 million for the nine months to September 30, 2013 is $67.7 million more than for the first nine months of 2012.

We completed the first phase of our Saltair sawmill project in the third quarter of 2013. The new sorter, trimmer and edgers were installed safely and on budget and are performing well. The next phase of this project, which will complete the rebuild of the Saltair sawmill, will involve the installation of a new log in-feed. This work has a target installation date during the second quarter of 2014. We also expect our Cowichan Bay planer upgrade to be complete in December 2013, and the log auto-rotation project will be installed in the late second or early third quarter of 2014. The Alberni Pacific sawmill autograder installation will now occur in late November due to equipment delays.

On August 13, 2013, the Company closed the previously announced 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 13, 2013. 76,914,830 of the shares were repurchased from Brookfield Special Situations Management Limited ("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. This resulted in BSSML holding 172,506,977 Common Shares, representing 49% of the current issued and outstanding Common Shares, and 100% of the remaining 39,050,597 Non-Voting Shares of Western.

We view both the substantial issuer bid and the BSSML secondary offering as positive developments that should increase the value of our common equity on a per share basis, and the public float of our Common Shares.

As discussed above, we used a portion of our liquidity to finance the $100.3 million share repurchase. As a result, our liquidity position at September 30, 2013 reduced to $132.1 million from $231.7 million at the end of the previous quarter.

Operating Results

(millions of dollars)	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Revenues				
Lumber	$ 171.7	$ 147.3	$ 509.1	$ 468.3
Logs	53.9	58.5	184.1	183.4
By-products	13.8	13.6	42.3	42.5
Total revenues	239.4	219.4	735.5	694.2
Adjusted EBITDA	27.6	8.5	104.4	36.7
Adjusted EBITDA as % of revenues	11.5%	3.9%	14.2%	5.3%

Third quarter 2013

Our adjusted EBITDA for the third quarter of 2013 of $27.6 million compares to adjusted EBITDA in the same quarter last year of $8.5 million and to $44.9 million in the second quarter of 2013. The improved adjusted EBITDA result primarily reflects improved market conditions and the resulting higher prices for our products, higher lumber shipments, combined with a favourable mix of our products sold and the beneficial impact of a weakening Canadian dollar against the US dollar. Partially offsetting these positive improvements to adjusted EBITDA were lower shipment volumes of logs, higher per unit log costs, and the negative impact of a weakening Japanese yen against the Canadian dollar.

Lumber sales revenues in the third quarter of 2013 were 17% higher than in the third quarter of 2012. This increase was driven by increased prices combined with a 5% increase in shipment volumes. We shipped 228 million board feet in the current quarter compared to 218 million board feet in the same quarter of 2012, while successfully managing our lumber inventory volume levels down at September 30, 2013. The average price realized on the volume sold was 11% higher in the third quarter of 2013 compared to the third quarter of 2012. Western red cedar, Douglas fir and hemlock specialty lumber, and commodity lumber prices were all significantly higher in the third quarter of 2013 compared to the third quarter of 2012.

Log sales revenues in the third quarter of 2013 were lower than the third quarter of 2012 by 8%. This reduction was driven by lower sales volumes, partially offset by higher pricing. Log sales volumes were lower by 30%, or 261,000 cubic metres, in the third quarter of 2013 compared to the same quarter last year. This reduction is partially due to the fact that we harvested fewer logs in the current period, and were able to process more logs at higher margins through our own mills rather than selling them. Export and domestic log market prices were higher for the majority of the logs available to sell external to our needs. Markets and demand were both better in the current quarter compared to the third quarter of 2012, and, combined with a continued tight log supply on the coast, prices were driven higher. Our average price per cubic metre sold in the current quarter increased by $18, or 28%, over the third quarter of 2012. In addition to the increases in log prices, our overall average price realized increased because of a favourable change in the mix of our sales. As markets have improved we have successfully diversified our log markets, directing lower valued sorts into higher valued end uses which have enhanced our adjusted EBITDA.

By-product revenues in the current quarter were $13.8 million, which is slightly higher than the $13.6 million reported in the same quarter in 2012. Our mills produced more chips in the current quarter compared to the third quarter of 2012, but we purchased fewer units from outside sources for re-sale in order to meet commitments with our pulp mill customers. Chip prices were approximately 8% per unit higher this year due to improving pulp markets.

Total log production in the third quarter of 2013 was 1,233,000 cubic metres, which was 181,000 cubic metres, or 13% less than in the same quarter a year ago, and 18% less than in the second quarter of 2013. The decline in production in the third quarter 2013 compared to the same quarter last year reflects accelerated harvesting undertaken in 2012 in order to catch up on the previous year's undercut volumes. Cash harvesting costs were higher by approximately $4 per cubic metre harvested in the current quarter compared to the third quarter of 2012. Costs per unit were higher due to lower harvest volumes, and increased costs on road construction, equipment maintenance and repairs, and fixed costs.

Primary lumber mill production was 192 million board feet in the third quarter of 2013, which was 2% more than the production in the third quarter of 2012, despite the fact that the Saltair mill took downtime to install the new equipment. We continue to face the challenge of a very tight log supply situation on the coast and, as in the first and second quarters of 2013, we addressed it by running a broadened mix of species and quality of logs through our primary mills. Productivity, as measured on a production volume per shift basis, was lower than the same quarter last year primarily due to the limited operating schedule at our Saltair sawmill. However, excluding the Saltair production, overall productivity was the same as the third quarter of 2012, even though in the current quarter mills processed a more varied log mix. Overall lumber recoveries were lower than those in the third quarter last year, also a function of a more varied log mix.

Our operating results for the third quarter of 2013 were positively impacted by an approximate 4% weakening in the average value of the Canadian dollar relative to the US dollar from the third quarter of 2012. At the end of the current quarter, the Canadian dollar had weakened to a rate of 1.03 Canadian dollars to a US dollar, approximately 5% lower than at September 30, 2012. However, we were negatively impacted as the Japanese yen weakened significantly against the Canadian dollar in the current quarter, falling by almost 21% compared to the third quarter of 2012. Western mitigates its foreign exchange risk associated with sales transactions denominated in US dollars and Japanese yen by utilizing forward currency transactions to match future expected receipts in these currencies.

Export taxes of $0.5 million were incurred in the third quarter of 2013 compared to export taxes of $1.0 million expensed in the same quarter in 2012. This change is a reflection of the respective lumber prices this year compared to last year. Under the Softwood Lumber Agreement with the US, the export tax rate is zero when the Random Lengths Framing Lumber Composite Index exceeds US$355 per thousand board feet. Applicable rates for July, August and September 2013 were 0%, 10% and 5% respectively, compared to 5%, 10% and 10% for the same months in 2012.

Total freight costs were $20.5 million in the third quarter of 2013, compared to third quarter 2012 costs of $19.0 million. The increase is because of a 5% higher shipment volume and a higher log freight component in the current quarter compared to the third quarter of 2012.

Selling and administration costs in the current quarter were $8.2 million, which is reasonably consistent with the first two quarters of the year, but is $1.4 million higher than in the third quarter of 2012. This increase is primarily the result of increases in employee compensation costs associated with our improved financial performance.

Year to date, September 30, 2013

Adjusted EBITDA for the first nine months of 2013 was $104.4 million, ahead of the $36.7 million we reported for the nine months to September 30, 2012. The associated margins for these periods were 14.2% and 5.3%, respectively, the improvement being driven by strong operational performance and supported by increased demand for both lumber and log products. Management has capitalized on market opportunities by continuing to focus on higher product margin segments, while at the same time continuing to deliver results under our margin improvement program.

Also contributing to the increased adjusted EBITDA in the first nine months of 2013 over 2012 were lower freight costs and export taxes incurred in 2013. Freight costs were $5.6 million lower for the first nine months of this year, primarily because of shipping proportionately less product directly overseas compared to 2012. Export taxes were $4.5 million lower this year because higher lumber prices in 2013 exceeded the threshold for triggering export taxes more often than in the same period in 2012.

Total revenues for the nine months to September 30, 2013 were $735.5 million, which was 6% higher than the same period in 2012. Revenues for lumber were up 9% while those for logs and by-products were relatively flat. Shipment volumes for lumber were the same for the first nine months of 2013 compared to 2012 but log shipments were down by 20% over the respective periods, as a result of lower harvest levels in the current year. However, revenues were higher primarily due to stronger prices this year compared to the first nine months of 2012. Average prices realized for lumber and logs for the nine months ended September 30, 2013 were higher than the first nine months of 2012 by 8% and 24%, respectively. The improved revenue results reflect improved markets for our products, combined with continued efforts by management to maximize margins by channeling some of our products into higher priced markets.

To the end of the third quarter of 2013, our non-capital margin improvement program has contributed $17.4 million in annualized margin enhancements since the inception of the program at the beginning of 2012. We are targeting a total of $25.0 million in such enhancements over a three year period. The majority of the benefits derived to date relate to manufacturing throughput improvements, and also timberlands, logistics and procurement initiatives.

Non-operating Income and Costs

Finance costs increased from $1.4 million in the third quarter of 2012 to $1.7 million in the current quarter. This increase is primarily attributable to the higher average debt balance in the current quarter following the drawing of $100.0 million on the revolving term loan facility in June 2013. However, the increase was tempered by the fact that the interest rates were lower in the current quarter compared to third quarter of 2012 by 0.8%. For the first nine months of 2013, finance costs were $3.7 million compared to $4.9 million for the same period in 2012. The lower finance charges in the nine months to September 2013 is because the average overall debt outstanding in the current period was lower than the same period a year ago, combined with lower interest rates in the current period.

Other expenses of $0.4 million for the third quarter of 2013 compares to income of $1.1 million in the third quarter of 2012. The current quarter expense primarily relates to building demolition costs, whereas in the same quarter last year other income mainly comprised proceeds received from the Province of British Columbia as final compensation resulting from the creation of new protective areas in our former Haida Gwaii and Central Coast operating areas.

Financial Position and Liquidity

(millions of dollars except where noted)	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Cash provided by operating activities	$ 23.4	$ 18.8	$ 90.1	$ 46.6
Cash used in investing activities	(13.0)	(7.2)	(41.8)	(9.7)
Cash used in financing activities	(119.4)	(16.0)	(55.9)	(27.0)
Cash used to construct capitalized logging roads	(5.1)	(2.7)	(11.7)	(7.8)
Cash used to acquire property, plant and equipment	(8.1)	(5.8)	(33.2)	(13.6)

	September 30, 2013	December 31, 2012
Total liquidity[1]	$ 132.1	$ 185.1
Net debt [2]	79.1	15.0
Financial ratios:		
Current assets to current liabilities	2.32	2.30
Net debt to capitalization[3]	0.19	0.04

(1) Total liquidity comprises cash and cash equivalents and available credit under the Company's revolving credit facility and revolving term loan.
(2) Net debt is defined as the sum of long-term debt, current portion of long-term debt, revolving credit facility, less cash and cash equivalents (show as nil if net cash).
(3) Capitalization comprises net debt and shareholders equity

Cash provided by operating activities in the third quarter of 2013 amounted to $23.4 million compared to $18.8 million provided in the same period last year. The improved cash generated from increased income in the current quarter was mostly offset by a negative working capital investment this quarter compared to last year. The negative swing of $14.2 million is largely driven by the relative changes in our investment in working capital in the two quarters, most significantly in our trade and other receivables balances. This was largely timing related as at the end of the third quarter of 2012, receivables levels were lower than normal based on the timing of receipts in late September.

Cash used for additions to property, plant and equipment in the third quarter of 2013 was $13.2 million compared to $8.5 million in the third quarter of 2012. In the current quarter, additions comprised $5.1 million of additions to logging roads and bridges, $5.3 million on maintenance capital (primarily mobile equipment replacements/upgrades), and $2.8 million was invested in strategic capital projects. The strategic spend mainly related to our Saltair rebuild program.

During the third quarter of 2013, the Company paid $100.3 million to repurchase 49,862,642 Non-Voting and 27,060,434 voting Common Shares, utilizing the cash that had been drawn on the revolving term loan facility at the end of the second quarter. Also, during the quarter we paid our first quarterly dividend to shareholders of $7.8 million ($0.02 per share), and repaid $10.0 million on the revolving term loan facility from surplus cash generated from operations.

For the nine months to September 30, 2013, we have invested $44.9 million in capital of which $16.6 million has been in strategic capital projects, principally the Saltair sawmill upgrade. For the comparable period in 2012, $21.4 million was invested in capital items of which the majority was on maintenance capital and roads and bridges, with $5.3 million on strategic projects. For the first nine months of 2012, the Company received net proceeds of $11.7 million from the sale of assets, of which $10.2 million related to the sale of TFL 60.

At September 30, 2013, Western's total liquidity decreased to $132.1 million from $231.7 million at the end of the previous quarter, and from $178.0 million at September 30, 2012. At September 30, 2013, liquidity was comprised of cash of $9.5 million and availability under the revolving credit facility and revolving term loan of $102.6 million and $20.0 million, respectively. The reduction in liquidity compared to September 30, 2012 was primarily due to the $100.0 million draw on the revolving term loan in the second quarter being used to finance the share repurchase in the current quarter, partially offset by the increase of $35.0 million available following the revision to the revolving term loan in the first quarter of 2013. In addition, we repaid a further $10.0 million of debt from surplus cash generated from operations, and an increase in borrowing base assets, specifically, eligible accounts receivable and inventory, resulted in an increase in availability under the revolving credit facility.

Accounting Policies

Adoption of new accounting policies

The accounting policies applied by the Company in the third quarter of 2013 are the same as those applied by the Company in its annual consolidated financial statements as at and for the year ended December 31, 2012, except for the adoption of new standards and interpretations effective as of January 1, 2013. The nature and effect of these changes are disclosed below.

IFRS 13 – Fair Value Measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 establishes a framework for measuring fair value when fair value is required or permitted. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company.

The standard also sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income. Some of these disclosures are specifically required for financial instruments by IAS 34, thereby affecting the interim financial statements. The Company provides these disclosures in Notes 3 and 19 in its Third Quarter 2013 Financial Statements.

IAS 19 – Employee Benefits (revised 2011) (IAS 19R)

IAS 19R comprises a number of amendments to the accounting for defined benefit plans, including a change to the basis for determining the income or expense related to defined benefit plans.

As a result of the change, the Company now determines the net interest expense (income) for the period on the net defined benefit obligation by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability at the beginning of the annual period. It takes into account any changes in the net defined benefit liability during the period as a result of contributions and benefits payments. Consequently, the net interest on the net defined benefit liability now comprises:

- interest cost on the defined benefit obligation; and
- interest income on plan assets.

Previously, the Company determined interest income on plan assets based on their expected long-term rate of return. The adoption of IAS 19R required the restatement of prior period figures and the impact on the three and nine months to September 30, 2012 was a reduction to net income of $0.2 million and $0.6 million, respectively. This comprised an increase to finance charges for these periods of $0.3 million and $0.9 million, respectively, and a decrease to selling and administration costs of $0.1 million and $0.3 million, respectively. There was a corresponding reduction in the defined benefit plan actuarial losses recognized in other comprehensive income of $0.2 million and $0.6 million for the three and nine months to September 30, 2012, respectively. The revision had no impact on net assets at September 30, 2012 or December 31, 2012. The impact on earnings per share for the quarter ending September 30, 2012 was not material. The impact of adopting IAS 19R is more fully explained in Notes 3 and 14 in our Third Quarter 2013 Financial Statements.

Other

Several other new standards and amendments apply for the first time effective January 1, 2013. However, they do not impact the annual consolidated financial statements of the Company or the interim financial statements of the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Evaluation of Disclosure Controls and Procedures

As required by National Instrument 52-109 issued by the Canadian Securities Administrators, Western carried out an evaluation of the design and effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting as of December 31, 2012. The evaluation was carried out under the supervision and with the participation of the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"). Based on the evaluation, Western's CEO and CFO concluded that the Company's disclosure controls and procedures are effective in providing reasonable assurance that material information relating to Western and its consolidated subsidiaries is made known to them by others within those entities, particularly during the period in which the interim filings are being prepared. In addition, Western's CEO and CFO concluded that the Company's internal controls over financial reporting are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for Western and its consolidated subsidiaries for the period in which the interim filings are being prepared.

There were no changes in the controls which materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting during the first, second or third quarters of 2013.

Outlook and Strategy

We continue to make progress on our margin focus business strategy and deliver solid financial results. Our strong balance sheet and projected free cash flow allowed us to complete a one-time $100.0 million share repurchase program in the third quarter, and also distribute our first quarterly dividend of $0.02 per share. With a balanced capital allocation approach, we also expect to continue our strategic capital investment plan and invest in upgrading our manufacturing facilities. Our business strategy continues to be maximizing margin and increasing our volumes in an improving global market for our products.

Demand for our Western red cedar product line continues to increase with an improving US home construction market, especially in the repair and renovation sector. Sales volumes of Western red cedar typically decline in the fourth quarter and we are focused on shifting our product mix to reflect this anticipated change in market demand. Export taxes on US shipments were 10% in August, 5% in September and October, and are expected to be 0% in November.

Home construction in Japan has increased year over year and in August 2013 the seasonally adjusted figure was 9% higher than in August 2012. Looking forward however, we expect that fourth quarter demand in Japan will soften due to high lumber inventory levels, and constrained home building capacity. We also expect this surplus inventory to be absorbed by year end and forecast the market to be steady through the first two quarters of 2014. After significant decline in the value of the Japanese yen from a year ago, the currency appears to be stabilizing which should have a moderating impact on our selling prices.

Sales volumes in our Niche lumber market segment have been steady in 2013 due to tight Douglas fir and hemlock log markets on the coast. We have used our constrained supply to choose the markets and products that return the highest margins available, and have undertaken less custom cut milling of our logs with third parties. We continue to see increased demand for industrial products such as specialty timbers and remanufacturing blanks for millwork, which should translate into higher pricing for these products.

After the North American benchmark WSPF 2x4 commodity price declined $116/mfbm during the second quarter of 2013, prices rebounded $67/mfbm through the third quarter. For the third quarter of 2013, the average benchmark price was 2% lower than in the second quarter, but the rising trend in pricing throughout the third quarter has meant we are being successful in increasing our Commodity pricing as we move into the fourth quarter. However the normal seasonal decline in the North American business will result in our product mix shifting towards China, leading to marginally lower pricing in the fourth quarter.

Strong demand in both export and domestic log markets is expected to continue through the fourth quarter, but we consider further price improvement to be unlikely at this time. Volumes of export and domestic log sales will start to increase as we move our harvest from higher elevations of timber. Market fundamentals for pulp logs have improved marginally, and we will continue to maximize sawlog production from pulp log sorts to increase our margins.

We completed the first phase of our Saltair sawmill project in the third quarter of 2013. The new sorter, trimmer and edgers were installed safely and on budget and are performing well. The next phase of this project, which will complete the rebuild of the Saltair sawmill, will involve the installation of a new log in-feed. This work has a target installation date during the second quarter of 2014. We also expect our Cowichan Bay planer upgrade to be complete in December 2013, and the log auto-rotation project will be installed in the late second or early third quarter of 2014. Installation of the Alberni Pacific sawmill autograder will now take place in the last week of November, completing phase one of this project. Phase two will incorporate a new lumber trimmer with completion targeted for the fourth quarter of 2014.

Pursuant to the conditional agreement for sale of our former Woodfibre Pulp Mill site located near Squamish, British Columbia, a preliminary detailed assessment for the remediation costs associated with the site has been completed by our environmental engineers, and discussions are in progress with the purchasers over the remediation plan. We will continue to pursue the sale of additional non-core assets as appropriate.

Risks and Uncertainties

The business of the Company is subject to a number of risks and uncertainties, including those described in the 2012 Annual Report which can be found on SEDAR, at www.sedar.com. Any of the risks and uncertainties described in the above-noted document could have a material adverse effect on our operations and financial condition and cash flows and, accordingly, should be carefully considered in evaluating Western's business.

Outstanding Share Data

As of October 31, 2013, there were 352,077,810 Common Shares and 39,050,597 Non-Voting Shares issued and outstanding. Brookfield Special Situations Management Limited ("BSSML"), an indirectly and wholly-owned subsidiary of Brookfield Asset Management Inc. ("BAM"), controls and directs 49% of the Company's Common Shares and 100% of the Non-Voting Shares. The Company may convert the Non-Voting Shares into Common Shares on a one-for-one basis, in whole or in part, at any time in its sole discretion, provided that the Board of Directors is at that time of the opinion that to do so would not have a material adverse effect on the Company's business, financial condition or business prospects.

As of October 31, 2013, 13,016,795 options were outstanding under the Company's incentive stock option plan.

Related Parties

By virtue of the BAM voting arrangements with BSSML, BAM is related to the Company. Western has certain arrangements with entities related to BAM to acquire and sell logs, lease certain facilities, provide access to roads and other areas, and acquire other services including insurance, the provision of a foreign exchange facility all in the normal course and at market rates or at cost. During the third quarter of 2013, the Company paid entities related to BAM $6.8 million, and received income from related entities of $2.5 million in connection with these arrangements.

Public Securities Filings

Readers may access other information about the Company, including the Annual Information Form and additional disclosure documents, reports, statements and other information that are filed with the Canadian securities regulatory authorities, on SEDAR at www.sedar.com.

On behalf of the Board of Directors

Dominic Gammiero	Don Demens
Chairman	President and CEO

Vancouver, BC,

October 31, 2013

Summary of Selected Results for the Last Eight Quarters (Unaudited)

(millions of dollars except per share amounts and where noted)	2013			2012				2011
	3rd	2nd	1st	4th	3rd	2nd	1st	4th (3)
Average Exchange Rate – Cdn $ to purchase one US $	1.039	1.023	1.008	0.991	0.996	1.010	1.001	1.023
Revenues								
Lumber	171.7	180.4	157.0	156.1	147.3	163.8	157.2	147.4
Logs	53.9	67.0	63.2	62.9	58.5	73.0	51.9	60.2
By-products	13.8	14.9	13.6	12.2	13.6	14.6	14.3	13.1
Total revenues	239.4	262.3	233.8	231.2	219.4	251.4	223.4	220.7
Lumber								
Shipments – millions of board feet	228	231	214	222	218	234	220	209
Price – per thousand board feet	752	782	733	703	676	700	716	705
Logs								
Shipments – thousands of cubic metres	615	765	692	835	876	1,020	699	853
Price – per cubic metre(1)	83	84	89	73	65	69	72	69
Selling and administration (2)	8.2	8.0	8.0	6.8	6.8	7.3	7.7	6.9
Adjusted EBITDA (2)	27.6	44.9	31.9	14.3	8.5	18.8	9.4	11.6
Amortization	(7.5)	(7.9)	(6.8)	(5.9)	(6.2)	(6.9)	(6.8)	(5.7)
Changes in fair value of biological assets	(0.3)	(0.8)	(0.5)	(0.3)	0.4	(0.4)	(0.1)	(0.9)
Reversal of impairment	-	-	-	12.9	-	-	-	-
Operating restructuring items	(0.3)	(0.1)	(0.2)	(4.2)	(0.2)	(0.4)	-	0.2
Finance costs (2)	(1.7)	(0.8)	(1.2)	(1.4)	(1.4)	(1.9)	(1.6)	(1.4)
Other income (expenses)	(0.4)	0.7	0.1	(0.9)	1.1	1.6	1.0	(0.3)
Income taxes recovery (expense)	(0.2)	(0.3)	(0.2)	-	(0.1)	-	-	0.1
Net income from continuing operations (2)	17.2	35.7	23.1	14.5	2.1	10.8	1.9	3.6
Net loss from discontinued operations	-	(0.2)	(0.3)	(0.2)	(0.3)	(0.4)	(0.2)	(0.3)
Net income (2)	17.2	35.5	22.8	14.3	1.8	10.4	1.7	3.3
Adjusted EBITDA as % of revenues	11.5%	17.1%	13.6%	6.2%	3.9%	7.5%	4.2%	5.3%
Earnings per share:								
Net income, basic	0.04	0.08	0.05	0.03	-	0.02	-	0.01
Net income, diluted	0.04	0.07	0.05	0.03	-	0.02	-	0.01
Net income from continuing operations, basic	0.04	0.08	0.05	0.03	-	0.02	-	0.01
Net income from continuing operations, diluted	0.04	0.07	0.05	0.03	-	0.02	-	0.01

(1) The log revenue used to determine average price per cubic metre has been reduced by the associated shipping costs arranged in the respective periods to enable comparability of unit prices.

(2) Adjusted EBITDA, Selling and administration expenses, Finance costs, Net income from continuing operations and Net income have been restated to reflect the adoption of changes to *IAS 19 - Employee Benefits* as described commencing on Page 10 of the MD&A.

(3) Not restated under IFRS for the amended *IAS 19 - Employee Benefits* .

In a normal operating year there is some seasonality to the Company's operations with higher lumber sales in the second and third quarters when construction activity, particularly in North American markets, 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.

The category of “Other income (expenses)” comprises gains on the sale of various non-core assets and other receipts which can be unpredictable in their timing. The fourth quarter of 2012 includes a $12.9 million reversal of an impairment previously taken on the Company’s timber licenses (intangible assets) which was an unusual adjustment. The fourth quarter of 2012 also included a more significant charge for restructuring as a result of Western incurring a cost of $4.0 million to reorganize harvesting operations in TFL 44 in order to improve operating performance in the future.

Western Forest Products Inc.

Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2013 and 2012

Western Forest Products Inc.
Condensed Consolidated Statements of Financial Position
(Expressed in millions of Canadian dollars) (unaudited)

	September 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 9.5	$ 18.8
Trade and other receivables	75.2	69.5
Inventory (Note 7)	127.9	116.6
Prepaid expenses and other assets	6.8	7.6
	219.4	212.5
Non-current assets:		
Property, plant and equipment (Note 8)	218.1	194.2
Intangible assets (Note 8)	123.3	126.1
Biological assets (Note 9)	59.2	60.8
Other assets	11.6	12.7
	$ 631.6	$ 606.3
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 81.6	$ 74.0
Silviculture provision (Note 12)	11.6	13.4
Discontinued operations (Note 5)	1.5	5.1
	94.7	92.5
Non-current liabilities:		
Long-term debt (Note 11)	88.6	33.8
Silviculture provision (Note 12)	17.7	17.6
Other liabilities (Note 13)	26.5	35.6
Deferred revenue	64.9	66.4
Discontinued operations (Note 5)	5.2	2.7
	297.6	248.6
Shareholders' equity:		
Share capital - voting shares (Note 15)	456.5	479.7
Share capital - non-voting shares (Note 15)	43.2	120.3
Contributed surplus	5.9	4.2
Revaluation reserve	22.3	22.3
Deficit	(193.9)	(268.8)
	334.0	357.7
	$ 631.6	$ 606.3

Commitments and Contingencies (Note 16) and Subsequent Event (Note 22)

See accompanying notes to these unaudited condensed consolidated interim financial statements

Approved on behalf of the Board:

"Dominic Gammiero"
Chairman

"Don Demens"
President and CEO

Western Forest Products Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Expressed in millions of Canadian dollars except for share and per share amounts) (unaudited)

	Three months ended September 30, 2013	Three months ended September 30, 2012 [Restated - Note 14]	Nine months ended September 30, 2013	Nine months ended September 30, 2012 [Restated - Note 14]
Revenue	$ 239.4	$ 219.4	$ 735.5	$ 694.2
Cost and expenses:				
Cost of goods sold	190.4	189.9	568.5	583.4
Export tax	0.5	1.0	0.6	5.1
Freight	20.5	19.0	61.6	67.2
Selling and administration	8.2	6.8	24.2	21.8
	219.6	216.7	654.9	677.5
Operating income prior to restructuring items and other income	19.8	2.7	80.6	16.7
Operating restructuring items	(0.3)	(0.2)	(0.6)	(0.6)
Other income (expense) (Note 18)	(0.4)	1.1	0.4	3.7
Operating income	19.1	3.6	80.4	19.8
Finance costs	(1.7)	(1.4)	(3.7)	(4.9)
Income before income taxes	17.4	2.2	76.7	14.9
Income tax expense	(0.2)	(0.1)	(0.7)	(0.1)
Net income from continuing operations	17.2	2.1	76.0	14.8
Net loss from discontinued operations (Note 5)	-	(0.3)	(0.5)	(0.9)
Net income for the period	17.2	1.8	75.5	13.9
Other comprehensive income (loss)				
Items that will not be reclassified to profit or loss:				
Defined benefit plan actuarial gain (loss)	4.5	(3.6)	7.2	(10.3)
Total comprehensive income (loss) for the period	$ 21.7	$ (1.8)	$ 82.7	$ 3.6
Net income per share (in dollars):				
Basic earnings per share	$ 0.04	$ -	$ 0.17	$ 0.03
Diluted earnings per share	$ 0.04	$ -	$ 0.16	$ 0.03
Basic earnings per share - continuing operations	$ 0.04	$ -	$ 0.17	$ 0.03
Diluted earnings per share - continuing operations	$ 0.04	$ -	$ 0.17	$ 0.03
Weighted average number of shares outstanding (thousands)				
Basic	427,918	468,051	454,527	467,910
Diluted	432,759	470,547	458,899	470,060

See accompanying notes to these unaudited condensed consolidated interim financial statements

Western Forest Products Inc.
Condensed Consolidated Statements of Cash Flows
(Expressed in millions of Canadian dollars) (unaudited)

	Three months ended September 30, 2013	Three months ended September 30, 2012 [Restated - Note 14]	Nine months ended September 30, 2013	Nine months ended September 30, 2012 [Restated - Note 14]
Cash provided by (used in):				
Operating activities:				
Net income from continuing operations	$ 17.2	$ 2.1	$ 76.0	$ 14.8
Items not involving cash:				
Amortization of property, plant and equipment (Note 8)	6.4	5.4	19.4	17.4
Amortization of intangible assets (Note 8)	1.1	0.8	2.8	2.5
Loss (gain) on disposal of assets	0.1	-	(1.3)	(3.2)
Change in fair value of biological assets (Note 9)	0.3	(0.4)	1.6	1.3
Finance costs	1.7	1.4	3.7	4.9
Other	(0.4)	(1.7)	(1.7)	(5.0)
	26.4	7.6	100.5	32.7
Changes in non-cash working capital items:				
Trade and other receivables	3.6	13.4	(5.7)	(5.3)
Inventory	(1.4)	2.1	(11.3)	7.8
Prepaid expenses and other assets	3.1	1.5	0.8	0.5
Silviculture provision	(1.2)	0.8	(1.8)	0.4
Accounts payable and accrued liabilities	(7.1)	(6.6)	7.6	10.5
	(3.0)	11.2	(10.4)	13.9
	23.4	18.8	90.1	46.6
Investing activities:				
Additions to property, plant and equipment (Note 8)	(13.2)	(8.5)	(44.9)	(21.4)
Proceeds on disposals of assets	0.2	1.3	3.1	11.7
	(13.0)	(7.2)	(41.8)	(9.7)
Financing activities:				
Changes in revolving credit facility	-	-	-	(8.9)
Interest paid	(1.3)	(1.0)	(2.4)	(3.2)
Repayment of long-term debt	(10.0)	(15.0)	(44.8)	(17.8)
Draw down of long-term debt	-	-	100.0	3.7
Refinancing fees	-	-	(0.6)	(1.0)
Repurchase of shares (Note 15)	(100.3)	-	(100.3)	-
Dividends	(7.8)	-	(7.8)	-
Proceeds from exercise of stock options	-	-	-	0.2
	(119.4)	(16.0)	(55.9)	(27.0)
Cash provided by (used in) continuing operations	(109.0)	(4.4)	(7.6)	9.9
Cash used in discontinued operations (Note 5)	(0.5)	(0.3)	(1.7)	(0.9)
Increase (decrease) in cash and cash equivalents	(109.5)	(4.7)	(9.3)	9.0
Cash and cash equivalents, beginning of period	119.0	29.0	18.8	15.3
Cash and cash equivalents, end of period	$ 9.5	$ 24.3	$ 9.5	$ 24.3

See accompanying notes to these unaudited condensed consolidated interim financial statements

Western Forest Products Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity
(Expressed in millions of Canadian dollars) (unaudited)

	Share Capital	Contributed Surplus	Revaluation Reserve	Deficit [Restated - Note 14]	**Total equity**
Balance at December 31, 2011	$ 599.8	$ 3.4	$ 23.9	$ (290.0)	$ 337.1
Net income for the period	-	-	-	13.9	13.9
Other comprehensive loss:					
Defined benefit plan actuarial loss recognized	-	-	-	(10.3)	(10.3)
Total comprehensive income for the period	-	-	-	3.6	3.6
Share-based payment transactions recognized in equity	-	0.5	-	-	0.5
Exercise of stock options	0.2	(0.1)	-	-	0.1
Total transactions with owners, recorded directly in equity	0.2	0.4	-	-	0.6
Balance at September 30, 2012	$ 600.0	$ 3.8	$ 23.9	$ (286.4)	$ 341.3
Balance at December 31, 2012	$ 600.0	$ 4.2	$ 22.3	$ (268.8)	$ 357.7
Net income for the period	-	-	-	75.5	75.5
Other comprehensive income:					
Defined benefit plan actuarial gain recognized	-	-	-	7.2	7.2
Total comprehensive income for the period	-	-	-	82.7	82.7
Share-based payment transactions recognized in equity	-	1.7	-	-	1.7
Repurchase of Shares (Note 15)	(100.3)	-	-	-	(100.3)
Dividends	-	-	-	(7.8)	(7.8)
Total transactions with owners, recorded directly in equity	(100.3)	1.7	-	(7.8)	(106.4)
Balance at September 30, 2013	$ 499.7	$ 5.9	$ 22.3	$ (193.9)	$ 334.0

See accompanying notes to these unaudited condensed consolidated interim financial statements

1. Reporting Entity

Western Forest Products Inc. ("Western" or the "Company") is a major integrated softwood forest products company, incorporated and domiciled in Canada, operating in the coastal region of British Columbia. The address of the Company's registered office is Suite 510 – 700 West Georgia Street, Vancouver, British Columbia, Canada. These unaudited condensed consolidated interim financial statements as at September 30, 2013 and for the three and nine months ended September 30, 2013 and 2012 comprise the Company and its subsidiaries. The Company's primary business includes timber harvesting, reforestation, forest management, sawmilling logs into lumber, wood chips, and value-added lumber remanufacturing. Western's lumber products are currently sold in over 30 countries worldwide. The Company is listed on the Toronto Stock Exchange, under the symbol WEF.

2. Basis of Presentation

(a) Statement of compliance

These unaudited condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with IAS 34, *Interim Financial Reporting.* Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual consolidated financial statements as at and for the year ended December 31, 2012. These interim financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards.

These interim financial statements were approved by the Board of Directors on October 31, 2013.

(b) Basis of measurement

The interim financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Biological assets are measured at fair value less costs to sell;
- Land within property, plant and equipment is measured at fair value;
- Liabilities for cash-settled share-based payment transactions are measured at fair value at each reporting period. Equity-settled share-based payment transactions are measured at fair value at grant date;
- Derivative financial instruments are measured at fair value; and
- The defined benefit pension liability is recognized as the net total of the plan assets, less the present value of the defined benefit obligation.

(c) Use of estimates and judgements

The preparation of interim financial statements in accordance with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the interim financial statements, are disclosed in the Company's consolidated financial statements as at and for the year ended December 31, 2012.

3. Significant Accounting Policies

The accounting policies applied by the Company in these interim financial statements are the same as those applied by the Company in its annual consolidated financial statements as at and for the year ended December 31, 2012, except for the adoption of new standards and interpretations effective as of January 1, 2013. As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 13 – Fair Value Measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 establishes a framework for measuring fair value when fair value is required or permitted. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company.

The standard also sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income. Some of these disclosures are specifically required for financial instruments by IAS 34, thereby affecting the interim financial statements. The Company provides these disclosures in Note 19.

IAS 19 – Employee Benefits (revised 2011) (IAS 19R)

IAS 19R comprises a number of amendments to the accounting for defined benefit plans, including a change to the basis for determining the income or expense related to defined benefit plans.

As a result of the change, the Company now determines the net interest expense (income) for the period on the net defined benefit obligation by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability at the beginning of the annual period. It takes into account any changes in the net defined benefit liability during the period as a result of contributions and benefits payments. Consequently, the net interest on the net defined benefit liability, now recognized in finance costs, comprises:

- interest cost on the defined benefit obligation; and
- interest income on plan assets.

Previously, the Company determined interest income on plan assets based on their long-term rate of expected return, and recognized the net interest cost in net income through selling and administration expenses. The effect of adoption of IAS 19R is explained in Note 14.

Other

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Company or the interim financial statements of the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet.

4. Seasonality of Operations

In a normal operating year, there is some seasonality to the Company's operations, with higher lumber sales in the second and third quarters when construction activity in certain key markets 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.

5. Discontinued Operations

In March 2006, the Company closed its Squamish pulp mill located on 213 acres on the mainland coast of British Columbia and exited the pulp business. Subsequent to the closure, the Company sold substantially all of the manufacturing assets of the mill. Ongoing costs including supervision, security and property taxes continue to be expensed as incurred. On January 28, 2013, Western announced that it had entered into a conditional agreement for the sale of the property for the gross purchase price of $25.5 million. Closing is subject to certain conditions, and Western will be responsible for satisfactorily remediating the property to applicable environmental standards prior to closing the sale. After incurring the estimated required remediation costs, Western anticipates receiving net proceeds from the sale and remediation of approximately $17 million.

(Tabular amounts expressed in millions of Canadian dollars except number of shares)

The following table provides additional information with respect to the discontinued operations:

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Net loss from discontinued operations	$ -	$ (0.3)	$ (0.5)	$ (0.9)
Cash used in discontinued operations	$ (0.5)	$ (0.3)	$ (1.7)	$ (0.9)

	September 30, 2013	December 31, 2012
Assets of discontinued operations	$ 2.7	$ 2.2
Liabilities of discontinued operations	$ 6.7	$ 7.8

The assets of discontinued operations are included in "Other assets" on the statement of financial position.

6. Related Parties

Brookfield Special Situations Management Limited ("BSSML") controls and directs 48.82% of the Company's Common Shares and 100% of the Non-Voting Shares. BSSML is a wholly owned subsidiary of Brookfield Asset Management ("BAM").

In addition to the related party transactions identified elsewhere in these interim financial statements, the Company has certain arrangements with entities related to BSSML and 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. The following table summarizes these transactions for the three and nine months ended September 30:

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Costs incurred for:				
Log purchases	$ 4.6	$ 4.2	$ 11.6	$ 7.2
Other	2.2	1.3	6.6	3.4
	$ 6.8	$ 5.5	$ 18.2	$ 10.6
Income received for:				
Log sales	$ 2.5	$ 1.4	$ 11.2	$ 4.7
Other	-	-	-	-
	$ 2.5	$ 1.4	$ 11.2	$ 4.7

7. Inventory

The following table summarizes the value of inventory on hand:

	September 30, 2013	December 31, 2012
Logs	$ 89.3	$ 78.9
Lumber	37.4	38.0
Supplies and other inventories	11.4	10.5
Provision for write downs	(10.2)	(10.8)
Total value of inventories	$ 127.9	$ 116.6
Inventory carried at net realizable value	$ 38.7	$ 34.6

The inventory is pledged as security against the revolving credit line.

During the third quarter of 2013, $190.4 million (2012: $189.9 million) of inventory was charged to cost of sales which included an increase to the provision for write-down to net realizable value of $1.0 million (2012: reduction of $0.4 million).

(Tabular amounts expressed in millions of Canadian dollars except number of shares)

8. Property, Plant and Equipment and Intangible Assets

Cost	Buildings & equipment	Logging roads	Land	Total property, plant & equipment	Intangible assets
Balance at December 31, 2011	$ 128.1	$ 111.5	$ 110.7	$ 350.3	$ 171.1
Additions	20.9	11.1	0.6	32.6	-
Disposals	(0.8)	(0.2)	(6.1)	(7.1)	-
Assets transferred to held for sale	-	-	-	-	-
Balance at December 31, 2012	$ 148.2	$ 122.4	$ 105.2	$ 375.8	$ 171.1
Additions	33.2	11.7	-	44.9	-
Disposals	(0.5)	-	(1.4)	(1.9)	(0.1)
Balance at September 30, 2013	$ 180.9	$ 134.1	$ 103.8	$ 418.8	$ 171.0
Accumulated amortization and impairments					
Balance at December 31, 2011	$ 80.1	$ 79.9	$ -	$ 160.0	$ 54.5
Amortization	10.5	11.9	-	22.4	3.4
Disposals	(0.7)	(0.1)	-	(0.8)	-
Reversal of impairments	-	-	-	-	(12.9)
Balance at December 31, 2012	$ 89.9	$ 91.7	$ -	$ 181.6	$ 45.0
Amortization	8.5	10.9	-	19.4	2.8
Disposals	(0.3)	-	-	(0.3)	(0.1)
Balance at September 30, 2013	$ 98.1	$ 102.6	$ -	$ 200.7	$ 47.7
Carrying amounts					
At December 31, 2012	$ 58.3	$ 30.7	$ 105.2	$ 194.2	$ 126.1
At September 30, 2013	$ 82.8	$ 31.5	$ 103.8	$ 218.1	$ 123.3

The fair value of the Company's land is measured using a combination of independent third party valuations, recent comparable land sales, and discounted cash flow analysis, as well as considering other publicly available information such as recent market transactions on arm's length terms between willing buyers and sellers, and British Columbia property assessments.

At each interim reporting date, the Company examines market and asset conditions to determine if changing conditions would yield a change in fair value. The Company reviewed the underlying assumptions impacting its land holdings as at September 30, 2013 and noted no indication that a full re-assessment of fair value was warranted at that date.

If land was stated on an historical cost basis, the carrying value would be as follows:

	September 30, 2013	December 31, 2012
Cost	$ 79.7	$ 80.2

9. Biological Assets

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Carrying value, beginning of period	$ 59.5	$ 60.7	$ 60.8	$ 59.4
Acquisition of biological assets in the period	-	-	-	5.6
Disposition of biological assets in the period	-	-	-	(2.6)
Change in fair value less costs to sell	-	-	-	(1.2)
Change in fair value resulting from growth and pricing	0.7	0.5	2.0	1.2
Harvested timber transferred to inventory during the period	(1.0)	(0.1)	(3.6)	(1.3)
Carrying value, end of period	$ 59.2	$ 61.1	$ 59.2	$ 61.1

Under IAS 41, *Agriculture*, the Company's private timberlands are classified as a growing forest, with the standing timber recorded as a biological asset at fair value less costs to sell at each reporting date, and the underlying land considered a component of property, plant and equipment, which the Company has elected to record at fair value at each reporting date (Note 8).

(Tabular amounts expressed in millions of Canadian dollars except number of shares)

At September 30, 2013, private timberlands comprised an area of approximately 23,314 hectares (December 31, 2012: 23,493 hectares), and standing timber on these timberlands ranged from newly planted cut-blocks to old-growth forests. During the third quarter of 2013, the Company harvested and scaled approximately 49,178m^3 of logs from its private timberlands, which had a fair value less costs to sell of $4.4 million at the date of harvest (three months ended September 30, 2012: 28,150m^3 and $2.1 million, respectively).

The financial risks associated with standing timber are mitigated by the geographical diversification of the asset and management strategies including fire management strategies and regular inspection for pest infestation.

The acquisition and disposition of biological assets in the first nine months of 2012 relates to an exchange with the Province of British Columbia (the "Province") of a parcel of the Company's private timberlands on Northern Vancouver Island for Crown timberlands in the same area. The purpose of the exchange was to preserve the significant recreational and biological value of the land given to the Province.

10. Revolving Credit Facility

The Company's revolving credit facility ("Facility") provides for a maximum borrowing amount of $125.0 million, subject to a borrowing base. The Facility is secured against the Company's inventories and accounts receivable. The borrowing base is primarily based on eligible accounts receivable and inventory balances. The Facility bears interest at Canadian Prime plus 0.5% (if availability exceeds $40.0 million) or 0.75% (if availability is less than $40.0 million) or at the Company's option, at rates for Bankers' Acceptances or LIBOR based loans plus 2.25% or 2.50%, dependent on the same availability criteria. The Facility matures on December 14, 2015 subject to any future refinancing requirements of its revolving term loan. At September 30, 2013, the Facility was unused (December 31, 2012: nil) and $102.6 million of the facility was available to the Company. The interest rate for the Facility was 3.50% at September 30, 2013 (December 31, 2012: 3.50%).

11. Long-Term Debt

On June 28, 2013, the Company extended the maturity date of its existing $110.0 million revolving term loan facility ("Term Loan") from June 28, 2016 to June 29, 2017. Under the terms of the new arrangement, certain financial covenants have been amended to allow the Company to make distributions to its shareholders, not to exceed $150.0 million in aggregate, available until June 30, 2014 (see Note 15). At September 30, 2013, $90.0 million was drawn on the Term Loan.

Interest rate terms remain unchanged as a result of the amendment to the Term Loan in June 2013. The loan bears interest at an index rate, determined as the higher of (i) the Canadian Prime rate, and (ii) the 30 day Banker's Acceptance ("BA") rate plus 1.35%, plus the applicable index rate margin which ranges from 1.75% to 3.25%, or at the Company's election, the applicable BA rate, plus the applicable BA rate margin which ranges from 2.75% to 4.25%. The applicable margin is grid-based, determined quarterly, based on a leverage ratio calculated as the ratio of total debt to EBITDA for the trailing twelve months ending on the date of determination. The Term Loan is secured by a first lien interest over all of the Company's properties and assets (except the Englewood Logging Division, over which it has a second lien interest), and excluding all accounts receivable and inventory. The Term Loan agreement also includes financial covenants. The interest rate for the Term Loan was 3.97% at September 30, 2013 (December 31, 2012: 4.75%).

The Company was in compliance with its financial covenants at September 30, 2013.

	September 30, 2013	December 31, 2012
Canadian dollar debt		
Revolving term loan	$ 90.0	$ 34.8
Less transaction costs	(1.4)	(1.0)
	$ 88.6	$ 33.8

(Tabular amounts expressed in millions of Canadian dollars except number of shares)

The transaction costs as at September 30, 2013 and December 31, 2012 relate to the financing arrangements completed in the second quarter of 2012 and the amendment to the Term Loan on June 28, 2013. These costs are deferred and being amortized to finance costs over the term of the amended revolving Term Loan, using the effective interest rate method.

12. Silviculture Provision

The Company has a responsibility to reforest timber harvested under various timber rights. Changes in the silviculture provision are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Silviculture provision, beginning of period	$ 29.6	$ 30.6	$ 31.0	$ 30.9
Silviculture provision charged	3.1	3.6	8.7	10.1
Silviculture work payments	(3.4)	(3.7)	(10.6)	(9.3)
Disposition of intangible assets	-	-	-	(1.4)
Unwind of discount	-	-	0.2	0.2
Silviculture provision, end of period	29.3	30.5	29.3	30.5
Less current portion	11.6	13.7	11.6	13.7
	$ 17.7	$ 16.8	$ 17.7	$ 16.8

13. Other Liabilities

	September 30, 2013	December 31, 2012
Employee post-retirement benefits obligation (Note 14)	$ 24.5	$ 33.2
Environmental accruals, excluding non-continuing operations	1.5	1.5
Other	0.5	0.9
	$ 26.5	$ 35.6

14. Employee Post-Retirement Benefits

Impact of adoption of IAS 19R

The Company adopted IAS 19R on January 1, 2013 as described in Note 3. As required by the standard, the new policy was adopted retrospectively. The effect of adoption on the three and nine months to September 30, 2012 was a reduction to net income of $0.2 million and $0.6 million, respectively. This comprised an increase to finance costs for the three and nine months to September 30, 2012 of $0.3 million and $0.9 million, respectively, and a decrease to selling and administration costs of $0.1 million and $0.3 million, respectively. There was a corresponding reduction in the defined benefit plan actuarial losses recognized in other comprehensive income for the three and nine months ended September 30, 2012 of $0.2 million and $0.6 million, respectively. The revision had no impact on net assets at September 30, 2012 or December 31, 2012. The impact on earnings per share for the three and nine months ending September 30, 2012 was not material.

Employee post-retirement benefit expense for the defined benefit salaried pension, non-pension plans, and defined contribution pension plan are recognized in expenses as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Current service costs	$ 0.1	$ 0.1	$ 0.3	$ 0.3
Net interest	0.3	0.3	0.9	0.9
Cost of defined benefit plans	0.4	0.4	1.2	1.2
Cost of defined contribution plans	0.7	0.7	2.0	1.9
Total cost of employee post-retirement benefits	$ 1.1	$ 1.1	$ 3.2	$ 3.1

(Tabular amounts expressed in millions of Canadian dollars except number of shares)

The amounts recognized in the statement of financial position for the Company's employee post-retirement benefit obligations, consisting of both the defined benefit salaried pension and other non-pension benefits are as follows:

	September 30, 2013	December 31, 2012
Present value of obligations	$ (127.9)	$ (134.8)
Fair value of plan assets	103.4	101.6
Liability recognized in the statement of financial position	$ (24.5)	$ (33.2)

The change in the liability recognized in the statement of financial position at September 30, 2013 was based on the actuarial gains or losses resulting from estimated changes in the discount rate used to value the defined benefit obligations and in the actual compared to expected return on plan assets for the quarter. The change in discount rates as at September 30, 2013 was an increase of 0.35% from the rate used at December 31, 2012 of 4.20%, and the return on assets over the nine months to September 30, 2013 was 5.30%.

15. Share Capital

Issued and outstanding Common and Non-Voting Shares (the "Shares") are as follows:

	Number of Common Shares	Amount	Number of Non-Voting Shares	Amount
Balance at December 31, 2012	251,218,424	$ 479.7	216,833,059	$ 120.3
Repurchase of shares	(27,060,434)	(35.3)	(49,862,642)	(65.0)
Conversion of non-voting shares to common shares	36,800,000	12.1	(36,800,000)	(12.1)
Balance at September 30, 2013	260,957,990	$ 456.5	130,170,417	$ 43.2

On August 13, 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 aggregate consideration of $100.3 million, paid in cash from funds drawn on its Term Loan. These shares represent approximately 16% of the total number of Shares issued and outstanding as of August 13, 2013. 76,914,830 of the Shares were repurchased from BSSML for consideration of approximately $100.0 million, excluding transaction costs.

Immediately following the repurchase, BSSML converted 36,800,000 Non-Voting Shares, on a one-for-one basis, into Common Shares of the Company, leaving 130,170,417 Non-Voting Shares as at September 30, 2013, which are 100% owned by BSSML.

Share-based payment transactions

The Company has an incentive stock option plan (the "Option Plan"), which permits the granting of options to eligible participants to purchase up to an aggregate of 20,000,000 Common Shares.

Each option is exercisable, subject to vesting terms of 20% per year and immediately upon a change in control of the Company, into one Common Share, subject to adjustments, at a price of not less than the closing price of the Common Shares on the Toronto Stock Exchange ("TSX") on the day immediately preceding the grant date. Options granted under the Option Plan expire a maximum of ten years from the date of the grant.

In the first quarter of 2013, the Company granted 3,500,000 options with a fair value of $3.1 million as determined by the Hull-White option pricing model using the assumptions of an exercise price of $1.27 per Common Share, risk free interest rate of 3.4%, volatility rate of 60.0% and an expected life of 10 years. These options are only exercisable when the share price has been equal to or greater than $0.70 for the 60 consecutive days preceding the date of exercise, on a volume weighted average price basis. All options outstanding that were granted prior to 2010 do not contain the minimum price requirement and continue to be valued under the Black-Scholes model.

At September 30, 2013, 13,016,795 options were outstanding under the Company's Option Plan with a weighted average exercise price of $0.97 per Common Share. During the three and nine months ended September 30, 2013, the Company recorded compensation expense for these options of $0.6 million and $1.7 million respectively (2012: $0.3 million and $0.5 million, respectively).

The Company also has a Deferred Share Unit ("DSU") Plan for directors and designated executive officers. Directors may elect to take a portion of their fees in the form of DSUs and executives may elect to take a portion of their annual incentive bonus in the form of DSUs. The number of DSUs allotted is determined by dividing the dollar portion of the bonus that the executive elected to take in DSUs by the weighted average price of the Company's Common Shares for the five business days prior to the issue notification date. During the third quarter of 2013, a director was granted 3,891 DSUs at a price of $1.38 per DSU and 12,945 DSUs were granted at a price of $1.45 per DSU to designated executive officers and a director in conjunction with the dividend paid by the Company during the quarter. In the second quarter of 2013, a director was granted 6,063 DSUs at a price of $1.34 per DSU and 73,594 DSUs were redeemed. In the first quarter of 2013 designated executive officers were allotted 112,404 DSUs at a price of $1.31 per DSU, 42,722 DSUs were granted to a director at a weighted average price of $1.31 per DSU, and 146,151 DSUs were redeemed. The cumulative number of DSUs outstanding at September 30, 2013 was 927,629 (December 31, 2012: 980,191). During the three and nine months ended September 30, 2013, the Company recorded compensation expense for these DSUs of $0.2 million and $0.1 million, respectively (2012: compensation expense of $0.3 million and $0.4 million, respectively), with corresponding adjustments to accounts payable and accrued liabilities.

16. Commitments and Contingencies

Long-term fibre supply agreements

Certain of the Company's long term fibre supply agreements with third parties have minimum volume requirements and may, in the case of a failure to produce the minimum volume, require the Company to conduct whole log chipping, source the deficiency from third parties at additional cost to the Company or pay the party to the fibre supply agreement a penalty calculated based on the provisions contained in the relevant agreement. Should Western take significant market related curtailments in its sawmills, the volume of chips produced is reduced and accordingly there is greater risk that the Company may not meet its contractual obligations.

The Company had met all fibre commitments as at December 31, 2012 and based on chip and pulp log volumes supplied year-to-date, the Company anticipates satisfying annual fibre commitments for 2013.

17. Financial Instruments

As at September 30, 2013, the Company had outstanding obligations to sell an aggregate JPY 900 million at an average rate of JPY 93.88 per CAD with maturities through December 31, 2013, and an aggregate US $8.0 million at an average rate of US $1.0467 per CAD with maturities through November 13, 2013. All foreign currency gains or losses related to currency forward contracts to September 30, 2013 have been recognized in revenue for the period and the fair value of these instruments at September 30, 2013 was a net asset of $0.3 million, which is included in accounts receivable on the statement of financial position (December 31, 2012: net liability of $0.1 million). A net loss of $0.5 million was recognized on contracts which were settled in the nine months ended September 30, 2013 (2012: net loss of $0.8 million), which was included in revenue for the period.

18. Other Income (Expenses)

Other expenses of $0.4 million in the third quarter of 2013 related primarily to building demolition costs. Other income in the third quarter of 2012 related primarily to proceeds received from the Province as final compensation resulting from the creation of new protective areas in the Company's former Haida Gwaii and Central Coast operating areas.

19. Determination of Fair Value

(a) Fair value hierarchy

The following table provides information about recurring financial assets and liabilities measured at fair value in the statement of financial position. The Company categorizes its financial assets and liabilities measured at fair value by level according to the significance of the inputs used in making the measurements.

(Tabular amounts expressed in millions of Canadian dollars except number of shares)

The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

	Level 1	Level 2	Level 3	Total
Financial assets				
Investments	$ -	$ 5.0	$ -	**$ 5.0**
Foreign currency forward contracts	-	0.3	-	**0.3**
Total financial assets	**$ -**	**$ 5.3**	**$ -**	**$ 5.3**

The Company's policy is to recognize transfers out of Level 3 as of the date of the event or change in circumstances that caused the transfer.

(b) Fair value versus carrying value

The carrying value of trade and other receivables and accounts payable and accrued liabilities included in the consolidated statements of financial position approximate their fair value due to the short term to maturity of these instruments.

The carrying value of the long-term debt included in the consolidated statements of financial position approximates its fair value as the debt bears floating interest rates that approximate market rates. Furthermore, the Company has not experienced a significant change in its credit risk since initial recognition of the debt.

20. Expenses by Function

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
		[Restated - Note 14]		[Restated - Note 14]
Administration	$ 6.1	$ 4.7	$ 17.6	$ 15.0
Distribution expenses	23.1	22.1	68.8	79.1
Cost of goods sold	190.4	189.9	568.5	583.4
	$ 219.6	$ 216.7	$ 654.9	$ 677.5

Distribution expenses comprise selling expenses, freight costs and export taxes.

21. Other Expense Information

The Company recorded total employee compensation costs for the three and nine months ended September 30, 2013 of $50.7 million and $158.9 million (2012: $45.8 million and $145.4 million, respectively).

Total amortization expense for the three and nine months ended September 30, 2013 was $7.5 million and $22.2 million, respectively (2012: $6.2 million and $19.9 million, respectively).

22. Subsequent Event

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.

Also, 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, resulting in BSSML holding 172,506,977 Common Shares, representing 49% of the current issued and outstanding Common Shares of Western, and 100% of the remaining 39,050,597 Non-Voting Shares.

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