

**WESTERN**

**Forest Products**

**Western Forest Products Inc.**

2026 First Quarter Report

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## 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, 2026, 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, 2026, and our audited annual consolidated financial statements and the notes thereto and Management's Discussion and Analysis for the year ended December 31, 2025, which can be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Unless otherwise noted, the information in this discussion and analysis is updated to May 6, 2026.

The Company has prepared the consolidated financial statements for the three months ended March 31, 2026, 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, policy initiatives and court decisions; 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; changes to stumpage rates and the expected timing thereof; the execution of our sales and marketing strategy; the completion of the sale of the Stillwater Forest Operation; the receipt of business interruption insurance proceeds for the CVD sawmill fire; the development, completion and implementation of integrated resource management plans or forest landscape plan pilots by First Nations; determinations of allowable annual cut ("AAC") for the Company's Forest Licences and TFLs and the expected timing thereof; the capacity of the Company's facilities and assets including its continuous dry kilns and the expected timing and cost of completion and commissioning of the Company's announced capital investments and capital expenditures, including the 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.

## Change in Lumber Volume Reporting Measurement

Effective January 1, 2026, the Company changed its reporting measurement for lumber volumes. The Company produces and sells lumber products which are measured on both a net basis and a nominal basis. Historically, the Company's reported lumber volumes were a mix of both net and nominal measurements (the "Previous Reporting Measurement"), which could potentially impact the comparability of periods depending on the mix of lumber products sold. In support of providing greater comparability of periods for lumber volumes and respective per thousand board foot measurements, the Company has adopted measuring predominately all lumber volumes on a nominal basis (the "New Reporting Measurement"). This is consistent with commodity lumber peers, who measure lumber volumes and per thousand board foot measurements on a predominately nominal basis.

The following table provides a summary of the last eight quarters of respective metrics under the New Reporting Measurement compared to the Previous Reporting Measurement. This change has no impact on the financial results presented by the Company in previous financial statements.

		2025					2024				
		2025	Q4	Q3	Q2	Q1	2024	Q4	Q3	Q2	Q1
<b>New Reporting Measurement <sup>(1)</sup></b>											
Lumber shipments	mmfbm	613	130	152	176	156	683	165	161	202	155
Cedar	mmfbm	106	19	24	32	31	138	36	33	39	30
Japan Specialty	mmfbm	113	26	30	33	23	125	21	29	37	38
Industrial <sup>(2)</sup>	mmfbm	95	20	23	27	25	103	28	22	27	25
Commodity	mmfbm	300	64	75	84	77	318	80	77	99	62
Lumber production	mmfbm	569	113	130	172	154	647	152	147	178	170
Lumber price, average <sup>(2)</sup>	\$/mfbm	\$ 1,247	\$ 1,192	\$ 1,195	\$ 1,243	\$ 1,348	\$ 1,196	\$ 1,300	\$ 1,178	\$ 1,166	\$ 1,144

		2025					2024				
		2025	Q4	Q3	Q2	Q1	2024	Q4	Q3	Q2	Q1
<b>Previous Reporting Measurement</b>											
Lumber shipments	mmfbm	522	108	129	149	137	588	146	138	173	131
Cedar	mmfbm	106	19	24	32	31	138	36	33	39	30
Japan Specialty	mmfbm	83	20	22	25	17	93	16	21	27	29
Industrial <sup>(2)</sup>	mmfbm	82	17	20	22	22	88	24	19	23	21
Commodity	mmfbm	252	52	62	70	67	270	71	65	84	51
Lumber production	mmfbm	479	94	107	144	134	558	135	127	151	145
Lumber price, average <sup>(2)</sup>	\$/mfbm	\$ 1,463	\$ 1,437	\$ 1,409	\$ 1,464	\$ 1,533	\$ 1,390	\$ 1,467	\$ 1,378	\$ 1,363	\$ 1,351

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 glulamated wood products.

The Company has updated its annual lumber production capacity from 700 million board feet to 785 million board feet as a result of the adoption of the New Reporting Measurement.

## Summary of Selected Quarterly Results <sup>(1)</sup>

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

Summary Information		Q1 2026	Q1 2025	Q4 2025
Revenue				
Lumber <sup>(2)</sup>		\$ 160.2	\$ 210.2	\$ 154.9
Logs		34.7	33.5	36.8
By-products		6.2	10.9	7.4
Forestry services and other <sup>(3)</sup>		0.4	7.9	2.8
Total revenue		201.5	262.5	201.9
Freight		11.2	16.3	12.0
Export tax expense		13.1	9.0	9.0
Stumpage		2.5	2.3	2.4
Adjusted EBITDA <sup>(4)</sup>		\$ (13.6)	\$ 3.5	\$ (6.2)
Adjusted EBITDA margin <sup>(4)</sup>		(7%)	1%	(3%)
Operating loss prior to restructuring and other items		\$ (25.5)	\$ (9.2)	\$ (18.9)
Net (loss) income		(19.9)	13.8	(17.5)
(Loss) Earnings per share, basic and diluted	\$ per share	(1.83)	1.33	(1.55)
Operating Information <sup>(5)</sup>				
Lumber shipments <sup>(2)(6)(11)</sup>	mmfbm	113	156	130
Cedar	mmfbm	25	31	19
Japan Specialty	mmfbm	20	23	26
Industrial <sup>(2)</sup>	mmfbm	19	25	20
Commodity	mmfbm	48	77	64
Lumber production <sup>(2)(11)</sup>	mmfbm	118	154	113
Lumber price, average <sup>(2)(11)</sup>	\$/mfbm	\$ 1,422	\$ 1,348	\$ 1,192
Wholesale lumber shipments	mmfbm	6	9	4
Log shipments	000 m <sup>3</sup>	163	231	235
Domestic	000 m <sup>3</sup>	138	198	181
Pulp	000 m <sup>3</sup>	25	33	54
Net production <sup>(7)</sup>	000 m <sup>3</sup>	400	465	491
Saw log purchases	000 m <sup>3</sup>	122	216	218
Log price, average <sup>(8)</sup>	\$/m <sup>3</sup>	\$ 193	\$ 134	\$ 144
Illustrative Lumber Average Price Data <sup>(9)</sup>		Price Basis		
Grn WRC #2 Clear & Btr 4x6W RL (\$C)	cif dest N Euro	\$10,292	\$ 8,125	\$ 9,313
Grn WRC Deck Knotty 2x6 RL S4S	Net fob Mill	\$ 1,567	\$ 1,489	\$ 1,637
Grn WRC #2 & Btr AG 6x6 RL	Net fob Mill	\$ 3,697	\$ 3,439	\$ 3,650
Coast Grn WRC Std&Btr NH 3/4x4 RL S1S2E	Net fob Mill	\$ 1,190	\$ 1,140	\$ 1,190
KD Hem Baby Squares Merch 4-1/8x4-1/8 13'	c&f dest Japan	\$ 990	\$ 970	\$ 990
KD Dfir Baby Squares Merch 4-1/8x4-1/8 RL S4S	c&f dest Japan	\$ 1,140	\$ 1,050	\$ 1,223
Grn Dfir (Portland) #1&Btr 100% FOHC 6x6 Rough	Net fob Mill	\$ 1,608	\$ 1,710	\$ 1,539
Hemlock Lumber 2x4 (40x90) Metric RG Utility <sup>(9)</sup>	cif dest Shanghai	n/a	\$ 377	n/a
Hemlock Lumber 4x4 (95x95) Metric RG Utility <sup>(9)</sup>	cif dest Shanghai	\$ 464	n/a	\$ 460
Coast KD Hem-Fir #2 & Btr 2x4	Net fob Mill	\$ 466	\$ 525	\$ 425
Average exchange rate – CAD to USD <sup>(10)</sup>		0.729	0.697	0.717
Average exchange rate – CAD to JPY <sup>(10)</sup>		106.30	106.30	110.38

(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 ("FEA"). During the second quarter of 2025, FEA ceased publication of the 2x4 Hemlock Metric RG Utility and began publishing the 4x4 Hemlock Metric RG Utility rates. As such 2x4 Hemlock Metric RG Utility YTD price data is reported until April 2025, and 4x4 Hemlock Metric RG Utility YTD price data is subsequent to April 2025.

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

(11) During the first quarter of 2026, the Company changed its reporting measure of lumber inventory to be reported on a nominal basis, compared to a previous mix of net and nominal based on the destination of the lumber. The Company changed the reporting to improve comparability and analysis. As a result of the change, all lumber inventory operating information in prior periods has been recalculated.

## Summary of First Quarter 2026 Results

We reported Adjusted EBITDA of negative \$13.6 million in the first quarter of 2026, as compared to \$3.5 million in the same period last year. Results in the first quarter of 2026 reflect lower lumber shipments, higher export duty rates and a weaker USD to CAD average exchange rate, partially offset by higher lumber and log prices compared to the same period last year. Adjusted EBITDA in the first quarter of 2026, included a \$2.8 million expense due to changes in inventory accounting estimates related to the Company's inventory costing model and a \$1.9 million expense related to share-based compensation expense due to a 34% increase in the Company's share price in the first quarter of 2026. Adjusted EBITDA in the first quarter of 2025 included a \$0.9 million expense in share-based compensation expense.

### *Revenue*

Lumber revenue was \$160.2 million in the first quarter of 2026 as compared to \$210.2 million in the same period last year. The decrease of 24% was due to lower shipment volumes, and a weaker USD to CAD average exchange rate, partially offset by higher lumber prices and a stronger sales mix. Our average realized lumber price increased by 5% to \$1,422 per thousand board feet in the first quarter of 2026, as compared to \$1,348 per thousand board feet in the same period last year, due to price improvements in most lumber markets and a stronger sales mix.

Specialty lumber shipments represented 57% of total lumber shipment volumes in the first quarter of 2026, as compared to 51% in the same period last year. Cedar and Commodity lumber shipment volumes decreased by 19% and 38% respectively, compared to the same period last year on lower North American market demand and higher export duties for sales to the United States.

Log revenue was \$34.7 million in the first quarter of 2026, as compared to \$33.5 million in the same period last year. The increase of 4% was due to higher log prices primarily due to the mix of logs sold, partially offset by lower shipment volumes driven by lower harvest levels.

By-products revenue was \$6.2 million, as compared to \$10.9 million in the same period last year. The decrease of 43% was due to a decrease in chip prices and chip sales volumes on lower lumber production.

Forestry services and other revenue were \$0.4 million, as compared to \$7.9 million in the same period last year. The decrease was due to lower harvest activity in projects with our First Nation joint ventures in the first quarter of 2026 compared to the same period last year.

### *Operations*

Lumber production was 118 million board feet in the first quarter of 2026, as compared to 154 million board feet in the same period last year. In the first quarter of 2026, additional production curtailments compared to the same period last year were taken due to market conditions and log availability, in addition to lost production from our Columbia Vista Division ("CVD") sawmill. Sawmill cash conversion costs per thousand board feet increased 6% compared to the same period last year primarily due to lower production volumes.

We harvested 400,000 cubic metres of logs from our BC coastal operations in the first quarter of 2026, as compared to 465,000 cubic metres in the same period last year. Harvested volumes decreased primarily due to a strike at the La-kwa sa muqw Forestry Limited Partnership ("LFLP") for the first two months of 2026, harvest permit approval delays and reduced helicopter harvesting availability. BC Coastal saw log purchases were 122,000 cubic metres in the first quarter of 2026, as compared to 216,000 cubic metres in the same period last year, as we matched saw log requirements to sawmill production.

Timberlands cash operating costs per cubic metre increased 29% compared to the same period last year. The increase was primarily due to lower harvest volumes, higher helicopter harvesting activity and higher road construction costs to support future harvest compared to the same period last year.

Freight expense was \$11.2 million in the first quarter of 2026 as compared to \$16.3 million in the same period last year. The decrease of 31% was primarily due to decreased lumber shipments.

We recorded \$13.1 million of export tax expense in the first quarter of 2026, as compared to \$9.0 million in the same period of 2025. Export tax expense increased due to higher duty rates and incremental tariffs implemented, partially offset by lower US-destined lumber shipments.

## *Corporate and Other*

Selling and administration expense was \$11.9 million in the first quarter of 2026 as compared to \$11.3 million in the same period last year. The first quarter of 2026 included a \$1.9 million expense related to share-based compensation, as compared to a \$0.9 million expense in the same period last year.

Restructuring costs were \$1.0 million in the first quarter of 2026, related to curtailment costs at the CVD sawmill site. Restructuring costs were \$0.3 million in the first quarter of 2025, primarily relating to curtailment costs at the Alberni Pacific Division (“APD”).

Other income was \$1.2 million in the first quarter of 2026 as compared to \$24.3 million in the same period last year, consisting primarily of gains on the sale of assets and foreign exchange gains. In the first quarter of 2025, other income consisted 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.

Finance costs were \$2.1 million in the first quarter of 2026 as compared to \$1.1 million in the same period last year. Finance costs increased primarily due to lower interest income on our export tax receivable, partially offset by lower interest expense on our external debt facilities.

## *Income Taxes*

Income tax recovery was \$7.5 million on a loss before tax of \$27.4 million in the first quarter of 2026 as compared to income tax recovery of \$0.1 million on income before tax of \$13.7 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 (loss) income*

Net loss was \$19.9 million in the first quarter of 2026, as compared to a net income of \$13.8 million for the same period last year. Results in the first quarter of 2026 were impacted from lower lumber and log shipments and higher export duty rates, partially offset by higher realized lumber and log prices compared to the same period last year. Results in the first quarter of 2025 benefitted from gains on sales of non-core assets.

## **Accelerating the Transition to Higher Value Products**

### *Two Continuous Dry Kilns*

In February 2026, we commissioned the first of our two continuous dry kilns at our Value-Added Division, achieving start up uptime above our target. Site construction continues on the second kiln, with completion and commissioning expected in mid-2026. Site preparation and fabrication is also advancing for a new thermal kiln at our Value-Added Division, with anticipated commissioning in the third quarter of 2026. Costs, excluding any contributions from the BC Manufacturing Jobs Fund (“BCMJF”), expended to March 31, 2026 for these kilns total \$26.4 million, relative to a total estimated budget of \$39 million.

### *BC Manufacturing Jobs Fund*

On February 28, 2025, the Company and the Province of British Columbia (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 first quarter of 2026, the Company accrued and received \$0.3 million in eligible expenditures, and has received a total of \$5.5 million from the BCMJF since the start of the agreement.

## **Sale of Stillwater Forest Operation**

On February 19, 2026, the Company announced it had reached an agreement for the purchase by Qwoqwnes Forestry Holdings Limited Partnership, an entity beneficially owned and controlled by Tla’amin Nation (“Qwoqwnes”), for a 100% ownership interest in the assets comprising the Company’s Stillwater Forest Operation, located near Powell River, British Columbia (“BC”), for an aggregate purchase price of \$80.0 million (the “Transaction”).

The Stillwater Forest Operation includes Block 1 of Tree Farm Licence 39 (“TFL 39 Block 1”) which covers approximately 154,000 hectares of forest land and has an allowable annual cut of approximately 469,200 cubic metres. Qwoqwnes will enter into a long-term fibre supply agreement with Western to sell timber harvested from the tenure to Western to support Western’s BC coastal manufacturing operations.

The completion of the Transaction is subject to various closing conditions, including financing, and subdivision and tenure transfer approvals from the BC Ministry of Forests. Western and Qwoqwnes are working towards closing the Transaction in the second half of 2026.

## **Columbia Vista Sawmill**

On June 29, 2025, the CVD sawmill, located in Vancouver, Washington, sustained extensive damage in a fire, rendering the mill inoperable.

In December 2025, the Company decided to not rebuild on the current site and commenced a process to sell the land and associated assets of the CVD sawmill site. The Company continues to work to finalize the sale of the CVD sawmill site, which was listed for sale in December 2025 at an asking price of US\$10.6 million (\$14.7 million).

In April 2026, the Company and its insurance adjuster finalized the property insurance claim related to the CVD sawmill fire for USD\$28.8 million (\$40.1 million). After a deductible of USD\$1.0 million (\$1.4 million) and less USD\$5.0 million (\$6.9 million) which was received as an instalment payment in 2025, the Company anticipates to receive proceeds of USD\$22.8 million (\$31.7 million) in the second quarter of 2026. The Company continues to work with its insurance adjuster to finalize its claim for business interruption related to the fire, which has a maximum coverage amount of USD\$7.9 million (\$11.0 million).

The Company purchased the property, plant and equipment of the Columbia Vista sawmill and separate kiln and planer site ("Fruit Valley") for USD\$23.8 million in 2019. The Company is retaining the Fruit Valley site which has a net book value of property, plant and equipment of USD\$11.0 million (\$15.3 million) as at March 31, 2026.

## **Labour Relations**

During the second quarter of 2025, employees represented by the United Steelworkers Local 1-1937 ("USW") at LFLP commenced a strike. On February 24, 2026, LFLP USW members voted to ratify a new six-year collective bargaining agreement, which expires June 14, 2030, with an immediate return to work for LFLP employees.

## **Operating Curtailments**

In the first quarter of 2026, we took operating curtailments at our Saltair sawmill for two weeks and at our Ladysmith sawmill for three weeks. In addition, our Chemainus sawmill, which has been curtailed since July 2025, is expected to remain curtailed for the entirety of 2026. Curtailments are in response to persistently weak market conditions and factors relating to the BC operating environment, including a lack of available economic log supply and ongoing harvesting permitting delays.

## **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, 2025.

In September 2025, the Canada-United States-Mexico Agreement ("CUSMA") Chapter 10 Panel (the "Panel") dismissed its reviews relating to Canada's challenges of the US Department of Commerce ("DoC")'s final results of the first and second administrative reviews ("AR1" and "AR2", respectively) of the anti-dumping ("AD") duty order on Canadian softwood lumber products at the joint request of the Canadian and US parties. As a result of the dismissals, USD\$3.6 million (\$5.0 million) of export duty receivables are expected to be received by the Company during 2026.

On April 9, 2026, the DoC announced its preliminary determination for AD and countervailing duty ("CV") rates resulting from its seventh AR for shipments in 2024, indicating an AD rate of 10.66% and a CV rate of 14.17%, compared to the current rates of 20.53% and 14.63%, respectively, applicable to the Company. Shipments in 2024 were subject to weighted average rates of 3.62% and 6.78% for CV and AD, respectively. The DoC may revise these rates between the preliminary and the final determination, which is expected to be released in the fourth quarter of 2026. If the final seventh AR rates are unchanged from the preliminary seventh AR rates, Western will record a non-cash export tax expense of USD\$26.0 million (\$36.2 million), plus accrued interest

of approximately USD\$5.4 million (\$7.5 million), when the final seventh AR rates are published. Cash deposits continue at the combined duty rate of 35.16% until the final determinations are published, after which the final AR7 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, 2025.

As at March 31, 2026, Western had USD\$215 million (\$299 million) of cash on deposit with the US Department of Treasury in respect of softwood lumber duties. With the exception of USD\$3.6 million (\$5.0 million) of duty deposits recognized in accounts receivable, all duty deposits have been expensed at the cash deposit rates in effect at the date of payment.

Including wholesale lumber shipments, our sales from Canadian operations to the US market represented approximately 17% of total lumber shipments in the first quarter of 2026, as compared to 20% in the same period last year, which have been retrospectively recalculated to reflect the New Reporting Measure.

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 September 29, 2025, US President Donald Trump signed an executive order imposing a 10% tariff on imported lumber products through Section 232 of the Trade Expansion Act. The incremental 10% tariff became effective on October 14, 2025.

On February 20, 2026, the Supreme Court of the United States (“SCOTUS”) determined that tariffs placed by the US under the International Emergency Economic Powers Act (“IEEPA”) were not legal. During the three months ended March 31, 2026, the Company recognized \$0.7 million as an export tax recovery as a result of the SCOTUS ruling related to IEEPA tariffs expensed and paid in the first quarter of 2025. The amount is recognized as an export tax receivable in other assets in the consolidated statement of financial position.

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, 2025.

On February 23, 2026, the Province implemented a two-year pilot program, which changes the fee-in-lieu (“FIL”) for timber (logs) exported under an exemption from the requirement to manufacture timber in British Columbia. The prior FIL was variable, except for Douglas fir and deciduous species, and tied to stumpage rates, whereas the pilot program provides for a flat FIL of 10% of domestic value for species other than Douglas fir and deciduous species. The Douglas fir FIL remains at 15% of domestic value and deciduous at \$1.00 per cubic metre under the pilot program. This policy change may impact the amount of timber (logs) being exported from the Province, and thus may also impact the amount and price of logs available for sale on the domestic market. Western will continue to maximize the return to log in any decision related to this pilot program.

## Land Claims by Indigenous Groups

On April 2, 2026, the British Columbia Court of Appeal allowed an appeal by the Nuchatlaht First Nation and declared Aboriginal title over the full territory claimed, comprising approximately 201 square kilometres on the northern half of Nootka Island (the “Nuchatlaht Claim Area”). This decision overturned the trial judgment, which had recognized Aboriginal title over a significantly smaller area. In connection with the declaration of title, the court also held that the Forest Act and Park Act no longer apply within the Nuchatlaht Claim Area. The area includes a portion of the Company’s Forest Licence A19231 and certain associated timber licences, encompassing approximately 8,233 ha of the timber harvest landbase (“THLB”) of the licence (approximately 18% of the total THLB of the licence and approximately 1.3% of Western’s total THLB). Given the foregoing, an allowable annual cut redetermination for the North Island Timber Supply Area may be required in the future. The Province has indicated that it is reviewing the decision, and thus it is not known whether an appeal will be pursued. As a result, the potential impact on Western’s tenure holdings cannot be determined at this time.

For additional information on policy and regulatory matters related to First Nations, see “*Land Claims by Indigenous Groups*” under the heading “*Risks and Uncertainties*” in Management’s Discussion and Analysis for the year ended December 31, 2025.

## Financial Position and Liquidity <sup>(1)</sup>

(millions of Canadian dollars except where otherwise noted)

Selected Cash Flow Items	Q1 2026	Q1 2025	Q4 2025
Operating activities			
Net (loss) income	\$ (19.9)	\$ 13.8	\$ (17.5)
Amortization	11.8	12.7	12.7
Impairment of assets	-	-	0.1
(Gain) loss on disposal of assets	(0.6)	(23.9)	-
Income tax recovery	(7.5)	(0.1)	(4.8)
Income tax (payments) receipts	(0.2)	0.5	1.9
Share-based compensation, including mark-to-market adjustment	1.9	0.9	0.1
Export tax recovery	(0.7)	-	-
Finance costs	2.1	1.1	1.7
Other	(1.6)	(0.4)	0.9
	(14.7)	4.6	(4.9)
Change in non-cash working capital	16.4	(10.3)	(5.7)
Cash provided by (used in) operating activities	1.7	(5.7)	(10.6)
Investing activities			
Additions to property, plant and equipment	(12.2)	(6.7)	(6.2)
Additions to capital logging roads	(1.2)	(0.7)	(1.2)
Net proceeds on disposal of assets	1.8	74.6	-
Advances and loans receipts	0.1	0.1	0.2
Cash (used in) provided by investing activities	(11.5)	67.3	(7.2)
Financing activities			
Net drawings (repayments) on long-term debt	10.9	(60.0)	20.6
Bank indebtedness (repayments)	-	0.4	-
Interest payments	(1.5)	(1.9)	(1.9)
Lease payments	(1.5)	(3.2)	(2.3)
Cash provided by (used in) financing activities	7.9	(64.7)	16.4
Decrease in cash	\$ (1.9)	\$ (3.1)	\$ (1.4)
<b>Summary of Financial Position</b>			
Cash and cash equivalents	\$ 2.4	\$ 4.8	\$ 4.3
Current assets	301.2	325.7	300.6
Current liabilities	114.4	120.3	105.5
Bank indebtedness	0.4	0.4	0.4
Long-term debt	48.6	25.6	37.6
Net debt <sup>(2)</sup>	46.6	21.2	33.7
Equity, excluding non-controlling interest	458.3	571.9	476.6
Total liquidity <sup>(3)(6)</sup>	229.4	195.4	212.2
Financial ratios			
Current assets to current liabilities <sup>(4)</sup>	2.63	2.71	2.85
Net debt to capitalization <sup>(5)(6)</sup>	9%	4%	7%

(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 provided by operating activities was \$1.7 million in the first quarter of 2026, as compared to cash used of \$5.7 million in the same period last year. The Company reduced non-cash working capital by \$16.4 million in the first quarter of 2026, compared to an increase of \$10.3 million in the same period last year.

Cash used in investing activities was \$11.5 million in the first quarter of 2026, as compared to cash provided of \$67.3 million in the same period last year. In the first quarter of 2025, the Company received \$74.6 million from the sale of non-core assets.

Cash provided by financing activities was \$7.9 million in the first quarter of 2026, as compared to cash used of \$64.7 million in the same period last year. In the first quarter of 2026, the Company drew \$10.9 million on our loan facilities, compared to repayments of \$60.0 million in the first quarter of 2025.

### *Liquidity and Capital Resources*

Total liquidity was \$229.4 million at March 31, 2026, as compared to \$212.2 million at December 31, 2025 and \$195.4 million at March 31, 2025. Liquidity is comprised of cash and cash equivalents of \$2.4 million, and unused availability under the Company's credit facility of \$227.4 million, less \$0.4 million of bank indebtedness.

On February 17, 2026, the Company entered into an amendment to the Credit Facility to allow for the concurrent closing of a new \$30 million bilateral term loan (the "Term Loan") with Royal Bank of Canada. The Term Loan has an initial maturity date of July 21, 2028, with the potential to extend the term for a total of up to 90 months. The Term Loan is incremental to the Credit Facility and is subject to the same financial covenants as the Credit Facility. Proceeds from the Term Loan were used to repay outstanding drawings of the Credit Facility.

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, 2026.

### **Capital Expenditures**

We currently anticipate 2026 capital expenditure spending of between \$45 to \$50 million, which includes approximately \$16 million of planned spending on two previously announced continuous dry kilns and one thermal kiln. The Company will continue to review capital expenditure spending with a near-term priority of maintaining a strong balance sheet and financial flexibility.

### **Market Outlook**

Demand and pricing in the North American lumber markets improved towards the end of the first quarter of 2026. As the spring season approaches and building activity picks up pace, pricing is expected to increase before stabilizing by the end of the second quarter. Persistently high interest rates, along with recent increases in oil prices, may curb demand in the short term. Some Western Red Cedar inventories remain high in certain markets, and customers remain disciplined in managing their inventory levels to avoid slower moving products.

Lumber demand in Japan is showing signs of recovery in the second quarter of 2026, supported by an anticipated increase in housing starts during April and May. This improvement is expected to be partially offset by higher fuel surcharges and a weak Yen to USD foreign exchange rate. Lumber markets in parts of China began to show signs of renewed demand following the Lunar New Year slowdown. The Chinese market remains competitive for price with offers readily available from all global suppliers, and modest price increases are anticipated in the second quarter.

## 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 2026	Q1 2025	Q4 2025
<b>Adjusted EBITDA</b>			
Net (loss) income	\$ (19.9)	\$ 13.8	\$ (17.5)
Add:			
Amortization	11.8	12.7	12.7
Changes in fair value of biological assets	-	(0.1)	0.1
Operating restructuring items	1.0	0.3	1.1
Other (income) expense	(1.2)	(24.3)	0.6
Finance costs	2.1	1.1	1.7
Income tax recovery	(7.5)	(0.1)	(4.8)
Adjusted EBITDA	\$ (13.6)	\$ 3.5	\$ (6.2)
<b>Adjusted EBITDA margin</b>			
Total revenue	\$ 201.5	\$ 262.5	\$ 201.9
Adjusted EBITDA	(13.6)	3.5	(6.2)
Adjusted EBITDA margin	(7%)	1%	(3%)
<b>Net debt to capitalization</b>			
Net debt			
Total debt	\$ 48.6	\$ 25.6	\$ 37.6
Bank indebtedness	0.4	0.4	0.4
Cash and cash equivalents	(2.4)	(4.8)	(4.3)
	\$ 46.6	\$ 21.2	\$ 33.7
Capitalization			
Net debt	\$ 46.6	\$ 21.2	\$ 33.7
Total equity attributable to equity shareholders of the Company	458.3	571.9	476.6
	\$ 504.9	\$ 593.1	\$ 510.3
Net debt to capitalization	9%	4%	7%
<b>Total liquidity</b>			
Cash and cash equivalents	\$ 2.4	\$ 4.8	\$ 4.3
Available credit facility <sup>(1)</sup>	250.0	250.0	250.0
Bank indebtedness	(0.4)	(0.4)	(0.4)
Credit facility drawings	(19.3)	(26.0)	(38.5)
Outstanding letters of credit included in line utilization	(3.3)	(33.0)	(3.2)
	\$ 229.4	\$ 195.4	\$ 212.2

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. Borrowings are also subject to certain financial covenants, including a maximum debt to capitalization ratio and a minimum consolidated net worth test.

## Accounting Policies and Standards

Several new standards, and amendments to existing standards and interpretations, were not yet effective as at March 31, 2026, 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 2025 Annual Report, which can be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). There were no changes to critical accounting estimates during the three months ended March 31, 2026.

## **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, 2025 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, 2026.

## **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, 2026, surety performance and payment bonds aggregated \$44.1 million (December 31, 2025: \$47.3 million), of which \$34.8 million (December 31, 2025: \$28.8 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, 2026.

## **Risks and Uncertainties**

The business of the Company is subject to several risks and uncertainties, including those described in the 2025 Annual Report which can be found on SEDAR+ at [www.sedarplus.ca](http://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, 2026.

## **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, 2026, that have materially affected, or are reasonably likely to materially affect, its ICFR.

## **Outstanding Share Data**

As of May 6, 2026, there were 10,558,183 common shares of the Company issued and outstanding.

We have reserved 1,000,000 of our Shares for issuance upon the exercise of options granted under our incentive stock option plan. During the three months ended March 31, 2026, no options were granted or exercised, 31,854 options expired and no options were forfeited. As of May 6, 2026, 271,284 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](http://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)

	2026		2025				2024		
	Q1		Q4	Q3	Q2	Q1	Q4	Q3	Q2
Average exchange rate – USD to CAD	1.372		1.395	1.377	1.385	1.435	1.399	1.364	1.368
Average exchange rate – CAD to USD	0.729		0.717	0.726	0.722	0.697	0.715	0.733	0.731
<b>Financial performance</b>									
Revenue									
Lumber	\$ 160.2		\$ 154.9	\$ 181.1	\$ 218.2	\$ 210.2	\$ 214.3	\$ 189.9	\$ 235.3
Logs	34.7		36.8	38.3	49.0	33.5	46.5	39.9	56.5
By-products	6.2		7.4	8.5	11.7	10.9	9.7	9.1	12.4
Forestry services and other	0.4		2.8	5.1	10.2	7.9	2.7	2.8	5.3
Total revenue	\$ 201.5		\$ 201.9	\$ 233.0	\$ 289.1	\$ 262.5	\$ 273.2	\$ 241.7	\$ 309.5
Net (loss) income	\$ (19.9)		\$ (17.5)	\$ (61.3)	\$ (17.4)	\$ 13.8	\$ (1.2)	\$ (19.6)	\$ (5.7)
(Loss) earnings per share									
Basic and diluted	\$ (1.83)		\$ (1.55)	\$ (5.71)	\$ (1.62)	\$ 1.33	\$ (0.05)	\$ (1.71)	\$ (0.40)
<b>Operating statistics</b>									
<b>Lumber</b> <sup>(1)(2)(3)</sup>									
Production	Mmfbm	118	113	130	172	154	152	147	178
Shipments	Mmfbm	113	130	152	176	156	165	161	202
Price	\$/mfbm	\$ 1,422	\$ 1,192	\$ 1,194	\$ 1,243	\$ 1,348	\$ 1,300	\$ 1,178	\$ 1,166
<b>Logs</b> <sup>(4)</sup>									
Net production	000 m <sup>3</sup>	400	491	410	598	465	673	659	820
Saw log purchases	000 m <sup>3</sup>	122	218	214	299	216	234	215	172
Log availability	000 m <sup>3</sup>	522	709	624	897	681	906	874	992
Shipments	000 m <sup>3</sup>	163	235	207	329	231	355	347	339
Price <sup>(5)</sup>	\$/m <sup>3</sup>	\$ 193	\$ 144	\$ 160	\$ 139	\$ 134	\$ 121	\$ 113	\$ 155

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 laminated wood products.

(3) During the first quarter of 2026, the Company changed its reporting measure of lumber inventory to be reported on a nominal basis, compared to a previous mix of net and nominal based on the destination of the lumber. The Company changed the reporting to improve comparability and analysis. As a result of the change, all lumber inventory operating information in prior periods has been recalculated.

(4) Coastal BC business only. Net production is sorted log production, net of residuals and waste. Log availability is net production plus saw log purchases.

(5) 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.**

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Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2026 and 2025

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

	March 31, 2026	December 31, 2025
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2.4	\$ 4.3
Trade and other receivables	64.8	66.1
Inventory <sup>(Note 5)</sup>	175.1	181.8
Prepaid expenses and other assets	25.9	28.0
Assets held for sale <sup>(Note 6)</sup>	24.1	11.5
Income taxes receivable	8.9	8.9
	<u>301.2</u>	<u>300.6</u>
Non-current assets:		
Property, plant and equipment	310.9	314.6
Timber licenses	78.8	84.2
Biological assets <sup>(Note 7)</sup>	15.8	15.8
Other assets <sup>(Note 16(a))</sup>	8.3	12.8
Goodwill	7.2	7.1
Deferred income tax assets	3.0	2.9
	<u>\$ 725.2</u>	<u>\$ 738.0</u>
<b>Liabilities and Equity</b>		
Current liabilities:		
Bank indebtedness	\$ 0.4	\$ 0.4
Accounts payable and accrued liabilities	92.5	88.9
Liabilities directly associated with assets held for sale <sup>(Note 6)</sup>	6.0	-
Income taxes payable	-	0.2
Lease liabilities	6.5	7.3
Reforestation obligation	7.0	6.7
Deferred revenue <sup>(Note 16(d))</sup>	2.0	2.0
	<u>114.4</u>	<u>105.5</u>
Non-current liabilities:		
Long-term debt <sup>(Note 8)</sup>	48.6	37.6
Lease liabilities	13.7	13.8
Reforestation obligation	9.5	13.6
Other liabilities <sup>(Note 10)</sup>	8.8	10.6
Deferred revenue <sup>(Note 16(d))</sup>	37.9	38.4
Deferred income tax liabilities	29.1	36.4
	<u>262.0</u>	<u>255.9</u>
Equity:		
Share capital	405.4	405.4
Contributed surplus	8.9	8.9
Translation reserve	5.6	4.8
Retained earnings	38.4	57.5
Total equity attributable to equity shareholders of the Company	<u>458.3</u>	<u>476.6</u>
Non-controlling interest	4.9	5.5
	<u>463.2</u>	<u>482.1</u>
	<u>\$ 725.2</u>	<u>\$ 738.0</u>
Commitments and contingencies <sup>(Note 16)</sup>		
Subsequent events <sup>(Note 18)</sup>		

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 (Loss) Income**  
*(Expressed in millions of Canadian dollars except for share and per share amounts) (unaudited)*

	Three months ended March 31,	
	2026	2025
Revenue <sup>(Note 12)</sup>	\$ 201.5	\$ 262.5
Costs and expenses:		
Cost of goods sold	190.8	235.1
Freight	11.2	16.3
Export tax <sup>(Note 16(a, b))</sup>	13.1	9.0
Selling and administration	11.9	11.3
	<u>227.0</u>	<u>271.7</u>
<b>Operating loss prior to restructuring and other items</b>	(25.5)	(9.2)
Operating restructuring items <sup>(Note 6)</sup>	(1.0)	(0.3)
Other income <sup>(Note 13)</sup>	1.2	24.3
	<u>(25.3)</u>	<u>14.8</u>
<b>Operating (loss) income</b>	(25.3)	14.8
Finance costs	(2.1)	(1.1)
	<u>(27.4)</u>	<u>13.7</u>
<b>(Loss) income before income taxes</b>	(27.4)	13.7
Income tax (recovery) expense <sup>(Note 14)</sup>		
Current	-	1.1
Deferred	(7.5)	(1.2)
	<u>(7.5)</u>	<u>(0.1)</u>
<b>Net (loss) income</b>	(19.9)	13.8
Net (loss) income attributable to equity shareholders of the Company	(19.3)	14.0
Net loss attributable to non-controlling interest	(0.6)	(0.2)
	<u>(19.9)</u>	<u>13.8</u>
<b>Other comprehensive income (loss)</b>		
Items that will not be reclassified to profit or loss:		
Employee future benefits actuarial gain (loss)	0.2	(0.6)
Income tax recovery <sup>(Note 14)</sup>	-	0.2
Total items that will not be reclassified to profit or loss	<u>0.2</u>	<u>(0.4)</u>
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences for foreign operations	0.8	0.1
<b>Total comprehensive (loss) income</b>	<u>\$ (18.9)</u>	<u>\$ 13.5</u>
(Loss) earnings per share (in dollars) <sup>(Note 15)</sup>		
Basic and diluted	\$ (1.83)	\$ 1.33

**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 <sup>(1)</sup>	Amount					
<b>Balance at December 31, 2024</b>	10,558	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 <sup>(Note 14)</sup>	-	-	-	-	0.2	-	0.2
Foreign currency translation differences for foreign operations	-	-	-	0.1	-	-	0.1
<b>Total comprehensive income (loss)</b>	-	-	-	0.1	13.6	(0.2)	13.5
<b>Balance at March 31, 2025</b>	10,558	\$ 405.4	\$ 8.9	\$ 8.2	\$ 149.4	\$ 7.9	\$ 579.8
<b>Balance at December 31, 2025</b>	10,558	405.4	8.9	4.8	57.5	5.5	482.1
Net loss	-	-	-	-	(19.3)	(0.6)	(19.9)
Other comprehensive income (loss):							
Employee future benefits actuarial loss	-	-	-	-	0.2	-	0.2
Foreign currency translation differences for foreign operations	-	-	-	0.8	-	-	0.8
<b>Total comprehensive loss</b>	-	-	-	0.8	(19.1)	(0.6)	(18.9)
<b>Balance at March 31, 2026</b>	10,558	\$ 405.4	\$ 8.9	\$ 5.6	\$ 38.4	\$ 4.9	\$ 463.2

<sup>(1)</sup> 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,	
	2026	2025
Cash provided by (used in):		
<b>Operating activities:</b>		
Net (loss) income	\$ (19.9)	\$ 13.8
Items not involving cash:		
Amortization of property, plant and equipment	10.8	11.7
Amortization of timber licenses	1.0	1.0
Gain on disposal of assets <sup>(Notes 6, 13)</sup>	(0.6)	(23.9)
Amortization of deferred revenue	(0.5)	(0.6)
Finance costs	2.1	1.1
Income tax recovery <sup>(Note 14)</sup>	(7.5)	(0.1)
Change in reforestation obligation	0.4	0.2
Share-based compensation, including mark-to-market adjustment	1.9	0.9
Change in employee future benefits obligation <sup>(Note 9)</sup>	(0.1)	(0.3)
Export tax receivable recovery <sup>(Note 16(b))</sup>	(0.7)	-
Foreign exchange and other	(1.4)	0.3
Income taxes (paid) refunded	(0.2)	0.5
	<u>(14.7)</u>	<u>4.6</u>
Changes in non-cash working capital items:		
Trade and other receivables	6.1	(12.1)
Inventory	4.8	10.9
Prepaid expenses and other assets	2.2	(1.1)
Accounts payable and accrued liabilities	3.3	(8.0)
	<u>16.4</u>	<u>(10.3)</u>
	<u>1.7</u>	<u>(5.7)</u>
<b>Investing activities:</b>		
Additions to property, plant and equipment	(13.4)	(7.4)
Net proceeds from private timberlands sale <sup>(Note 13)</sup>	-	67.3
Net proceeds from sale of assets held for sale <sup>(Notes 6, 13)</sup>	-	7.1
Net proceeds of property, equipment and other disposals	1.8	0.2
Advances and loans receipts	0.1	0.1
	<u>(11.5)</u>	<u>67.3</u>
<b>Financing activities:</b>		
Net drawings (repayments) on long-term debt <sup>(Note 8)</sup>	10.9	(60.0)
Bank indebtedness (repayments)	-	0.4
Interest payments	(1.5)	(1.9)
Lease payments	(1.5)	(3.2)
	<u>7.9</u>	<u>(64.7)</u>
Decrease in cash and cash equivalents	(1.9)	(3.1)
Cash and cash equivalents, beginning of period	4.3	7.9
Cash and cash equivalents, March 31	<u>\$ 2.4</u>	<u>\$ 4.8</u>

## Western Forest Products Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2026 and 2025

(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, 2026 and 2025 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, 2025, available at [www.westernforest.com](http://www.westernforest.com) or [www.sedarplus.ca](http://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, 2026.

### 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, 2025.

### 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, 2026			December 31, 2025		
	Gross carrying value	Provisions	Lower of cost and net realizable value	Gross carrying value	Provisions	Lower of cost and net realizable value
Logs	\$ 93.4	\$ (12.4)	\$ 81.0	\$ 120.8	\$ (12.9)	\$ 107.9
Lumber	84.8	(11.7)	73.1	65.2	(10.9)	54.3
Supplies and other	21.0	-	21.0	19.6	-	19.6
	<u>\$ 199.2</u>	<u>\$ (24.1)</u>	<u>\$ 175.1</u>	<u>\$ 205.6</u>	<u>\$ (23.8)</u>	<u>\$ 181.8</u>

The carrying amount of inventory recorded at net realizable value was \$45.0 million at March 31, 2026 (December 31, 2025: \$60.2 million), with the remaining inventory recorded at cost.

The Company recognized an increase in the provision for write-down to net realizable value of \$0.3 million for the three months ended March 31, 2026 (Q1 2025: increase of \$1.8 million).

## Western Forest Products Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2026 and 2025

(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. The Company recognized a gain of \$0.2 million in the first quarter of 2025 recorded in other income in the consolidated statement of comprehensive (loss) income related to the sale.

On June 29, 2025, the Company’s Columbia Vista Division (“CVD”) sawmill site, located in Vancouver, Washington, sustained extensive damage in a fire, rendering the mill inoperable. In December 2025, the Company decided to sell the land and certain assets of the CVD sawmill site. During the three months ended March 31, 2026, the Company recorded incremental curtailment costs of \$1.0 million in operating restructuring items related to the CVD sawmill site.

On February 19, 2026, the Company reached an agreement with Qwoqwnes Forestry Holdings Limited Partnership, an entity beneficially owned and controlled by Tla’amin Nation (“Qwoqwnes”), for a 100% ownership interest in certain assets and liabilities at the Company’s Stillwater Forest Operation (“Stillwater”) for gross proceeds of \$80.0 million. Stillwater includes Block 1 of Tree Farm Licence 39, which covers 154,000 hectares of forest land with an allowable annual cut of 469,200 cubic metres of timber. Upon completion of the transaction, Qwoqwnes and the Company will enter into a long-term fibre supply agreement to supply timber to the Company. The completion of the transaction is subject to various closing conditions, including financing, and subdivision and tenure transfer approvals from the Government of BC.

As at March 31, 2026, the assets held for sale comprised the following assets and liabilities:

	March 31, 2026	December 31, 2025
Current assets	\$ 0.6	\$ 0.6
Non-current assets	23.5	10.9
Assets held for sale	<u>\$ 24.1</u>	<u>\$ 11.5</u>
Current liabilities	\$ 2.4	\$ -
Non-current liabilities	3.6	-
Liabilities held for sale	<u>\$ 6.0</u>	<u>\$ -</u>

### 7. Biological assets

#### Reconciliation of carrying amount

	Three months ended Mar. 31,	
	2026	2025
Carrying value, beginning	\$ 15.8	\$ 48.6
Change in fair value due to growth and pricing	-	0.1
Harvested timber transferred to inventory	-	-
Disposals <sup>(Note 13)</sup>	-	(32.8)
Carrying value, March 31	<u>\$ 15.8</u>	<u>\$ 15.9</u>

At March 31, 2026, private timberlands comprised an area of approximately 8,399 hectares (December 31, 2025: 8,399 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, 2026, the Company did not harvest or scale logs (Q1 2025: 5,358 m<sup>3</sup>), from its private timberlands.

## Western Forest Products Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2026 and 2025

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

### 8. Long-term debt

	Mar. 31, 2026	Dec. 31, 2025
Credit facility drawings	\$ 19.3	\$ 38.5
Term Loan	30.0	-
Less transaction costs	(0.7)	(0.9)
Long-term debt	<u>\$ 48.6</u>	<u>\$ 37.6</u>
Available Credit Facility	\$ 250.0	\$ 250.0
Credit Facility drawings	(19.3)	(38.5)
Outstanding letters of credit included in line utilization	(3.3)	(3.2)
Unused portion of Credit Facility	<u>\$ 227.4</u>	<u>\$ 208.3</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. 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 and a minimum consolidated net worth test.

On September 16, 2025, the Credit Facility was amended to allow a new bilateral letter of credit facility (the "LC Facility") with Royal Bank of Canada. The LC Facility provides for a maximum of USD\$30 million in letters of credit to be used as collateral for US customs bonds related to duties imposed on softwood lumber. The LC Facility is guaranteed by Export Development Canada. As at March 31, 2026, the Company had USD\$25.0 million (\$34.8 million) in outstanding letters of credit on the LC Facility (December 31, 2025: USD\$21.0 million (\$28.8 million)).

On February 17, 2026, the Company entered into an amendment to the Credit Facility to allow for the concurrent closing of a new \$30 million bilateral term loan (the "Term Loan") with Royal Bank of Canada. The Term Loan has an initial maturity date of July 21, 2028, with the potential to extend the term for a total of up to 90 months. The Term Loan is incremental to the Credit Facility and is subject to the same financial covenants as the Credit Facility. Proceeds from the Term Loan were used to repay outstanding drawings of the Credit Facility.

The Company was in compliance with its financial covenants as at March 31, 2026.

### 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, 2026	Dec. 31, 2025
Present value of obligations	\$ 81.2	\$ 83.0
Fair value of plan assets	(79.6)	(81.1)
Liability recognized in the statements of financial position <sup>(Note 10)</sup>	<u>\$ 1.6</u>	<u>\$ 1.9</u>

The change in the liability recognized in the statements of financial position at March 31, 2026 resulted primarily from an increase 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, 2026 was 4.79% per annum (December 31, 2025: 4.64% per annum). The Company expects to make funding contributions to its defined benefit plans of \$1.0 million in 2026.

## Western Forest Products Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2026 and 2025

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

### 10. Other liabilities

	Current	Non-current	Total
As at March 31, 2026			
Defined benefit employee future benefits obligation <sup>(Note 9)</sup>	\$ -	\$ 1.6	\$ 1.6
Defined contribution employee future benefits obligation	-	3.3	3.3
Environmental provision	0.2	2.2	2.4
Deferred share unit plan liabilities	2.3	-	2.3
Restricted share unit plan liabilities	2.7	1.5	4.2
Other	-	0.2	0.2
	<u>\$ 5.2</u>	<u>\$ 8.8</u>	<u>\$ 14.0</u>
As at December 31, 2025			
Defined benefit employee future benefits obligation <sup>(Note 9)</sup>	\$ -	\$ 1.9	\$ 1.9
Defined contribution employee future benefits obligation	-	3.3	3.3
Environmental provision	0.2	2.2	2.4
Deferred share unit plan liabilities	1.6	-	1.6
Restricted share unit plan liabilities	0.5	2.9	3.4
Other	-	0.3	0.3
	<u>\$ 2.3</u>	<u>\$ 10.6</u>	<u>\$ 12.9</u>

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

### 11. 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, 2026, the Company accrued and received \$0.3 million (Q1 2025: \$1.4 million) related to eligible expenditures incurred, which has been deducted from the carrying amount of the assets in construction.

### 12. 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,	
	2026	2025
Primary geographic markets		
Canada	\$ 75.0	\$ 95.5
United States	66.7	102.4
Japan	17.4	21.5
China	16.0	19.1
Other	20.5	18.4
Europe	5.9	5.6
	<u>\$ 201.5</u>	<u>\$ 262.5</u>
Major products and services		
Lumber	\$ 160.2	\$ 210.2
Logs	34.7	33.5
By-products	6.2	10.9
Forestry services and other	0.4	7.9
	<u>\$ 201.5</u>	<u>\$ 262.5</u>

## Western Forest Products Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2026 and 2025

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

### 13. Other income

	Three months ended Mar. 31,	
	2026	2025
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	0.6	-
Foreign exchange gains	0.2	0.3
Other	0.4	0.1
	<u>\$ 1.2</u>	<u>\$ 24.3</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. During the three months ended March 31, 2025, the Company recorded a gain of \$23.7 million on the sale.

### 14. 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,	
	2026	2025
(Loss) income before income taxes	\$ (27.4)	\$ 13.7
Income tax (recovery) expense at statutory rate of 27%	\$ (7.4)	\$ 3.7
Difference in jurisdictional tax rates	0.2	0.2
Difference in basis and capital inclusion rates	-	(3.9)
Other permanent differences	(0.3)	(0.1)
	<u>\$ (7.5)</u>	<u>\$ (0.1)</u>
Recognized in Other comprehensive income (loss)		
Deferred tax expense	\$ -	\$ (0.2)

### 15. (Loss) earnings per share

(Loss) earnings 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, 2026			Three months ended Mar. 31, 2025		
	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		10,558,183			10,558,183	
Effect of shares:						
Issued in the quarter		-			-	
Basic earnings (loss) per share	<u>\$ (19.3)</u>	10,558,183	<u>\$ (1.83)</u>	<u>\$ 14.0</u>	10,558,183	<u>\$ 1.33</u>
Effective of dilutive securities:						
Stock options		-			-	
Diluted earnings (loss) per share	<u>\$ (19.3)</u>	10,558,183	<u>\$ (1.83)</u>	<u>\$ 14.0</u>	10,558,183	<u>\$ 1.33</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.

On July 1, 2025, the Board of Directors approved a consolidation on the basis of one post-consolidation common share for every 30 pre-consolidation common shares. On July 28, 2025, the share consolidation became effective. As a result of the share consolidation, all per share information used in the calculation of loss per share has been retrospectively adjusted for all periods presented.

## Western Forest Products Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2026 and 2025

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

### 16. Commitments and contingencies

#### (a) Softwood lumber duty dispute

On October 12, 2015, the softwood lumber agreement between Canada and the US 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 softwood lumber shipments (“shipments”) to the US from Canada.

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.

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.

During September 2025, the Canada-United States-Mexico Agreement (“CUSMA”) Chapter 10 Panel (the “Panel”) dismissed its reviews relating to Canada’s challenge of the DoC’s final results of the first and second AR (“AR1” and “AR2”) of the AD order on Canadian softwood lumber products at the joint request of the Canadian and US parties. As a result of the dismissals, amounts recognized for export duty receivables for AD duties are to be reimbursed during periods of AR1 and AR2 for periods when CV payments were not applied, which was during the period August 26, 2017 through December 27, 2017. Export duties of USD\$3.6 million (\$5.0 million) are expected to be received by the Company in 2026, and as such, this amount has been reclassified to trade and other receivables in the consolidated statement of financial position. No interest amounts have accrued on these export duty receivables related to this period, as the duties were provisional during this period.

As cash deposit rates differed from final duty and incremental tariff (note 16(b)) rates for lumber shipments, the Company recognized a negligible long-term interest-bearing duty receivable in its statements of financial position. During the three months ended March 31, 2026, export tax expense on CV and AD duties of \$11.0 million (Q1 2025: \$8.3 million) was recorded in the consolidated statement of comprehensive income.

On April 9, 2026, the DoC announced its preliminary determination for AD and CV rates resulting from its seventh AR for shipments in 2024, indicating an AD rate of 10.66% and a CV rate of 14.17%, compared to the current rates of 20.53% and 14.63%, respectively, applicable to the Company. Shipments in 2024 were subject to weighted average rates of 3.62% and 6.78% for CV and AD, respectively. The DoC may revise these rates between the preliminary and the final determination, which is expected to be released in the fourth quarter of 2026. If the final seventh AR rates are unchanged from the preliminary seventh AR rates, Western will record a non-cash export tax expense of USD\$26.0 million, plus accrued interest of approximately USD\$5.4 million, when the final seventh AR rates are published. Cash deposits continue at the combined duty rate of 35.16% until the final determinations are published, after which the final AR7 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. 11, 2025	July 29, 2025	Aug. 19, 2024
	Onward	through Aug. 11, 2025	through July 28, 2025
Cash deposit rate			
CV	14.63%	6.74%	6.74%
AD	20.53%	20.53%	7.66%
Combined	35.16%	27.27%	14.40%
Lumber shipment year	AR7	AR6	AR5
Duty rate	2024 Preliminary	2023 Final	2022 Final
CV	14.17%	14.63%	6.74%
AD	10.66%	20.53%	7.66%
Combined	24.83%	35.16%	14.40%

## Western Forest Products Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2026 and 2025

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

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### 16. Commitments and contingencies (continued)

#### (a) Softwood lumber dispute (continued)

As at March 31, 2026, including interest of USD\$3.9 million (December 31, 2025: USD\$4.0 million), the export tax receivable of USD\$3.9 million (December 31, 2025: USD\$7.2 million) was revalued at the period-end exchange rate to \$5.4 million (December 31, 2025: \$9.9 million) and is recorded in other assets on the consolidated statement of financial position.

Interest expense of \$0.2 million was recorded in finance costs during the three months ended March 31, 2026 (Q1 2025: interest revenue of \$1.0 million). A negligible foreign exchange gain was recorded in other income during the three months ended March 31, 2026 (Q1 2025: negligible foreign exchange gain).

As at March 31, 2026, the Company had paid USD\$215 million (\$299 million) of duties, all of which remain held in trust by US Department of Treasury (December 31, 2025: USD\$206 million (\$283 million)). With the exception of USD\$3.6 million (\$5.0 million) of duty deposits recognized in accounts receivable, all duty deposits have been expensed at the cash deposit rates in effect at the date of payment.

#### (b) Incremental US Tariffs

On September 29, 2025, US President Donald Trump signed an executive order imposing a 10% tariff on imported lumber products through Section 232 of the Trade Expansion Act. The incremental 10% tariff became effective on October 14, 2025. During the three months ended March 31, 2026, export tax expense of \$2.8 million was recorded in the statements of comprehensive loss related to incremental US Tariffs.

On February 20, 2026, the Supreme Court of the United States ("SCOTUS") determined that tariffs placed by the US under the International Emergency Economic Powers Act ("IEEPA") were not legal. During the three months ended March 31, 2026, the Company recognized \$0.7 million as an export tax recovery as a result of the SCOTUS ruling related to IEEPA tariffs expensed and paid in the first quarter of 2025. The amount is recognized as an export tax receivable in other assets in the consolidated statement of financial position.

#### (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, 2026. The Company anticipates satisfying annual fibre commitments for the year ending December 31, 2026. 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 \$0.5 million for the three months ended March 31, 2026 (Q1 2025: \$0.6 million).

## Western Forest Products Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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### 17. 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 16(a)), which are classified as Level 3 within the fair value hierarchy.

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, 2026, the Company had outstanding obligations to sell an aggregate USD\$14.0 million at an average exchange rate of CAD\$1.3754 per USD with maturities through April 21, 2026 (December 31, 2025: USD\$12.0 million at an average exchange rate of CAD\$1.3713 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,	
	2026	2025
Foreign currency gains (losses) recognized in revenue	\$ 0.4	\$ 0.1

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.

### 18. Subsequent events

In April 2026, the Company and its insurance adjuster finalized the property insurance claim related to the CVD sawmill fire for USD\$28.8 million (\$40.1 million). After a deductible of USD\$1.0 million (\$1.4 million) and less USD\$5.0 million (\$6.9 million) which was received as an instalment payment in 2025, the Company anticipates to receive proceeds of USD\$22.8 million (\$31.7 million) in the second quarter of 2026. The Company continues to work with its insurance adjuster to finalize its claim for business interruption related to the fire.

# **WESTERN**

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