Western Forest Products Inc.

2021 First Quarter Report

Management's Discussion & Analysis

The following 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, 2021, 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, 2021, and our audited annual consolidated financial statements and the notes thereto and Management's Discussion and Analysis for the year ended December 31, 2020 (the "2020 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, 2021, 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", "forecast", "intend", "believe", "seek", "could", "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 COVID-19; 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, the ability to obtain operational permits, development and changes in laws and regulations affecting the forest industry including as related to old growth timber management and the Manufactured Forest Products Regulation, changes in the price of key materials for our products, changes in opportunities, future developments in COVID-19 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 5, 2021.

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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 2021	Q1 2020	Q4 2020
Summary Information				
Revenue				
Lumber		$ 276.6	$ 83.2	$ 256.6
Logs		33.1	12.9	53.4
By-products		12.8	3.0	8.9
Total revenue		$ 322.5	$ 99.1	$ 318.9
Freight		$ 22.8	$ 6.3	$ 24.9
Export tax expense		8.2	4.0	12.1
Export tax recovery		-	-	31.6
Stumpage		9.2	1.0	8.1
Adjusted EBITDA		$ 62.9	$ (17.4)	$ 71.1
Adjusted EBITDA margin		20%	(18%)	22%
Operating income (loss) prior to restructuring and other items		$ 48.8	$ (28.4)	$ 56.0
Net income (loss)		53.8	(21.0)	34.4
Basic and diluted earnings (loss) per share (in dollars)		0.14	(0.06)	0.09
Operating Information				
Lumber [2]				
Lumber Shipments – millions of board feet				
Cedar [3]		52	22	54
Japan Specialty		19	15	19
Niche		22	10	24
Commodity		111	17	107
Total		204	64	204
Lumber Production – millions of board feet		199	61	180
Lumber Price – per thousand board feet		$ 1,356	$ 1,300	$ 1,258
Wholesale Lumber Shipments - millions of board feet		10	10	6
Logs [4]				
Log Shipments – thousands of cubic metres				
Export		35	1	73
Domestic		159	100	225
Pulp		90	40	173
Total		284	141	471
Net production – thousands of cubic metres [5]		688	167	901
Saw log purchases – thousands of cubic metres		195	141	222
Log Price – per cubic metre [6]		$ 117	$ 91	$ 113
Illustrative Lumber Average Price Data [7]	**Price Basis**			
Grn WRC #2 Clear & Btr 4x6W RL ($C)	c.i.f. dest. N Euro	$ 5,583	$ 4,500	$ 4,867
Grn WRC Deck Knotty 2x6 RL S4S	Net f.o.b. Mill	$ 2,042	$ 1,362	$ 1,757
Grn WRC #2 & Btr AG 6x6 RL	Net f.o.b. Mill	$ 2,566	$ 2,346	$ 2,540
Coast Grn WRC Std&Btr NH 3/4x4 RL S1S2E	Net f.o.b. Mill	$ 1,602	$ 1,095	$ 1,402
Grn Hem Baby Squares Merch 4-1/8x4-1/8 13' S4S	c.&f. dest. Japan	$ 1,098	$ 809	$ 790
Grn Dfir Baby Squares Merch 4-1/8x4-1/8 RL S4S	c.&f. dest. Japan	$ 1,216	$ 1,005	$ 952
Grn Dfir (Portland) #1&Btr 100% FOHC 6x6 Rough	Net f.o.b. Mill	$ 1,543	$ 1,268	$ 1,470
Hemlock Lumber 2x4 (40x90) Metric RG Utility	c.i.f. dest. Shanghai	$ 605	$ 425	$ 476
Coast KD Hem-Fir #2 & Btr 2x4	Net f.o.b. Mill	$ 1,031	$ 456	$ 764
Average Exchange Rate – CAD to USD		0.790	0.744	0.767
Average Exchange Rate – CAD to JPY		83.62	81.09	80.01

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

(1) Included in Appendix A is a table of selected results from the last eight quarters.
(2) Includes wholesale lumber shipments.
(3) Comparative figures have been reclassified to conform to the current year presentation. Cedar includes Western Red Cedar, and shipments of Yellow Cedar and Japanese Cedar to North American markets.
(4) British Columbia business only.
(5) Net production is sorted log production, net of residuals and waste.
(6) The average realized log price per cubic metre has been presented on a gross basis, which may include fee-in-lieu and shipping charges incurred on behalf of customers to facilitate sales to export markets.
(7) Sourced from Random Lengths in USD/Mfbm, except Hemlock Lumber Metric RG Utility that is sourced from the Forest Economic Advisors LLC China Bulletin.

Summary of First Quarter 2021 Results

Adjusted EBITDA for the first quarter of 2021 was $62.9 million, as compared to negative adjusted EBITDA of $17.4 million in the same period last year. We delivered record first quarter adjusted EBITDA by redirecting production to a strong North American lumber market.

Operating income prior to restructuring and other items was $48.8 million, as compared to an operating loss of $28.4 million in the same period last year. Comparative results were significantly impacted by the United Steelworkers Local 1-1937 ("USW") strike (the "Strike"), which curtailed the majority of our BC based operations through February 2020. In addition, we curtailed our BC manufacturing facilities for up to one-week in March 2020 in response to the impacts of the novel Coronavirus pandemic ("COVID-19").

We continue to strictly enforce enhanced health and safety protocols and regularly re-evaluate market conditions arising from COVID-19. Our near-term focus remains on ensuring the health and safety of our employees, maintaining financial flexibility, and servicing our customers.

Sales

Rising North American lumber demand, driven by increased levels of new home construction and a strong repair and renovation segment, combined with limited supply to deliver record lumber pricing in the first quarter of 2021. Lumber producers have struggled to respond to the strong market due to permanent production curtailments in the BC Interior as a result of the Mountain Pine Beetle and COVID-19 related labour constraints in other producing regions. To capitalize on market conditions and overcome container shipping constraints that reduced export market access, we further levered our flexible operating platform and increased production for the North American market.

Lumber revenue rose 8% from the fourth quarter last year, on the strength of higher prices for our products and increased North American shipments. We grew our total commodity volumes by 4% during the quarter as compared to the fourth quarter of 2020. Our North American commodity shipment volumes represented 64% of total commodity shipment volumes during the first quarter of 2021, well above our historical average. We successfully grew sales to selected customers in the specialty treating sector, increasing volumes by 12% from the fourth quarter of last year.

Our first quarter average realized lumber price was $1,356 per thousand board feet, an increase of 8% from the fourth quarter of 2020, despite a weaker sales mix and a stronger Canadian to US dollar exchange rate. Wholesale shipments were flat due to limited market availability and supply chain challenges.

Log revenue was $33.1 million in the first quarter of 2021, an increase of 157% from the same period last year and a 38% decline from the fourth quarter last year due to seasonality. We achieved a higher average realized log price as compared to the fourth quarter last year despite lower export market shipments. We directed export log inventory to our sawmills in support of increased commodity lumber production, to capitalize on the strong North American lumber market. Limited export log shipments originated primarily from commitments under First Nation partnership and joint venture arrangements.

By-product revenue was $12.8 million, an increase of $9.8 million as compared to the same period last year, and an increase of $3.9 million from the fourth quarter of 2020. Chip price realizations benefitted from a sharp increase in NBSK pulp price in the period, and increased production led to higher by-product shipments.

Higher first quarter log and lumber pricing reduced inventory provisions by $9.3 million as compared to the same period last year.

Operations

We have continued to lever our flexible operating platform by redirecting production from export markets into the strong North American market.

First quarter lumber production of 199 million board feet was 226% higher than the Strike-impacted first quarter last year and was 11% higher than the fourth quarter of 2020. We achieved higher production through increased operating hours, improved production efficiency, and a shift to more domestic lumber production. Increased production of North American commodity lumber contributed to improved sawmill recovery but also increased our secondary processing requirements, consistent with the fourth quarter last year. Insufficient BC coastal kiln capacity limited incremental kiln-dried lumber production volumes.

We produced 688,000 cubic metres of logs from our coastal operations in British Columbia ("BC") in the first quarter of 2021, as compared to 167,000 cubic metres in the Strike-curtailed first quarter last year and 901,000 cubic metres in the fourth quarter of 2020. Harvest volumes and costs declined due to typical seasonal operating conditions. We lowered harvest production costs in the first quarter of 2021 through improved alignment of road expenditures and harvest volumes. We increased private timber production by logging the Orca Quarry land prior to its disposition, which did not incur stumpage expense and reduced requirements for higher cost purchased logs.

BC coastal saw log purchases were 195,000 cubic metres, an increase of 38% from the same period last year and a decrease of 12% from the fourth quarter of 2020. BC coastal harvest activity has improved market log supply while strong North American product pricing has increased log market competition.

Freight expense increased by $16.5 million from the same period last year. Freight expense grew as a result of higher shipment volumes and increased container costs. Global container supply disruptions caused a diversion of shipments to other markets and led to slightly higher ending inventory. We partly mitigated the impact of limited container availability and rising container costs by directing more shipments to North American markets and by using other modes of transportation.

Selling and Administration Expense

First quarter selling and administration expense was $14.3 million in 2021 as compared to $6.4 million in the Strike-curtailed first quarter last year. Record financial results and rapid share price appreciation had a net incremental expense impact of $7.0 million. We continue to incur higher health and safety and IT costs associated with COVID-19 protocols and remote work requirements.

Record financial performance and a stronger market outlook drove an incremental $3.9 million in performance-based incentive compensation expense. An incentive compensation expense recovery in the first quarter of 2020 contributed to that period over period result.

The Company's shares appreciated by 41% in the first quarter of 2021, resulting in an incremental $3.1 million of mark-to-market expense on long-term compensation liabilities. First quarter mark-to-market expense was $1.9 million in 2021, as compared to an expense recovery of $1.2 million in 2020.

Other Income

We recognized other income of $16.7 million attributable primarily to gains from the sale of non-core assets. In the same period last year, we realized $1.6 million of other income largely resulting from gains on the sale of obsolete operating equipment.

Finance Costs

Finance costs were $0.9 million as compared to $2.2 million in the first quarter last year, due to a lower average outstanding debt balance. As at March 31, 2021, we had returned to a net cash position.

Income Taxes

Record first quarter operating earnings led to income tax expense of $10.3 million for the first quarter of 2021, as compared to an income tax recovery of $8.4 million in the same period last year.

Net Income (Loss)

Net income for the first quarter of 2021 was $53.8 million, as compared to a net loss of $21.0 million for the same period last year. Significantly improved net income resulted from strong operating performance, record pricing in North American markets and net proceeds from non-core asset sales. Results in the same period last year were negatively impacted by the Strike in the majority of our BC operations and the onset of COVID-19 late in the period.

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.

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.

Sale of Orca Quarry Non-Core Assets

On March 14, 2021, Western completed the sale of certain non-core assets for $36.0 million. The sale includes certain properties, and their underlying rights, related to the Orca Quarry located near Port McNeill, British Columbia. The Company used the proceeds from the sale to repay debt.

Sale of Ownership Interests in TFL 44 Limited Partnership

On March 29, 2019, Western completed the sale of a 7% ownership interest in its newly formed TFL44 Limited Partnership ("TFL 44 LP") to Huumiis Ventures Limited Partnership ("HVLP"), a limited partnership beneficially owned by the Huu-ay-aht First Nations. Western received $7.3 million in exchange for the 7% ownership interest in TFL 44 LP.

On March 16, 2020, Western announced it had reached an agreement whereby HVLP will acquire an incremental 44% equity interest in TFL 44 LP (the "TFL 44 Transaction") and a 7% equity interest in a newly formed limited partnership that will own the Alberni Pacific Division Sawmill (the "APD Transaction") for total consideration of $36.2 million. COVID-19 restrictions and other impacts affected the ability for the parties to satisfy all closing conditions, necessitating the closing of the TFL 44 Transaction in two stages and delaying the closing of the APD Transaction.

On May 3, 2021, Western completed the sale of an incremental 28% equity interest in TFL 44 LP to HVLP for total consideration of $22.4 million. The completion of this stage of the TFL 44 Transaction results in HVLP holding a combined equity interest of 35% in TFL44 LP.

The next stage of the TFL 44 Transaction, for the acquisition by HVLP of a further 16% equity interest in TFL 44 LP for total consideration of $12.8 million, is anticipated to close in the first quarter of 2023, and 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.

Western may sell to other area First Nations, including HVLP, a further incremental ownership interest of up to 26% in TFL 44 LP, under certain conditions. The Company and TFL 44 LP will also enter into a long-term fibre agreement to continue to supply the Company's BC coastal manufacturing operations, which have undergone significant capital investment over the past several years.

The APD Transaction is anticipated to close in the first quarter of 2023.

Labour Relations Update

On February 3, 2021, members of the Public and Private Workers of Canada ("PPWC") Local 8 representing unionized employees at our Ladysmith Sawmill ratified a new eight-year collective agreement effective from January 1, 2021 and expiring on December 31, 2028.

We previously announced on February 15, 2020 that USW members had voted in support of a new five-year collective agreement effective from June 15, 2019 and expiring on June 14, 2024.

Timber Tenure Reduction

Approximately 89% of Western's 5,956,000 cubic metre sustainable allowable annual cut ("AAC") is in the form of Tree Farm Licenses ("TFL"). TFLs are granted for 25-year terms and are replaced by the BC Provincial Government (the "Province") every five to ten years with a new TFL with a 25-year term.

In the first half of 2021, we expect the Province's Chief Forester to issue a final determination on the AAC in TFL 19, which is approximately 729,000 cubic metres. We expect that determination may reduce the AAC of TFL 19 by up to 18% or approximately 130,000 cubic metres. Provincial legislation requires the Chief Forester to routinely review sustainable harvesting levels of individual tenures at least every 10 years and to issue a determination which may result in an increase or decrease to AAC. The AAC determination reflects tree growth, ecology, regional and local economic and social interests, water and other environmental considerations that define how forests can be managed.

More information on our tenure rights and sustainable harvest practices can be found in the Company's Annual Information Form, which is available on SEDAR at www.sedar.com, and Western's Sustainability Report, which is available at www.westernforest.com.

Regulatory Environment

During 2019 and 2020, the Province introduced various policy initiatives and regulatory changes that impact the BC forest sector regulatory framework as part of a Coastal Revitalization Initiative, including fibre recovery, lumber remanufacturing, old growth forest management and the exportation of logs. For additional details on these policy initiatives and regulatory changes please see the *"BC Government Forest Policies Update"* heading and *"Regulatory Risks"* under the heading *"Risks and Uncertainties",* in our Management's Discussion and Analysis for the year ended December 31, 2020.

Current provincial policy requires that forest management and operating plans take into account and not unreasonably infringe on Aboriginal rights and title, proven or unproven, and provide for First Nations consultation. First Nation opposition to a forest tenure or other operating authorization may delay the Province from granting the permit application. For additional details on these policy requirements and regulatory aspects in relation to First Nations see *"First Nations Land Claims"* and *"Regulatory Risks"* under the heading *"Risks and Uncertainties",* in our Management's Discussion and Analysis for the year ended December 31, 2020. The Company may manage risks associated with delays in the Province granting operating authorizations through fostering positive working relationships with the First Nations, with asserted traditional territories within which Western operates, through information sharing, timber harvesting, silviculture, planning and other mutually beneficial arrangements. The Company may partly mitigate the operating impacts of permit delays by increasing permitted harvest in other areas; by purchasing more logs on the open market or through BC Timber Sales; and by increasing harvest production from private timberlands.

Financial Position and Liquidity

(millions of Canadian dollars except where otherwise noted)	Q1 2021	Q1 2020	Q4 2020
Selected Cash Flow Items			
Operating Activities			
Net income (loss)	$ 53.8	$ (21.0)	$ 34.4
Amortization	12.9	11.0	14.3
Other	(0.4)	(8.7)	(10.0)
Subtotal	66.3	(18.7)	38.7
Change in non-cash working capital	(20.6)	6.2	21.7
Cash provided by (used in) operating activities	$ 45.7	$ (12.5)	$ 60.4
Investing Activities			
Additions to property, plant and equipment	$ (2.6)	$ (0.8)	$ (5.9)
Additions to capital logging roads	$ (1.7)	(0.7)	(2.1)
Proceeds from disposal of property, plant and equipment	37.7	1.0	2.5
Cash provided by (used in) investing activities	$ 33.4	$ (0.5)	$ (5.5)
Financing Activities			
Draw on (repayment of) credit facility	$ (69.7)	$ 23.5	$ (49.5)
Dividends	(3.8)	(8.4)	-
Share repurchases	(2.3)	-	-
Lease payments	(1.9)	(1.0)	(3.4)
Other	(1.2)	(1.0)	(1.0)
Cash provided by (used in) financing activities	$ (78.9)	$ 13.1	$ (53.9)
Increase in cash	$ 0.2	$ 0.1	$ 1.0
Summary of Financial Position			
Cash and cash equivalents	$ 3.1	$ 2.2	$ 2.9
Current assets	265.6	214.4	263.7
Current liabilities	119.6	81.0	125.6
Bank indebtedness	-	-	0.2
Total debt	2.5	139.2	71.9
Net debt (cash) (1)	(0.6)	137.0	69.2
Equity, excluding non-controlling interest	552.6	459.6	504.5
Total liquidity (2)	244.0	113.5	178.3
Financial ratios:			
Current assets to current liabilities	2.22	2.65	2.10
Net debt to capitalization (3)	0%	23%	12%

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

(1) Net debt (cash) is defined as the sum of long-term debt and bank indebtedness, 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 shareholders' equity.

Cash provided by operating activities before changes in non-cash working capital during the first quarter of 2021 was $66.3 million as compared to cash used of $18.7 million in the same period last year. Unprecedented demand from the North American lumber market drove improved cashflows from operations. In the same period last year, the Strike limited operating cashflow.

Cash provided by investing activities was $33.4 million during the first quarter of 2021, as compared to cash investments of $0.5 million during the same period last year. The sale of the Orca Quarry related assets and disposition of other non-core assets provided $37.7 million in cash proceeds, which was offset by $4.3 million of capital expenditures during the first quarter of 2021.

Cash used in financing activities was $78.9 million in the first quarter of 2021, as compared to cash provided by financing activities of $13.1 million in the same period last year. We reduced net drawings on our credit facility by $69.7 million on the strength of operating cash flows. We returned $6.1 million to shareholders via dividends and common shares repurchased for cancellation under our renewed Normal Course Issuer Bid ("NCIB").

Liquidity and Capital Resources

Total liquidity was $244.0 million at March 31, 2021, compared to $178.3 million at the end of 2020. Liquidity is comprised of cash and cash equivalents of $3.1 million and unused availability under the credit facility of $240.9 million.

Based on our current forecasts, we expect sufficient liquidity will be available to meet these commitments as well as our other obligations in 2021. The Company was in compliance with all its financial covenants as at March 31, 2021.

Dividend and Capital Allocation

We remain committed to a balanced approach to capital allocation. To return capital to shareholders, we reinstated a regular quarterly dividend in the first quarter of 2021 and may complement it with common share repurchases under our NCIB.

We will continue to evaluate opportunities to invest strategic and discretionary capital in jurisdictions that create the opportunity to grow long-term shareholder value. We expect to focus near-term internal strategic capital investments on projects that reduce manufacturing costs or address kiln drying and planer capacity constraints on the BC Coast. These potential investments will help support growth of our specific product line initiatives, as well as add value to our products. The Company will evaluate all capital allocation decisions after considering our operating results, financial condition, cash requirements, financing agreement restrictions and other factors or financial metrics that may be deemed relevant.

Quarterly Dividend

In the first quarter of 2021, the Company's Board of Directors reinstated a quarterly dividend of $0.01 per common share. The quarterly dividend program is intended to return a portion of the Company's cash to shareholders, after taking into consideration liquidity and ongoing capital needs. The Company's Board of Directors will continue to review our dividend on a quarterly basis.

Normal Course Issuer Bid

On August 7, 2020, the Company renewed its NCIB permitting the purchase and cancellation of up to 18,759,858 of the Company's common shares or approximately 5% of the common shares issued and outstanding as of August 6, 2020. 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.

During the first three months of 2021, we repurchased 1,295,000 common shares for $2.3 million at an average price of $1.79 per common share. No common shares were repurchased in the same period of last year.

As at May 5, 2021, we have purchased 3,832,448 common shares for $7.5 million at an average price of $1.96 per common share under the current NCIB. We are permitted to purchase up to an additional 14,927,410 under the renewed NCIB, which expires on August 10, 2021.

Strategy and Outlook

Western's long-term business objective is to create superior value for shareholders by building a sustainable, margin-focused 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, 2020.

Sales & Marketing Strategy Update

To capitalize on a strong North American market, we have redirected lumber production from relatively weak export markets. We have targeted sales to selected customers in the North American treating sector where our product mix could provide the most value. In the near-term we anticipate North American pricing to remain above trend levels and will look to solidify our presence in the specialty treated lumber sector.

We continue to progress with the execution of our sales and marketing strategy, which 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.

We continue to develop and evaluate growth opportunities for our wholesale lumber business, including the Japanese Cedar products program and ongoing Yellow Cedar product development. In our US operations, our Columbia Vista division has been a positive addition to our business and product mix.

Market Outlook

Demand for forest products globally continues to outpace supply driving higher pricing for all of our product segments. Lumber markets in North America are being supported by strong fundamentals including low mortgage rates, a housing deficit stemming from years of underbuilding, and the influence of work-from-home arrangements on the repair and renovation segment. At the same time supply has been reduced due to the impact of permanent production curtailments resulting from Mountain Pine Beetle in the BC Interior, and COVID-19 related manufacturing labour constraints. Markets are likely to be further impacted near-term by higher seasonal demand associated with the spring building season, while lumber imports into North American may continue to be limited by global container shipping challenges. Long-term we expect growth in mass timber building technologies, the need for carbon neutral products and improved recognition of lumber as the most sustainable building product on the planet will grow demand and benefit the forest sector.

Demand and pricing for our Western Red Cedar ("WRC") and Niche products has improved across all product categories on the strength of a robust residential repair and renovation market. WRC trim, decking and fencing are in high demand, while Douglas Fir and Hemlock timbers and appearance grade products have led pricing improvements in our Niche segment. We expect seasonally strong demand and constrained supply to drive incremental price improvements in the near term.

In Japan, difficult winter operating conditions and the impacts of COVID-19 have challenged domestic production while container shipping constraints have reduced the supply of imported lumber. Reduced supply has left Japan lumber inventory levels at record lows. As a result of the lack of supply, pricing has started to rise, and we anticipate pricing to improve further as we move into the third quarter. We are closely monitoring rising COVID-19 cases in Japan which could temporarily impact demand.

We expect domestic saw log prices to increase in response to improved lumber markets, and greater competition from improved export markets. The Northern Bleached Softwood Kraft pulp price benchmark has increased in the last few months and, if sustained, we would expect to achieve improved prices for pulp logs and sawmill residual chips.

We expect the impacts of COVID-19 to continue to challenge lumber supply in the near term which should lead to increased pricing volatility. While at the same time we are hopeful that ongoing safety protocols and vaccine roll-outs may positively influence lumber demand and pricing. We plan to utilize our flexible operating platform to adjust to market conditions and will continue to align our production volumes to match market demand.

Softwood Lumber Dispute

The US application of duties 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 consists of significant volumes of 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 ("NAFTA") challenge proceedings, please see "*Risks and Uncertainties"* in our Management's Discussion and Analysis for the year ended December 31, 2020.

Western expensed $8.2 million of export duties on its lumber shipments into the US in the first quarter of 2021, as compared to $4.0 million in the same period last year. Despite lower duty rates, increased US destined lumber shipments and higher price realizations increased export duty expense.

In the fourth quarter of 2020, Western recognized an export tax recovery of $31.6 million arising from the Department of Commerce's ("DoC") final determination on assessed rates for 2017 and 2018. Export duty tax was comprised of countervailing duty and anti-dumping duty at a combined rate of 20.23% on all lumber Western sold into the US until November 30, 2020 and a combined rate of 8.99% effective December 1, 2020. This new combined rate is effective until the issuance of final revised rates determined through DoC's second administrative review, expected in late 2021, for which Western has not been selected as a mandatory respondent.

At March 31, 2021, Western had $127.1 million (USD $101.2 million) of cash on deposit with the US Department of Treasury in respect of these softwood lumber duties, of which $36.3 million (USD $28.9 million) is recognized in the Company's balance sheet arising from rate determinations in 2017 and 2020.

Including wholesale lumber shipments, our sales to the US market represent approximately 42% of our total revenue in the first quarter of 2021, as compared to 36% in the same period last year and 32% in fiscal 2020. 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 2021	Q1 2020	Q4 2020
Adjusted EBITDA			
Net income (loss)	$ 53.8	$ (21.0)	$ 34.4
Add:			
Amortization	12.9	11.0	14.3
Changes in fair value of biological assets, net	1.2	-	1.2
Operating restructuring items	0.5	0.4	0.6
Other (income) expense (1)	(16.7)	(1.6)	6.2
Finance costs (income)	0.9	2.2	(0.5)
Current income tax expense (recovery)	8.8	(0.1)	-
Deferred income tax expense (recovery)	1.5	(8.3)	15.1
Adjusted EBITDA	$ 62.9	$ (17.4)	$ 71.1
Adjusted EBITDA margin			
Total revenue	$ 322.5	$ 99.1	$ 318.9
Adjusted EBITDA	62.9	(17.4)	71.1
Adjusted EBITDA margin	20%	-18%	22%
Net debt to capitalization			
Net debt			
Total debt	$ 2.5	$ 139.2	$ 71.9
Bank indebtedness	-	-	0.2
Cash and cash equivalents	(3.1)	(2.2)	(2.9)
Net debt (cash)	$ (0.6)	$ 137.0	$ 69.2
Capitalization			
Net debt (cash)	$ (0.6)	$ 137.0	$ 69.2
Add: Equity	552.6	459.6	504.5
Capitalization	$ 552.0	$ 596.6	$ 573.7
Net debt to capitalization	-	23%	12%

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 and gain on disposal of assets.

Critical Accounting Estimates

For a review of significant management judgements affecting financial results and critical accounting estimates, please see our 2020 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, 2021.

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, 2020 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, 2021.

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, 2021.

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, 2021.

Risks and Uncertainties

The business of the Company is subject to several risks and uncertainties, including those described in the 2020 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, 2021.

Internal Controls over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting ("ICFR") during the three months ended March 31, 2021, that have materially affected, or are reasonably likely to materially affect, its ICFR.

Outstanding Share Data

As of May 5, 2021, there were 371,633,673 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, 2021, no options were granted, 512,620 previously granted options were exercised and no options were forfeited. As of May 5, 2021, 17,747,304 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)		2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2
Average Exchange Rate – USD to CAD		1.265	1.303	1.332	1.386	1.344	1.320	1.321	1.337
Average Exchange Rate – CAD to USD		0.790	0.767	0.751	0.722	0.744	0.758	0.757	0.748
Financial Performance (1)									
Revenue									
Lumber		$ 276.6	$ 256.6	$ 208.6	188.8	83.2	66.1	109.7	233.6
Logs		33.1	53.4	73.7	60.5	12.9	12.1	27.4	63.3
By-products		12.8	8.9	8.3	7.0	3.0	1.9	4.5	13.4
Total revenue		$ 322.5	$ 318.9	$ 290.6	$ 256.3	99.1	80.1	141.6	310.3
Adjusted EBITDA		$ 62.9	$ 71.1	$ 33.7	$ 29.5	$ (17.4)	$ (18.1)	$ (16.6)	$ 15.1
Adjusted EBITDA margin		20%	22%	12%	12%	(18%)	(23%)	(12%)	5%
Earnings (loss) per share:									
Net income (loss), basic and diluted		$ 0.14	$ 0.09	$ 0.03	$ 0.02	$ (0.06)	$ (0.09)	$ (0.05)	$ -
Operating Statistics									
Lumber (2)									
Production	mmfbm	199	180	192	143	61	34	48	206
Shipments - Total	mmfbm	204	204	165	152	64	44	90	211
Price	$/mfbm	$ 1,356	$ 1,258	$ 1,264	$ 1,242	$ 1,300	$ 1,502	$ 1,219	$ 1,107
Logs (3)									
Net production	000 m^3	688	901	1,138	1,224	167	21	21	1,250
Saw log purchases	000 m^3	195	222	235	236	141	34	84	238
Log availability	000 m^3	883	1,123	1,373	1,460	308	55	105	1,488
Shipments	000 m^3	284	471	679	587	141	135	246	536
Price (4)	$/$m^3$	$ 117	$ 113	$ 109	$ 103	$ 91	$ 90	$ 111	$ 118
Share Repurchases and Dividends									
Shares repurchased (millions)		1.3	-	-	-	-	-	1.2	3.8
Shares repurchased		$ 2.3	$ -	$ -	$ -	$ -	$ -	$ 1.9	$ 6.6
Dividends paid		$ 3.8	$ -	$ -	$ -	$ 8.4	$ 8.5	$ 8.4	$ 8.5

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

(1) Results for the third and fourth quarter 2019 and first quarter 2020 reflect the impact of Strike-curtailed coastal BC operations.
(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 average realized log price per cubic metre has been presented on a gross basis, which may include fee-in-lieu and shipping charges incurred on behalf of customers to facilitate sales to export markets.

In a normal operating year there is seasonality to the Company's operations with higher lumber sales in the second and third quarters when construction activity, particularly 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, 2021 and 2020

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

	March 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 3.1	$ 2.9
Trade and other receivables	74.0	66.8
Inventory (Note 5)	169.0	177.9
Prepaid expenses and other assets	19.5	16.1
	265.6	263.7
Non-current assets:		
Property, plant and equipment (Note 6)	354.6	383.3
Timber licenses	104.0	105.0
Biological assets (Note 7)	51.6	53.6
Other assets (Note 8)	48.4	46.3
Deferred income tax assets	0.2	0.3
	$ 824.4	$ 852.2
Liabilities and Equity		
Current liabilities:		
Bank indebtedness	$ -	$ 0.2
Accounts payable and accrued liabilities	93.1	108.7
Income taxes payable	8.8	-
Current portion of long-term debt (Note 9)	0.4	0.4
Current portion of lease liabilities	6.0	6.2
Current portion of reforestation obligation (Note 11)	9.3	8.1
Current portion of deferred revenue (Note 18)	2.0	2.0
	119.6	125.6
Non-current liabilities:		
Long-term debt (Note 9)	2.1	71.5
Lease liabilities	14.6	15.4
Reforestation obligation (Note 11)	13.1	14.3
Deferred income tax liabilities	53.3	51.2
Other liabilities (Note 12)	20.2	20.2
Deferred revenue (Note 18)	47.9	48.4
	270.8	346.6
Equity:		
Share capital (Note 13)	478.6	479.9
Contributed surplus	10.3	10.4
Translation reserve	(2.9)	(1.9)
Retained earnings	66.6	16.1
Total equity attributable to equity shareholders of the Company	552.6	504.5
Non-controlling interest (Note 19)	1.0	1.1
	553.6	505.6
	$ 824.4	$ 852.2

Commitments and contingencies (Notes 14, 15)
Subsequent event (Note 19)

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, 2021	Three months ended March 31, 2020
Revenue (Note 18)	$ 322.5	$ 99.1
Cost of expenses:		
Cost of goods sold	228.4	110.8
Freight	22.8	6.3
Export tax (Note 14)	8.2	4.0
Selling and administration	14.3	6.4
	273.7	127.5
Operating income (loss) prior to restructuring and other items	48.8	(28.4)
Operating restructuring items	(0.5)	(0.4)
Other income	16.7	1.6
Operating income (loss)	65.0	(27.2)
Finance costs	(0.9)	(2.2)
Income (loss) before income taxes	64.1	(29.4)
Income tax expense (recovery) (Note 10)		
Current	8.8	(0.1)
Deferred	1.5	(8.3)
	10.3	(8.4)
Net income (loss)	53.8	(21.0)
Net income (loss) attributable to equity shareholders of the Company	53.6	(21.0)
Net income attributable to non-controlling interest	0.2	-
	53.8	(21.0)
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Defined benefit plan actuarial gain (Note 15)	2.0	2.2
Income tax expense on other comprehensive gain (Note 10)	(0.6)	(0.6)
Total items that will not be reclassified to profit or loss	1.4	1.6
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange translation of foreign operations	(1.0)	5.4
Total comprehensive income (loss)	$ 54.2	$ (14.0)
Earnings (loss) per share (in dollars) (Note 16)		
Basic and diluted	$ 0.14	$ (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, 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 actuarial gain	-	-	-	(0.6)	-	(0.6)
Foreign exchange translation of foreign operations	-	-	5.4	-	-	5.4
Total comprehensive loss	-	-	5.4	(19.4)	-	(14.0)
Stock options recognized in equity (Note 13(b))	-	0.2	-	-	-	0.2
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
Balance at December 31, 2020	$ 479.9	$ 10.4	$ (1.9)	$ 16.1	$ 1.1	$ 505.6
Net income	-	-	-	53.6	0.2	53.8
Other comprehensive income:						
Defined benefit plan actuarial gain recognized	-	-	-	2.0	-	2.0
Income tax expense on actuarial gain	-	-	-	(0.6)	-	(0.6)
Foreign exchange translation of foreign operations	-	-	(1.0)	-	-	(1.0)
Total comprehensive income	-	-	(1.0)	55.0	0.2	54.2
Stock options recognized in equity (Note 13(b))	-	0.1	-	-	-	0.1
Exercise of stock options (Notes 13(a), (b))	0.3	(0.2)	-	-	-	0.1
Repurchase of shares (Note 13(a))	(1.6)	-	-	(0.7)	-	(2.3)
Dividends	-	-	-	(3.8)	-	(3.8)
Distributions to non-controlling interest (Note 19)	-	-	-	-	(0.3)	(0.3)
Total transactions with owners, recorded directly in equity	(1.3)	(0.1)	-	(4.5)	(0.3)	(6.2)
Balance at March 31, 2021	$ 478.6	$ 10.3	$ (2.9)	$ 66.6	$ 1.0	$ 553.6

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, 2021	Three months ended March 31, 2020
Cash provided by (used in):		
Operating activities:		
Net income (loss)	$ 53.8	$ (21.0)
Items not involving cash:		
Amortization of property, plant and equipment (Note 6)	11.9	10.0
Amortization of timber licenses	1.0	1.0
Gain on disposal of property, equipment and biological assets (Notes 6, 7)	(17.4)	(1.8)
Change in fair value of biological assets (Note 7)	1.2	-
Change in reforestation obligation (Note 11)	(0.1)	0.5
Amortization of deferred revenue	(0.5)	(0.5)
Share-based compensation, including mark-to-market adjustment	4.5	(0.9)
Finance costs	0.9	2.2
Income tax expense (recovery) (Note 10)	10.3	(8.4)
Change in pension liability (Note 15)	(0.3)	(0.6)
Export tax receivable	0.4	(0.3)
Other	0.6	1.1
	66.3	(18.7)
Changes in non-cash working capital items:		
Trade and other receivables	(8.4)	(15.0)
Inventory	8.7	(11.6)
Prepaid expenses and other assets	(3.5)	1.1
Accounts payable and accrued liabilities	(17.4)	31.7
	(20.6)	6.2
	45.7	(12.5)
Investing activities:		
Additions to property, plant and equipment (Note 7)	(4.3)	(1.5)
Proceeds from disposal of assets	37.7	1.0
	33.4	(0.5)
Financing activities:		
Interest paid	(0.7)	(1.0)
Draw on (repayment of) credit facility (Note 9)	(69.7)	23.5
Repayment of long-term equipment loan (Note 9)	(0.1)	-
Payment of lease liabilities	(1.9)	(1.0)
Repurchase of shares (Note 13(a))	(2.3)	-
Dividends	(3.8)	(8.4)
Distributions on non-controlling interest (Note 19)	(0.3)	-
Repayment of bank indebtedness	(0.2)	-
Proceeds from exercise of stock options (Note 13)	0.1	-
	(78.9)	13.1
Increase in cash and cash equivalents	0.2	0.1
Cash and cash equivalents, December 31	2.9	2.1
Cash and cash equivalents, March 31	$ 3.1	$ 2.2

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 ("BC") and Washington State. The address of the Company's head office is Suite 800 – 1055 West Georgia Street, Vancouver, BC, Canada. The unaudited condensed consolidated interim financial statements as at and for the three months ended March 31, 2021 and 2020 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, value-added lumber remanufacturing and wholesaling purchased lumber. 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, 2020. 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"). References to the three months ended March 31 may be referred to as Q1.

The interim financial statements were authorized for issue by the Board of Directors on May 5, 2021.

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 fair value at each reporting date;
- 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 of the fair value of the plan assets, less the present value of the defined benefit obligation; and,
- Reforestation obligations and lease liabilities are measured at the discounted value of expected future cash flows.

Functional and presentation currency

These interim financial statements are presented in Canadian dollars which is the Company's functional currency. Certain of the Company's subsidiaries have a functional currency of the US Dollar ("USD") and are translated to Canadian Dollars ("CAD"). All amounts are presented in millions of CAD, unless otherwise indicated.

Use of estimates and judgements

The preparation of these interim 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.

2. Basis of preparation (continued)

Use of estimates and judgements (continued)

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, 2020.

Risks and uncertainties related to COVID-19

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 continue to evolve and expose the Company to a number of risks and uncertainties.

Governments put lockdown measures in place aimed to avert a health crisis, but not all economic activities were halted with a need to support critical infrastructure and the production of essential goods to ensure the health, safety and security of citizens. As such, both the Canadian and US governments identified the forest industry as an essential service. Although construction activity reduced at the peak of the pandemic, timber and wood building supplies continued to be essential to the repair and maintenance of essential infrastructure. In addition, by-products of logging and sawmilling provide inputs necessary for production of daily essentials to its population, including those needed to make personal protective equipment such as protective medical gowns and hygiene products.

The Company's workers continue to provide essential goods and services during the pandemic. The Company took steps to keep workers safe by implementing new safe work procedures which included: the maintenance of physical distancing, providing enhanced safety protocol training and health screening for employees, wearing personal protective equipment, sequestering work teams and using technology to work remotely. Logging crews largely work in self-contained camps with enhanced health and safety processes in place including measures to reduce interactions with local rural and Indigenous communities.

There is still considerable uncertainty about how the global pandemic will affect economies around the world over the long-term. The future impact of the COVID-19 pandemic on the Company will depend on many factors that are uncertain and cannot be predicted including, but not limited to, the duration and severity of the pandemic, further actions taken to contain the pandemic or new information that may emerge concerning the spread and severity of COVID-19. 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 operating results, 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, 2020.

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, 2021	December 31, 2020
Gross carrying value of inventory		
Logs	$ 95.1	$ 112.6
Lumber	60.7	58.5
Supplies and other	17.3	16.3
	$ 173.1	$ 187.4
Provisions		
Logs	$ (2.7)	$ (5.6)
Lumber	(0.9)	(3.4)
Supplies and other	(0.5)	(0.5)
	$ (4.1)	$ (9.5)
Total carrying value of inventory	$ 169.0	$ 177.9

The carrying amount of inventory recorded at net realizable value was $6.6 million at March 31, 2021 (December 31, 2020: $32.9 million), with the remaining inventory recorded at cost.

For the three months ended March 31, 2021, $228.4 million (Q1 2020: $110.8 million) of inventory was charged to cost of goods sold. This includes a decrease in the provision for write-down to net realizable value of $5.4 million for the three months ended March 31, 2021 (Q1 2020: decrease of $3.1 million).

6. Property, plant and equipment

	Buildings & equipment	Logging roads	Land	Right of use assets	**Total**
Cost					
Balance at December 31, 2019	$ 460.8	$ 214.2	$ 94.0	$ 24.0	$ 793.0
Additions	11.9	8.6	0.3	8.1	28.9
Disposals	(5.7)	-	(5.4)	(0.3)	(11.4)
Transfers	(0.4)	-	-	0.4	-
Impairments	-	-	(3.6)	-	(3.6)
Effect of movements in exchange rates	(0.9)	-	(0.1)	(0.4)	(1.4)
Balance at December 31, 2020	465.7	222.8	85.2	31.8	805.5
Additions	2.7	1.6	-	0.9	5.2
Disposals	(12.7)	-	(20.8)	(0.2)	(33.7)
Transfers	(0.1)	0.1	-	-	-
Effect of movements in exchange rates	(0.7)	-	(0.2)	-	(0.9)
Balance at March 31, 2021	$ 454.9	$ 224.5	$ 64.2	$ 32.5	$ 776.1
Accumulated amortization and impairments					
Balance at December 31, 2019	$ 193.5	$ 180.0		$ 4.6	$ 378.1
Amortization	31.5	12.0		5.8	49.3
Disposals	(4.8)	(0.3)		(0.1)	(5.2)
Transfers	0.7	(0.7)		-	-
Effect of movements in exchange rates	(0.2)	-		0.2	-
Balance at December 31, 2020	220.7	191.0		10.5	422.2
Amortization	7.4	2.9		1.6	11.9
Disposals	(12.4)	-		-	(12.4)
Effect of movements in exchange rates	-	-		(0.2)	(0.2)
Balance at March 31, 2021	$ 215.7	$ 193.9		$ 11.9	$ 421.5
Carrying amounts					
At December 31, 2020	$ 245.0	$ 31.8	$ 85.2	$ 21.3	$ 383.3
At March 31, 2021	$ 239.2	$ 30.6	$ 64.2	$ 20.6	$ 354.6

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

6. Property, plant and equipment (continued)

In the first three months ended March 31, 2021, the Company completed the sale of certain non-core assets for cash proceeds of $37.7 million. The most significant sale includes certain properties and their underlying rights related to the Orca Quarry located near Port McNeil, BC.

7. Biological assets

Reconciliation of carrying amount

	Three months ended March 31, 2021	Three months ended March 31, 2020
Carrying value, December 31	$ 53.6	$ 56.0
Disposition of biological assets	(0.8)	-
Change in fair value due to growth and pricing	0.5	0.3
Harvested timber transferred to inventory	(1.7)	(0.3)
Carrying value, March 31	$ 51.6	$ 56.0

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.

At March 31, 2021, private timberlands comprised an area of approximately 22,665 hectares (December 31, 2020: 23,293 hectares) of land owned by the Company, a reduction of 628 hectares due to the sale of property related to the Orca Quarry site located near Port McNeil, BC; standing timber on these timberlands range from newly planted cut-blocks to mature forest available for harvest.

During the three months ended March 31, 2021, the Company harvested and scaled approximately 115,297 cubic metres ("m^3") of logs from its private timberlands (Q1 2020: 16,560 m^3), which had a fair value less costs to sell of $107 per m^3 at the date of harvest (Q1 2020: $141 per m^3).

8. Other assets

	March 31, 2021	December 31, 2020
Duty receivable and related interest (Note 14)	$ 36.3	$ 36.7
Investments and long term advances	11.3	8.8
Other	0.8	0.8
	$ 48.4	$ 46.3

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

9. Long-term debt

	March 31, 2021	December 31, 2020
Credit Facility drawings	$ 0.5	$ 70.2
Equipment term loan	2.0	2.1
Total debt	2.5	72.3
Less transaction costs	-	(0.4)
Less current portion of equipment term loan	(0.4)	(0.4)
Long-term debt	$ 2.1	$ 71.5
Available Credit Facility	$ 250.0	$ 250.0
Drawings on Credit Facility	(0.5)	(70.2)
Outstanding letters of credit	(8.6)	(4.2)
Unused portion of Credit Facility	$ 240.9	$ 175.6

	March 31, 2021	December 31, 2020
Balance at December 31	$ 72.3	$ 114.1
Equipment loan addition	-	2.2
Interest on equipment loan	-	0.1
Equipment loan repayments	(0.1)	(0.2)
Net repayments on revolving term loan	(69.7)	(43.9)
Closing balance, total debt	$ 2.5	$ 72.3

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 CAD by way of Prime Rate Advances, Bankers' Acceptances or Letters of Credit and in USD 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.

The Company's Credit Facility was drawn by $0.5 million bearing a variable interest rate of 3.15% (December 31, 2020: 4.45%) as at March 31, 2021. The Company was in compliance with its financial covenants as at March 31, 2021.

On March 16, 2020, Western entered into a $2.2 million term loan agreement to finance an equipment purchase. The loan bears interest at 4.5% and matures March 16, 2026. As at March 31, 2021, the outstanding balance was $2.0 million, of which $0.4 million was current.

10. Income taxes

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

	Three months ended March 31, 2021	Three months ended March 31, 2020
Income (loss) before income taxes	$ 64.1	$ (29.4)
Income tax expense (recovery) at statutory rate of 27% (2020 – 27%)	17.3	(7.9)
Differences in tax rates	(0.1)	-
Change in unrecognized deductible temporary differences	(4.9)	-
Permanent differences	(2.0)	(0.5)
	$ 10.3	$ (8.4)

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

10. Income taxes (continued)

	Three months ended March 31, 2021	Three months ended March 31, 2020
Income tax expense (recovery)		
Current	$ 8.8	$ (0.1)
Deferred	1.5	(8.3)
	$ 10.3	$ (8.4)

In addition to the amounts recorded to net income, deferred tax expense of $0.6 million was recorded in other comprehensive income for the three months ended March 31, 2021 (Q1 2020: $0.6 million) in relation to actuarial gains on employee future benefit obligations.

11. 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, 2021	Three months ended March 31, 2020
Reforestation obligation, December 31	$ 22.4	$ 23.4
Reforestation provision charged	0.9	1.7
Reforestation expenditures	(1.0)	(1.2)
Unwind of discount	0.1	-
Reforestation obligation, March 31	22.4	23.9
Less current portion	(9.3)	(8.7)
	$ 13.1	$ 15.2

The reforestation expenditures are expected to occur over the next one to ten years and have been discounted at risk-free rates of 0.17% to 1.56%. The total undiscounted amount of the estimated future expenditures required to settle the reforestation obligation at March 31, 2021 is $22.7 million (December 31, 2020: $22.7 million). Reforestation expense incurred on current production is included in cost of goods sold and the unwinding of discount, or accretion cost, is included in finance costs.

12. Other liabilities

	March 31, 2021	December 31, 2020
Employee future benefits obligation (Note 15)	$ 13.9	$ 16.1
Environmental accruals	1.6	1.6
Performance share unit plan liabilities, non-current (Note 13(d))	3.1	1.1
Other	1.6	1.4
	$ 20.2	$ 20.2

13. Share capital

(a) Issued and outstanding share capital

The transactions in share capital are described below:

	Number of Common Shares	Amount
Balance at December 31, 2019	375,197,166	$ 479.9
Exercise of stock options	35,000	-
Balance at December 31, 2020	375,232,166	479.9
Exercise of stock options	233,955	0.3
Repurchase of shares	(1,295,000)	(1.6)
Balance at March 31, 2021	374,171,121	$ 478.6

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

13. Share capital (continued)

(a) Issued and outstanding share capital (continued)

On August 7, 2020, Western renewed its Normal Course Issuer Bid ("NCIB") permitting the purchase and cancellation of up to 18,759,858 of the Company's common shares or approximately 5% of the common shares issued and outstanding as of August 6, 2020.

For the three months ended March 31, 2021, the Company repurchased 1,295,000 common shares under the NCIB (Q1 2020: nil) for $2.3 million at an average price of $1.79 per common share, of which $1.6 million was charged to share capital and $0.7 million was charged to retained earnings.

In addition to the common shares repurchased under the NCIB, 465,000 stock options were exercised with 186,335 common shares issued on a cashless basis (Q1 2020 – nil).

(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, of which 5,206,850 remain available for future issuance.

	Three months ended March 31, 2021			Three months ended March 31, 2020		
	Number of options	Weighted average exercise price		Number of options	Weighted average exercise price	
Outstanding at December 31	18,259,924	$	1.58	13,057,129	$	1.80
Granted	-		-	5,260,670		1.05
Exercised	(512,620)		0.80	-		-
Outstanding at March 31	17,747,304	$	1.60	18,317,799	$	1.58

During the three months ended March 31, 2021, the Company recorded a compensation expense for stock options of $0.1 million (Q1 2020: $0.2 million).

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

The Company has a DSU Plan for directors and, until January 1, 2015, allowed grants to designated executive officers.

	Three months ended March 31, 2021			Three months ended March 31, 2020		
	Number of DSUs	Weighted average unit value[1]		Number of DSUs	Weighted average unit value[1]	
Outstanding at December 31	2,471,200	$	1.19	1,739,691	$	1.32
Granted[1]	75,374		1.88	296,699		0.64
Outstanding at March 31	2,546,574	$	1.21	2,036,390	$	1.22

[1]Fair value at the date of the grants. Grants included notional dividends.

During the three months ended March 31, 2021, the Company recorded a compensation expense for DSUs of $1.3 million, (Q1 2020: compensation recovery of $1.0 million), with corresponding adjustments to accounts payable and accrued liabilities.

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

13. Share capital (continued)

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

The Company has established a PSU Plan for designated officers and employees.

	Three months ended March 31, 2021		Three months ended March 31, 2020	
	Number of PSUs	Weighted average unit value[1]	Number of PSUs	Weighted average unit value[1]
Outstanding at December 31	2,838,304	$ 1.54	1,852,815	$ 2.16
Granted[1]	1,160,486	1.55	1,646,730	1.05
Redeemed	(512,649)	2.61	(661,241)	2.06
Outstanding at March 31	3,486,141	$ 1.39	2,838,304	$ 1.54

[1]Fair value at the date of the grants. Grants include notional dividends.

For the three months ended March 31, 2021, the Company recorded a compensation expense for PSUs of a $2.7 million (Q1 2020: compensation recovery of $0.1 million), with corresponding adjustments to accounts payable and accrued liabilities and other liabilities.

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

In 2020, the Company established an RSU Plan for designated officers and employees.

	Three months ended March 31, 2021		Three months ended March 31, 2020	
	Number of RSUs	Weighted average unit value[1]	Number of RSUs	Weighted average unit value[1]
Outstanding at December 31	357,060	$ 1.05	-	$ -
Granted[1]	1,350,649	1.74	357,060	1.05
Outstanding at March 31	1,707,709	$ 1.45	357,060	$ 1.05

[1]Fair value at the date of the grants. Grants include notional dividends.

For the three months ended March 31, 2021, the Company recorded an expense of $0.3 million (Q1 2020: $nil) with corresponding adjustments to other liabilities.

14. 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 or pay a penalty calculated based on the provisions contained in the relevant agreement. Should Western take significant market related curtailments in its sawmills, its chip production would decline, increasing the risk that the Company may not meet its contractual obligations if it is not possible to secure replacement chips on the open market.

The Company had met all fibre commitments as at March 31, 2021. Based on chip and pulp log volumes supplied to date, the Company anticipates satisfying annual fibre commitments for the year ending December 31, 2021.

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.

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

14. Commitments and contingencies (continued)

Key dates in the softwood lumber duty dispute

On October 12, 2015, the softwood lumber agreement between Canada and the US, under which Canadian softwood lumber shipments to the US were assessed an export tax by the Canadian government, expired.

From 2017 onward, as a result of petitions filed by the US Lumber Coalition and others and determinations made by the US International Trade Commission, the US Department of Commerce ("DoC") imposed Countervailing ("CV") and Anti-dumping duties ("AD") on Canadian softwood lumber shipments to the US.

On November 23, 2020 the DoC released its final determination for AD and CD rates and revised rates for AD and CV were published in the US Federal Register on November 30, 2020 and December 1, 2020 respectively. Cash deposits to the date of publication were 20.23%. The final determination reduced the assessment rates applied to exports during the period of review (April 28, 2017 through December 31, 2018) and established a new combined cash deposit rate of 8.99% that applies to Canadian lumber shipments made to the US after publication of rates in the US Federal Register.

The following table summarizes the cash deposit rates in effect and the final rates released on November 23, 2020.

	3 months ended March 31, 2021	1 month ended December 31, 2020	11 months ended November 30, 2020	Years ended 2019	2018	2017
Cash deposit rate, CVD	7.42%	7.42%	14.19%	14.19%	14.19%	14.19%
Cash deposit rate, AD	1.57%	1.57%	6.04%	6.04%	6.04%	6.04%
Cash deposit rate, combined	8.99%	8.99%	20.23%	20.23%	20.23%	20.23%
Final rate, CVD					7.42%	6.71%
Final rate, AD					1.57%	1.66%
Final rate, combined					8.99%	8.37%

US lumber duties and export tax

Cash deposits for CV 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.

As a result of changes between final and cash deposit rates noted in the table above, the Company recognized a receivable of USD$28.9 million, including interest, in the statement of financial position and revalued at the quarter-end exchange rate to CAD$36.3 million. Related foreign exchange losses of $0.5 million for the three months ended March 31, 2021 (Q1 2020: $0.3 million foreign exchange gain) were recorded in other expense.

As at March 31, 2021, the Company had paid $127.1 million of duties, all of which remain held in trust by U.S. Department of Treasury (December 31, 2020: $120.0 million). With the exception of $36.3 million noted above, all duty deposits have been expensed at the cash deposit rates in effect at the date of payment.

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

15. 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, 2021	December 31, 2020
Present value of obligations	$ 123.0	$ 132.2
Fair value of plan assets	(109.1)	(116.1)
Liability recognized in the statement of financial position (Note 12)	$ 13.9	$ 16.1

The change in the liability recognized in the statement of financial position at March 31, 2021 was due primarily to an increase in the discount rate used to value the defined benefit obligations, partially offset by lower returns on plan assets. The discount rate used as at March 31, 2021 was 2.95% per annum (December 31, 2020: 2.35% per annum).

The Company expects to make funding contributions to its defined benefit plans of $1.4 million in 2021.

16. 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, 2021			Three months ended March 31, 2020		
	Net income attributable to equity shareholders	Weighted Average Number of Shares	Per Share	Net loss attributable to equity shareholders	Weighted Average Number of Shares	Per share
Issued shares at December 31		375,232,166			375,197,166	
Effect of shares issued in quarter		36,393			-	
Effect of shares repurchased in quarter		(120,889)			-	
Basic earnings (loss) per share	$ 53.6	375,147,670	$ 0.14	$ (21.0)	375,197,166	$ (0.06)
Effect of dilutive securities:						
Stock options		2,862,345			464,718*	
Diluted earnings (loss) per share	$ 53.6	378,010,015	$ 0.14	$ (21.0)	375,197,166	$ (0.06)

* 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.

17. 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, 2020.

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

17. Financial instruments – fair values (continued)

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, 2021			December 31, 2020		
	Level	Mandatory at FVTPL	Amortized Cost	Total	Mandatory at FVTPL	Amortized Cost	Total
Financial assets							
Market-based investments	2	$ 4.8	$ -	$ 4.8	$ 4.8	$ -	$ 4.8
Foreign currency forward contracts	2	-	-	-	0.6	-	0.6
Cash and cash equivalents	2	-	3.1	3.1	-	2.9	2.9
Trade and other receivables	3	-	74.0	74.0	-	66.2	66.2
Other investments and advances	3	-	2.7	2.7	-	-	-
Export tax receivable	3	36.3	-	36.3	36.7	-	36.7
Total financial assets		$ 41.1	$ 79.8	$ 120.9	42.1	$ 69.1	111.2
Financial liabilities							
Foreign currency forward contracts	2	$ 0.2	$ -	$ 0.2	$ -	$ -	$ -
Accounts payable and accrued liabilities	2	-	92.9	92.9	-	108.7	108.7
Lease liabilities	2	-	20.6	20.6	-	21.6	21.6
Long term debt (Note 9)	2	-	2.5	2.5	-	72.3	72.3
Total financial liabilities		$ 0.2	$ 116.0	$ 116.2	$ -	$ 202.6	$ 202.6

As at March 31, 2021, the Company had outstanding obligations to sell an aggregate US$84.5 million at an average rate of CAD$1.2534 per USD with maturities through May 20, 2021.

All foreign currency gains or losses related to currency forward contracts to March 31, 2021 have been recognized in revenue for the period and the fair value of these instruments at March 31, 2021 was a net liability of $0.2 million, which is included in accounts payable and accrued liabilities on the statement of financial position (December 31, 2020: net asset of $0.6 million was included in trade and other receivables). A gain of $1.9 million was recognized on contracts which were settled in the three months ended March 31, 2021 (Q1 2020: net loss of $1.0 million).

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

18. 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, 2021	2020
Primary geographic markets		
Canada	$ 103.5	$ 28.9
United States	133.9	35.3
China	36.1	9.9
Japan	22.8	18.6
Other	18.5	4.4
Europe	7.7	2.0
	$ 322.5	$ 99.1
Major Products		
Lumber	$ 276.6	$ 83.2
Logs	33.1	12.9
By-products	12.8	3.0
	$ 322.5	$ 99.1

Contract balances

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

	March 31, 2021	December 31, 2020
Trade and other receivables	$ 74.0	$ 66.2
Other investments and advances	2.7	-
Contract liabilities	49.9	50.4

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. Contract liabilities declined by $0.5 million which was recognized in revenue for the three months ended March 31, 2021 (Q1 2020 - $0.5 million).

19. Non-controlling interest and subsequent event

On March 29, 2019, the Company completed the sale of a 7% ownership interest in its newly formed TFL 44 Limited Partnership ("TFL 44 LP") to Huumiis Ventures Limited Partnership, a limited partnership beneficially owned by the Huu-ay-aht First Nations. The Company received $7.3 million in exchange for the 7% ownership 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 (the "TFL 44 Transaction") and a 7% equity interest in a newly formed limited partnership that will own the Alberni Pacific Division Sawmill (the "APD Transaction") for total consideration of $36.2 million. COVID-19 restrictions and other impacts have affected the ability for the parties to satisfy all closing conditions, necessitating the closing of the TFL 44 Transaction in two stages and delaying the closing of the APD Transaction.

19. Non-controlling interest and subsequent event (continued)

On May 3, 2021, Western completed the sale of an incremental 28% equity in TFL 44 LP to HVLP for total consideration of $22.4 million. The completion of this stage of the TFL 44 Transaction results in HVLP holding a combined equity interest of 35% in TFL44 LP.

The second stage of the TFL 44 Transaction, for the acquisition by HVLP of a further 16% equity interest in TFL 44 LP for total consideration of $12.8 million, is anticipated to close in the first quarter of 2023, and 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.

Western may sell to other area First Nations, including HVLP, a further incremental ownership interest of up to 26% in TFL 44 LP, under certain conditions. The Company and TFL 44 LP will also enter into a long-term fibre agreement to continue to supply the Company's BC coastal manufacturing operations, which have undergone significant capital investment over the past several years.

The APD Transaction is anticipated to close in the first quarter of 2023.

On February 26, 2021, the Board of TFL 44 LP declared a distribution which resulted in a decrease of $0.3 million in non-controlling interest.

Western Forest Products Inc.

DEFINING A HIGHER STANDARD™

Suite 800
1055 West Georgia Street
Royal Centre, PO Box 11122
Vancouver, British Columbia
Canada V6E 3P3
Telephone: 604 648 4500

www.westernforest.com
info@westernforest.com

Trading on the TSX as "WEF"