Western Forest Products Inc.

2026 Third 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 and nine months ended September 30, 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 and nine months ended September 30, 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. Unless otherwise noted, the information in this discussion and analysis is updated to November 5, 2026.

The Company has prepared the consolidated financial statements for the three and nine months ended September 30, 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; the execution of our sales and marketing strategy; the duration of curtailments at the Company's facilities; 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; the capacity of the Company's facilities and assets and the expected timing and cost of completion and commissioning of the Company's announced capital investments and capital expenditures, including the Duke Point autograder. 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		Q3 2026	Q3 2025	Q2 2026	YTD 2026	YTD 2025
Revenue						
Lumber [2]		$ 169.6	$ 181.1	$ 183.0	$ 512.8	$ 609.6
Logs		59.2	38.3	48.6	142.5	120.8
By-products		7.6	8.5	7.6	21.4	31.0
Forestry services and other [3]		0.6	5.1	0.4	1.4	23.2
Total revenue		237.0	233.0	239.6	678.1	784.6
Freight		12.7	13.6	13.5	37.4	46.6
Export tax expense		17.6	66.0	15.6	46.3	83.8
Stumpage		1.9	4.3	0.7	5.1	12.2
Adjusted EBITDA [4]		$ 1.9	$ (65.9)	$ 0.4	$ (11.3)	$ (62.0)
Adjusted EBITDA margin [4]		1%	(28%)	0%	(2%)	(8%)
Operating loss prior to restructuring and other items		$ (18.8)	$ (78.0)	$ (11.9)	$ (56.2)	$ (99.5)
Net (loss) income		(5.2)	(61.3)	10.5	(14.6)	(64.9)
(Loss) earnings per share, basic and diluted	$ per share	(0.44)	(5.71)	1.10	(1.17)	(6.00)
Operating Information [5]						
Lumber shipments [2][6][11]	mmfbm	136	152	132	381	483
Cedar	mmfbm	21	24	28	75	87
Japan Specialty	mmfbm	23	30	24	67	86
Industrial [2]	mmfbm	27	23	23	70	75
Commodity	mmfbm	65	75	57	169	235
Lumber production [2][11]	mmfbm	127	130	130	375	456
Lumber price, average [2][11]	$/mfbm	$ 1,245	$ 1,194	$ 1,390	$ 1,348	$ 1,262
Wholesale lumber shipments	mmfbm	5	7	7	19	25
Log shipments	000 m^3	355	207	315	833	766
Domestic	000 m^3	253	152	255	646	616
Pulp	000 m^3	102	55	60	187	151
Net production [7]	000 m^3	787	410	805	1,992	1,473
Saw log purchases	000 m^3	126	214	149	397	730
Log price, average [8]	$/$m^3$	$ 149	$ 160	$ 148	$ 157	$ 143
Illustrative Lumber Average Price Data [9]	**Price Basis**					
Grn WRC #2 Clear & Btr 4x6W RL ($C)	cif dest N Euro	$10,875	$ 8,742	$10,375	$10,514	$ 8,469
Grn WRC Deck Knotty 2x6 RL S4S	Net fob Mill	$ 1,424	$ 1,695	$ 1,526	$ 1,506	$ 1,607
Grn WRC #2 & Btr AG 6x6 RL	Net fob Mill	$ 3,700	$ 3,644	$ 3,700	$ 3,699	$ 3,557
Coast Grn WRC Std&Btr NH 3/4x4 RL S1S2E	Net fob Mill	$ 1,190	$ 1,178	$ 1,190	$ 1,190	$ 1,159
KD Hem Baby Squares Merch 4-1/8x4-1/8 13'	c&f dest Japan	$ 1,018	$ 990	$ 990	$ 999	$ 981
KD Dfir Baby Squares Merch 4-1/8x4-1/8 RL S4S	c&f dest Japan	$ 1,162	$ 1,238	$ 1,093	$ 1,132	$ 1,156
Grn Dfir (Portland) #1&Btr 100% FOHC 6x6 Rough	Net fob Mill	$ 1,765	$ 1,564	$ 1,711	$ 1,695	$ 1,639
Hemlock Lumber 4x4 (95x95) Metric RG Utility	cif dest Shanghai	$ 503	$ 456	$ 480	$ 482	$ 454
Coast KD Hem-Fir #2 & Btr 2x4	Net fob Mill	$ 548	$ 506	$ 534	$ 516	$ 521
Average exchange rate – CAD to USD [10]		0.715	0.726	0.723	0.723	0.715
Average exchange rate – CAD to JPY [10]		113.81	107.10	115.18	114.44	105.95

(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 glulaminated 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").
(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 Third Quarter 2026 Results

We reported Adjusted EBITDA of $1.9 million in the third quarter of 2026, as compared to negative $65.9 million in the same period last year. Adjusted EBITDA in the third quarter of 2026 included $7.7 million related to business interruption insurance recovery from our Columbia Vista Division ("CVD") sawmill, a $3.9 million non-cash expense related to a change in estimate on our export duty receivable for the first six softwood lumber administrative reviews ("AR") and a $1.2 million expense related to share-based compensation. Results in the third quarter of 2025 included a $59.5 million non-cash export duty expense related to the determination of final duty rates from the sixth AR and a $0.5 million expense related to share-based compensation. Results in the third quarter of 2026 reflect higher lumber prices and log shipments, partially offset by lower lumber shipments and higher export duty rates compared to the same period last year.

Revenue

Lumber revenue was $169.6 million in the third quarter of 2026 as compared to $181.1 million in the same period last year. The decrease of 6% was due to lower shipment volumes, partially offset by higher lumber prices. Our average realized lumber price increased by 4% to $1,245 per thousand board feet in the third quarter of 2026, as compared to $1,194 per thousand board feet in the same period last year, due to price improvements in certain lumber markets.

Specialty lumber shipments represented 52% of total lumber shipment volumes in the third quarter of 2026, as compared to 51% in the same period last year. Cedar and Commodity lumber shipment volumes both decreased by 13% 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 $59.2 million in the third quarter of 2026, as compared to $38.3 million in the same period last year. The increase of 55% was due to higher shipment volumes, partially offset by lower weighted average log prices driven primarily by a higher proportion of pulp log sales.

By-products revenue was $7.6 million, as compared to $8.5 million in the same period last year. The decrease of 11% was primarily due to a decrease in chip prices.

Forestry services and other revenue were $0.6 million, as compared to $5.1 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 third quarter of 2026 as compared to the same period last year.

Operations

Lumber production was 127 million board feet in the third quarter of 2026, as compared to 130 million board feet in the same period last year. In the third quarter of 2026, additional production curtailments were taken, compared to the same period last year, due to market conditions. Sawmill cash conversion costs per thousand board feet decreased 8% compared to the same period last year primarily due to the mix of operations.

We harvested 787,000 cubic metres of logs from our BC coastal operations in the third quarter of 2026, as compared to 410,000 cubic metres in the same period last year. Harvesting volumes benefitted from favorable weather conditions during the third quarter of 2026. Harvesting volumes in the third quarter of 2025 were impacted by a strike at the La-kwa sa muqw Forestry Limited Partnership ("LFLP"), which began in June 2025 and ended in the first quarter of 2026. BC Coastal saw log purchases were 126,000 cubic metres in the third quarter of 2026, as compared to 214,000 cubic metres in the same period last year, as we matched saw log requirements to sawmill production.

Timberlands cash operating costs per cubic metre decreased 9% compared to the same period last year. The decrease was primarily due to higher harvest volumes, and lower stumpage costs, partially offset by higher fuel costs.

Freight expense was $12.7 million in the third quarter of 2026 as compared to $13.6 million in the same period last year. The decrease of 7% was primarily due to decreased lumber shipments, partially offset by higher fuel surcharges.

We recorded $17.6 million of export tax expense in the third quarter of 2026, as compared to $66.0 million in the same period of 2025. Export tax expense in the third quarter of 2026 included a $3.9 million non-cash expense related to a change in estimate on our export duty receivable for the first six ARs. Export tax expense in the third quarter of 2025 included a $59.5 million non-cash export duty expense related to the determination of final duty rates from the sixth AR. Export tax expense in the third quarter of 2026 reflect higher duty rates and tariffs compared to the same period last year, partially offset by lower US-destined lumber shipments.

Corporate and Other

Selling and administration expense was $10.8 million in the third quarter of 2026 as compared to $11.0 million in the same period last year. The third quarter of 2026 included a $1.2 million expense related to share-based compensation, as compared to a $0.5 million expense in the same period last year.

Restructuring costs were $1.3 million in the third quarter of 2026, primarily related to our CVD sawmill site and severance expenses, compared to restructuring costs of $nil in the third quarter of 2025.

Other income was $7.3 million in the third quarter of 2026 as compared to $6.9 million in the same period last year. Other income in the third quarter of 2026 was primarily related to $7.3 million in gains on the sale of our CVD sawmill site. Other income in the third quarter of 2025 was primarily related to $6.9 million in property insurance recovery related to our CVD sawmill site.

Finance costs were $2.7 million in the third quarter of 2026 as compared to $12.0 million in the same period last year. Finance costs in the third quarter of 2025 included $10.4 million of net interest expense related to the finalization of the sixth AR.

Income Taxes

Income tax recovery was $2.6 million on net loss before tax of $7.8 million in the third quarter of 2026 as compared to income tax recovery of $21.8 million on net loss before tax of $83.1 million in the same period last year. The rate differential results primarily from differences in jurisdictional tax rates.

Net loss

Net loss was $5.2 million in the third quarter of 2026, as compared to a net loss of $61.3 million for the same period last year. Results in the third quarter of 2026 benefitted from higher realized lumber prices, higher log shipments and the gain on the sale of our CVD sawmill site, partially offset by lower lumber shipments compared to the same period last year. Results in the third quarter of 2025 were negatively impacted by the finalization of the sixth AR.

Summary of Year to Date 2026 Results

We reported Adjusted EBITDA of negative $11.3 million in the first nine months of 2026, as compared to negative $62.0 million in the same period last year. Adjusted EBITDA in the first nine months of 2026 included $7.7 million related to business interruption insurance recovery from our CVD sawmill, a $5.4 million expense related to share-based compensation, a $3.9 million non-cash expense related to a change in estimate on our export duty receivable for the first six ARs and a one-time $2.8 million expense due to changes in inventory accounting estimates related to the Company's inventory costing model. Results in the third quarter of 2025 included a $59.5 million non-cash export duty expense related to the determination of final duty rates from the sixth AR and $1.7 million related to share-based compensation. Results in the first nine months of 2026 reflect lower lumber shipments and higher export duty rates, partially offset by higher lumber prices compared to the same period last year.

Revenue

Lumber revenue was $512.8 million in the first nine months of 2026 as compared to $609.6 million in the same period last year. The decrease of 16% was due to lower shipment volumes, partially offset by higher lumber prices and a stronger sales mix. Our average realized lumber price increased by 7% to $1,348 per thousand board feet in the first nine months of 2026, as compared to $1,262 per thousand board feet in the same period last year, due to price improvements in certain lumber markets and a stronger sales mix.

Specialty lumber shipments represented 55% of total lumber shipment volumes in the first nine months of 2026, as compared to 52% in the same period last year. Cedar and Commodity lumber shipment volumes decreased by 14% and 28%, 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 $142.5 million in the first nine months of 2026, as compared to $120.8 million in the same period last year. The increase of 18% was due to higher shipment volumes and higher log prices primarily driven by the mix of logs sold.

By-products revenue was $21.4 million in the first nine months of 2026, as compared to $31.0 million in the same period last year. The decrease of 31% was due to a decrease in chip prices and chip sales volumes on lower lumber production.

Forestry services and other revenue were $1.4 million in the first nine months of 2026, as compared to $23.2 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 nine months of 2026 compared to the same period last year.

Operations

Lumber production was 375 million board feet in the first nine months of 2026, as compared to 456 million board feet in the same period last year. In the first nine months of 2026, additional production curtailments were taken, compared to the same period last year, due to market conditions and log availability, in addition to lost production from CVD. Sawmill cash conversion costs per thousand board feet increased 1% compared to the same period last year primarily due to a decrease in production, partially offset by the mix of operations.

We harvested 1,992,000 cubic metres of logs from our BC coastal operations in the first nine months of 2026, as compared to 1,473,000 cubic metres in the same period last year. Harvested volumes increased primarily due to improved permit approvals and more favourable weather conditions compared to the first nine months of 2025. Harvesting volumes in the first nine months of 2025 were also impacted by the strike at LFLP. BC Coastal saw log purchases were 397,000 cubic metres in the first nine months of 2026, as compared to 730,000 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 2% compared to the same period last year. The increase was primarily due to higher contractor harvesting costs, increased helicopter production and higher fuel costs, partially offset by higher harvest volumes.

Freight expense was $37.4 million in the first nine months of 2026 as compared to $46.6 million in the same period last year. The decrease of 20% was primarily due to decreased lumber shipments, partially offset by higher fuel surcharges.

We recorded $46.3 million of export tax expense in the first nine months of 2026, as compared to $83.8 million in the same period of 2025. Export tax expense in the first nine months of 2026 included a $3.9 million non-cash expense related to a change in estimate on our export duty receivable for the first six ARs. Export tax expense in the first nine months of 2025 included a $59.5 million non-cash export duty expense related to the determination of final duty rates from the sixth AR. Export tax expense increased due to higher duty rates and tariffs, partially offset by lower US-destined lumber shipments.

Corporate and Other

Selling and administration expense was $35.1 million in the first nine months of 2026 as compared to $33.4 million in the same period last year. The first nine months of 2026 included a $5.4 million expense related to share-based compensation, as compared to a $1.7 million expense in the same period last year.

Restructuring costs were $4.4 million in the first nine months of 2026, related to our CVD sawmill site and severance expenses. Restructuring costs were $0.8 million in the first nine months of 2025, related to our CVD sawmill site and our Alberni Pacific Division (“APD”) facility.

Other income was $37.9 million in the first nine months of 2026, consisting primarily of $31.3 million in CVD property insurance recovery and $7.3 million from the gain on sale of the CVD sawmill site, partially offset by a $2.2 million asset impairment, as compared to other income of $22.2 million in the same period last year. The first nine months of 2025 included $23.9 million in gains from the sale of private timberlands and our APD facility, offset by $4.8 million from non-cash foreign exchange losses and $3.8 million in impairment losses on assets related to a fire at CVD.

Finance costs were $6.9 million in the first nine months of 2026 as compared to $13.8 million in the same period last year. Finance costs related to our export duty receivable were $1.5 million in the first nine months of 2026, as compared to $8.4 million in the same period last year.

Income Taxes

Income tax recovery was $7.3 million on a loss before tax of $21.9 million in the first nine months of 2026 as compared to income tax recovery of $27.0 million on a net loss before tax of $91.9 million in the same period last year. The rate differential results primarily from jurisdictional tax rate differences and reduced tax rates on capital gains from the sale of assets in the first nine months of 2025.

Net loss

Net loss was $14.6 million in the first nine months of 2026, as compared to a net loss of $64.9 million for the same period last year. Results in the first nine months of 2026 benefitted from $46.3 million in total CVD insurance recoveries and the gain on sale from our CVD sawmill site, higher realized lumber and log prices,

partially offset by lower lumber shipments and higher export duty rates compared to the same period last year. Results in the first nine months of 2025 included $23.9 million of gains from sales of non-core assets and a $59.5 non-cash export duty expense.

Accelerating the Transition to Higher Value Products

In February 2026, we commissioned the first continuous dry kiln at our Value-Added Division, in June 2026, we commissioned the second continuous dry kiln at our Value-Added Division and in July 2026, we commissioned a new thermal kiln at our Value-Added Division. The kilns have been achieving uptime and operational targets inline with our expectations. Costs, excluding any contributions from the BC Manufacturing Jobs Fund ("BCMJF") and Fortis BC, expended to September 30, 2026 for these kilns total $38.4 million, relative to a total estimated budget of $39 million. During the three and nine months ended September 30, 2026, the Company accrued and received $1.5 million and $3.0 million, respectively from Fortis BC under the Efficiency Incentive Program.

The upgrading of an autograder with AI technology at our Duke Point facility is underway, with anticipated commissioning in early 2027. The new autograder uses AI technology to grade each piece of lumber, resulting in more precision compared to manual grading.

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 nine months of 2026, the Company accrued and received $2.3 million in eligible expenditures, and has accrued a total of $7.5 million from the BCMJF since the start of the agreement, of which $5.5 million has been received.

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, BC, for an aggregate purchase price of approximately $80.0 million (the "Transaction").

The Stillwater Forest Operation includes the former 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 ("AAC") 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.

On November 3, 2026, we completed the Transaction.

Columbia Vista Sawmill

In July 2026, the Company completed the sale of the CVD sawmill site and certain assets with a third party for USD$14.7 million ($20.8 million). Following selling costs of $1.8 million, net proceeds from the sale were $19.0 million.

In September 2026, the Company and its insurance adjuster finalized its claim for business interruption related to the fire for USD$5.5 million ($7.7 million).

Combined gross proceeds from property insurance, business interruption insurance and the sale of the sawmill site total USD$48.0 million ($66.7 million).

The Company purchased the property, plant and equipment of the CVD 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$10.7 million ($15.2 million) as at September 30, 2026.

Operating Curtailments

Our Cowichan Bay and Chemainus mills are expected to remain curtailed for the remainder of 2026 due to persistently weak market conditions, high softwood lumber duties and tariffs and factors relating to the BC operating environment.

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 have been received by the Company during 2026. Based on additional information derived from the AD liquidation process of AR1 and AR2, we recorded a USD$2.8 million ($3.9 million) non-cash expense to export duties in the third quarter of 2026, representing a change in the estimate of amounts recoverable and payable for the first six ARs. As a result of the change of estimate, an additional USD$0.6 million ($0.8 million) of interest expense was accrued.

On October 14, 2026, the DoC announced its final rates from its seventh AR for shipments in 2024, indicating an AD rate of 10.64% and a CV rate of 14.11%, 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. As a result of the final seventh AR rates, Western will record a non-cash export tax expense of USD$27.6 million, plus accrued interest of approximately USD$5.5 million in the fourth quarter of 2026. 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 September 30, 2026, the Company had paid USD$227 million ($323 million) of duties which remain held in trust by US Department of Treasury (December 31, 2025: USD$206 million ($283 million)).

Including wholesale lumber shipments, our sales from Canadian operations to the US market represented approximately 15% of total lumber shipments in the first nine months of 2026, as compared to 16% 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 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.

On July 20, 2026, President Trump issued proclamations under Section 338 of the Tariff Act of 1930 imposing a 50% tariff on certain goods imported from Canada. The additional tariff is effective August 19, 2026. On July 23, 2026, President Trump issued a presidential memorandum directing the US to impose tariffs under Section 301 of the Trade Act of 1974 of 10% to 12.5% on imports from 60 trading partners, including Canada, effective July 24, 2026. Neither the Section 338 nor Section 301 tariffs apply to our products exported to the US.

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.

In August 2026, the Province introduced an initiative to modernize forest management by exploring a working forest landscape model. The Province has indicated that this approach is intended to shift forestry planning from permit-by-permit approvals to landscape-level management based on three interconnected zones: a working forest zone, multiple use zone, and conservation and protection zone. In September 2026, the Province announced the first coastal pilot area, located north of and adjacent to Campbell River, in partnership with Nanwakolas Council. The Company and its subsidiaries hold a forest tenure in this area, namely Tree Farm Licence 64. The potential impact of this initiative on Western's tenure holdings is not ascertainable at this time.

On September 23, 2026, the Province's Chief Forester issued a final determination setting the AAC for TFL 19 at 603,000 m3 per year, approximately 17.3% below the previous AAC of 728,837 m3. The determination includes a partition that limits harvesting from the conventional land base to 503,000 m3 per year, of which no more than 354,000 m3 may be harvested outside the areas identified by the Mowachaht/ Muchalaht First Nation ("MMFN") as Salmon Parks at the time of the determination. Salmon Parks are areas where MMFN has proposed harvest deferrals; however, such areas have not been designated by the Province as protected, and they remain part of the timber harvesting land base. The remaining 100,000 m3 per year may be harvested from the non-conventional or helicopter-operable land base. The new AAC established by the Province's Chief Forester exceeds the Company's recent harvest levels in TFL 19.

Land Claims by Indigenous Groups

On April 2, 2026, the British Columbia Court of Appeal ("BCCA") 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 harvesting landbase ("THLB") of the licence (approximately 18% of the total THLB of the licence and approximately 1.3% of Western's total THLB). In June 2026, the Province filed for leave to appeal the BCCA's decision to the Supreme Court of Canada ("SCC") and a stay of the BCCA's declaration of Aboriginal title pending a final decision from the SCC. On October 15, 2026, the application for leave to appeal the BCCA decision was granted by the SCC. Depending on the outcome of the appeal, an AAC redetermination for the North Island Timber Supply Area may be required in the future. However, 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 [1]

(millions of Canadian dollars except where otherwise noted)

Selected Cash Flow Items	Q3 2026	Q3 2025	Q2 2026	YTD 2026	YTD 2025
Operating activities					
Net (loss) income	$ (5.2)	$ (61.3)	$ 10.5	$ (14.6)	$ (64.9)
Amortization	12.9	12.1	12.7	37.4	37.6
Impairment of assets	-	-	2.2	2.2	3.8
(Gain) loss on disposal of property, equipment and other assets	(7.5)	0.1	0.1	(8.0)	(23.8)
Income tax (recovery) expense	(2.6)	(21.8)	2.8	(7.3)	(27.0)
Income taxes (payments) receipts	(0.1)	3.4	-	(0.3)	3.9
Share-based compensation	1.2	0.5	2.3	5.4	1.7
Finance costs	2.7	12.0	2.1	6.9	13.8
Property insurance recovery	-	-	(31.3)	(31.3)	-
Export duty receivable adjustments	3.9	59.5	-	3.2	59.5
Other	0.7	(3.0)	(1.1)	(2.0)	0.7
	6.0	1.5	0.3	(8.4)	5.3
Change in non-cash working capital	4.1	26.5	(1.7)	18.8	22.3
Cash provided by (used in) operating activities	10.1	28.0	(1.4)	10.4	27.6
Investing activities					
Additions to property, plant and equipment	(7.8)	(7.2)	(7.9)	(26.3)	(20.3)
Additions to capital logging roads	(0.6)	(1.2)	(3.8)	(7.2)	(3.3)
Net proceeds on disposal of assets	19.2	-	-	21.0	75.0
Property insurance proceeds	-	-	31.3	31.3	-
Advances and loans receipts	-	0.1	0.1	0.2	0.2
Proceeds from disposition of minority interest in subsidiary	-	(0.4)	-	-	(0.4)
Cash provided by (used in) investing activities	10.8	(8.7)	19.7	19.0	50.9
Financing activities					
Net drawings on credit facility	(6.8)	(14.0)	(12.6)	(8.5)	(68.1)
Bank indebtedness (repayments)	(0.4)	(0.4)	-	(0.4)	0.4
Interest payments	(0.8)	(1.3)	(1.0)	(3.3)	(4.3)
Lease payments	(2.3)	(2.1)	(2.8)	(6.6)	(7.8)
Deferred financing fees	(0.2)	-	-	(0.2)	(0.9)
Cash (used in) provided by financing activities	(10.5)	(17.8)	(16.4)	(19.0)	(80.7)
Increase (decrease) in cash	$ 10.4	$ 1.5	$ 1.9	$ 10.4	$ (2.2)
Summary of Financial Position					
Cash and cash equivalents	$ 14.7	$ 5.7	$ 4.3		
Current assets	302.3	281.5	319.3		
Current liabilities	119.7	103.9	130.7		
Bank indebtedness	-	0.4	0.4		
Long-term debt	29.4	16.9	36.1		
Net debt [2]	14.7	11.6	32.2		
Equity, excluding non-controlling interest	467.2	492.1	471.9		
Total liquidity [3][6]	260.8	234.2	243.6		
Financial ratios					
Current assets to current liabilities [4]	2.53	2.71	2.44		
Net debt to capitalization [5][6]	3%	2%	6%		

(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 $10.1 million in the third quarter of 2026, as compared to $28.0 million in the same period last year. The Company decreased non-cash working capital by $4.1 million in the third quarter of 2026, compared to a decrease of $26.5 million in the same period last year.

Cash provided by investing activities was $10.8 million in the third quarter of 2026, as compared to cash used of $8.7 million in the same period last year. In the third quarter of 2026, the Company received $19.2 million from the sale of assets.

Cash used in financing activities was $10.5 million in the third quarter of 2026, as compared to cash used of $17.8 million in the same period last year. In the third quarter of 2026, the Company repaid $6.8 million on our credit facilities, compared to repayment of $14.0 million in the third quarter of 2025.

Liquidity and Capital Resources

Total liquidity was $260.8 million at September 30, 2026, as compared to $243.6 million at June 30, 2026 and $234.2 million at September 30, 2025. Liquidity is comprised of cash and cash equivalents of $14.7 million, and unused availability under the Company's credit facility of $246.2 million.

On September 15, 2026, the Company entered into an amendment to increase the bilateral letter of credit facility (the "LC Facility") with Royal Bank of Canada from $30 million to $40 million of borrowings for letters of credit to be used as collateral for US customs bonds related to the US softwood lumber dispute.

Based on our current forecasts, we expect sufficient liquidity will be available to meet any existing commitments as well as our other obligations through the next twelve months. The Company was in compliance with its financial covenants as at September 30, 2026.

Capital Expenditures

We currently anticipate 2026 capital expenditure spending of between $45 to $50 million, which includes $23 million of spending on two continuous dry kilns and one thermal kiln at our Value-Added Division and the autograder at Duke Point. 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

Industrial product lines are expected to be stable through the fourth quarter with some improvements in matting products following the announcement of significant capital projects in Canada, such as the LNG Canada plant expansion and the Pacific Link pipeline. In North America, cedar demand and pricing has softened, primarily due to affordability pressures, given elevated interest rates and higher fuel costs. We also expect further reductions towards the end of the year for pricing in decking, trim and fencing as supply continues to outstrip demand in these categories. While North American commodity markets have recently declined, we are expecting prices to improve in the fourth quarter of 2026, supported by a greater focus on Canadian customers, like treaters, that yield higher net mill returns.

Housing activity in Japan remained resilient throughout the summer, supported by the market advancing projects and housing starts ahead of anticipated mortgage rate increases. Lumber demand in Japan is expected to be stable in the fourth quarter of 2026. Market inventories in China have built over the past few months, reflecting a seasonal slowdown in consumption during the summer season. Demand is expected to strengthen towards the end of the year as inventories are drawn down and customers look to replenish stock prior to the 2027 lunar new year.

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)

Adjusted EBITDA	**Q3 2026**	**Q3 2025**	**Q2 2026**	**YTD 2026**	**YTD 2025**
Net (loss) income	$ (5.2)	$ (61.3)	$ 10.5	$ (14.6)	$ (64.9)
Add:					
Amortization	12.9	12.1	12.7	37.4	37.6
Changes in fair value of biological assets	(0.1)	-	(0.1)	(0.2)	(0.1)
Operating restructuring items	1.3	-	2.1	4.4	0.8
Other (income) expense	(7.3)	(6.9)	(29.4)	(37.9)	(22.2)
Finance costs	2.7	12.0	2.1	6.9	13.8
Income tax expense (recovery)	(2.6)	(21.8)	2.8	(7.3)	(27.0)
Adjusted EBITDA	$ 1.9	$ (65.9)	$ 0.4	$ (11.3)	$ (62.0)
Adjusted EBITDA margin					
Total revenue	$ 237.0	$ 233.0	$ 239.6	$ 678.1	$ 784.6
Adjusted EBITDA	1.9	(65.9)	0.4	(11.3)	(62.0)
Adjusted EBITDA margin	1%	(28%)	0%	(2%)	(8%)

Net debt to capitalization	**Sept. 30 2026**	**Sept. 30 2025**	**Jun. 30 2026**
Net debt			
Total debt	$ 29.4	$ 16.9	$ 36.1
Bank indebtedness	-	0.4	0.4
Cash and cash equivalents	(14.7)	(5.7)	(4.3)
	$ 14.7	$ 11.6	$ 32.2
Capitalization			
Net debt	$ 14.7	$ 11.6	$ 32.2
Total equity attributable to equity shareholders of the Company	467.2	492.1	471.9
	$ 481.9	$ 503.7	$ 504.1
Net debt to capitalization	3%	2%	6%

Total liquidity	**Sept. 30 2026**	**Sept. 30 2025**	**Jun. 30 2026**
Cash and cash equivalents	$ 14.7	$ 5.7	$ 4.3
Available credit facility [(1)]	250.0	250.0	250.0
Bank indebtedness	-	(0.4)	(0.4)
Credit facility drawings	-	(17.9)	(6.8)
Outstanding letters of credit included in line utilization	(3.8)	(3.2)	(3.5)
	$ 260.8	$ 234.2	$ 243.6

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. 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 September 30, 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. There were no changes to critical accounting estimates during the three and nine months ended September 30, 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 and nine months ended September 30, 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 September 30, 2026, surety performance and payment bonds aggregated $45.0 million (December 31, 2025: $47.3 million), of which $35.5 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 and nine months ended September 30, 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. 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 and nine months ended September 30, 2026.

Internal Controls over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting ("ICFR") during the three and nine months ended September 30, 2026, that have materially affected, or are reasonably likely to materially affect, its ICFR.

Outstanding Share Data

As of November 5, 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 nine months ended September 30, 2026, no options were granted or exercised, 31,854 options expired and no options were forfeited. As of November 5, 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.

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
		Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Average exchange rate – USD to CAD		1.399	1.383	1.372	1.395	1.377	1.385	1.435	1.399
Average exchange rate – CAD to USD		0.715	0.723	0.729	0.717	0.726	0.722	0.697	0.715
Financial performance									
Revenue									
Lumber		$ 169.6	$ 183.0	$ 160.2	$ 154.9	$ 181.1	$ 218.2	$ 210.2	$ 214.3
Logs		59.2	48.6	34.7	36.8	38.3	49.0	33.5	46.5
By-products		7.6	7.6	6.2	7.4	8.5	11.7	10.9	9.7
Forestry services and other		0.6	0.4	0.4	2.8	5.1	10.2	7.9	2.7
Total revenue		$ 237.0	$ 239.6	$ 201.5	$ 201.9	$ 233.0	$ 289.1	$ 262.5	$ 273.2
Net (loss) income		$ (5.2)	$ 10.5	$ (19.9)	$ (17.5)	$ (61.3)	$ (17.4)	$ 13.8	$ (1.2)
(Loss) earnings per share									
Basic and diluted		$ (0.44)	$ 1.10	$ (1.83)	$ (1.55)	$ (5.71)	$ (1.62)	$ 1.33	$ (0.05)
Operating statistics									
Lumber [1][2][3]									
Production	Mmfbm	127	130	118	113	130	172	154	152
Shipments	Mmfbm	136	132	113	130	152	176	156	165
Price	$/mfbm	$ 1,245	$ 1,390	$ 1,422	$ 1,192	$ 1,194	$ 1,243	$ 1,348	$ 1,300
Logs [4]									
Net production	000 m^3	787	805	400	491	410	598	465	673
Saw log purchases	000 m^3	126	149	122	218	214	299	216	234
Log availability	000 m^3	913	954	522	709	624	897	681	906
Shipments	000 m^3	355	315	163	235	207	329	231	355
Price [5]	$/$m^3$	$ 149	$ 148	$ 193	$ 144	$ 160	$ 139	$ 134	$ 121

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 glulaminated 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.

Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2026 and 2025

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

	September 30, 2026	December 31, 2025
Assets		
Current assets:		
Cash and cash equivalents	$ 14.7	$ 4.3
Trade and other receivables	63.7	66.1
Inventory (Note 5)	184.6	181.8
Prepaid expenses and other assets	17.6	28.0
Assets held for sale (Note 6)	12.6	11.5
Income taxes receivable	9.1	8.9
	302.3	300.6
Non-current assets:		
Property, plant and equipment	311.8	314.6
Timber licenses	76.9	84.2
Biological assets (Note 7)	16.0	15.8
Other assets (Note 16(a, b))	2.3	12.8
Goodwill	7.4	7.1
Deferred income tax assets	0.1	2.9
	$ 716.8	$ 738.0
Liabilities and Equity		
Current liabilities:		
Bank indebtedness	$ -	$ 0.4
Accounts payable and accrued liabilities	96.8	88.9
Liabilities directly associated with assets held for sale (Note 6)	6.4	-
Income taxes payable	1.3	0.2
Lease liabilities	6.2	7.3
Reforestation obligation	7.0	6.7
Deferred revenue (Note 16(d))	2.0	2.0
	119.7	105.5
Non-current liabilities:		
Long-term debt (Note 8)	29.4	37.6
Lease liabilities	16.0	13.8
Reforestation obligation	8.9	13.6
Other liabilities (Note 10)	10.3	10.6
Deferred revenue (Note 16(d))	36.9	38.4
Deferred income tax liabilities	25.2	36.4
	246.4	255.9
Equity:		
Share capital	405.4	405.4
Contributed surplus	8.9	8.9
Translation reserve	7.5	4.8
Retained earnings	45.4	57.5
Total equity attributable to equity shareholders of the Company	467.2	476.6
Non-controlling interest	3.2	5.5
	470.4	482.1
	$ 716.8	$ 738.0

Commitments and contingencies (Note 16)
Subsequent event (Note 6, 16)

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

	Three months ended September 30,		Nine months ended September 30,	
	2026	2025	2026	2025
Revenue (Note 12)	$ 237.0	$ 233.0	$ 678.1	$ 784.6
Costs and expenses:				
Cost of goods sold	214.7	220.4	615.5	720.3
Freight	12.7	13.6	37.4	46.6
Export tax (Note 16(a, b))	17.6	66.0	46.3	83.8
Selling and administration	10.8	11.0	35.1	33.4
	255.8	311.0	734.3	884.1
Operating loss prior to restructuring and other items	(18.8)	(78.0)	(56.2)	(99.5)
Operating restructuring items (Note 6)	(1.3)	-	(4.4)	(0.8)
Business interruption insurance (Note 13)	7.7	-	7.7	-
Other income (Note 13)	7.3	6.9	37.9	22.2
Operating loss	(5.1)	(71.1)	(15.0)	(78.1)
Finance costs	(2.7)	(12.0)	(6.9)	(13.8)
Loss before income taxes	(7.8)	(83.1)	(21.9)	(91.9)
Income tax (recovery) expense (Note 14)				
Current	0.2	(2.9)	1.1	(4.8)
Deferred	(2.8)	(18.9)	(8.4)	(22.2)
	(2.6)	(21.8)	(7.3)	(27.0)
Net loss	(5.2)	(61.3)	(14.6)	(64.9)
Net loss attributable to equity shareholders of the Company	(4.6)	(60.3)	(12.3)	(63.4)
Net loss attributable to non-controlling interest	(0.6)	(1.0)	(2.3)	(1.5)
	(5.2)	(61.3)	(14.6)	(64.9)
Other comprehensive (loss) income				
Items that will not be reclassified to profit or loss:				
Employee future benefits actuarial (loss) gain	(0.2)	0.7	0.3	-
Income tax expense (Note 14)	-	(0.2)	(0.1)	-
Total items that will not be reclassified to profit or loss	(0.2)	0.5	0.2	-
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	0.1	1.5	2.7	(2.4)
Total comprehensive loss	$ (5.3)	$ (59.3)	$ (11.7)	$ (67.3)
Loss per share (in dollars) (Note 15)				
Basic and diluted	$ (0.44)	$ (5.71)	$ (1.17)	$ (6.00)

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

	Share Capital						
	Number [1]	Amount	Contributed surplus	Translation reserve	Retained earnings	Non-controlling interest	Total equity
Balance at December 31, 2024	10,558	405.4	8.9	8.1	135.8	8.1	566.3
Net loss	-	-	-	-	(63.4)	(1.5)	(64.9)
Other comprehensive income (loss):							
Foreign currency translation differences for foreign operations	-	-	-	(2.4)	-	-	(2.4)
Total comprehensive loss	-	-	-	(2.4)	(63.4)	(1.5)	(67.3)
Non-controlling interest	-	-	-	-	(0.3)	-	(0.3)
Total transactions with owners, recorded directly in equity	-	-	-	-	(0.3)	-	(0.3)
Balance at September 30, 2025	10,558	$ 405.4	$ 8.9	$ 5.7	$ 72.1	$ 6.6	$ 498.7
Balance at December 31, 2025	10,558	405.4	8.9	4.8	57.5	5.5	482.1
Net loss	-	-	-	-	(12.3)	(2.3)	(14.6)
Other comprehensive income (loss):							
Employee future benefits actuarial gain	-	-	-	-	0.3	-	0.3
Income tax expense on actuarial gain [Note 14]	-	-	-	-	(0.1)	-	(0.1)
Foreign currency translation differences for foreign operations	-	-	-	2.7	-	-	2.7
Total comprehensive loss	-	-	-	2.7	(12.1)	(2.3)	(11.7)
Balance at September 30, 2026	10,558	$ 405.4	$ 8.9	$ 7.5	$ 45.4	$ 3.2	$ 470.4

[1] Number of shares presented in thousands.

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

	Three months ended September 30,		Nine months ended September 30,	
	2026	2025	2026	2025
Cash provided by (used in):				
Operating activities:				
Net loss	$ (5.2)	$ (61.3)	$ (14.6)	$ (64.9)
Items not involving cash:				
Amortization of property, plant and equipment	11.9	11.1	34.4	34.6
Amortization of timber licenses	1.0	1.0	3.0	3.0
Impairment of assets	-	-	2.2	3.8
(Gain) loss on disposal of assets (Notes 6, 13)	(7.5)	0.1	(8.0)	(23.8)
Amortization of deferred revenue	(0.5)	(0.5)	(1.5)	(1.6)
Finance costs	2.7	12.0	6.9	13.8
Income tax recovery (Note 14)	(2.6)	(21.8)	(7.3)	(27.0)
Change in fair value of biological assets (Note 7)	(0.1)	-	(0.2)	-
Change in reforestation obligation	-	(0.9)	(0.4)	(1.7)
Share-based compensation, including mark-to-market adjustment	1.2	0.5	5.4	1.7
Change in employee future benefits obligation (Note 9)	(0.2)	(0.1)	(0.5)	(0.6)
Export tax receivable adjustments (Note 16(a, b))	3.9	59.5	3.2	59.5
Property insurance recovery (Note 13)	-	-	(31.3)	-
Foreign exchange and other	1.5	(1.5)	0.6	4.6
Income taxes (paid) refunded	(0.1)	3.4	(0.3)	3.9
	6.0	1.5	(8.4)	5.3
Changes in non-cash working capital items:				
Trade and other receivables	4.7	7.0	7.1	0.5
Inventory	3.8	23.0	(4.0)	36.5
Prepaid expenses and other assets	7.1	7.9	10.0	9.1
Accounts payable and accrued liabilities	(11.5)	(11.4)	5.7	(23.8)
	4.1	26.5	18.8	22.3
	10.1	28.0	10.4	27.6
Investing activities:				
Additions to property, plant and equipment	(8.4)	(8.4)	(33.5)	(23.6)
Net proceeds from private timberlands sale (Note 13)	-	-	-	67.3
Net proceeds from sale of assets held for sale (Notes 6, 13)	19.0	-	19.0	7.1
Net proceeds of property, equipment and other disposals	0.2	-	2.0	0.3
Insurance recovery (Note 13)	-	-	31.3	-
Advances and loans receipts	-	0.1	0.2	0.2
Net proceeds on disposition of minority interest in subsidiary	-	(0.4)	-	(0.4)
	10.8	(8.7)	19.0	50.9
Financing activities:				
Net repayments on long-term debt (Note 8)	(6.8)	(14.0)	(8.5)	(68.1)
Deferred financing fees	(0.2)	-	(0.2)	(0.9)
Bank indebtedness (repayments)	(0.4)	(0.4)	(0.4)	0.4
Interest payments	(0.8)	(1.3)	(3.3)	(4.3)
Lease payments	(2.3)	(2.1)	(6.6)	(7.8)
	(10.5)	(17.8)	(19.0)	(80.7)
Increase (decrease) in cash and cash equivalents	10.4	1.5	10.4	(2.2)
Cash and cash equivalents, beginning of period	4.3	4.2	4.3	7.9
Cash and cash equivalents, September 30	$ 14.7	$ 5.7	$ 14.7	$ 5.7

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 and nine months ended September 30, 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 or www.sedarplus.ca. References to the three and nine months ended September 30 may be referred to as Q3 and YTD, respectively.

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

	September 30, 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	$ 109.6	$ (14.0)	$ 95.6	$ 120.8	$ (12.9)	$ 107.9
Lumber	78.1	(10.3)	67.8	65.2	(10.9)	54.3
Supplies and other	21.2	-	21.2	19.6	-	19.6
	$ 208.9	$ (24.3)	$ 184.6	$ 205.6	$ (23.8)	$ 181.8

The carrying amount of inventory recorded at net realizable value was $50.4 million at September 30, 2026 (December 31, 2025: $60.2 million), with the remaining inventory recorded at cost.

The Company recognized a decrease in the provision for write-down to net realizable value of $2.0 million for the three months ended September 30, 2026, and an increase in the provision of $0.5 million for the nine months ended September 30, 2026 (Q3 2025 and YTD 2025: decrease of $5.5 million and $0.1 million, respectively).

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. During the three and nine months ended September 30, 2026, the Company recorded curtailment costs of $0.5 million and $3.6 million, respectively, in operating restructuring items related to the CVD sawmill site. On July 31, 2026, the Company completed the sale of the CVD sawmill site and certain assets with a third party for USD$14.7 million ($20.8 million). Following selling costs of $1.8 million, net proceeds from the sale were $19.0 million.

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 approximately $80.0 million. Stillwater includes the former 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 transaction was completed on November 3, 2026.

As at September 30, 2026, the assets held for sale comprised the following assets and liabilities:

	Sept. 30, 2026	Dec. 31, 2025
Current assets	$ 0.1	$ 0.6
Non-current assets	12.5	10.9
Assets held for sale	$ 12.6	$ 11.5
Current liabilities	$ 3.3	$ -
Non-current liabilities	3.1	-
Liabilities held for sale	$ 6.4	$ -

7. Biological assets

Reconciliation of carrying amount

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2026	2025	2026	2025
Carrying value, beginning	$ 15.9	$ 15.9	$ 15.8	$ 48.6
Change in fair value due to growth and pricing	0.1	0.1	0.2	0.2
Harvested timber transferred to inventory	-	-	-	-
Disposals (Note 13)	-	-	-	(32.8)
Carrying value, September 30	$ 16.0	$ 16.0	$ 16.0	$ 16.0

At September 30, 2026, private timberlands comprised an area of approximately 8,537 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.

8. Long-term debt

	Sept. 30, 2026	Dec. 31, 2025
Credit facility drawings	$ -	$ 38.5
Term Loan	30.0	-
Less transaction costs	(0.6)	(0.9)
Long-term debt	$ 29.4	$ 37.6
Available Credit Facility	$ 250.0	$ 250.0
Credit Facility drawings	-	(38.5)
Outstanding letters of credit included in line utilization	(3.8)	(3.2)
Unused portion of Credit Facility	$ 246.2	$ 208.3

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. On September 15, 2026, the LC Facility was amended to USD$40 million. The LC Facility is guaranteed by Export Development Canada. As at September 30, 2026, the Company had USD$25.0 million ($35.6 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 September 30, 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:

	Sept. 30, 2026	Dec. 31, 2025
Present value of obligations	$ 76.9	$ 83.0
Fair value of plan assets	(75.6)	(81.1)
Liability recognized in the statements of financial position (Note 10)	$ 1.3	$ 1.9

The change in the liability recognized in the statements of financial position at September 30, 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 September 30, 2026 was 5.24% per annum (December 31, 2025: 4.64% per annum).

10. Other liabilities

	Current	Non-current	Total
As at September 30, 2026			
Defined benefit employee future benefits obligation (Note 9)	$ -	$ 1.3	$ 1.3
Defined contribution employee future benefits obligation	-	3.7	3.7
Environmental provision	0.2	2.2	2.4
Deferred share unit plan liabilities	3.3	-	3.3
Restricted share unit plan liabilities	4.1	2.9	7.0
Performance share unit plan liabilities	-	0.1	0.1
Other	-	0.1	0.1
	$ 7.6	$ 10.3	$ 17.9
As at December 31, 2025			
Defined benefit employee future benefits obligation (Note 9)	$ -	$ 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
	$ 2.3	$ 10.6	$ 12.9

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 ("BCMJF"), 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 and nine months ended September 30, 2026, the Company accrued $2.0 and $2.3 million, respectively (Q3 2025 and YTD 2025: $2.1 million and $3.5 million, respectively) related to eligible expenditures incurred, which has been deducted from the carrying amount of the assets in construction. The Company has accrued $7.5 million from the BCMJF since the start of the agreement, of which $5.5 million has been received.

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 Sept. 30,		Nine months ended Sept.30,	
	2026	2025	2026	2025
Primary geographic markets				
Canada	$ 99.5	$ 79.8	$ 273.0	$ 283.4
United States	69.1	69.7	208.1	271.4
Japan	20.4	30.0	58.5	84.4
China	25.8	23.2	60.9	65.4
Other	18.3	24.5	58.9	64.7
Europe	3.9	5.8	18.7	15.3
	$ 237.0	$ 233.0	$ 678.1	$ 784.6
Major Products				
Lumber	$ 169.6	$ 181.1	$ 512.8	$ 609.6
Logs	59.2	38.3	142.5	120.8
By-products	7.6	8.5	21.4	31.0
Forestry services and other	0.6	5.1	1.4	23.2
	$ 237.0	$ 233.0	$ 678.1	$ 784.6

13. Other income

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2026	2025	2026	2025
Property insurance recovery	$ -	$ 6.9	$ 31.3	$ 6.9
Gain on sale of private timberlands	-	-	-	23.7
Gain on sale of assets held for sale (Note 6)	7.3	-	7.3	0.2
Gain on disposal of property, plant, and equipment	0.2	-	0.7	-
Impairment loss	-	-	(2.2)	(3.8)
Foreign exchange gain (loss)	-	0.1	0.3	(4.8)
Other	(0.2)	(0.1)	0.5	-
	$ 7.3	$ 6.9	$ 37.9	$ 22.2

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 first quarter of 2025, the Company recorded a gain of $23.7 million on the sale.

On June 29, 2025, the Company's Columbia Vista sawmill, located in Vancouver, Washington, sustained extensive damage in a fire, rendering the mill inoperable. As a result of the fire, the Company recorded impairment charges of $3.1 million related to property, plant and equipment and $0.7 million related to inventory that was damaged. 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 received proceeds of USD$22.8 million ($31.3 million) in the second quarter of 2026. In September 2026, the Company and its insurance adjuster finalized its claim for business interruption related to the fire for USD$5.5 million ($7.7 million).

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 Sept. 30,		Nine months ended Sept. 30,	
	2026	2025	2026	2025
Loss before income taxes	$ (7.8)	$ (83.1)	$ (21.9)	$ (91.9)
Income tax recovery at statutory rate of 27%	$ (2.1)	$ (22.4)	$ (5.9)	$ (24.8)
Difference in jurisdictional tax rates	(0.6)	(0.2)	(2.0)	0.5
Difference in basis and capital inclusion rates	0.2	-	0.2	(3.9)
Other permanent differences	(0.1)	0.7	0.4	0.8
Other	-	0.1	-	0.4
	$ (2.6)	$ (21.8)	$ (7.3)	$ (27.0)
Recognized in Other comprehensive loss				
Deferred tax expense	$ -	$ 0.2	$ 0.1	$ -
Recognized in Retained earnings				
Deferred tax recovery	$ -	$ (0.1)	$ -	$ (0.1)

15. Loss per share

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 Sept. 30, 2026			Three months ended Sept. 30, 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 loss per share	$ (4.6)	10,558,183	$ (0.44)	$ (60.3)	10,558,183	$ (5.71)
Effective of dilutive securities:						
Stock options		-			-	
Diluted loss per share	$ (4.6)	10,558,183	$ (0.44)	$ (60.3)	10,558,183	$ (5.71)

	Nine months ended Sept. 30, 2026			Nine months ended Sept. 30, 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 loss per share	$ (12.3)	10,558,183	$ (1.17)	$ (63.4)	10,558,183	$ (6.00)
Effective of dilutive securities:						
Stock options		-			-	
Diluted loss per share	$ (12.3)	10,558,183	$ (1.17)	$ (63.4)	10,558,183	$ (6.00)

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.

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) have been received by the Company in 2026, and as such, this amount has been removed from our long-term interest-bearing duty receivable in the statement of financial position.

As a result of additional information from the AD liquidation process of AR1 and AR2, we recorded a USD$2.8 million ($3.9 million) non-cash expense to export duties in the third quarter of 2026, representing a change in the estimate of amounts recoverable and payable covering the first six administrative review periods. As a result of the change of estimate, an additional USD$0.6 million ($0.8 million) of interest expense was accrued.

16. Commitments and contingencies (continued)

(a) Softwood lumber dispute (continued)

During the three and nine months ended September 30, 2026, export tax expense of $17.6 million and $46.3 million (Q3 2025 and YTD 2025: $66.0 million and $83.8 million, respectively) was recorded in the consolidated statement of comprehensive income (loss).

On October 14, 2026, the DoC announced its final rates from its seventh AR for shipments in 2024, indicating an AD rate of 10.64% and a CV rate of 14.11%, 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. As a result of the final seventh AR rates, Western will record a non-cash export tax expense of USD$27.6 million, plus accrued interest of approximately USD$5.5 million in the fourth quarter of 2026.

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

Lumber shipment date	Oct. 19, 2026 Onward	Aug. 11, 2025 through Oct. 19, 2026	July 29, 2025 through Aug. 11, 2025	Aug. 19, 2024 through July 28, 2025
Cash deposit rate				
CV	14.11%	14.63%	6.74%	6.74%
AD	10.64%	20.53%	20.53%	7.66%
Combined	24.75%	35.16%	27.27%	14.40%
		AR7	AR6	AR5
Lumber shipment year		2024 Final	2023 Final	2022 Final
Duty rate				
CV		14.11%	14.63%	6.74%
AD		10.64%	20.53%	7.66%
Combined		24.75%	35.16%	14.40%

As at September 30, 2026, including interest of USD$2.9 million (December 31, 2025: USD$4.0 million), the export tax receivable of USD$0.1 million (December 31, 2025: USD$7.2 million) was revalued at the period-end exchange rate to $0.2 million (December 31, 2025: $9.9 million) and is recorded in other assets on the consolidated statement of financial position.

Interest expense of $1.1 million and $1.5 million, respectively, was recorded in finance costs during the three and nine months ended September 30, 2026 (Q3 2025 and YTD 2025: interest expense of $10.4 million and $8.4 million, respectively). A foreign exchange loss of $0.2 million and $nil was recorded in other income during the three and nine months ended September 30, 2026, respectively (Q3 2025 and YTD 2025: $0.1 million and $4.6 million foreign exchange losses, respectively).

As at September 30, 2026, the Company had paid USD$227 million ($323 million) of duties which remain held in trust by US Department of Treasury (December 31, 2025: USD$206 million ($283 million)).

(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 and nine months ended September 30, 2026, export tax expense of $3.0 million and $8.9 million, respectively, 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 and nine months ended September 30, 2026, the Company recognized $nil and $0.7 million, respectively, 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.

16. Commitments and contingencies (continued)

(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 September 30, 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 and $1.5 million for the three and nine months ended September 30, 2026 (Q3 2025 and YTD 2025: $0.5 million and $1.6 million, respectively).

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 September 30, 2026, the Company had outstanding obligations to sell an aggregate USD$10.0 million at an average exchange rate of CAD$1.4040 per USD with maturities through Oct 13, 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 Sept. 30,		Nine months ended Sept. 30,	
	2026	2025	2026	2025
Foreign currency (losses) gains recognized in revenue	$ (0.2)	$ (0.2)	$ (0.8)	$ 0.6

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.



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