



Western Forest Products®

Western Forest Products Inc.

2025 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, 2025, 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, 2025, and our audited annual consolidated financial statements and the notes thereto and Management's Discussion and Analysis for the year ended December 31, 2024, which can be found on SEDAR+ at www.sedarplus.ca. Unless otherwise noted, the information in this discussion and analysis is updated to May 6, 2025.

The Company has prepared the consolidated financial statements for the three months ended March 31, 2025, in accordance with IFRS Accounting Standards, 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.

Reference is made in this MD&A to Adjusted Earnings Before Interest, Tax, Depreciation and Amortization ("Adjusted EBITDA"). Adjusted EBITDA is defined as operating income prior to operating restructuring items and other income (expense), plus amortization of plant, equipment, right of use and timber licence 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 in the "Non-GAAP Financial Measures" section of this report.

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 and bank indebtedness 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, but 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 the past.

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", "commit", "project", "estimate", "expect", "anticipate", "plan", "target", "forecast", "intend", "believe", "seek", "could", "should", "may", "likely", "continue", "pursue" 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, North American and international market conditions, prices, demands and growth, including demands for our cedar products; economic conditions; legislative changes and policy initiatives; the softwood lumber dispute; the applicability and scope of tariffs and the expected timing thereof; our growth, marketing, production, wholesale, operational and capital allocation plans, investments and strategies, fibre availability and regulatory developments; the development, completion and implementation of integrated resource management plans or forest landscape plan pilots by First Nations and the expected timing and cost of completion and commissioning of the Company's announced capital investments and capital expenditures, including the two new continuous dry kilns. 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 including inflation, international demand for forest products, the Company's ability to export its products, cost and availability of shipping carrier capacity, competition and selling prices, international trade disputes and sanctions, changes in foreign currency exchange rates, labour disputes and disruptions, ability to recruit workers, natural disasters, the impact of climate change, relations with First Nations groups, First Nations' claims and settlements, the availability of fibre and AAC, the ability to obtain operational permits, development and changes in laws and regulations affecting the forest industry, changes in the price of key materials for our products, changes in opportunities, information systems security 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.

Summary of Selected Quarterly Results ⁽¹⁾

(millions of Canadian dollars ("CAD") except per share amounts and where otherwise noted)

Summary Information		Q1 2025	Q1 2024	Q4 2024
Revenue				
Lumber ⁽²⁾		\$ 210.2	\$ 177.6	\$ 214.3
Logs		33.5	45.1	46.5
By-products		10.9	10.5	9.7
Forestry services and other ⁽³⁾		7.9	6.3	2.7
Total revenue		262.5	239.5	273.2
Freight		16.3	16.0	17.3
Export tax expense		9.0	4.0	8.9
Stumpage		2.3	5.3	8.2
Adjusted EBITDA ⁽⁴⁾		\$ 3.5	\$ (4.2)	\$ 14.4
Adjusted EBITDA margin ⁽⁴⁾		1%	(2%)	5%
Operating loss prior to restructuring and other items		\$ (9.2)	\$ (17.3)	\$ (0.4)
Net income (loss)		13.8	(8.0)	(1.2)
Earnings (loss) per share, basic and diluted	\$ per share	0.04	(0.02)	(0.00)
Operating Information ⁽⁵⁾				
Lumber shipments ⁽²⁾⁽⁶⁾	mmfbm	137	131	146
Cedar	mmfbm	31	30	36
Japan Specialty	mmfbm	17	29	16
Industrial ⁽²⁾	mmfbm	22	21	24
Commodity	mmfbm	67	51	71
Lumber production ⁽²⁾	mmfbm	134	145	135
Lumber price, average ⁽²⁾	\$/mfbm	\$ 1,533	\$ 1,351	\$ 1,467
Wholesale lumber shipments	mmfbm	9	7	6
Log shipments	000 m ³	231	337	355
Domestic	000 m ³	198	283	260
Export	000 m ³	-	-	-
Pulp	000 m ³	33	54	95
Net production ⁽⁷⁾	000 m ³	465	617	673
Saw log purchases	000 m ³	216	129	234
Log price, average ⁽⁸⁾	\$/m ³	\$ 134	\$ 129	\$ 121
Illustrative Lumber Average Price Data ⁽⁹⁾		Price Basis		
Grn WRC #2 Clear & Btr 4x6W RL (\$C)	cif dest N Euro	\$ 8,125	\$ 8,492	\$ 8,108
Grn WRC Deck Knotty 2x6 RL S4S	Net fob Mill	\$ 1,489	\$ 1,068	\$ 1,431
Grn WRC #2 & Btr AG 6x6 RL	Net fob Mill	\$ 3,439	\$ 3,315	\$ 3,434
Coast Grn WRC Std&Btr NH 3/4x4 RL S1S2E	Net fob Mill	\$ 1,140	\$ 1,100	\$ 1,140
Grn Hem Baby Squares Merch 4-1/8x4-1/8 13'	c&f dest Japan	\$ 970	\$ 975	\$ 974
Grn Dfir Baby Squares Merch 4-1/8x4-1/8 RL S4S	c&f dest Japan	\$ 1,050	\$ 1,135	\$ 1,104
Grn Dfir (Portland) #1&Btr 100% FOHC 6x6 Rough	Net fob Mill	\$ 1,710	\$ 1,714	\$ 1,181
Hemlock Lumber 2x4 (40x90) Metric RG Utility	cif dest Shanghai	\$ 377	\$ 385	\$ 373
Coast KD Hem-Fir #2 & Btr 2x4	Net fob Mill	\$ 525	\$ 461	\$ 477
Average exchange rate – CAD to USD ⁽¹⁰⁾		0.697	0.742	0.715
Average exchange rate – CAD to JPY ⁽¹⁰⁾		106.30	110.12	108.89

(1) Included in *Appendix A* is a table of selected results from the last eight quarters. Figures in the table may not equal, sum or recalculate to figures presented in the table or elsewhere due to rounding. Log data reflects British Columbia ("BC") business only.

(2) Includes glulamated wood products.

(3) Forestry services and other include harvesting, roadbuilding, reforestation, planning and other services.

(4) Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP financial measures. Refer to the *Non-GAAP Financial Measures* section of this document for more information on each non-GAAP financial measure.

(5) "mmfbm" = millions of board feet; "mfbm" = thousands of board feet.

(6) Includes wholesale lumber shipments.

(7) Net production is log production, net of residuals and waste.

(8) The average realized log price per cubic metre has been presented on a gross basis.

(9) Sourced from Random Lengths in USD/Mfbm except Hemlock Metric RG Utility that is sourced from the Forest Economic Advisors LLC China Bulletin.

(10) Canadian Dollar ("CAD"), United States Dollar ("USD"), Japanese yen ("JPY").

Summary of First Quarter 2025 Results

We reported Adjusted EBITDA of \$3.5 million in the first quarter of 2025, as compared to negative \$4.2 million in the same period last year. Results in the first quarter of 2025 reflect higher lumber prices and shipments, and a stronger USD to CAD average exchange rate, partially offset by higher export duty rates and lower external log shipments compared to the same period last year.

Net income was \$13.8 million in the first quarter of 2025, as compared to a net loss of \$8.0 million in the same period last year. Operating loss prior to restructuring and other items was \$9.2 million in the first quarter of 2025, as compared to \$17.3 million in the same period last year. The first quarter of 2025 included \$23.9 million in gains from the sale of private timberlands and our Alberni Pacific Division (“APD”).

Revenue

Lumber revenue was \$210.2 million in the first quarter of 2025 as compared to \$177.6 million in the same period last year. The increase of 18% was due to higher lumber prices and shipment volumes, and a stronger USD to CAD average exchange rate, partially offset by a weaker sales mix. Our average realized lumber price increased by 13% to \$1,533 per thousand board feet in the first quarter of 2025, as compared to \$1,351 per thousand board feet in the same period last year, due to price improvements in most lumber markets and a stronger USD to CAD average exchange rate.

Specialty lumber shipments represented 51% of total lumber shipment volumes in the first quarter of 2025, as compared to 61% in the same period last year, primarily due to weaker Japanese market conditions. Commodity lumber shipment volumes increased by 31% compared to the same period last year on improved North American market demand.

Log revenue was \$33.5 million in the first quarter of 2025, as compared to \$45.1 million in the same period last year. The decrease of 26% was due to lower shipment volumes driven by lower harvest levels, partially offset by a stronger sales mix compared to the same period last year.

By-products revenue was \$10.9 million, as compared to \$10.5 million in the same period last year. The increase of 4% was due to an increase in chip prices, which were partially offset by a decrease in chip sales volumes.

Forestry services and other revenue were \$7.9 million, as compared to \$6.3 million in the same period last year. The increase of 25% was due to higher contract values from more complex work performed in the first quarter of 2025 compared to the same period last year.

Operations

Lumber production was 134 million board feet in the first quarter of 2025, as compared to 145 million board feet in the same period last year. In both periods, we curtailed certain sawmill operations to match production to market demand and manage inventory levels. In the first quarter of 2025, additional production curtailments compared to the same period last year were due to adverse weather conditions and a mechanical issue at one sawmill. Sawmill cash conversion costs per thousand board feet increased 12% primarily due to higher spending on external processing and lower production volumes.

We harvested 465,000 cubic metres of logs from our BC coastal operations in the first quarter of 2025, as compared to 617,000 cubic metres in the same period last year. Harvested volumes decreased primarily due to harvest permit approval delays compared to the same period last year. Log harvest reductions were partly offset by increased saw log purchases to match log volumes to our sawmill requirements.

Timberlands cash operating costs per cubic metre increased 4% compared to the same period last year. The increase was primarily due to lower harvest volumes and higher harvesting contractor costs compared to the same period last year, partially offset by lower average stumpage rates due to the mix of logs harvested.

BC Coastal saw log purchases were 216,000 cubic metres in the first quarter of 2025, as compared to 129,000 cubic metres in the same period last year.

Freight expense was \$16.3 million in the first quarter of 2025 as compared to \$16.0 million in the same period last year. The increase of 2% was primarily due to increased lumber shipments, partially offset by a lower percentage of shipments to China and Japan.

We recorded \$9.0 million of export tax expense in the first quarter of 2025, as compared to \$4.0 million in the same period of 2024. Export tax expense increased due to higher duty rates, higher US-destined lumber shipments and a stronger USD.

Corporate and Other

Selling and administration expense was \$11.3 million in the first quarter of 2025 as compared to \$11.4 million in the same period last year.

Restructuring costs were \$0.3 million in the first quarter of 2025, related to curtailment costs at APD. Restructuring recoveries of severance were \$0.2 million in the first quarter of 2024.

Other income was \$24.3 million in the first quarter of 2025 as compared to \$1.8 million in the same period last year, consisting primarily of \$23.9 million in gains from the sale of private timberlands and our APD facility and \$0.3 million from foreign exchange gains. Foreign exchange gains of \$1.7 million were recognized in the first quarter of 2024.

Finance costs were \$1.1 million in the first quarter of 2025 as compared to \$2.1 million in the same period last year. Finance costs decreased due to lower average debt balances, as proceeds from asset sales were used to repay draws on our credit facility.

Income Taxes

Income tax recovery was \$0.1 million on a net income before tax of \$13.7 million in the first quarter of 2025 as compared to income tax recovery of \$9.4 million on loss before tax of \$17.4 million in the same period last year. The rate differential results primarily from reduced tax rates on capital gains from the sale of assets in the first quarter of 2025.

Net Income (loss)

Net income was \$13.8 million in the first quarter of 2025, as compared to a net loss of \$8.0 million for the same period last year. Results in the first quarter of 2025 benefitted from gains on sales of non-core assets and improving lumber demand and prices in certain markets, compared to the same period last year.

Accelerating the Transition to Higher Value Products

Two Continuous Dry Kilns

We continue to advance two continuous dry kilns, with site preparation underway. The kilns are expected to be completed and commissioned in early 2026. Costs, excluding any contributions from the BC Manufacturing Jobs Fund ("BCMJF"), expended to March 31, 2025 for these kilns total \$5.2 million, relative to a total estimated budget of \$33 million.

BC Manufacturing Jobs Fund

On February 28, 2025, the Company and the Province entered into an agreement to reimburse eligible expenses related to kiln and other capital projects, up to a maximum of \$7.5 million, subject to certain milestones. During the quarter, the Company accrued \$1.4 million in eligible expenditures, and subsequently received payment of \$1.4 million in April 2025.

Sale of Private Timberlands

On February 10, 2025, the Company completed the sale of 14,294 hectares of fee simple land, biological assets and infrastructure on northern Vancouver Island, BC to a Canadian affiliate of the Eastwood Climate Smart Forestry Fund I LP for gross proceeds of \$69.2 million. The sale resulted in a gain of \$23.7 million.

Alberni Pacific Division

On February 28, 2025, the Company completed the sale of APD for gross proceeds of \$7.3 million. The sale resulted in a gain of \$0.2 million.

Labour Relations

On January 17, 2025, the Company's hourly employees that are represented by the United Steelworkers Local 1-1937 ("USW") ratified a new six-year collective bargaining agreement which expires on June 14, 2030.

Softwood Lumber Dispute

The US application of duties continues a long-standing pattern of US protectionist action against Canadian lumber producers. 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 – Softwood Lumber Dispute”* in our Management’s Discussion and Analysis for the year ended December 31, 2024.

On February 21, 2025, the Department of Commerce (“DoC”) initiated its seventh administrative review (“AR”) of countervailing (“CV”) and antidumping (“AD”) rates for shipments in 2024, with a completion deadline of January 31, 2026.

On March 3, 2025, the DoC announced its preliminary determination for AD rates resulting from its sixth AR for shipments in 2023, indicating a rate of 20.07%, compared to the current rate of 7.66%. On April 4, 2025, the DoC announced its preliminary determination for CV rates resulting from its sixth AR for shipments in 2023, indicating a rate of 14.38%, compared to the current rate of 6.74%, for a combined preliminary rate of 34.45%, compared to the current rate of 14.40%. The DoC may revise these rates between the preliminary and the final determination, which is expected to be released in the second half of 2025.

If the final sixth AR rates are unchanged from the preliminary sixth AR rates, Western will record a non-cash export tax expense of USD\$43.0 million, plus accrued interest of approximately USD\$7.0 million, when the final sixth AR rates are published in the second half of 2025. This amount will be partially offset against the current long-term duty receivable of USD\$58.2 million on the Company’s balance sheet as at March 31, 2025. Cash deposits continue at the combined duty rate of 14.40% until the final determinations are published, after which the final 2023 rate will apply. For a summary of cash deposit, preliminary and final CV and AD rates applicable to lumber shipment dates, please see *“Risks and Uncertainties – Softwood Lumber Dispute”* in our Management’s Discussion and Analysis for the year ended December 31, 2024.

As at March 31, 2025, Western had USD\$190 million (\$273 million) of cash on deposit with the US Department of Treasury in respect of softwood lumber duties, of which USD\$47.3 million (\$68.1 million) plus accrued interest of USD\$10.9 million (\$15.7 million) is recognized in the Company’s consolidated statements of financial position arising from final rate determinations for Canadian shipments made to the US in 2017 through 2022.

Including wholesale lumber shipments, our sales from Canadian operations to the US market represented approximately 24% of total lumber shipments in the first quarter of 2025, as compared to 21% in the same period last year.

The final amount and effective date of CV and AD duties that may be assessed on Canadian softwood lumber exports to the US cannot be determined at this time and will depend on decisions yet to be made by any reviewing courts or panels to which the DoC determinations may be appealed.

US Tariffs

On February 1, 2025, US President Donald Trump signed an executive order imposing a tariff of 25% (the “Incremental US Tariff”) on imported goods from Canada to the US with an originally planned implementation date of February 4, 2025. On February 3, 2025, the implementation date was delayed to March 4, 2025. The Incremental US Tariff was implemented on March 4, 2025, and was in place until March 6, 2025, when it was delayed for certain Canadian goods compliant with existing free trade agreements, including the Company’s exports to the United States, until April 2, 2025. On April 2, 2025, the exemption was extended indefinitely. The Incremental US Tariff is in addition to the existing combined US softwood lumber CV and AD rates of 14.40% which the Company is currently subject to.

On March 1, 2025, US President Donald Trump signed an executive order initiating an investigation to determine whether imports of timber, lumber and their derivatives products threaten to impair US national security, citing Section 232 of the *Trade Expansion Act*. The executive order requires the Secretary of Commerce to issue a report within 270 days that includes findings on whether imports of timber, lumber and their derivatives threaten national security, recommendations on actions, including potential tariffs, export controls or incentives to increase domestic production, and policy recommendations to strengthen US timber and lumber supply. The Secretary of Commerce set a deadline of April 1, 2025 to receive public comment on the investigations. We provided comments both individually and collectively with industry peers through the BC Lumber Trade Council.

The potential implementation and duration of any incremental US tariffs is unknown and could have a material impact on our operating earnings and cash flows. We are working with all levels of government across Canada

to advocate for programs and policies that will best enable the forestry sector to serve global markets and manage through these uncertain times.

Regulatory Environment

The Province has introduced various policy initiatives and regulatory changes in recent years that impact the BC forest sector, including: fibre recovery, lumber remanufacturing, old growth forest management, forest stewardship and the exportation of logs. For additional details on these policy initiatives, regulatory changes and risks, please see “Regulatory Risks” under the heading “Risks and Uncertainties” in our Management’s Discussion and Analysis for the year ended December 31, 2024.

In the first quarter of 2025, the Province announced a review of the British Columbia Timber Sales (“BCTS”) program. The review is led by a panel of three experts, with a stated intent of “strengthening operations and ensuring BCTS continues to meet the evolving needs of the forest industry”. The Company sources a portion of its saw log purchases from third party BCTS volume. Furthermore, stumpage rates in BC are determined based on a timber pricing system known as the Market Pricing System, which uses certain information from the BCTS system to establish the market value of timber. As the review, and any recommendations that may result from it, are not yet complete, the potential impact it may have on our operations cannot be determined at this time.

On March 13, 2025, the Province introduced *Bill 7, Economic Stabilization (Tariff Response) Act* (“Bill 7”) as a proposed response to threatened and enacted US tariffs. The proposed Bill 7 includes broad powers to issue procurement directives for government and government procurement entities and to impose new tolls, fees and charges on provincial infrastructure. It also provides for the removal of certain interprovincial trade barriers. Bill 7 has not yet been brought into force and thus the potential impact it may have on our operations cannot be determined at this time.

Financial Position and Liquidity ⁽¹⁾

(millions of Canadian dollars except where otherwise noted)

Selected Cash Flow Items	Q1 2025	Q1 2024	Q4 2024
Operating activities			
Net income (loss)	\$ 13.8	\$ (8.0)	\$ (1.2)
Amortization	12.7	13.2	14.3
Impairment of assets held for sale	-	-	1.5
(Gain) loss on disposal of assets	(23.9)	(0.2)	0.7
Income tax expense (recovery)	(0.1)	(9.4)	1.7
Income tax receipts (payments)	0.5	(0.1)	-
Share-based compensation, including mark-to-market adjustment	0.9	0.3	(0.4)
Finance costs	1.1	2.1	1.8
Other	(0.4)	(1.9)	(5.2)
	4.6	(4.0)	13.2
Change in non-cash working capital	(10.3)	(24.0)	11.2
Cash provided by (used in) operating activities	(5.7)	(28.0)	24.4
Investing activities			
Additions to property, plant and equipment	(6.7)	(3.4)	(8.2)
Additions to capital logging roads	(0.7)	(1.4)	(2.2)
Net proceeds on disposal of assets	74.6	0.8	-
Advances and loans receipts	0.1	0.1	0.1
Proceeds from disposition of minority interest in subsidiary	-	35.9	-
Cash provided by (used in) investing activities	67.3	32.0	(10.3)
Financing activities			
Net drawings (repayments) on credit facility	(60.0)	1.7	(4.5)
Bank indebtedness (repayments)	0.4	(0.4)	(1.4)
Interest payments	(1.9)	(2.7)	(2.4)
Lease payments	(3.2)	(2.4)	(2.4)
Other	-	-	(0.5)
Cash used in financing activities	(64.7)	(3.8)	(11.2)
Increase (decrease) in cash	\$ (3.1)	\$ 0.2	\$ 2.9
Summary of Financial Position			
Cash and cash equivalents	\$ 4.8	\$ 2.5	\$ 7.9
Current assets	325.7	347.9	334.1
Current liabilities	120.3	110.8	127.0
Bank indebtedness	0.4	0.5	-
Long-term debt	25.6	85.6	85.5
Net debt ⁽²⁾	21.2	83.6	77.6
Equity, excluding non-controlling interest	571.9	578.3	558.2
Total liquidity ⁽³⁾⁽⁶⁾	195.4	142.1	144.6
Financial ratios			
Current assets to current liabilities ⁽⁴⁾	2.71	3.14	2.63
Net debt to capitalization ⁽⁵⁾⁽⁶⁾	4%	13%	12%

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

(2) Net debt is defined as the sum of long-term debt and bank indebtedness, less cash and cash equivalents.

(3) Total liquidity comprises cash and cash equivalents, bank indebtedness and available credit under the Company's credit facility.

(4) Current assets to current liabilities is a supplementary measure and defined as current assets divided by current liabilities.

(5) Capitalization comprises net debt and shareholders' equity.

(6) Total liquidity and net debt to capitalization are non-GAAP financial measures. Refer to the "Non-GAAP Financial Measures" section of this document for more information on each non-GAAP financial measure.

Cash used in operating activities was \$5.7 million in the first quarter of 2025, as compared to \$28.0 million in the same period last year.

Cash provided by investing activities was \$67.3 million in the first quarter of 2025, compared to \$32.0 million provided in the same period last year. In the first quarter of 2025, we received net proceeds of \$74.6 million from the sale of private timberlands, our APD facility and other assets. In the first quarter of 2024, we received proceeds of \$35.9 million from the sale of a 34% ownership interest in La-kwa sa muqw Forestry Limited Partnership.

Cash used in financing activities was \$64.7 million in the first quarter of 2025, as compared to \$3.8 million in the same period last year resulting primarily from repayments on our credit facility.

Liquidity and Capital Resources

Total liquidity was \$195.4 million at March 31, 2025, as compared to \$144.6 million at December 31, 2024 and \$142.1 million at March 31, 2024. Liquidity is comprised of cash and cash equivalents of \$4.8 million, and unused availability under the Company's credit facility of \$191.0 million, less \$0.4 million of bank indebtedness.

On May 1, 2025, the Company's syndicated credit facility (the "Credit Facility") was amended, with the maturity date extended to July 21, 2028 from July 21, 2026. The Company's Credit Facility provides for a maximum borrowing amount of \$250 million, with advances in excess of \$215 million subject to a leverage metric. The Credit Facility is subject to certain financial covenants, including a maximum debt to total capitalization ratio, and in limited circumstances a reduction to the maximum facility size related to certain material dispositions. A copy of the amended Credit Facility agreement will be filed under the Company's profile on "SEDAR+" at www.sedarplus.ca.

Based on our current forecasts, we expect sufficient liquidity will be available to meet any commitments as well as our other obligations through the next twelve months. The Company was in compliance with its financial covenants as at March 31, 2025 and expects to comply for at least twelve months thereafter.

Capital Expenditures

We currently anticipate 2025 capital expenditure spending of between \$60 and \$65 million, which includes approximately \$30 million of planned spending on the two continuous dry kilns and one thermal kiln. We may reduce our 2025 planned capital expenditure spending depending on market and financial conditions, with a near-term priority on maintaining a strong balance sheet and financial flexibility.

Market Outlook

North American markets are expected to be volatile due to concerns around the economic impact caused by potential further US tariffs and retaliatory tariffs. The spring building season which typically leads to gains in softwood lumber demand could be more muted than previous expectations given the uncertain economic environment.

In Japan, the spring housing demand is stronger than expected and channel inventories have declined. However, an overall cautious approach continues as housing starts are expected to decline later in the year. Pricing has improved and we are cautiously optimistic that pricing will strengthen further as the JPY strengthens relative to the USD.

Demand for our Industrial lumber products in North America are expected to strengthen as supply remains tight across all species. In China, significant US tariffs on Chinese exports has caused some concerns within the economy. However, this may be partially offset by a Chinese ban on imported US logs that will reduce overall supply of softwood lumber into the market, which may lead to an increase in demand for Canadian lumber.

Non-GAAP Financial Measures

Reference is made in this MD&A to the following non-GAAP measures: Adjusted EBITDA, Adjusted EBITDA margin, Net debt to capitalization and Total liquidity 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 unaudited condensed consolidated financial statements:

(millions of Canadian dollars except where otherwise noted)

	Q1 2025	Q1 2024	Q4 2024
Adjusted EBITDA			
Net income (loss)	\$ 13.8	\$ (8.0)	\$ (1.2)
Add:			
Amortization	12.7	13.2	14.3
Changes in fair value of biological assets	(0.1)	-	0.6
Operating restructuring items	0.3	(0.2)	2.1
Other income	(24.3)	(1.8)	(4.8)
Finance costs	1.1	2.1	1.8
Income tax expense (recovery)	(0.1)	(9.4)	1.7
Adjusted EBITDA	\$ 3.5	\$ (4.2)	\$ 14.4
Adjusted EBITDA margin			
Total revenue	\$ 262.5	\$ 239.5	\$ 273.2
Adjusted EBITDA	3.5	(4.2)	14.4
Adjusted EBITDA margin	1%	(2%)	5%
Net debt to capitalization			
Net debt			
Total debt	\$ 25.6	\$ 85.6	\$ 85.5
Bank indebtedness	0.4	0.5	-
Cash and cash equivalents	(4.8)	(2.5)	(7.9)
	\$ 21.2	\$ 83.6	\$ 77.6
Capitalization			
Net debt	\$ 21.2	\$ 83.6	\$ 77.6
Total equity attributable to equity shareholders of the Company	571.9	578.3	558.2
	\$ 593.1	\$ 661.9	\$ 635.8
Net debt to capitalization	4%	13%	12%
Total liquidity			
Cash and cash equivalents	\$ 4.8	\$ 2.5	\$ 7.9
Available credit facility ⁽¹⁾	250.0	250.0	250.0
Bank indebtedness	(0.4)	(0.5)	-
Credit facility drawings	(26.0)	(85.7)	(86.0)
Outstanding letters of credit	(33.0)	(24.2)	(27.3)
	\$ 195.4	\$ 142.1	\$ 144.6

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

(1) Maximum borrowing amount, with advances in excess of \$215 million subject to a leverage metric.

Accounting Policies and Standards

Several new standards, and amendments to existing standards and interpretations, were not yet effective as at March 31, 2025, and have not been applied in preparing the Company's unaudited condensed consolidated interim financial statements. We are currently evaluating the impact of IFRS 18, *Presentation and Disclosure in Financial Statements*, which will replace IAS 1, *Presentation of Financial Statements*, for the year ending December 31, 2027. No other standards are currently considered by the Company to be significant or likely to have a material impact on future financial statements.

Critical Accounting Estimates

For a review of significant management judgements affecting financial results and critical accounting estimates, please see our 2024 Annual Report, which can be found on SEDAR+ at www.sedarplus.ca. There were no changes to critical accounting estimates during the three months ended March 31, 2025.

Financial Instruments and Other Instruments

We use various financial instruments to reduce the impact of movement in foreign exchange rates on our net result. Please see our Management Discussion and Analysis for the year ended December 31, 2024 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, 2025.

Off-Balance Sheet Arrangements

The Company has off-balance sheet arrangements which include letters of credit and surety performance and payment bonds, primarily for timber purchases and CV and AD duty deposits. At March 31, 2025, surety performance and payment bonds aggregated \$51.1 million (December 31, 2024: \$48.2 million), of which \$30.2 million (December 31, 2024: \$24.5 million) are secured by letters of credit. Off-balance sheet arrangements have not had, and are not reasonably likely to have, any material impact on the Company's current or future financial condition, results of operations or cash flows.

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, 2025.

Risks and Uncertainties

The business of the Company is subject to several risks and uncertainties, including those described in the 2024 Annual Report which can be found on SEDAR+ at www.sedarplus.ca. 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, 2025.

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, 2025, that have materially affected, or are reasonably likely to materially affect, its ICFR.

Outstanding Share Data

As of May 6, 2025, there were 316,745,557 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, 2025, no options were granted or exercised, 1,028,571 options expired and no options were forfeited. As of May 6, 2025, 9,210,108 stock 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.sedarplus.ca.

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)

	2025		2024				2023		
	Q1		Q4	Q3	Q2	Q1	Q4	Q3	Q2
Average exchange rate – USD to CAD	1.435		1.399	1.364	1.368	1.348	1.361	1.341	1.343
Average exchange rate – CAD to USD	0.697		0.715	0.733	0.731	0.742	0.734	0.746	0.745
Financial performance									
Revenue									
Lumber	\$ 210.2		\$ 214.3	\$ 189.9	\$ 235.3	\$ 177.6	\$ 178.3	\$ 179.9	\$ 212.4
Logs	33.5		46.5	39.9	56.5	45.1	51.1	38.4	52.8
By-products	10.9		9.7	9.1	12.4	10.5	9.9	7.2	9.4
Forestry services and other	7.9		2.7	2.8	5.3	6.3	7.3	5.6	1.4
Total revenue	\$ 262.5		\$ 273.2	\$ 241.7	\$ 309.5	\$ 239.5	\$ 246.6	\$ 231.1	\$ 276.0
Net income (loss)	\$ 13.8		\$ (1.2)	\$ (19.6)	\$ (5.7)	\$ (8.0)	\$ (14.3)	\$ (17.4)	\$ (20.7)
Earnings (loss) per share									
Basic and diluted	\$ 0.04		\$ (0.00)	\$ (0.06)	\$ (0.01)	\$ (0.02)	\$ (0.04)	\$ (0.05)	\$ (0.07)
Operating statistics									
Lumber ⁽¹⁾⁽²⁾									
Production	Mmfbm	134	135	127	151	145	125	126	148
Shipments	Mmfbm	137	146	138	173	131	136	130	153
Price	\$/mfbm	\$ 1,533	\$ 1,467	\$ 1,378	\$ 1,363	\$ 1,351	\$ 1,313	\$ 1,388	\$ 1,392
Logs ⁽³⁾									
Net production	000 m ³	465	673	659	820	617	718	678	935
Saw log purchases	000 m ³	216	234	215	172	129	200	116	167
Log availability	000 m ³	681	906	874	992	746	918	794	1,102
Shipments	000 m ³	231	355	347	339	337	446	324	370
Price ⁽⁴⁾	\$/m ³	\$ 134	\$ 121	\$ 113	\$ 155	\$ 129	\$ 112	\$ 118	\$ 129

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

(1) "mmfbm" = millions of board feet; "mfbm" = thousands of board feet.

(2) Includes glulam wood products.

(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.

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 and renovation and repair activity, particularly in the US, has historically tended to be higher. Log production is greater in that same period as longer daylight permits more hours of operations. 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 third quarter as it builds log inventory during optimal harvest conditions and builds lumber inventory in advance of seasonally high lumber demand.

The Company's quarterly financial trends are most impacted by typical industry-wide seasonality, levels of lumber production, log costs, market prices for lumber, labour disputes, the USD/CAD exchange rate, long term asset impairments and restructuring charges, and disposals of non-core properties.

Western Forest Products Inc.

Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2025 and 2024

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

	March 31, 2025	December 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 4.8	\$ 7.9
Trade and other receivables	73.5	60.1
Inventory ^(Note 5)	206.2	217.1
Prepaid expenses and other assets	36.1	35.0
Assets held for sale ^(Note 6)	-	7.4
Income taxes receivable	5.1	6.6
	<u>325.7</u>	<u>334.1</u>
Non-current assets:		
Property, plant and equipment	336.2	349.6
Timber licenses	87.2	88.2
Biological assets ^(Note 7)	15.9	48.6
Other assets ^{(Note 18(a))}	87.8	87.4
Goodwill	7.5	7.5
Deferred income tax assets	0.4	0.1
	<u>\$ 860.7</u>	<u>\$ 915.5</u>
Liabilities and Equity		
Current liabilities:		
Bank indebtedness	\$ 0.4	\$ -
Accounts payable and accrued liabilities	102.5	110.7
Liabilities directly associated with assets held for sale ^(Note 6)	-	0.3
Lease liabilities	7.2	6.7
Reforestation obligation	8.2	7.3
Deferred revenue ^{(18(d))}	2.0	2.0
	<u>120.3</u>	<u>127.0</u>
Non-current liabilities:		
Long-term debt ^(Note 8)	25.6	85.5
Lease liabilities	12.7	12.8
Reforestation obligation	14.1	14.6
Other liabilities ^(Note 10)	12.4	11.8
Deferred revenue ^{(Note 18(d))}	39.9	40.5
Deferred income tax liabilities	55.9	57.0
	<u>280.9</u>	<u>349.2</u>
Equity:		
Share capital	405.4	405.4
Contributed surplus	8.9	8.9
Translation reserve	8.2	8.1
Retained earnings	149.4	135.8
Total equity attributable to equity shareholders of the Company	<u>571.9</u>	<u>558.2</u>
Non-controlling interest ^(Note 11)	7.9	8.1
	<u>579.8</u>	<u>566.3</u>
	<u>\$ 860.7</u>	<u>\$ 915.5</u>

Commitments and contingencies ^(Note 18)
Subsequent event ^(Note 8)

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

Approved on behalf of the Board:

"Daniel Nocente"
Chair

"Steven Hofer"
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,	
	2025	2024
Revenue ^(Note 13)	\$ 262.5	\$ 239.5
Costs and expenses:		
Cost of goods sold	235.1	225.4
Freight	16.3	16.0
Export tax ^{(Note 18(a, b))}	9.0	4.0
Selling and administration	11.3	11.4
	<u>271.7</u>	<u>256.8</u>
Operating loss prior to restructuring and other items	(9.2)	(17.3)
Operating restructuring items ^(Note 14)	(0.3)	0.2
Other income ^(Note 15)	24.3	1.8
	<u>14.8</u>	<u>(15.3)</u>
Operating income (loss)	14.8	(15.3)
Finance costs	(1.1)	(2.1)
	<u>13.7</u>	<u>(17.4)</u>
Income (loss) before income taxes	13.7	(17.4)
Income tax expense (recovery) ^(Note 16)		
Current	1.1	0.1
Deferred	(1.2)	(9.5)
	<u>(0.1)</u>	<u>(9.4)</u>
Net income (loss)	13.8	(8.0)
Net income (loss) attributable to equity shareholders of the Company	14.0	(7.7)
Net loss attributable to non-controlling interest	(0.2)	(0.3)
	<u>13.8</u>	<u>(8.0)</u>
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss:		
Employee future benefits actuarial loss	(0.6)	(0.2)
Income tax recovery ^(Note 16)	0.2	0.1
Total items that will not be reclassified to profit or loss	<u>(0.4)</u>	<u>(0.1)</u>
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences for foreign operations	0.1	1.6
Total comprehensive income (loss)	<u>\$ 13.5</u>	<u>\$ (6.5)</u>
Earnings (loss) per share (in dollars) ^(Note 17)		
Basic and diluted	\$ 0.04	\$ (0.02)

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	Non-controlling interest	Total equity
	Number ⁽¹⁾	Amount					
Balance at December 31, 2023	316,746	405.4	8.8	1.9	148.9	2.9	567.9
Net loss	-	-	-	-	(7.7)	(0.3)	(8.0)
Other comprehensive income (loss):							
Employee future benefits actuarial loss	-	-	-	-	(0.2)	-	(0.2)
Income tax recovery on actuarial loss ^(Note 16)	-	-	-	-	0.1	-	0.1
Foreign currency translation differences for foreign operations	-	-	-	1.6	-	-	1.6
Total comprehensive loss	-	-	-	1.6	(7.8)	(0.3)	(6.5)
Non-controlling interest ^(Note 11)	-	-	-	-	19.5	9.5	29.0
Total transactions with owners, recorded directly in equity	-	-	-	-	19.5	9.5	29.0
Balance at March 31, 2024	316,746	\$ 405.4	\$ 8.8	\$ 3.5	\$ 160.6	\$ 12.1	\$ 590.4
Balance at December 31, 2024	316,746	405.4	8.9	8.1	135.8	8.1	566.3
Net income	-	-	-	-	14.0	(0.2)	13.8
Other comprehensive income (loss):							
Employee future benefits actuarial loss	-	-	-	-	(0.6)	-	(0.6)
Income tax recovery on actuarial loss ^(Note 16)	-	-	-	-	0.2	-	0.2
Foreign currency translation differences for foreign operations	-	-	-	0.1	-	-	0.1
Total comprehensive income (loss)	-	-	-	0.1	13.6	(0.2)	13.5
Balance at March 31, 2025	316,746	\$ 405.4	\$ 8.9	\$ 8.2	\$ 149.4	\$ 7.9	\$ 579.8

⁽¹⁾ Number of shares presented in thousands.

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,	
	2025	2024
Cash provided by (used in):		
Operating activities:		
Net income (loss)	\$ 13.8	\$ (8.0)
Items not involving cash:		
Amortization of property, plant and equipment	11.7	12.2
Amortization of timber licenses	1.0	1.0
Gain on disposal of assets ^(Notes 6, 15)	(23.9)	(0.2)
Amortization of deferred revenue	(0.6)	(0.5)
Finance costs	1.1	2.1
Income tax recovery ^(Note 16)	(0.1)	(9.4)
Change in reforestation obligation	0.2	0.7
Share-based compensation, including mark-to-market adjustment	0.9	0.3
Change in employee future benefits obligation ^(Note 9)	(0.3)	(0.2)
Foreign exchange and other	0.3	(1.9)
Income taxes refunded (paid)	0.5	(0.1)
	<u>4.6</u>	<u>(4.0)</u>
Changes in non-cash working capital items:		
Trade and other receivables	(12.1)	(12.6)
Inventory	10.9	3.0
Prepaid expenses and other assets	(1.1)	(3.1)
Accounts payable and accrued liabilities	(8.0)	(11.3)
	<u>(10.3)</u>	<u>(24.0)</u>
	<u>(5.7)</u>	<u>(28.0)</u>
Investing activities:		
Additions to property, plant and equipment	(7.4)	(4.8)
Net proceeds from private timberlands sale ^(Note 15)	67.3	-
Net proceeds from sale of assets held for sale ^(Notes 6, 15)	7.1	-
Net proceeds of property, equipment and other disposals	0.2	0.8
Advances and loans receipts	0.1	0.1
Proceeds on disposition of minority interest in subsidiary ^(Note 11)	-	35.9
	<u>67.3</u>	<u>32.0</u>
Financing activities:		
Net (repayments) drawings on credit facility ^(Note 8)	(60.0)	1.7
Bank indebtedness (repayments)	0.4	(0.4)
Interest payments	(1.9)	(2.7)
Lease payments	(3.2)	(2.4)
	<u>(64.7)</u>	<u>(3.8)</u>
Increase (decrease) in cash and cash equivalents	(3.1)	0.2
Cash and cash equivalents, beginning of period	7.9	2.3
Cash and cash equivalents, March 31	<u>\$ 4.8</u>	<u>\$ 2.5</u>

Western Forest Products Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2025 and 2024

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

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, United States (“US”). 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 (“interim financial statements”) as at and for the three months ended March 31, 2025 and 2024 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 and glulam remanufacturing, and wholesaling purchased lumber. The Company is listed on the Toronto Stock Exchange (“TSX”), under the symbol WEF.

2. Basis of preparation

These interim financial statements of the Company have been prepared in accordance with IAS 34, *Interim Financial Reporting*. These interim financial statements do not include all of the disclosures required by IFRS for annual financial statements, and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2024, available at www.westernforest.com or www.sedarplus.ca. 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 6, 2025.

3. Material accounting policies

The material 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, 2024.

4. Seasonality of operations

In a normal operating year, there is some seasonality to the Company’s operations, with higher lumber sales in the second and third quarters when construction activity in certain key markets has historically tended to be higher. Logging activity may also vary depending on weather conditions such as rain, snow and ice in the winter and the threat of forest fires in the summer.

5. Inventory

	March 31, 2025			December 31, 2024		
	Gross carrying value	Provisions	Lower of cost and net realizable value	Gross carrying value	Provisions	Lower of cost and net realizable value
Logs	\$ 122.4	\$ (12.2)	\$ 110.2	\$ 138.0	\$ (13.2)	\$ 124.8
Lumber	89.3	(14.1)	75.2	82.8	(11.3)	71.5
Supplies and other	20.8	-	20.8	20.8	-	20.8
	<u>\$ 232.5</u>	<u>\$ (26.3)</u>	<u>\$ 206.2</u>	<u>\$ 241.6</u>	<u>\$ (24.5)</u>	<u>\$ 217.1</u>

The carrying amount of inventory recorded at net realizable value was \$61.1 million at March 31, 2025 (December 31, 2024: \$61.9 million), with the remaining inventory recorded at cost.

The Company recognized an increase in the provision for write-down to net realizable value of \$1.8 million for the three months ended March 31, 2025 (Q1 2024: increase of \$0.8 million).

Western Forest Products Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2025 and 2024

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

6. Assets held for sale

On February 28, 2025, the Company completed its sale of its Alberni Pacific Division ("APD"), for net proceeds of \$7.1 million. APD had been recorded in assets held for sale as at December 31, 2024. The Company recognized a gain of \$0.2 million in the first quarter of 2025 recorded in other income in the statement of comprehensive income related to the sale.

As at March 31, 2025, the assets held for sale comprised the following assets and liabilities:

	March 31, 2025	December 31, 2024
Property, plant and equipment	-	7.4
Assets held for sale	<u>\$ -</u>	<u>\$ 7.4</u>
Lease and other liabilities directly associated with assets held for sale	<u>\$ -</u>	<u>\$ 0.3</u>

7. Biological assets

Reconciliation of carrying amount

	Three months ended Mar. 31,	
	2025	2024
Carrying value, beginning	\$ 48.6	\$ 49.3
Change in fair value due to growth and pricing	0.1	0.1
Harvested timber transferred to inventory	-	(0.1)
Disposals ^(Note 15)	(32.8)	-
Carrying value, March 31	<u>\$ 15.9</u>	<u>\$ 49.3</u>

At March 31, 2025, private timberlands comprised an area of approximately 8,399 hectares (December 31, 2024: 22,693 hectares) of land owned by the Company. Standing timber on private timberlands range from newly planted areas to mature forest available for harvest.

During the three months ended March 31, 2025, the Company harvested and scaled 5,358 cubic meters ("m³") of logs (Q1 2024: 7,730 m³), from its private timberlands, which had a fair value less costs to sell of \$141 per m³ at the date of harvest (Q1 2024: \$121 per m³).

8. Long-term debt

	Mar. 31, 2025	Dec. 31, 2024
Credit facility drawings	\$ 26.0	\$ 86.0
Less transaction costs	(0.4)	(0.5)
Long-term debt	<u>\$ 25.6</u>	<u>\$ 85.5</u>
Available Credit Facility	\$ 250.0	\$ 250.0
Credit Facility drawings	(26.0)	(86.0)
Outstanding letters of credit included in line utilization	(33.0)	(27.3)
Unused portion of Credit Facility	<u>\$ 191.0</u>	<u>\$ 136.7</u>

The Company's syndicated Credit Facility (the "Credit Facility") provides for a maximum borrowing amount of \$250 million, with advances in excess of \$215 million subject to a leverage metric. The maturity date of the Credit Facility is July 21, 2026. On May 1, 2025, the Credit Facility was amended, with the maturity date extended to July 21, 2028 from July 21, 2026.

The Credit Facility is available in CAD by way of Prime Rate Advances, Canadian Overnight Repo Rate Average Advances or Letters of Credit and in USD by way of Secured Overnight Financing Rate US Base Rate Advances, US Prime Rate 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 certain specified properties and their related assets, and is subject to certain financial covenants, including a maximum debt to total capitalization ratio.

The Company was in compliance with its financial covenants as at March 31, 2025 and expects to comply for at least twelve months thereafter. Accordingly, the loan is classified as non-current at March 31, 2025.

Western Forest Products Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2025 and 2024

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

9. Employee future benefits

The Company has defined benefit plans that provide pension or other retirement benefits to certain of its salaried employees. The Company also provides other post-employment benefits and pension bridging benefits to eligible retired employees. The defined benefit pension plans were closed to new participants effective June 30, 2006. No further benefits accrue under these plans for years of service after December 31, 2010, and no further benefits accrue under these plans for compensation increases effective December 31, 2016.

The amounts recognized in the statements 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:

	Mar. 31, 2025	Dec. 31, 2024
Present value of obligations	\$ 90.2	\$ 89.8
Fair value of plan assets	(84.9)	(84.9)
Liability recognized in the statements of financial position ^(Note 10)	<u>\$ 5.3</u>	<u>\$ 4.9</u>

The change in the liability recognized in the statements of financial position at March 31, 2025 resulted primarily from a decrease in the discount rate used to value the defined benefit obligations, offset by lower returns on plan assets. The discount rate used as at March 31, 2025 was 4.39% per annum (December 31, 2024: 4.54% per annum). The Company expects to make funding contributions to its defined benefit plans of \$1.2 million in 2025.

10. Other liabilities

	Current	Non-current	Total
As at March 31, 2025			
Defined benefit employee future benefits obligation ^(Note 9)	\$ -	\$ 5.3	\$ 5.3
Defined contribution employee future benefits obligation	-	2.7	2.7
Environmental provision	0.2	2.2	2.4
Deferred share unit plan liabilities	1.2	-	1.2
Performance share unit plan liabilities	-	0.1	0.1
Restricted share unit plan liabilities	0.5	1.8	2.3
Other	-	0.3	0.3
	<u>\$ 1.9</u>	<u>\$ 12.4</u>	<u>\$ 14.3</u>
As at December 31, 2024			
Defined benefit employee future benefits obligation ^(Note 9)	\$ -	\$ 4.9	\$ 4.9
Defined contribution employee future benefits obligation	-	2.7	2.7
Environmental provision	0.1	2.4	2.5
Deferred share unit plan liabilities	1.0	-	1.0
Restricted share unit plan liabilities	0.6	1.4	2.0
Other	-	0.4	0.4
	<u>\$ 1.7</u>	<u>\$ 11.8</u>	<u>\$ 13.5</u>

The current portion of other liabilities is recognized in accounts payable and accrued liabilities in the statements of financial position.

11. Non-controlling interest

On March 27, 2024, the Company completed the sale of a 34% ownership interest in its newly formed La-kwa sa muqw Forestry Limited Partnership ("LFLP") to four Vancouver Island First Nations for gross proceeds of \$35.9 million. The LFLP is comprised of certain assets and liabilities of the Company's former Mid-Island Forest Operation, including TFL 64, which was created through the subdivision of Block 2 of TFL 39. This is considered a transaction with owners in their capacity as owners, and because it did not result in a loss of control, the gain on disposal was recognized directly to retained earnings.

Western Forest Products Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2025 and 2024

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

12. BC Manufacturing Jobs Fund

On February 28, 2025, the Company and the Province of British Columbia, through the BC Manufacturing Jobs Fund, entered into an agreement to reimburse eligible expenditures up to a maximum of \$7.5 million related to construction of new kilns and other capital projects. During the three months ended March 31, 2025, the Company accrued \$1.4 million related to eligible expenditures incurred, which has been deducted from the carrying amount of the assets in construction.

13. 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 Mar. 31,	
	2025	2024
Primary geographic markets		
United States	\$ 102.4	\$ 68.8
Canada	95.5	91.1
Japan	21.5	39.2
China	19.1	19.5
Other	18.4	18.0
Europe	5.6	2.9
	<u>\$ 262.5</u>	<u>\$ 239.5</u>
Major products and services		
Lumber	\$ 210.2	\$ 177.6
Logs	33.5	45.1
By-products	10.9	10.5
Forestry services and other	7.9	6.3
	<u>\$ 262.5</u>	<u>\$ 239.5</u>

14. Operating restructuring items

	Three months ended Mar. 31,	
	2025	2024
Retirement and other benefits recovery	\$ -	\$ 0.2
Curtailment costs	(0.3)	-
	<u>\$ (0.3)</u>	<u>\$ 0.2</u>

15. Other income

	Three months ended Mar. 31,	
	2025	2024
Gain on sale of private timberlands	\$ 23.7	\$ -
Gain on sale of assets held for sale	0.2	-
Gain on sale of property, plant and equipment	-	0.2
Foreign exchange gains	0.3	1.7
Other	0.1	(0.1)
	<u>\$ 24.3</u>	<u>\$ 1.8</u>

On February 10, 2025, the Company completed the sale of 14,294 hectares of fee simple land, biological assets and infrastructure on northern Vancouver Island, BC for net proceeds of \$67.3 million to a Canadian affiliate of the Eastwood Climate Smart Forestry Fund I. The Company recorded a gain of \$23.7 million on the sale.

Western Forest Products Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2025 and 2024

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

16. Income taxes

Income tax recovery differs from the amount that would be computed by applying the Company's combined Federal and Provincial statutory rate as follows:

	Three months ended Mar. 31,	
	2025	2024
Income (loss) before income taxes	\$ 13.7	\$ (17.4)
Income tax expense (recovery) at statutory rate of 27%	\$ 3.7	\$ (4.7)
Difference in jurisdictional tax rates	0.2	(0.1)
Difference in basis and capital inclusion rates	(3.9)	-
Other permanent differences	(0.1)	(1.2)
Realization of previously unrecognized valuation allowance	-	(3.4)
	<u>\$ (0.1)</u>	<u>\$ (9.4)</u>
Recognized in Other comprehensive income (loss)		
Deferred tax expense	<u>\$ (0.2)</u>	<u>\$ (0.1)</u>
Recognized in Retained earnings		
Deferred tax expense	<u>\$ -</u>	<u>\$ 6.8</u>

17. Earnings (loss) per share

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 Mar. 31, 2025			Three months ended Mar. 31, 2024		
	Net earnings 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, beginning of period		316,745,557			316,745,557	
Effect of shares:						
Issued in the quarter		-			-	
Basic earnings (loss) per share	<u>\$ 14.0</u>	<u>316,745,557</u>	<u>\$ 0.04</u>	<u>\$ (7.7)</u>	<u>316,745,557</u>	<u>\$ (0.02)</u>
Effective of dilutive securities:						
Stock options		-			-	
Diluted earnings (loss) per share	<u>\$ 14.0</u>	<u>316,745,557</u>	<u>\$ 0.04</u>	<u>\$ (7.7)</u>	<u>316,745,557</u>	<u>\$ (0.02)</u>

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

18. Commitments and contingencies

(a) 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 ("shipments") 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 shipments to the US from Canada. As a result of these actions, cash deposits for CV were required for Canadian lumber imports to the US effective April 28, 2017 through August 25, 2017, and from December 28, 2017 onwards; and cash deposits for AD were required for Canadian lumber imports to the US effective June 30, 2017 until December 26, 2017, and from December 28, 2017 onwards.

As each DoC Administrative Review ("AR") of a shipment year is completed, final rates are published in the federal register and a revised cash deposit rate is established until publication of final rates of the next AR.

Western Forest Products Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2025 and 2024

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

18. Commitments and contingencies (continued)

(a) Softwood lumber duty dispute (continued)

The Company expenses export taxes at the cash duty deposit rate as lumber shipments are made. Where final duty rates differed from cash deposit rates, the Company recognized revisions to its export tax expense.

As cash deposit rates exceeded final duty rates for lumber shipments made in 2017 through 2022, the Company recognized a long-term interest-bearing duty receivable totalling USD\$47.3 million (\$68.1 million) in its statements of financial position. During the three months ended March 31, 2025, export tax expense on CV and AD duties of \$8.3 million (Q1 2024: \$4.0 million) was recorded in the statement of comprehensive income.

On February 21, 2025, the DoC initiated its seventh AR of CV and AD for shipments in 2024, with a completion deadline of January 31, 2026.

On March 3, 2025, the DoC announced its preliminary determination for AD rates resulting from its sixth AR for shipments in 2023, indicating a rate of 20.07%, compared to the current rate of 7.66%. On April 4, 2025, the DoC announced its preliminary determination for CV rates resulting from its sixth AR for shipments in 2023, indicating a rate of 14.38%, compared to the current rate of 6.74% for a combined preliminary rate of 34.45%, compared to the current combined rate of 14.40%. The DoC may revise these rates between the preliminary and the final determination, which is expected to be released in the third quarter of 2025. If the final sixth AR rates are unchanged from the preliminary sixth AR rates, Western will record a non-cash export tax expense of USD\$43.0 million, plus accrued interest of approximately USD\$7.0 million, when the final sixth AR rates are published. Cash deposits continue at the combined duty rate of 14.40% until the final determinations are published, after which the final AR6 rate will apply.

The following table summarizes the cash deposit rates in effect and the preliminary and final rates applicable to Canadian lumber shipments to the US for the periods presented:

Lumber shipment date	Aug. 19, 2024	Aug. 1, 2023	Aug. 9, 2022
	onward	through Aug. 18, 2024	through Jul. 31, 2023
Cash deposit rate			
CV	6.74%	1.79%	3.83%
AD	7.66%	6.26%	4.76%
Combined	14.40%	8.05%	8.59%
Lumber shipment year	AR6	AR5	AR4
Duty rate	2023 Preliminary	2022 Final	2021 Final
CV	14.38%	6.74%	1.79%
AD	20.07%	7.66%	6.26%
Combined	34.45%	14.40%	8.05%

As at March 31, 2025, including interest of USD\$10.9 million (December 31, 2024: USD\$10.2 million), the duty receivable of USD\$58.2 million (December 31, 2024: USD\$57.5 million) was revalued at the period-end exchange rate to \$83.8 million (December 31, 2024: \$82.7 million) and is recorded in other assets on the consolidated statement of financial position.

Interest revenue of \$1.0 million was recorded in finance costs during the three months ended March 31, 2025 (Q1 2024: \$1.0 million). A negligible foreign exchange gain was recorded in other income during the three months ended March 31, 2025 (Q1 2024: foreign exchange gain of \$1.5 million).

As at March 31, 2025, the Company had paid USD\$190 million (\$273 million) of duties, all of which remain held in trust by US Department of Treasury (December 31, 2024: USD\$184 million (\$264 million)). With the exception of USD\$47.3 million (\$68.1 million) of duty deposits recognized as a receivable, all duty deposits have been expensed at the cash deposit rates in effect at the date of payment.

Western Forest Products Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2025 and 2024

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

18. Commitments and contingencies (continued)

(b) Incremental US Tariffs

On February 1, 2025, US President Donald Trump signed an executive order imposing a tariff of 25% (the "Incremental US Tariff") on imported goods from Canada to the US with an originally planned implementation date of February 4, 2025. On February 3, 2025, the implementation date was delayed to March 4, 2025. The Incremental US Tariff was implemented on March 4, 2025, and was in place until March 6, 2025, when it was delayed for certain Canadian goods compliant with existing free trade agreements, including the Company's exports to the US, until April 2, 2025. On April 2, 2025, the exemption was extended indefinitely. The Incremental US Tariff is in addition to the existing combined US softwood lumber CV and AD rates of 14.40% which the Company is currently subject to. During the three months ended March 31, 2025, export tax expense of \$0.7 million was recorded in the statements of comprehensive income in relation to the Incremental US Tariffs.

On March 1, 2025, US President Donald Trump signed an executive order initiating an investigation to determine whether imports of timber, lumber and their derivative products threaten to impair US national security, citing Section 232 of the Trade Expansion Act. The executive order requires the Secretary of Commerce to issue a report within 270 days that includes findings on whether imports of timber, lumber and their derivative products threaten national security, recommendations on actions, including potential tariffs, export controls or incentives to increase domestic production and policy recommendations to strengthen US timber and lumber supply. The Secretary of Commerce set a deadline of April 1, 2025 to receive public comment on the investigations.

(c) Litigation and claims

In the normal course of business, the Company may be subject to 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 unable to determine the outcome of these disputes no amounts have been accrued in these financial statements.

(d) 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 incur a penalty under the fibre supply agreements. If the Company takes any significant curtailments in its sawmills its chip production would decline, increasing the risk that the Company would not meet its contractual obligations where it is not possible to secure replacement chips on the open market. Based on chip and pulp log volumes supplied to date, the Company believes it has satisfied fibre commitments as at March 31, 2025. The Company anticipates satisfying annual fibre commitments for the year ending December 31, 2025. The Company has recorded consideration received as part of the long-term fibre supply agreements as deferred revenue, which is recognized straight-line over the term of the contract. The Company recognized related revenue of \$0.6 million for the three months ended March 31, 2025 (Q1 2024: \$0.5 million).

19. Financial instruments – fair values and risk management

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"), depending upon the business model in which a financial asset is managed and its contractual cash flow characteristics. The Company's non-derivative financial liabilities are measured at amortized cost using the effective interest method.

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; or
- Level 3: inputs for the asset or liability that are not based on observable market data.

The Company's financial instruments held at fair value consist of the export tax and related interest receivable (Note 18(a)), which are classified as Level 3 within the fair value hierarchy.

Western Forest Products Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2025 and 2024

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

19. Financial instruments – fair values and risk management (continued)

The Company enters into forward contracts to sell USD and Japanese Yen (“JPY”) in order to mitigate a portion of the foreign currency risk. As at March 31, 2025, the Company had outstanding obligations to sell an aggregate USD\$14.0 million at an average exchange rate of CAD\$1.4349 per USD with maturities through April 17, 2025 (December 31, 2024: USD\$12.0 million at an average exchange rate of CAD\$1.4369 per USD).

All foreign currency gains or losses related to currency forward contracts have been recognized in revenue for the period as described in the following table.

	Three months ended Mar. 31,	
	2025	2024
Foreign currency gains (losses) recognized in revenue	\$ 0.1	\$ (0.3)

Forward contracts in a liability position are included in accounts payable and accrued liabilities on the statements of financial position and assets are included in trade and other receivables.



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"