Western Forest Products Inc.

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Western Forest Products Inc.

2020 First Quarter Report

Management's Discussion & Analysis

The following Management's Discussion and Analysis ("MD&A") 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 months ended March 31, 2020, 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 our unaudited condensed consolidated interim financial statements and the notes thereto for the three months ended March 31, 2020, and our audited annual consolidated financial statements and the notes thereto and Management's Discussion and Analysis for the year ended December 31, 2019 (the "2019 Annual Report"), which can be found on SEDAR at www.sedar.com.

The Company has prepared the consolidated financial statements for the three months ended March 31, 2020, in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. Amounts discussed herein are based on our unaudited condensed consolidated interim financial statements and are presented in millions of Canadian dollars unless otherwise noted. Certain prior period comparative figures have been reclassified to conform to the current period's presentation.

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 (expenses), plus amortization of property, plant, and equipment and intangible assets, impairment adjustments, and changes in fair value of biological assets. Adjusted EBITDA margin is adjusted EBITDA as a proportion of revenue. Western uses adjusted EBITDA and adjusted EBITDA margin as benchmark measurements of our own operating results and as benchmarks 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 and adjusted EBITDA margin are 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 IFRS and it is not necessarily indicative of cash available to fund cash needs. Furthermore, adjusted EBITDA does not reflect the impact of certain items that affect our net income. Adjusted EBITDA and adjusted EBITDA margin are not measures of financial performance under IFRS, and should not be considered as alternatives to measures of performance under IFRS. Moreover, because all companies do not calculate adjusted EBITDA in the same manner, adjusted EBITDA and adjusted EBITDA margin calculated by Western may differ from similar measures calculated by other companies. A reconciliation between the Company's net income as reported in accordance with IFRS and adjusted EBITDA is included under the "*Non-GAAP Measures*" section herein.

Also in this MD&A, management uses key performance indicators such as net debt, net debt to capitalization and current assets to current liabilities. Net debt is defined as long-term debt less cash and cash equivalents. Net debt to capitalization is a ratio defined as net debt divided by capitalization, with capitalization being the sum of net debt and equity. Current assets to current liabilities ratio is defined as total current assets divided by total current liabilities. These key performance indicators are non-GAAP financial measures that do not have a standardized meaning and may not be comparable to similar measures used by other issuers. They are not recognized by IFRS; however, they are meaningful in that they indicate the Company's ability to meet its obligations on an ongoing basis, and indicate whether the Company is more or less leveraged than in prior periods.

This MD&A contains statements that may constitute forward-looking statements under the applicable securities laws. Readers are cautioned against placing undue reliance on forward-looking statements. All statements herein, other than statements of historical fact, may be forward-looking statements and can be identified by the use of words such as "will", "estimate", "expect", "anticipate", "plan", "intend", "believe", "seek", "should", "may", "likely", "continue" and similar references to future periods. Forward-looking statements in this MD&A include, but are not limited to, statements relating to: our current intent, belief or expectations with respect to: domestic and international market conditions, demands and growth; economic conditions; our growth, marketing, product, wholesale, operational and capital allocation plans and strategies, including but not limited to payment of a dividend; fibre availability and regulatory developments; the impact of the Coronavirus pandemic; the timing or anticipated closing of the Transaction; and the selling of additional incremental ownership interest in TFL 44 LP and APD LP in the future. Although such statements reflect management's current reasonable beliefs, expectations and assumptions as to, amongst other things, the future supply and demand of forest products, global and regional economic activity and the consistency of the regulatory framework within which the Company currently operates, there can be no assurance that forward-looking statements are accurate, and actual results and performance may materially vary. Many factors could cause our actual results or performance to be materially different including: economic and financial conditions, international demand for forest products, competition and selling prices, international trade disputes, changes in foreign currency exchange rates, labour disputes and disruptions, natural disasters, relations with First Nations groups, the availability of fibre and allowable annual cut, development and changes in laws and regulations affecting the forest industry, changes in the price of key materials for our products, changes in opportunities, future developments in the Coronavirus pandemic and other factors referenced under the "Risks and Uncertainties" section herein. The foregoing list is not exhaustive, as other factors could adversely affect our actual results and performance. Forward-looking statements are based only on information currently available to us and refer only as of the date hereof. Except as required by law, we undertake no obligation to update forward-looking statements.

Unless otherwise noted, the information in this discussion and analysis is updated to May 6, 2020.

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

Summary of Selected Quarterly Results [(1)]

(millions of Canadian dollars except per share amounts and where otherwise noted)	Price Basis	Q1 2020	Q1 2019	Q4 2019
Summary Information				
Revenue				
Lumber		$ 83.2	$ 218.9	$ 66.1
Logs		12.9	41.2	12.1
By-products		3.0	15.6	1.9
Total revenue		$ 99.1	$ 275.7	$ 80.1
Freight		$ 6.3	$ 23.1	$ 5.1
Export tax		4.0	9.2	3.4
Stumpage		1.0	12.3	-
Adjusted EBITDA		$ (17.4)	$ 18.1	$ (18.1)
Adjusted EBITDA margin		-17.6%	6.6%	-22.6%
Operating income (loss) prior to restructuring and other items		$ (28.4)	$ 5.7	$ (29.6)
Net income (loss)		(21.0)	1.9	(29.2)
Basic and diluted earnings (loss) per share (in dollars)		(0.06)	-	(0.09)
Operating Information				
Lumber[(2)]				
Lumber Shipments – millions of board feet				
Western Red Cedar		21	46	18
Japan Specialty		15	30	13
Niche		11	30	4
Commodity		17	97	9
Total		64	203	44
Lumber Production – millions of board feet		61	202	34
Lumber Price – per thousand board feet		$ 1,300	$ 1,078	$ 1,502
Wholesale Lumber Shipments - millions of board feet		10	6	10
Logs[(3)]				
Log Shipments – thousands of cubic metres				
Export		1	11	22
Domestic		100	264	70
Pulp		40	94	43
Total		141	369	135
Net production – thousands of cubic metres[(4)]		167	922	21
Saw log purchases – thousands of cubic metres		141	208	34
Log Price – per cubic metre[(5)]		$ 91	$ 112	$ 87
Illustrative Lumber Average Price Data[(6)]	**Price Basis**			
Grn WRC #2 Clear & Btr 4x6W RL ($C)	c.i.f. dest. N Euro	$ 4,500	$ 4,689	$ 4,478
Grn WRC Deck Knotty 2x6 RL S4S	Net f.o.b. Mill	$ 1,362	$ 1,364	$ 1,340
Grn WRC #2 & Btr AG 6x6 RL	Net f.o.b. Mill	$ 2,346	$ 2,245	$ 2,291
Coast Grn WRC Std&Btr NH 3/4x4 RL S1S2E	Net f.o.b. Mill	$ 1,095	$ 1,100	$ 1,095
Grn Hem Baby Squares Merch 4-1/8x4-1/8 13' S4S	c.&f. dest. Japan	$ 809	$ 950	$ 827
Grn Dfir Baby Squares Merch 4-1/8x4-1/8 RL S4S	c.&f. dest. Japan	$ 1,005	$ 1,153	$ 1,035
KD White Fir Shop Moulding&Btr C&Btr 5/4 S2S	Net f.o.b. Mill	$ 1,090	$ 1,080	$ 1,085
Grn Dfir (Portland) #1&Btr 100% FOHC 6x6 Rough	Net f.o.b. Mill	$ 1,268	$ 1,321	$ 1,234
Hemlock Lumber 2x4 (40x90) Metric RG Utility	c.i.f. dest. Shanghai	$ 425	$ 425	$ 397
Average Exchange Rate – CAD to USD		0.744	0.752	0.758
Average Exchange Rate – CAD to JPY		81.09	82.92	82.37

(1) Included in Appendix A is a table of selected results from the last eight quarters.
(2) Includes Columbia Vista operations, acquired February 1, 2019, and wholesale lumber shipments.
(3) British Columbia business only.
(4) Net production is sorted log production, net of residuals and waste.
(5) 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.
(6) Sourced from Random Lengths in USD/Mfbm, except Hemlock Lumber Metric RG Utility that is sourced from FEA China Bulletin.

Summary of First Quarter 2020 Results

First quarter results were significantly impacted by strike action (the “Strike”) by the United Steelworkers Local 1-1937 (“USW”), the gradual restart of certain Strike-curtailed British Columbia (“BC”) operations, and the negative impacts of the novel Coronavirus pandemic (“COVID-19”) on markets and production. As a result, our BC operations operated on a limited basis in the quarter.

We took steps during the Strike to mitigate the impact on our customers, business and cash flows by actively selling unencumbered inventories and drawing down working capital. On February 15, 2020, USW members voted in support of a tentative agreement to replace the collective agreement that expired on June 14, 2019, resulting in the end of the Strike. For more details on the labour dispute, refer to the *“Labour Relations Update”* section.

Following the Strike, we performed the necessary safety and maintenance procedures before commencing a gradual restart of certain Strike-curtailed BC operations. Upon restart, our manufacturing productivity was impacted by the consumption of lower quality log inventory that degraded due to the duration of the Strike. Operating efficiency improved through March as we improved the mix of our log and lumber inventories.

We curtailed certain operations for one-week in late March to implement enhanced health and safety protocols and to re-evaluate market conditions arising from COVID-19. For more details on these health and safety measures, refer to the *“COVID-19”* section.

Adjusted EBITDA for the first quarter of 2020 was negative $17.4 million, as compared to positive EBITDA of $18.1 million from the same period last year. Operating loss prior to restructuring and other items was $28.4 million, as compared to operating income of $5.7 million in the same period last year.

Our near-term focus remains on ensuring the health and safety of our employees, managing our balance sheet, and servicing our customers.

Sales

Lumber and log sales volume and revenue were impacted by the Strike and COVID-19. Lumber revenue in the first quarter was $83.2 million, a decrease of 62.0% from the same period last year. Lumber shipment volumes of 64 million board feet were 68.5% lower than the same period last year due to the Strike and COVID-19. We continued to process logs at custom cut facilities and execute on our wholesale lumber strategy, to service our customers and to mitigate Strike impacts. We increased wholesale lumber shipments as compared to the same period last year. Our United States (“US”) based Columbia Vista division continued to perform in line with our expectations and has been a positive addition to our business and product mix.

Our average realized lumber pricing increased 20.6% from the same period last year, as the result of an improved specialty product mix and a weaker Canadian dollar (“CAD”) to US dollar (“USD”). Specialty lumber represented 73% of first quarter shipments compared to 52% in the same period last year. Although the average CAD-USD foreign exchange rate declined just 1% over the comparative period, significant foreign exchange volatility in March 2020 resulted in a 5% reduction in the closing exchange rate period over period.

Log revenue was $12.9 million in the first quarter of 2020, a decrease of 68.7% from the same period last year, due to limited log production during the Strike and retaining inventory to restock our supply chain through March 2020.

By-product revenue was $3.0 million, a decrease of 80.8% as compared to the same period last year as most of our BC coastal operations were curtailed for a majority of the first quarter due to the Strike.

Operations

To support our selected customers during the Strike, we continued to redirect available inventory to active divisions. We operated on a sub-optimal basis during the Strike resulting in higher transportation and operating costs.

An incremental $13.8 million in Strike-related operating expense was recognized in the first quarter, including curtailment costs during the Strike, production inefficiencies on start-up and additional safety and maintenance procedures required to resume operations. Operating expense was also negatively impacted by $2.9 million of incremental timberlands provisions, including for aged log inventory and silviculture expense. We also incurred $1.1 million of COVID-19 related operating expenses in March 2020.

Lumber production of 61 million board feet was 69.8% lower than the same period last year. Incremental production from our US-based Columbia Vista division, acquired in February 2019, and volumes from our custom cut program were more than offset by the curtailment of our BC operations due to the Strike.

We produced 167,000 cubic meters of logs from our BC coastal operations in the first quarter of 2020 compared to production of 922,000 cubic metres in the same quarter of last year. First quarter log production in 2020 was impacted as all our USW-certified timberlands operations were curtailed during the Strike.

BC coastal saw log purchases were 141,000 cubic metres, a 32.2% decrease from the same period last year. Reduced saw log purchases resulted from extremely low BC coastal harvest activity and volumes generated from our joint venture arrangements.

Freight expense decreased by $16.8 million from the same period last year due to lower shipment volumes.

First quarter adjusted EBITDA and operating income included $4.0 million of countervailing duty ("CVD") and anti-dumping duty ("AD"), as compared to $9.2 million in the same period last year. Duty expense declined as a result of reduced US-destined lumber shipment volumes.

Selling and Administration Expense

First quarter selling and administration expense was $6.4 million in 2020 as compared to $8.8 million in the first quarter of 2019, due to lower share-based and performance compensation expense and as a result of minimizing expenses during the Strike.

Finance Costs

Finance costs were $2.2 million, compared to $1.5 million in the same period last year, primarily due to a comparatively higher average outstanding debt and a higher average interest rate applicable in 2020.

Income Taxes

Lower operating earnings led to an income tax recovery of $8.4 million being recognized in the first quarter of 2020, as compared to income tax expense of $0.8 million in the same quarter of last year. The Company is exploring all opportunities to accelerate receipt of its $16.7 million income tax receivable.

Net Income (Loss)

Net loss for the first quarter of 2020 was $21.0 million, as compared to net income of $1.9 million for the same period last year. Results were significantly impacted by the Strike, the restart of Strike-curtailed BC operations and COVID-19.

Sale of Ownership Interests in Limited Partnerships

On March 16, 2020, Western announced it had reached an agreement whereby Huumiis Ventures Limited Partnership ("HVLP"), a limited partnership beneficially owned by Huu-ay-aht First Nations, will acquire a majority ownership interest in TFL 44 Limited Partnership ("TFL 44 LP") and an ownership interest in a newly formed limited partnership that will own the Alberni Pacific Division Sawmill ("APD Sawmill") for total consideration of $36.2 million (the "Transaction").

TFL 44 LP holds certain assets in Port Alberni, British Columbia, including Tree Farm Licence 44 and other associated assets and liabilities. HVLP will acquire an incremental 44% ownership interest in TFL 44 LP from Western for $35.2 million. On completion of the Transaction, HVLP will own 51% of TFL 44 LP and Western will own 49% of TFL 44 LP. Western may sell other area First Nations, including HVLP, a further incremental ownership interest of up to 26% in TFL 44 LP, under certain conditions. Western and TFL 44 LP will enter into a long-term fibre agreement to continue to supply Western's British Columbia coastal manufacturing operations, which have undergone significant capital investment over the past several years.

Western will transfer its APD Sawmill into a limited partnership ("APD LP") along with certain other assets and liabilities. HVLP will acquire a 7% ownership interest in APD LP from Western for $1.0 million, and subject to further negotiations, HVLP will have an option to purchase an incremental ownership interest in APD LP, which may include a majority interest.

The completion of the Transaction is subject to satisfaction of customary closing conditions, financing, and certain third-party consents, including approval by the BC Provincial Government and the Huu-ay-aht First Nations People's Assembly. The Transaction is anticipated to close in the third quarter of 2020 as COVID-19 restrictions have delayed the administration of certain closing conditions.

Dividend & Capital Allocation Update

Quarterly Dividend

In response to the global economic impacts of COVID-19 on our business and sector, Western is suspending its quarterly dividend until further notice. We believe that this is a prudent decision in order to maintain financial flexibility and liquidity due to the global uncertainty resulting from COVID-19.

The Board of Directors will continue to review the Company's dividend on a quarterly basis. Any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors, after considering our operating results, financial condition, cash requirements, financing agreement restrictions and other factors our Board may deem relevant.

Capital Expenditures

Due to COVID-19 and its impact on global markets and operating conditions, we plan to incur only safety, environmental, maintenance and committed capital expenditures in the near-term. Strategic and discretionary capital projects will remain on hold until there is greater operational certainty. We will continue to evaluate opportunities to invest strategic capital in jurisdictions that create the opportunity to grow long-term shareholder value, but in the near-term will be prioritizing liquidity and financial flexibility.

Normal Course Issuer Bid

On August 2, 2019, we renewed our Normal Course Issuer Bid ("NCIB") permitting the purchase and cancellation of up to 18,763,888 of the Company's common shares or approximately 5% of the common shares issued and outstanding as of August 1, 2019. The Company also entered into an automatic share purchase plan with its designated broker to facilitate purchases of its common shares under the NCIB at times when the Company would ordinarily not be permitted to purchase its common shares due to regulatory restrictions or self-imposed blackout periods.

In the three months ended March 31, 2020, the Company did not repurchase any common shares. As at May 6, 2020, 18,763,888 common shares remain available to be purchased under the current NCIB. The NCIB expires on August 7, 2020.

COVID-19

Western is committed to the health and safety of our employees, contractors and the communities where we operate. To help mitigate the spread of COVID-19, we have implemented strict health and safety protocols across our business that are based on guidance from health officials and experts, and in compliance with regulatory orders and standards.

Health and safety protocols currently being enforced include travel restrictions; self-isolation instructions for those who have travelled, are ill, exhibiting symptoms of COVID-19 or have come in direct contact with someone with COVID-19; implementing physical distancing measures; restricting site access to essential personnel and activities; increasing cleaning and sanitization in workplaces; and where possible, providing those who can work from home the ability to exercise that option. We continue to monitor and review the latest guidance from health officials and experts to ensure our protocols meet the current required standards.

In response to the impacts of the COVID-19 pandemic, the Company also curtailed its BC manufacturing facilities for up to a one-week period effective March 23, 2020. For more details on curtailments, refer to the *"Operations Curtailments"* section.

State of Emergency declarations and other restrictions relating to travel, business operations and isolation have been made by governing bodies in the regions that Western operates and sells its products. Western's business activities have been designated an essential service in Canada and the US, and we will continue to monitor and adjust our operations as required to ensure the health and safety of our employees, contractors and the communities where we operate and to address changes in customer demand. In addition, governments in Canada and the US have announced various financial relief programs for businesses. We continue to analyze whether Western can apply for any of the programs to help mitigate the financial impacts of COVID-19.

With the potential negative impacts to the global economy from COVID-19 and with dynamic global economic conditions, our near-term focus remains on maintaining financial flexibility to manage our business during this uncertain time while protecting the health and safety of our employees and contractors and servicing our customers. For more information on the risks relating to COVID-19, refer to "*Risks and Uncertainties*" in the notes to our condensed consolidated interim financial statements for the three months ended March 31, 2020.

Operations Curtailments

On March 22, 2020, the Company announced it was temporarily curtailing its manufacturing facilities operating in BC for up to a one-week period effective March 23, 2020. After implementing enhanced health and safety protocols and re-evaluating operating conditions, the Company resumed all operations in late March, except at our Ladysmith, Cowichan Bay and Somass sawmills.

On May 4, 2020, we restarted production at our Cowichan Bay sawmill, which had remained curtailed after the end of the Strike due to limited log supply. The continued operation of our Cowichan Bay sawmill is dependent on log supply and market conditions.

Our Ladysmith sawmill, which remained curtailed after the end of the Strike, is expected to continue to remain curtailed due to insufficient log supply.

Our Somass sawmill remains indefinitely curtailed as a result of a fibre supply deficit arising from years of tenure takebacks and government land use decisions, and rising costs associated with the US Softwood Lumber dispute.

As of May 6, 2020, our other manufacturing and timberlands are actively operating based on market demand.

Labour Relations Update

On February 6, 2020, the BC Minster of Labour appointed Special Mediators to work with the Company and the USW for a period of 10 days to determine if a negotiated settlement could be reached.

On February 10, 2020, the Company announced that terms of a tentative collective agreement had been reached, subject to a ratification vote by USW membership.

On February 15, 2020, Western announced that USW members voted in support of the tentative agreement to replace the collective agreement that expired on June 14, 2019. The new 5-year collective agreement is effective from June 15, 2019 and expires on June 14, 2024.

The new agreement provides for general wage increases of 3%, 2%, 2%, 3% and 2.5%, respectively, in each of the five years of the agreement. The new agreement also provides for improvements to health and welfare benefits and clarifies the application of Western's Alcohol and Drug Policy to USW members. Western has maintained its management rights to operate alternate shifts while agreeing to an enhanced shift review process. The agreement also provides the Company with additional operational flexibility in its Timberlands operations through the ability to introduce additional USW contractors to ensure it is meeting its Annual Allowable Cut requirements.

For a comprehensive history of the Strike please see *"Employees and Labour Relations"* in our MD&A for the year ended December 31, 2019 under the heading *"Risks and Uncertainties".*

BC Government Forest Policies Update

During 2019, the BC Provincial Government (the "Province") introduced various policy initiatives that will impact the BC forest sector regulatory framework as part of their Coastal Revitalization Initiative. For additional details on these policy initiatives please see *"Regulatory Risks"* in our MD&A for the year ended December 31, 2019 under the heading *"Risks and Uncertainties".*

On January 21, 2020, the Province announced changes to the Manufactured Forest Products Regulation ("Regulation") effective July 1, 2020. The amendments to the Regulation require lumber that is made from Western Red Cedar ("WRC") or cypress (yellow cedar) to be fully manufactured to be eligible for export. Fully manufactured is defined as lumber that will not be kiln-dried, planed or re-sawn at a facility outside of BC and is subject to certain exemptions. The Province is working with industry stakeholders to develop exemptions to meet its stated objective and has formed a working group with key industry representatives to help develop the exemption process. We continue to collaboratively engage with the Province to ensure that the desired outcome is met without unintended consequences to our global customers. The impact that the amendments to this Regulation may have on our operations cannot be determined at this time.

Financial Position and Liquidity

(millions of Canadian dollars except where otherwise noted)	Q1 2020	Q1 2019	Q4 2019
Selected Cash Flow Items			
Operating Activities			
Net income (loss)	$ (21.0)	$ 1.9	$ (29.2)
Amortization	11.0	11.3	12.4
Income taxes paid	-	(15.1)	-
Other	(8.7)	2.2	(1.3)
Subtotal	(18.7)	0.3	(18.1)
Change in non-cash working capital	6.2	(9.5)	24.9
Cash provided by (used in) operating activities	$ (12.5)	$ (9.2)	$ 6.8
Investing Activities			
Additions to property, plant and equipment	$ (0.8)	$ (14.5)	$ (1.4)
Additions to capital logging roads	(0.7)	$ (3.2)	(0.2)
Purchase of Columbia Vista	-	(37.7)	-
Proceeds from non-controlling interest	-	7.0	-
Other	1.0	0.7	2.4
Cash provided by (used in) investing activities	$ (0.5)	$ (47.7)	$ 0.8
Financing Activities			
Draw on credit facility	$ 23.5	$ 77.0	$ 1.3
Dividends	(8.4)	(8.6)	(8.5)
Share repurchases	-	(7.4)	-
Other	(2.0)	(1.8)	(3.4)
Cash provided by (used in) financing activities	$ 13.1	$ 59.2	$ (10.6)
Increase (decrease) in cash	$ 0.1	$ 2.3	$ (3.0)
Summary of Financial Position			
Cash and cash equivalents	$ 2.2	$ 10.7	$ 2.1
Current assets	214.4	313.1	188.9
Current liabilities	81.0	132.6	48.6
Total debt, net of deferred financing costs	139.2	83.1	113.4
Net debt (1)	137.0	72.4	111.3
Equity, excluding non-controlling interest	459.6	564.4	481.8
Total liquidity (2)	113.5	175.7	136.9
Financial ratios:			
Current assets to current liabilities	2.65	2.36	3.89
Net debt to capitalization (3)	23.0%	11.4%	18.8%

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

Cash used in operating activities during the first quarter of 2020 was $12.5 million as compared to cash used of $9.2 million in the same period last year. We reduced our non-cash working capital by $6.2 million in the quarter to partly offset significantly reduced cash from operations resulting from the Strike.

Cash used in investing activities was $0.5 million during the first quarter of 2020, as compared to $47.7 million during the same period last year which included $37.7 million for our Columbia Vista acquisition. We reduced our capital spending in order to manage cash flow during the Strike and to address uncertainty caused by COVID-19. Capital expenditures were partially offset by cash receipts of $1.0 million from the sale of certain non-core assets.

Cash provided by financing activities was $13.1 million in the first quarter of 2020, as compared to $59.2 million in the same period last year. We returned $8.4 million to shareholders through quarterly dividends and did not repurchase any common shares under our NCIB during the quarter.

Our total liquidity was $113.5 million as of March 31, 2020, as compared to $136.9 million at the end of the 2019. Liquidity is comprised of cash and cash equivalents of $2.2 million and unused availability under the credit facility of $111.3 million. Based on our current forecasts, we expect sufficient liquidity will be available to meet our obligations in 2020. The Company was in compliance with all of its financial covenants as at March 31, 2020.

Strategy and Outlook

Western's long-term business objective is to create superior value for shareholders by building a margin-focused specialty log and lumber business of scale to compete successfully in global softwood markets. We believe this will be achieved by maximizing the sustainable utilization of our forest tenures, operating safe, efficient, low-cost manufacturing facilities and augmenting our sales of targeted high-value specialty products for selected global customers with a lumber wholesale program. We seek to manage our business with a focus on operating cash flow and maximizing value through the production and sales cycle. We routinely evaluate our performance using the measure of Return on Capital Employed.

For more detail on our strategic initiatives and actions, refer to "*Strategy and Outlook*" in our Management's Discussion and Analysis for the year ended December 31, 2019.

Sales & Marketing Strategy Update

We continue to progress with the execution of our sales and marketing strategy that focuses on the production and sale of targeted, high-margin products of scale to selected customers. We supplement our key product offerings with purchased lumber to deliver the suite of products our customers require.

During the first quarter of 2020, we reached marketing and vendor purchase agreements with certain customers that will increase our access to the North American Home Centre and Pro-Dealer sales channels. We expect this strategy to provide Western with greater access to the growing repair and remodel lumber segment.

Our Columbia Vista division continues to perform in line with our expectations and has been a positive addition to our business and product mix. We continued to develop and evaluate growth opportunities for our wholesale lumber business.

Market Outlook

The onset of the COVID-19 pandemic brought to a standstill what was a promising start to the 2020 North American building season. Government actions to limit the spread of the virus, including the complete shutdown of construction in some jurisdictions, caused significant demand disruptions. In addition, country-wide shutdowns have significantly restricted access to many of our high-value offshore markets. In contrast to the challenges faced in North America and Europe, lumber and log demand has improved in China as the country emerged from its COVID-19 lockdown.

Strong market sentiment for WRC products at the beginning of the year has faded and demand has slowed due to COVID-19 containment measures. WRC lumber consumption from the Home Centre channel has been impacted less than other distribution channels.

In Japan, demand for Douglas fir and BC coastal Hemlock products has remained steady due in part to reduced lumber supply from Europe. Price realizations have been supported by a weaker CAD relative to the USD.

Demand for industrial Niche products and products targeted to the treating segment have remained strong. We expect pricing and demand to remain steady, provided there are no additional COVID-19 related disruptions.

Export logistics have been challenged due to the limited number of in-bound shipping containers arriving in North America. To mitigate export logistics risks we are utilizing both container and break-bulk shipping modes to ensure continued supply to our customers.

We expect domestic log and by-product prices to remain steady due to limited supply. Log supply on the BC coast is expected to remain constrained due to a combination of high harvest costs and uncertain markets relating to COVID-19.

As we look forward, the COVID-19 outbreak has led to near term market volatility and reduced long-term business visibility. We plan to mitigate the increased volatility by leveraging our diversified market and product offerings and flexible operating platform. Our price realizations should be supported by the relatively weak CAD-USD exchange rate. We will continue to align our production volumes to match market demand.

Softwood Lumber Dispute and US Market Update

The US application of duties on Canadian lumber imports continues a long-standing pattern of US protectionist action against Canadian lumber producers. We disagree with the inclusion of specialty lumber products, particularly WRC and Yellow Cedar products in this commodity lumber focused dispute. As duties paid are determined on the value of lumber exported, and as our shipments to the US market are predominantly high-value, appearance grade lumber, we are disproportionately impacted by these duties. For a comprehensive history of the softwood lumber trade dispute and related North American Free Trade Agreement challenge proceedings, please refer to "*Risks and Uncertainties – Softwood Lumber Dispute*" in our Management's Discussion and Analysis for the year ended December 31, 2019.

Western expensed $4.0 million of export duties in the first quarter of 2020, comprised of CVD and AD at a combined rate of 20.23% on all lumber it sold into the US. On February 3, 2020, the US Department of Commerce ("DoC") issued preliminary revised rates in the CVD and AD first administrative review of shipments for the years ended December 31, 2017 and 2018. The combined preliminary revised rates were 8.37% for 2017 and 8.21% for 2018. The DoC may revise these rates between preliminary and final determination. On April 24, 2020, the DoC announced a COVID-19 administrative review extension that is expected to delay the final rate determination until late September 2020. Cash deposits continue at the current rate of 20.23% until the final determinations are published, at which time the 2018 rate will apply to US-destined lumber sales.

The Canadian government's appeal of the US International Trade Commission determination that softwood lumber products from Canada materially injured US producers has been delayed due to COVID-19.

At March 31, 2020, Western had US$72.6 million of cash on deposit with the US Department of Treasury in respect of these softwood lumber duties.

Including wholesale lumber shipments, our sales to the US market represented approximately 27% of our total revenue in 2019. Our distribution and processing centre in Arlington, Washington and our Columbia Vista division in Vancouver, Washington are expected to partially mitigate the damaging effects of duties on our products destined for the US market. We intend to leverage our flexible operating platform to continue to partially mitigate any challenges that arise from this trade dispute.

Non-GAAP Measures

Reference is made in this MD&A to the following non-GAAP measures: Adjusted EBITDA, Adjusted EBITDA margin, and Net debt to capitalization are used as benchmark measurements of our operating results and as benchmarks relative to our competitors. These non-GAAP measures are commonly used by securities analysts, investors and other interested parties to evaluate our financial performance. These non-GAAP measures do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. The following table provides a reconciliation of these non-GAAP measures to figures as reported in our audited annual consolidated financial statements:

(millions of Canadian dollars except where otherwise noted)	Q1 2020	Q1 2019	Q4 2019
Adjusted EBITDA			
Net income (loss)	$ (21.0)	$ 1.9	$ (29.2)
Add:			
Amortization	11.0	11.3	12.4
Changes in fair value of biological assets, net	-	1.0	1.4
Operating restructuring items	0.4	0.6	2.1
Other (income) expense (1)	(1.6)	0.9	2.8
Finance costs	2.2	1.5	2.2
Current income tax expense (recovery)	(0.1)	0.8	(3.4)
Deferred income tax recovery	(8.3)	-	(6.6)
Adjusted EBITDA	$ (17.4)	$ 18.1	$ (18.1)
Adjusted EBITDA margin			
Total revenue	$ 99.1	$ 275.7	$ 80.1
Adjusted EBITDA	(17.4)	18.1	(18.1)
Adjusted EBITDA margin	-17.6%	6.6%	-22.6%
Net debt to capitalization			
Net debt			
Total debt, net of deferred financing costs	$ 139.2	$ 83.1	$ 113.4
Cash and cash equivalents	(2.2)	(10.7)	(2.1)
Net debt	$ 137.0	$ 72.4	$ 111.3
Capitalization			
Net debt	$ 137.0	$ 72.4	$ 111.3
Add: Equity	459.6	564.4	481.8
Capitalization	$ 596.6	$ 636.8	$ 593.1
Net debt to capitalization	23.0%	11.4%	18.8%

Figures in the table above may not equal or sum to figures presented elsewhere due to rounding.

(1) Other (income) expense, net of changes in fair market value less cost to sell of biological assets.

Critical Accounting Estimates

For a review of significant management judgements affecting financial results and critical accounting estimates, please see our 2019 Annual Report, which can be found on SEDAR at www.sedar.com. There were no changes to critical accounting estimates during the three months ended March 31, 2020.

Financial Instruments and Other Instruments

We use various financial instruments to reduce the impact of movement in foreign exchange rates on our net income. Please see our Management Discussion and Analysis for the year ended December 31, 2019 for a further discussion on our use of financial instruments. There were no changes to our use of financial instruments during the three months ended March 31, 2020.

Off-Balance Sheet Arrangements

Other than short-term and low-value leases for which recognition exemptions are applied under IFRS 16, the Company does not have any off-balance sheet arrangements as at March 31, 2020.

Related Party Transactions

Other than transactions in the normal course of business with the Board of Directors and key management personnel, the Company had no transactions between related parties in the three months ended March 31, 2020.

Risks and Uncertainties

The business of the Company is subject to several risks and uncertainties, including those described in the 2019 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. Except as set forth in this MD&A and the notes to our condensed consolidated interim financial statements, there were no additional risks and uncertainties identified during the three months ended March 31, 2020.

Evaluation of Disclosure Controls and Procedures

There have been no changes in the Company's internal controls over financial reporting ("ICFR") during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, its ICFR.

Outstanding Share Data

As of May 6, 2020, there were 375,197,166 common shares of the Company issued and outstanding.

We have reserved 30,000,000 of our Shares for issuance upon the exercise of options granted under our incentive stock option plan. During the three months ended March 31, 2020, 5,260,670 options were granted, no previously granted options were exercised and no options were forfeited. As of May 6, 2020, 18,317,799 options were outstanding under our incentive stock option plan.

Additional Information

Additional information relating to the Company and its operations, including the Company's Annual Information Form, can be found on SEDAR at www.sedar.com.

Management's Discussion and Analysis – Appendix A

Summary of Selected Results for the Last Eight Quarters

(millions of Canadian dollars except per share amounts and where noted)		2020	2019				2018		
		Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Average Exchange Rate – USD to CAD		1.344	1.320	1.321	1.337	1.329	1.322	1.307	1.291
Average Exchange Rate – CAD to USD		0.744	0.758	0.757	0.748	0.752	0.756	0.765	0.775
Financial Performance									
Revenue									
Lumber		$ 83.2	66.1	109.7	233.6	218.9	$ 230.9	$ 238.2	$ 255.6
Logs		12.9	12.1	27.4	63.3	41.2	36.2	33.6	49.0
By-products		3.0	1.9	4.5	13.4	15.6	17.7	20.7	23.2
Total revenue		$ 99.1	80.1	141.6	310.3	275.7	$ 284.8	$ 292.5	$ 327.8
Adjusted EBITDA		$ (17.4)	$ (18.1)	$ (16.6)	$ 15.1	$ 18.1	$ 18.0	$ 32.3	$ 50.2
Adjusted EBITDA margin		-17.6%	-22.6%	-11.7%	4.9%	6.6%	6.3%	11.0%	15.3%
Earnings (loss) per share:									
Net income (loss), basic and diluted		$ (0.06)	$ (0.09)	$ (0.05)	$ -	$ -	$ 0.02	$ 0.04	$ 0.07
Operating Statistics									
Lumber(1),(2)									
Production	mmfbm	61	34	48	206	202	200	221	234
Shipments - Total	mmfbm	64	44	90	211	203	218	212	235
Price	$/mfbm	$ 1,300	$ 1,502	$ 1,219	$ 1,107	$ 1,078	$ 1,059	$ 1,124	$ 1,088
Logs(3)									
Net production	000 m^3	167	21	21	1,250	922	1,135	815	1,348
Saw log purchases	000 m^3	141	34	84	238	208	212	197	305
Log availability	000 m^3	308	55	105	1,488	1,130	1,347	1,012	1,653
Shipments	000 m^3	141	135	246	536	369	369	308	471
Price(4)	$/$m^3$	$ 91	$ 87	$ 110	$ 112	$ 112	$ 98	$ 109	$ 104
Share Repurchases and Dividends									
Shares repurchased (millions)		-	-	1.2	3.8	3.9	4.9	4.6	1.6
Shares repurchased		$ -	$ -	$ 1.9	$ 6.6	$ 7.4	$ 9.1	$ 10.4	$ 4.1
Dividends paid		$ 8.4	$ 8.5	$ 8.4	$ 8.5	$ 8.6	$ 8.7	$ 8.8	$ 8.9

Figures in the table above may not equal or sum to figures presented elsewhere due to rounding.

(1) Includes Columbia Vista acquired February 1, 2019.
(2) "mmfbm" = millions of board feet; "mfbm" = thousands of board feet.
(3) Coastal BC business only. Net production is sorted log production, net of residuals and waste. Log availability is net production plus saw log purchases.
(4) 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.
(5) Results for the periods Q1 2020, Q4 2020 and Q3 2020 reflect the curtailment of coastal BC operations due to the Strike.

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 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 fire in the summer. This seasonality generally results in the Company increasing working capital utilization through its second quarter as it builds log inventory during optimal harvest conditions and builds lumber inventory in advance of seasonally high lumber demand.

Western Forest Products Inc.

Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

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

	March 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 2.2	$ 2.1
Trade and other receivables	38.3	23.4
Inventory (Note 5)	143.6	132.0
Prepaid expenses and other assets	13.6	14.7
Income taxes receivable	16.7	16.7
	214.4	188.9
Non-current assets:		
Property, plant and equipment (Note 6)	415.3	414.9
Timber licenses	108.2	109.2
Biological assets (Note 7)	56.0	56.0
Other assets	13.8	13.4
Deferred income tax assets	1.3	0.1
	$ 809.0	$ 782.5
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 66.7	$ 35.0
Current portion of lease liabilities	5.4	4.9
Current portion of long-term debt (Note 8)	0.2	-
Reforestation obligation (Note 10)	8.7	8.7
	81.0	48.6
Non-current liabilities:		
Long-term debt (Note 8)	139.0	113.4
Long-term lease liabilities	15.6	15.0
Reforestation obligation (Note 10)	15.2	14.7
Deferred income tax liabilities	30.4	37.0
Other liabilities (Note 11)	15.5	18.8
Deferred revenue	51.9	52.4
	348.6	299.9
Equity:		
Share capital (Note 12)	479.9	479.9
Contributed surplus	9.8	9.6
Translation reserve	4.5	(0.9)
Retained earnings (deficit)	(34.6)	(6.8)
Total equity attributable to equity shareholders of the Company	459.6	481.8
Non-controlling interest (Note 18)	0.8	0.8
	460.4	482.6
	$ 809.0	$ 782.5

Commitments and contingencies (Note 13)

See accompanying notes to these unaudited condensed consolidated interim financial statements.

Approved on behalf of the Board:

"Michael T. Waites"
Chair

"Don Demens"
President & Chief Executive Officer

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 March 31, 2020	Three months ended March 31, 2019
Revenue (Note 17)	$ 99.1	$ 275.7
Costs and expenses:		
Cost of goods sold	110.8	228.9
Freight	6.3	23.1
Export tax (Note 13)	4.0	9.2
Selling and administration	6.4	8.8
	127.5	270.0
Operating income (loss) prior to restructuring and other items	(28.4)	5.7
Operating restructuring items	(0.4)	(0.6)
Other income (expense)	1.6	(0.9)
Operating income (loss)	(27.2)	4.2
Finance costs	(2.2)	(1.5)
Income (loss) before income taxes	(29.4)	2.7
Current income tax recovery (expense) (Note 9)	0.1	(0.8)
Deferred income tax recovery (Note 9)	8.3	-
	8.4	(0.8)
Net income (loss)	(21.0)	1.9
Net income (loss) attributable to equity shareholders of the Company	(21.0)	1.9
Net income (loss) attributable to non-controlling interest (Note 18)	-	-
	(21.0)	1.9
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss:		
Defined benefit plan actuarial gain (Note 14)	2.2	0.9
Income tax expense on other comprehensive gain (Note 9)	(0.6)	(0.2)
Total items that will not be reclassified to profit or loss	1.6	0.7
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange translation of foreign operations	5.4	0.2
Total comprehensive income (loss)	$ (14.0)	$ 2.8
Earnings (loss) per share (in dollars)		
Basic and diluted (Note 15)	$ (0.06)	$ -

See accompanying notes to these unaudited condensed consolidated interim financial statements.

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

	Share Capital	Contributed Surplus	Translation Reserve	Retained Earnings (Deficit)	Non-controlling Interest	**Total Equity**
Balance at December 31, 2018	$ 491.1	$ 9.1	$ -	$ 72.7	$ -	$ 572.9
Net income	-	-	-	1.9	-	1.9
Other comprehensive loss:						
Defined benefit plan actuarial loss recognized	-	-	-	0.9	-	0.9
Income tax recovery on other comprehensive loss	-	-	-	(0.2)	-	(0.2)
Foreign exchange translation of foreign operations	-	-	0.2	-	-	0.2
Total comprehensive income	-	-	0.2	2.6	-	2.8
Share-based payment transactions recognized in equity	-	0.1	-	-	-	0.1
Non-controlling interest	-	-	-	5.0	1.2	6.2
Exercise of stock options	0.1	(0.1)	-	-	-	-
Repurchase of shares	(4.9)	-	-	(2.9)	-	(7.8)
Dividends	-	-	-	(8.6)	-	(8.6)
Total transactions with owners, recorded directly in equity	(4.8)	-	-	(6.5)	1.2	(10.1)
Balance at March 31, 2019	$ 486.3	$ 9.1	$ 0.2	$ 68.8	$ 1.2	$ 565.6
Balance at December 31, 2019	$ 479.9	$ 9.6	$ (0.9)	$ (6.8)	$ 0.8	$ 482.6
Net loss	-	-	-	(21.0)	-	(21.0)
Other comprehensive income:						
Defined benefit plan actuarial gain recognized	-	-	-	2.2	-	2.2
Income tax expense on other comprehensive income	-	-	-	(0.6)	-	(0.6)
Foreign exchange translation of foreign operations	-	-	5.4	-	-	5.4
Total comprehensive income (loss)	-	-	5.4	(19.4)	-	(14.0)
Share-based payment transactions recognized in equity (Note 12(b))	-	0.2	-	-	-	0.2
Non-controlling interest (Note 18)	-	-	-	-	-	-
Dividends	-	-	-	(8.4)	-	(8.4)
Total transactions with owners, recorded directly in equity	-	0.2	-	(8.4)	-	(8.2)
Balance at March 31, 2020	$ 479.9	$ 9.8	$ 4.5	$ (34.6)	$ 0.8	$ 460.4

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 March 31, 2020	Three months ended March 31, 2019
Cash provided by (used in):		
Operating activities:		
Net income (loss)	$ (21.0)	$ 1.9
Items not involving cash:		
Amortization of property, plant and equipment (Note 6)	10.0	10.3
Amortization of timber licenses	1.0	1.0
Loss (gain) on disposal of assets	(1.8)	0.1
Change in fair value of biological assets (Note 7)	-	1.0
Change in reforestation obligation (Note 10)	0.5	0.7
Amortization of deferred revenue	(0.5)	(0.5)
Share-based compensation, including mark-to-market adjustment	(0.9)	0.1
Net finance costs	2.2	1.5
Income tax expense (recovery) (Note 9)	(8.4)	0.8
Change in pension liability (Note 14)	(0.6)	(0.8)
Export tax receivable	(0.3)	0.1
Other	1.1	(0.8)
Income taxes received (paid)	-	(15.1)
	(18.7)	0.3
Changes in non-cash working capital items:		
Trade and other receivables	(15.0)	3.2
Inventory	(11.6)	(15.6)
Prepaid expenses and other assets	1.1	9.7
Accounts payable and accrued liabilities	31.7	(6.8)
	6.2	(9.5)
	(12.5)	(9.2)
Investing activities:		
Additions to property, plant and equipment (Note 6)	(1.5)	(17.7)
Purchase of Columbia Vista (Note 19)	-	(37.7)
Proceeds from disposal of assets	1.0	0.7
Proceeds from disposition of minority interest in subsidiary, net (Note 18)	-	7.0
	(0.5)	(47.7)
Financing activities:		
Interest paid	(1.0)	(0.6)
Draw on credit facility (Note 8)	23.5	77.0
Payment of lease liabilities	(1.0)	(0.8)
Repurchase of shares	-	(7.4)
Dividends	(8.4)	(8.6)
Proceeds from exercise of stock options, net	-	(0.4)
	13.1	59.2
Increase in cash and cash equivalents	0.1	2.3
Cash and cash equivalents, beginning of period	2.1	8.4
Cash and cash equivalents, end of period	$ 2.2	$ 10.7

See accompanying notes to these unaudited condensed consolidated interim financial statements.

1. Reporting entity

Western Forest Products Inc. ("Western" or the "Company") is an integrated softwood forest products company, incorporated and domiciled in Canada, operating in the coastal region of British Columbia and Washington State. The address of the Company's head office is Suite 800 – 1055 West Georgia Street, Vancouver, British Columbia, Canada. The unaudited condensed consolidated interim financial statements as at and for the three months ended March 31, 2020 and 2019 comprise the financial results of the Company and its subsidiaries. The Company's primary business is the sale of lumber and logs, which includes timber harvesting, sawmilling logs into specialty lumber and value-added lumber remanufacturing. The Company is listed on the Toronto Stock Exchange ("TSX"), under the symbol WEF.

2. Basis of preparation

Statement of compliance

These unaudited condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting* ("IAS 34"). 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, 2019. These interim financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain prior period comparative figures have been reclassified to conform to the current period's presentation.

The interim financial statements were authorized for issue by the Board of Directors on May 6, 2020.

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;
- Liabilities for cash-settled share-based payment transactions are measured at reporting date fair value;
- Equity-settled share-based payments are measured at fair value at grant date;
- Derivative financial instruments are measured at fair value at each reporting date;
- The defined benefit pension liability is recognized as the net total of the fair value of the plan assets, less the present value of the defined benefit obligation; and,
- Reforestation obligations are measured at the discounted value of expected future cash flows.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars which is the Company's functional currency. All amounts are presented in millions of Canadian dollars, unless otherwise indicated.

Use of estimates and judgements

The preparation of interim consolidated financial statements in accordance with IAS 34 requires Management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

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 annual consolidated financial statements as at and for the year ended December 31, 2019.

2. Basis of preparation (continued)

Risks and Uncertainties

The Company is subject to risks and uncertainties as a result of the novel Coronavirus pandemic ("COVID-19"), an infectious disease outbreak that has had a significant impact on the global economy. The extent of the impact of the COVID-19 pandemic on the Company's business is highly uncertain and difficult to predict, as conditions and responses are rapidly evolving.

State of Emergency declarations and other restrictions relating to travel, business operations and isolation have been made by governing bodies in the regions that Western operates. Although Western's operations have been deemed an essential service in each jurisdiction in which it operates, the Company is exposed to a number of risks and uncertainties. A contagious disease such as COVID-19 could adversely impact the Company by causing operating, supplier and service provider delays or disruption, negatively affecting customer demand, creating labour shortages, or causing travel, shipping and product delivery interruptions and shutdowns. Furthermore, capital markets and the global economy have been negatively impacted by the pandemic, which could result in an economic recession and may further negatively impact supply chains and slow the demand for the Company's products. While significant fiscal stimulus is being enacted by governments, the overall effectiveness of these policies and programs remains uncertain.

The future impact of the COVID-19 pandemic on the Company will depend on a number of factors that are uncertain and cannot be predicted, including, but not limited to, the duration and severity of the pandemic and further actions taken to contain the pandemic. No reliable estimate of the future impact on the Company's operations and financial results can be made at this time and the Company's future results of operations liquidity and valuation of long-lived assets could be adversely impacted.

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, 2019.

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.

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

5. Inventory

	March 31, 2020	December 31, 2019
Gross carrying value of inventory		
Logs	$ 91.4	$ 97.5
Lumber	49.3	35.4
Supplies and other	16.3	15.6
	$ 157.0	$ 148.5
Provisions		
Logs	$ (6.3)	$ (11.0)
Lumber	(6.7)	(5.0)
Supplies and other	(0.4)	(0.5)
	$ (13.4)	$ (16.5)
Total carrying value of inventory	$ 143.6	$ 132.0

The carrying amount of inventory recorded at net realizable value was $42.4 million at March 31, 2020 (December 31, 2019: $47.5 million), with the remaining inventory recorded at cost.

During the three months ended March 31, 2020, $110.8 million (2019: $228.9 million) of inventory was charged to cost of goods sold. This includes a decrease to the net realizable value provision of $3.1 million for the three months ended March 31, 2020, (2019: $nil).

6. Property, plant and equipment

Cost	Buildings & equipment	Logging roads	Land	Right of use assets	**Total**
Balance at January 1, 2019	$ 413.7	$ 204.8	$ 89.2	$ -	$ 707.7
Adoption of IFRS 16	-	-	-	17.0	17.0
Additions	27.8	9.4	-	6.8	44.0
Columbia Vista assets (Note 19)	21.0	-	10.6	0.8	32.4
Disposals	(1.1)	-	(5.2)	(0.6)	(6.9)
Effect of movements in exchange rates	(0.6)	-	(0.3)	-	(0.9)
Balance at December 31, 2019	460.8	214.2	94.3	24.0	793.3
Additions	3.0	0.8	-	2.5	6.3
Disposals	(0.2)	-	(1.3)	(0.3)	(1.8)
Effect of movements in exchange rates	4.2	-	1.2	0.2	5.6
Balance at March 31, 2020	$ 467.8	$ 215.0	$ 94.2	$ 26.4	$ 803.4
Accumulated amortization and impairments					
Balance at January 1, 2019	$ 167.5	$ 170.0	$ 0.3	$ -	$ 337.8
Amortization	26.6	10.0	-	4.8	41.4
Disposals	(0.9)	-	-	(0.2)	(1.1)
Impairments	0.3	-	-	-	0.3
Balance at December 31, 2019	193.5	180.0	0.3	4.6	378.4
Amortization	7.3	1.3	-	1.4	10.0
Disposals	(0.3)	-	-	(0.1)	(0.4)
Impairments	-	-	-	-	-
Effect of movements in exchange rates	-	-	-	0.1	0.1
Balance at March 31, 2020	$ 200.50	$ 181.3	$ 0.3	$ 6.0	$ 388.1
Carrying amounts					
At December 31, 2019	$ 267.3	$ 34.2	$ 94.0	$ 19.4	$ 414.9
At March 31, 2020	$ 267.3	$ 33.7	$ 93.9	$ 20.4	$ 415.3

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

7. Biological assets

Reconciliation of carrying amount

	Three months ended March 31,	
	2020	2019
Carrying value, beginning of period	$ 56.0	$ 58.3
Change in fair value due to growth and pricing	0.3	1.4
Harvested timber transferred to inventory	(0.3)	(2.4)
Carrying value, end of period	$ 56.0	$ 57.3

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.

The land underlying the standing timber is considered a component of property, plant and equipment, and is recorded at cost less accumulated impairment. Roads and bridges on the land underlying the standing timber are considered a component of property, plant and equipment and are recorded at cost less accumulated amortization.

At March 31, 2020, private timberlands comprised an area of approximately 23,293 hectares (December 31, 2019: 23,293 hectares) of land owned by the Company; standing timber on these timberlands ranged from newly planted cut-blocks to mature forest available for harvest.

During the three months ended March 31, 2020, the Company harvested and scaled approximately 16,560 cubic metres ("m^3") of logs from its private timberlands (three months ended March 31, 2019: 62,275 m^3), which had a fair value less costs to sell of $141 per m^3 at the date of harvest (three months ended March 31, 2019: $114 per m^3).

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.

Measurement of fair values

The Company's standing timber of $56.0 million is measured at fair value less costs to sell. Fair value is determined using a discounted cash flow valuation technique, which considers the present value of the net cash flows expected to be generated over the next 25 years by the individual private timberlands using a harvest optimization approach, and discounted using a risk-adjusted discount rate.

At each interim reporting date, the Company examines market and asset conditions to determine if changing conditions would yield a change in fair value less costs to sell. The Company reviewed the underlying assumptions impacting its standing timber as at March 31, 2020 and noted no indication that a full re-assessment of fair value less costs to sell, or of the previously applied significant unobservable inputs, was warranted at that date.

The change in fair value resulting from price and growth is reflected in cost of goods sold.

8. Long-term debt

The Company's syndicated Credit Facility (the "Credit Facility") provides for a maximum borrowing amount of $250 million, has a maturity date of August 1, 2022, and includes an accordion feature which allows the Company to increase the aggregate amount available to $350 million, subject to lender approval.

The Credit Facility is available in Canadian dollars by way of Prime Rate Advances, Bankers' Acceptances or Letters of Credit and in US dollars by way of US Base Rate Advances, US Prime Rate Advances, LIBOR Advances or Letters of Credit. Interest on the Credit Facility is indexed to benchmark rates and varies depending on the nature of each draw and certain financial benchmarks.

The Credit Facility is secured by a general security agreement, excluding specified properties and their related assets, and is subject to certain financial covenants, including maximum debt to total capitalization ratios.

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

8. Long-term debt (continued)

	March 31, 2020	December 31, 2019
Credit Facility	$ 137.6	$ 114.1
Equipment term loan	2.3	-
Total debt	139.9	114.1
Less transaction costs	(0.7)	(0.7)
Less current portion of equipment term loan	(0.2)	-
Long-term debt	139.0	113.4
Availablility of Credit Facility	$ 250.0	$ 250.0
Drawings on Credit Facility	(137.6)	(114.1)
Outstanding letters of credit	(1.1)	(1.1)
Unused portion of Credit Facility	$ 111.3	$ 134.8

At March 31, 2020, $137.6 million was outstanding under the Company's Credit Facility. The interest rate for the Credit Facility was 4.45% at March 31, 2020 (December 31, 2019: 5.45%). The Company was in compliance with its financial covenants as at March 31, 2020.

9. Income taxes

	Three months ended March 31, 2020	Three months ended March 31, 2019
Income (loss) before income taxes	$ (29.4)	$ 2.7
Income tax recovery (expense) at statutory rate of 27% (2019 - 27%)	7.9	(0.7)
Permanent differences	0.5	(0.1)
	$ 8.4	$ (0.8)

The reconciliation of taxes calculated at the statutory rate to the actual income tax provision is as follows:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Current income tax recovery (expense)	$ 0.1	$ (0.8)
Deferred income tax recovery	8.3	-
	$ 8.4	$ (0.8)

In addition to the amounts recorded to net income, a deferred tax expense of $0.6 million was recorded in other comprehensive income for the three months ended March 31, 2020, (2019: deferred tax expense of $0.2 million) in relation to current period actuarial gains (losses) on employee future benefit obligations.

10. Reforestation obligation

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

	Three months ended March 31, 2020	Three months ended March 31, 2019
Reforestation obligation, beginning of period	$ 23.4	$ 25.7
Reforestation provision charged	1.7	1.6
Reforestation expenditures	(1.2)	(1.0)
Unwind of discount	-	0.1
Reforestation obligation, end of period	23.9	26.4
Less current portion	8.7	10.7
	$ 15.2	$ 15.7

The reforestation expenditures are expected to occur over the next one to ten years and have been discounted at risk-free rates of 0.36% to 0.70%. The total undiscounted amount of the estimated future expenditures required to settle the reforestation obligation at March 31, 2020 is $24.3 million (December 31, 2019: $24.3 million). Reforestation expense incurred on current production is included in production costs and the unwinding of discount, or accretion cost, is included in finance costs for the period.

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

11. Other liabilities

	March 31, 2020	December 31, 2019
Employee future benefits obligation (Note 14)	$ 12.7	$ 15.3
Environmental accruals	1.6	1.9
Performance share unit plan liabilities, non-current (Note 12(d))	0.1	0.2
Other	1.1	1.4
	$ 15.5	$ 18.8

12. Share capital

(a) Issued and outstanding share capital

	Number of Common Shares	Amount
Balance at December 31, 2019	375,197,166	$ 479.9
Exercise of stock options	-	-
Balance at March 31, 2020	375,197,166	$ 479.9

(b) Stock option plan

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 30,000,000 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 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. All outstanding options are only exercisable when the share price has been equal to or exceeds $0.70 for the 60 consecutive days preceding the date of exercise on a volume weighted average price basis.

During the first quarter of 2020, the Company granted 5,260,670 options with a fair value of $0.8 million as determined by the Black-Scholes option pricing model, using the assumptions of an average exercise price of $1.05 per share, risk free interest rate of 1.08%, a volatility rate of 39.74%, and an expected life of seven years. At March 31, 2020, 18,317,799 options (December 31, 2019: 13,057,129) were outstanding under the Company's Option Plan, with a weighted average exercise price of $1.58 per share.

	Three months ended March 31, 2020		Three months ended March 31, 2019	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding, beginning of period	13,057,129	$ 1.80	11,965,357	$ 1.73
Granted	5,260,670	$ 1.05	2,487,950	$ 1.94
Exercised	-	$ -	(600,000)	$ 0.22
Forfeited	-	$ -	(476,118)	$ 2.33
Outstanding, end of period	18,317,799	$ 1.58	13,377,189	$ 1.80

During the three months ended March 31, 2020, the Company recorded a compensation expense for these stock options of $0.2 million (2019: compensation expense of $0.2 million).

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

12. Share capital (continued)

(c) Deferred share unit ("DSU") plan

The Company has a DSU Plan for directors and designated executive officers. Directors may elect to take a portion of their fees in the form of DSUs and prior to January 1, 2015, executive officers could elect to take a portion of their annual incentive bonus in the form of DSUs. For directors, the number of DSUs allotted is determined by dividing the dollar portion of the quarterly fees a director elects to take in DSUs by the closing share price on the fifth day following each quarter end. All DSU holders are entitled to DSU dividends, equivalent to the dividend they would have received if they held their DSUs as common shares. For dividends, the number of DSUs allotted is determined by dividing the total dollar value of the dividend each DSU holder would have received, by the closing share price on the dividend payment date.

Effective January 1, 2015, the DSU Plan was amended to only allow grants to non-executive directors.

	Three months ended March 31, 2020		Three months ended March 31, 2019	
	Number of DSU	Weighted average unit value	Number of DSU	Weighted average unit value
Outstanding, beginning of period	1,739,691	$ 1.32	1,468,754	$ 1.32
Granted	296,699	$ 0.64	54,157	$ 1.96
Redeemed	-	$ -	(29,183)	$ 2.10
Outstanding, end of period	2,036,390	$ 1.22	1,493,728	$ 1.33

During the three months ended March 31, 2020, the Company recorded a compensation recovery for these DSUs of $1.0 million (2019: $nil), with corresponding adjustments to accounts payable and accrued liabilities.

(d) Performance share unit ("PSU") plan

The Company has established a PSU Plan for designated officers and employees of the Company. Under the terms of the PSU Plan, participants are granted a number of PSUs based on a target award divided by the closing value of the Company's common shares at the effective date of grant . All PSU holders are entitled to PSU dividends, equivalent to the dividend they would have received if they held their PSUs as common shares.

Performance targets are set by the Management Resource & Compensation Committee of the Company's Board of Directors. The number of PSUs which will ultimately vest will be the original number of PSUs granted plus PSUs equal to the value of accrued notional dividends over the performance period. For dividends, the number of PSUs allotted is determined by dividing the total dollar value of the dividend each PSU holder would have received, by the closing share price on the trading day immediately after the dividend date of record. The redemption value of vested PSUs will be in a range from 0% to 200% based on return on capital employed over a three year performance period.

	Three months ended March 31,	
	2020	2019
Outstanding, beginning of period	1,852,815	1,715,332
Granted	1,646,730	733,795
Redeemed	(661,241)	(577,130)
Outstanding, end of period	2,838,304	1,871,997

During the three months ended March 31, 2020, the Company recorded a compensation recovery for these PSUs of $0.1 million (2019: compensation recovery of $0.1 million), with corresponding adjustments to accounts payable and accrued liabilities and other liabilities.

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

12. Share capital (continued)

(e) Restricted share unit ("RSU") plan

The Company has established an RSU Plan for designated officers and employees of the Company. Under the terms of the RSU Plan, participants are granted a number of RSUs based on a target award divided by the value of the Company's common shares at the effective date of grant. All RSU holders are entitled to RSU dividends, equivalent to the dividend they would have received if they held their RSUs as common shares.

The number of RSUs which will ultimately vest will be the original number of RSUs granted plus RSUs equal to the value of accrued notional dividends over the three-year vesting period. For dividends, the number of RSUs allotted is determined by dividing the total dollar value of the dividend each RSU holder would have received, by the closing share price on the trading day immediately after the dividend date of record.

	Three months ended March 31,	
	2020	2019
Outstanding, beginning of period	-	-
Granted	357,060	-
Outstanding, end of period	357,060	-

During the three months ended March 31, 2020, the Company recorded an expense of $nil for RSUs granted in the period as negative mark-to-market adjustments offset RSU equity-based compensation expense.

13. 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 annual volume, require the Company to conduct whole log chipping or sell saw logs, which could reduce log availability for our sawmills, 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, if it is not possible to secure replacement chips on the open market during that period.

The Company had met all fibre commitments as at December 31, 2019 and, based on chip and pulp log volumes supplied year-to-date and the exercise of force majeure provisions in connection with strike action by the United Steelworkers Local 1-1937, the Company anticipates satisfying annual fibre commitments for the year ending December 31, 2020.

Litigations and claims

In the normal course of its business activities, the Company may be subject to a number of claims and legal actions that may be made by customers, unions, suppliers and others in respect of which either provision has been made or for which no material liability is expected. Where the Company is not able to determine the outcome of these disputes no amounts have been accrued in these interim financial statements.

Key dates in the softwood lumber duty dispute

Under the softwood lumber agreement ("SLA") between Canada and the US, the Company's exports to the US were assessed an export tax by the Canadian Government. The SLA expired on October 12, 2015, eliminating export tax measures on Canadian softwood lumber shipments to the US.

In the years 2016 through 2018 there were several announcements made by US Department of Commerce ("DoC") and the US International Trade Commission ("ITC") outlining rates on Countervailing ("CVD") and Anti-dumping duties ("AD") on Canadian softwood lumber shipments to the US. The Company disclosed these in its audited annual consolidated financial statements for the year ended December 31, 2019.

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

13. Commitments and contingencies (continued)

Key dates in the softwood lumber duty dispute (continued)

On February 3, 2020, the DoC issued preliminary revised rates in the CVD and AD first administrative review of shipments for the years ended December 31, 2017 and 2018. The DoC may revise these rates between preliminary and the final determination. On April 24, 2020, the DoC announced a COVID-19 administrative review extension that is expected to delay the final rate determination until late September 2020. Cash deposits continue at the combined duty rate of 20.23% until the final determinations are published, after which the 2018 rate will apply.

The following table summarizes the cash deposit rates in effect and the preliminary revised rates published on February 3, 2020.

	Years ended December 31,		
	2019	2018	2017
Cash deposit rate, CVD	14.19%	14.19%	14.19%
Cash deposit rate, AD	6.04%	6.04%	6.04%
Cash deposit rate, combined	20.23%	20.23%	20.23%
Preliminary revised rate, CVD		6.55%	6.71%
Preliminary revised rate, AD		1.66%	1.66%
Preliminary revised rate, combined		8.21%	8.37%

US lumber duties and export tax

Cash deposits for CVD were required for lumber imports to the US effective April 28, 2017 through August 25, 2017, and from December 28, 2017 onwards.

Cash deposits for AD were required for lumber imports to the US effective June 30, 2017 until December 26, 2017, and from December 28, 2017 onwards.

In the fourth quarter of 2017, the Company recorded an export tax recovery of $3.5 million arising from the difference between export duties paid at preliminary determination rates and the latest final duty rates. A corresponding receivable was recognized in other assets in the consolidated statement of financial position. This export tax receivable was $3.9 million at March 31, 2020 as a result of foreign exchange revaluation (December 31, 2019: $3.6 million). Incremental export duty recoveries from any future change in CVD and AD final rates will be netted against export tax expense and included in other assets.

As at March 31, 2020, the Company had $102.1 million of cash on deposit with the US Department of Treasury in respect of these softwood lumber duties (December 31, 2019: $90.9 million).

14. Employee future benefits

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

	March 31, 2020	March 31, 2019
Present value of obligations	$ 118.3	$ 129.2
Fair value of plan assets	(105.6)	(111.8)
Liability recognized in the statement of financial position (Note 11)	$ 12.7	$ 17.4

The change in the liability recognized in the statement of financial position at March 31, 2020 was due primarily to contributions combined with net actuarial gains, resulting from an increase in the discount rate used to value the defined benefit obligations, partially offset by losses on plan assets. The discount rate used as at March 31, 2020 was 3.75% per annum (December 31, 2019: 2.98% per annum).

The Company expects to make funding contributions to its defined benefit plans of $2.6 million during 2020.

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

15. Earnings (loss) per share

Net earnings (loss) per share is calculated utilizing the treasury stock method for determining the dilutive effect of options issued. The reconciliation of the numerator and denominator is determined as follows:

	Three months ended March 31, 2020			Three months ended March 31, 2019		
	Net loss attributable to equity shareholders	Weighted Average Number of Shares	Per share	Net income attributable to equity shareholders	Weighted Average Number of Shares	Per share
Issued shares at December 31		375,197,166			383,740,519	
Effect of shares issued in quarter					69,667	
Effect of shares repurchased in quarter					(1,737,121)	
Basic earnings (loss) per share	$ (21.0)	375,197,166	$ (0.06)	$ 1.9	382,073,065	$ 0.00
Effect of dilutive securities:						
Stock options*		464,718			2,162,269	
Diluted earnings (loss) per share	$ (21.0)	375,197,166	$ (0.06)	$ 1.9	384,235,334	$ 0.00

* Where the addition of stock options to the total shares outstanding has an anti-dilutive impact on the diluted earnings (loss) per share calculation, those stock options have not been included in the total shares outstanding for purposes of the calculation of diluted earnings (loss) per share.

16. Financial instruments – fair values

The Company classifies its financial assets in the following categories: amortized cost, fair value through other comprehensive income (“FVOCI”) – debt investment; FVOCI – equity investment; or fair value through profit and loss (“FVTPL”). The Company’s non-derivative financial liabilities are measured at amortized cost using the effective interest method.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets or liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. There has been no movement between fair value levels since December 31, 2019. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices that are observable for the assets or liability, either directly or indirectly;
- Level 3: inputs for the asset or liability that are not based on observable market data.

	March 31, 2020			December 31, 2019		
	Mandatory at at FVTPL	Amortized Cost	Total	Mandatory at FVTPL	Amortized Cost	Total
Financial assets						
Market-based investments	$ 4.7	$ -	$ 4.7	$ 4.9	$ -	$ 4.9
Foreign currency forward contracts	-	-	-	0.2	-	0.2
Cash and cash equivalents	-	2.2	2.2	-	2.1	2.1
Trade and other receivables	-	38.3	38.3	-	23.2	23.2
Total financial assets	$ 4.7	$ 40.5	$ 45.2	$ 5.1	$ 25.3	$ 30.4
	Mandatory at FVTPL	Other Financial Liabilities	Total	Mandatory at FVTPL	Other Financial Liabilities	Total
Financial liabilities						
Foreign currency forward contracts	0.8	$ -	$ 0.8	$ -	$ -	$ -
Accounts payable and accrued liabilities	-	65.9	65.9	-	35.0	35.0
Lease liabilities	-	21.0	21.0	-	19.9	19.9
Long term debt (Note 8)	-	139.9	139.9	-	114.1	114.1
Total financial liabilities	$ 0.8	$ 226.8	$ 227.6	$ -	$ 169.0	$ 169.0

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

16. Financial instruments – fair values (continued)

As at March 31, 2020, the Company had outstanding obligations to sell an aggregate US Dollar ("USD") $18.0 million at an average rate of CAD$1.36 per USD with maturities through May 14, 2020.

All foreign currency gains or losses related to currency forward contracts to March 31, 2020 have been recognized in revenue for the period and the fair value of these instruments at March 31, 2020 was a net liability of $0.8 million, which is included in accounts payable and accrued liabilities on the statement of financial position (December 31, 2019: net asset of $0.2 million was included in trade and other receivables). A net loss of $1.0 million was recognized on contracts which were settled in the three months ended March 31, 2020 (2019: net gain of $0.1 million), which was included in revenue for the period.

17. Revenue

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market, based on the known origin of the customer, and by major products.

	Three months ended March 31,			
	2020		2019	
Primary geographical markets				
Canada	$	28.9	$	106.1
United States		35.3		64.0
China		9.9		51.8
Japan		18.6		31.4
Other		4.4		16.9
Europe		2.0		5.5
	$	99.1	$	275.7
Major Products				
Lumber	$	83.2	$	218.9
Logs		12.9		41.2
By-products		3.0		15.6
	$	99.1	$	275.7

Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

	March 31, 2020		December 31, 2019	
Trade and other receivables	$	38.3	$	23.4
Contract liabilities		51.9		52.4

The contract liabilities relate to the consideration received from a customer for a long-term fibre supply contract, for which revenue is recognized straight-line over the term of the contract. The contract liabilities decreased $0.5 million during the period as the amount was recognized as revenue.

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

18. Non-controlling interest

On March 29, 2019, the Company completed the sale of a 7% equity interest in its TFL 44 Limited Partnership ("TFL 44 LP") to Huumiis Ventures Limited Partnership ("HVLP"), a limited partnership beneficially owned by the Huu-ay-aht First Nations. The Company received $7.3 million in exchange for the 7% equity interest in TFL 44 LP.

On March 16, 2020, the Company announced an agreement whereby HVLP will acquire an incremental 44% equity interest in TFL 44 LP and a 7% equity interest in a newly formed limited partnership that will own the Alberni Pacific Division Sawmill for total consideration of $36.2 million (the "Transaction"). The completion of the Transaction is subject to customary closing conditions, financing, and certain third party consents. The Transaction is anticipated to close in the third quarter of 2020 as COVID-19 restrictions have delayed the administration of certain closing conditions.

19. Business combination

On February 1, 2019, the Company completed the acquisition of the assets of Columbia Vista Corporation and certain related entities ("Columbia Vista") located in Vancouver, Washington for consideration of USD$28.4 million (CAD$37.7 million). Included in total consideration was USD$23.8 million (CAD$31.6 million) for the fair value of property, plant & equipment. The acquisition was accounted for as a business combination, with Western deemed to be the acquirer.

Columbia Vista is a lumber manufacturer that focuses production on Douglas Fir specialty products for the Japan and US markets. This acquisition aligns with the Company's margin-focused business strategy, and the newly combined Company brings together a complementary mix of products, customer relationships, and employees. Following the acquisition on February 1, 2019, Columbia Vista contributed revenue of $9.7 million and net income of $0.7 million through March 31, 2019.

The following table presents the purchase price allocation to the identifiable assets and liabilities based on their estimated fair values on the acquisition date.

Consideration allocated to:		
Land	$	10.6
Buildings		5.3
Equipment		15.7
Inventory		6.6
Prepaid expenses & other		3.5
Right of use assets		0.8
Lease liabilities		(0.8)
Accounts payable		(4.0)
Total consideration	$	37.7

The fair value of property, plant & equipment was determined considering asset replacement value, net realizable value of the assets acquired and other factors.

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