



Western Forest Products®

**Western Forest Products Inc.**

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Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2024 and 2023

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

	September 30, 2024	December 31, 2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5.0	\$ 2.3
Trade and other receivables	58.8	50.9
Inventory <sup>(Note 5)</sup>	209.8	213.5
Prepaid expenses and other assets	27.5	33.9
Assets held for sale <sup>(Note 6)</sup>	9.2	10.8
Income taxes receivable	7.9	23.5
	<u>318.2</u>	<u>334.9</u>
Non-current assets:		
Property, plant and equipment <sup>(Note 7)</sup>	344.5	354.4
Timber licenses	89.3	92.3
Biological assets <sup>(Note 8)</sup>	49.2	49.3
Other assets <sup>(Note 9)</sup>	83.8	77.4
Goodwill	7.0	6.9
Deferred income tax assets	0.1	0.2
	<u>\$ 892.1</u>	<u>\$ 915.4</u>
<b>Liabilities and Equity</b>		
Current liabilities:		
Bank indebtedness	\$ 1.4	\$ 0.9
Accounts payable and accrued liabilities	86.2	102.8
Liabilities directly associated with assets held for sale <sup>(Note 6)</sup>	0.5	0.3
Income taxes payable	-	0.2
Lease liabilities	6.5	6.9
Reforestation obligation <sup>(Note 11)</sup>	8.2	7.9
Deferred revenue <sup>(Notes 17, 22(c))</sup>	2.0	2.0
	<u>104.8</u>	<u>121.0</u>
Non-current liabilities:		
Long-term debt <sup>(Note 10)</sup>	90.0	83.8
Lease liabilities	11.0	13.0
Reforestation obligation <sup>(Note 11)</sup>	13.8	14.2
Other liabilities <sup>(Note 13)</sup>	11.6	11.4
Deferred revenue <sup>(Notes 17, 22(c))</sup>	41.0	42.5
Deferred income tax liabilities	55.7	61.6
	<u>327.9</u>	<u>347.5</u>
Equity:		
Share capital <sup>(Note 14)</sup>	405.4	405.4
Contributed surplus	8.8	8.8
Translation reserve	3.5	1.9
Retained earnings	137.7	148.9
Total equity attributable to equity shareholders of the Company	<u>555.4</u>	<u>565.0</u>
Non-controlling interest <sup>(Note 15)</sup>	8.8	2.9
	<u>564.2</u>	<u>567.9</u>
	<u>\$ 892.1</u>	<u>\$ 915.4</u>

Commitments and contingencies <sup>(Note 22)</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**

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Revenue <sup>(Note 17)</sup>	\$ 241.7	\$ 231.1	\$ 790.7	\$ 770.9
Costs and expenses:				
Cost of goods sold	233.8	230.7	736.4	736.8
Freight	16.4	15.7	51.8	59.3
Export tax <sup>(Note 22(a))</sup>	5.2	0.9	15.5	11.8
Selling and administration	10.7	9.6	33.0	32.0
	<u>266.1</u>	<u>256.9</u>	<u>836.7</u>	<u>839.9</u>
<b>Operating loss prior to restructuring and other items</b>	(24.4)	(25.8)	(46.0)	(69.0)
Operating restructuring items <sup>(Note 18)</sup>	(1.9)	0.2	(3.4)	(6.6)
Other income (loss) <sup>(Note 19)</sup>	(0.7)	2.2	1.7	1.3
	<u>(27.0)</u>	<u>(23.4)</u>	<u>(47.7)</u>	<u>(74.3)</u>
<b>Operating loss</b>	(27.0)	(23.4)	(47.7)	(74.3)
Finance costs	(1.2)	(0.5)	(4.9)	(1.2)
	<u>(28.2)</u>	<u>(23.9)</u>	<u>(52.6)</u>	<u>(75.5)</u>
<b>Loss before income taxes</b>	(28.2)	(23.9)	(52.6)	(75.5)
Income tax expense (recovery) <sup>(Note 20)</sup>				
Current	(7.2)	(7.2)	(7.1)	(15.4)
Deferred	(1.4)	0.7	(12.2)	(4.3)
	<u>(8.6)</u>	<u>(6.5)</u>	<u>(19.3)</u>	<u>(19.7)</u>
<b>Net loss</b>	(19.6)	(17.4)	(33.3)	(55.8)
Net loss attributable to equity shareholders of the Company	(18.0)	(16.7)	(29.9)	(54.7)
Net loss attributable to non-controlling interest	(1.6)	(0.7)	(3.4)	(1.1)
	<u>(19.6)</u>	<u>(17.4)</u>	<u>(33.3)</u>	<u>(55.8)</u>
<b>Other comprehensive loss</b>				
Items that will not be reclassified to profit or loss:				
Employee future benefits actuarial loss	(0.4)	(0.9)	(0.7)	(0.7)
Income tax recovery <sup>(Note 20)</sup>	0.1	0.3	0.2	0.2
Total items that will not be reclassified to profit or loss	<u>(0.3)</u>	<u>(0.6)</u>	<u>(0.5)</u>	<u>(0.5)</u>
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	(0.8)	2.0	1.6	0.2
	<u>(0.8)</u>	<u>2.0</u>	<u>1.6</u>	<u>0.2</u>
<b>Total comprehensive loss</b>	<u>\$ (20.7)</u>	<u>\$ (16.0)</u>	<u>\$ (32.2)</u>	<u>\$ (56.1)</u>
Loss per share (in dollars) <sup>(Note 21)</sup>				
Basic and diluted	\$ (0.06)	\$ (0.05)	\$ (0.09)	\$ (0.17)

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

**Western Forest Products Inc.**  
**Condensed Consolidated Statements of Changes in Equity**

(Expressed in millions of Canadian dollars) (unaudited)

	Share capital	Contributed surplus	Translation reserve	Retained earnings	Non-controlling interest	Total equity
<b>Balance at December 31, 2022</b>	\$ 405.4	\$ 9.1	\$ 3.6	\$ 229.1	\$ 4.5	\$ 651.7
Net loss	-	-	-	(54.7)	(1.1)	(55.8)
Other comprehensive income (loss):						
Employee future benefits actuarial loss	-	-	-	(0.7)	-	(0.7)
Income tax recovery on actuarial loss <sup>(Note 20)</sup>	-	-	-	0.2	-	0.2
Foreign currency translation differences for foreign operations	-	-	0.2	-	-	0.2
<b>Total comprehensive income (loss)</b>	-	-	0.2	(55.2)	(1.1)	(56.1)
Stock options recognized in equity <sup>(Note 16(a))</sup>	-	-	-	-	-	-
Exercise of stock options <sup>(Notes 14, 16(a))</sup>	-	(0.4)	-	0.4	-	-
Dividends	-	-	-	(11.9)	-	(11.9)
<b>Total transactions with owners, recorded directly in equity</b>	-	(0.4)	-	(11.5)	-	(11.9)
<b>Balance at September 30, 2023</b>	\$ 405.4	\$ 8.7	\$ 3.8	\$ 162.4	\$ 3.4	\$ 583.7
<b>Balance at December 31, 2023</b>	\$ 405.4	\$ 8.8	\$ 1.9	\$ 148.9	\$ 2.9	\$ 567.9
Net loss	-	-	-	(29.9)	(3.4)	(33.3)
Other comprehensive income (loss):						
Employee future benefits actuarial loss	-	-	-	(0.7)	-	(0.7)
Income tax recovery on actuarial loss <sup>(Note 20)</sup>	-	-	-	0.2	-	0.2
Foreign currency translation differences for foreign operations	-	-	1.6	-	-	1.6
<b>Total comprehensive income (loss)</b>	-	-	1.6	(30.4)	(3.4)	(32.2)
Stock options recognized in equity <sup>(Note 16(a))</sup>	-	-	-	-	-	-
Non-controlling interest <sup>(Note 15)</sup>	-	-	-	19.2	9.3	28.5
<b>Total transactions with owners, recorded directly in equity</b>	-	-	-	19.2	9.3	28.5
<b>Balance at September 30, 2024</b>	\$ 405.4	\$ 8.8	\$ 3.5	\$ 137.7	\$ 8.8	\$ 564.2

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 September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Cash provided by (used in):				
Operating activities:				
Net loss	\$ (19.6)	\$ (17.4)	\$ (33.3)	\$ (55.8)
Items not involving cash:				
Amortization of property, plant and equipment <sup>(Note 7)</sup>	12.6	13.1	37.4	37.4
Amortization of timber licenses	1.0	1.0	3.0	3.0
Property impairment	0.1	-	0.1	-
Loss (gain) on disposal of property, plant, and equipment <sup>(Notes 6, 7, 19)</sup>	0.1	(0.2)	(0.1)	(0.3)
Amortization of deferred revenue <sup>(Note 17)</sup>	(0.5)	(0.5)	(1.5)	(1.5)
Finance costs	1.2	0.5	4.9	1.2
Income tax recovery <sup>(Note 20)</sup>	(8.6)	(6.5)	(19.3)	(19.7)
Change in fair value of biological assets <sup>(Note 8)</sup>	0.1	-	-	(0.2)
Change in reforestation obligation <sup>(Note 11)</sup>	0.1	0.2	(0.6)	(0.3)
Share-based compensation, including mark-to-market adjustment <sup>(Note 16)</sup>	0.8	(1.1)	0.8	(0.6)
Change in employee future benefits obligation <sup>(Note 12)</sup>	(0.2)	(0.2)	(0.7)	(0.7)
Export tax receivable	(1.0)	(4.3)	(1.0)	(4.3)
Foreign exchange and other	(0.5)	1.1	(2.6)	0.9
Income taxes received (paid)	22.6	(0.1)	22.5	15.0
	8.2	(14.4)	9.6	(25.9)
Changes in non-cash working capital items:				
Trade and other receivables	21.0	9.0	(7.9)	5.7
Inventory	(8.6)	18.9	5.2	14.6
Prepaid expenses and other assets	5.1	(2.8)	6.1	(1.4)
Accounts payable and accrued liabilities	(14.8)	(24.8)	(17.3)	(26.0)
	2.7	0.3	(13.9)	(7.1)
	10.9	(14.1)	(4.3)	(33.0)
Investing activities:				
Additions to property, plant and equipment <sup>(Note 7)</sup>	(9.5)	(8.1)	(22.8)	(27.2)
Proceeds of property, equipment and other disposals	0.1	0.1	1.0	2.2
Advances and loan receipt (issued)	0.1	0.1	0.2	(1.2)
Life insurance proceeds	-	4.7	-	4.7
Deposits on purchase of equipment	(0.2)	-	(0.2)	-
Net proceeds on disposition of minority interest in subsidiary <sup>(Note 15)</sup>	-	-	35.1	-
	(9.5)	(3.2)	13.3	(21.5)
Financing activities:				
Net drawings on credit facility <sup>(Note 10)</sup>	2.6	25.2	6.5	62.2
Bank indebtedness (repayments)	0.9	(0.5)	0.5	0.5
Equipment loan proceeds	-	-	-	0.1
Interest payments	(1.8)	(0.9)	(6.2)	(2.1)
Lease payments	(2.4)	(2.7)	(7.1)	(7.1)
Dividends	-	(4.0)	-	(11.9)
	(0.7)	17.1	(6.3)	41.7
Increase (decrease) in cash and cash equivalents	0.7	(0.2)	2.7	(12.8)
Cash and cash equivalents, beginning of period	4.3	3.2	2.3	15.8
Cash and cash equivalents, September 30	\$ 5.0	\$ 3.0	\$ 5.0	\$ 3.0

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

## Western Forest Products Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2024 and 2023

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

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### 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 2024 and 2023 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

#### (a) Statement of compliance

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, 2023, available at [www.westernforest.com](http://www.westernforest.com) or [www.sedarplus.ca](http://www.sedarplus.ca). References to the three and nine months ended September 30 may be referred to as Q3 and YTD, respectively. Certain comparative prior year figures have been reclassified to conform to the current year’s presentation.

The interim financial statements were authorized for issue by the Board of Directors on November 6, 2024.

#### (b) Basis of measurement

The interim financial statements have been prepared on the historical cost basis except for the following material items in the interim statements of financial position:

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

#### (c) Functional and presentation currency

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

### 3. Change in accounting policy

Except as described below, the accounting policies applied by the Company in these interim financial statements are the same as those applied by the Company in its annual consolidated financial statements as at and for the year ended December 31, 2023.

The Company has adopted *Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to IAS 1*, as issued in 2020 and 2022. The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024. They clarify certain requirements for determining whether a liability should be classified as current or non-current and require new disclosures for non-current liabilities that are subject to covenants within twelve months after the reporting period. Adoption of these changes in accounting policy and amendments had no impact on the Company’s interim financial statements.

## Western Forest Products Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2024 and 2023

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

### 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, 2024			December 31, 2023		
	Gross carrying value	Provisions	Lower of cost and net realizable value	Gross carrying value	Provisions	Lower of cost and net realizable value
Logs	\$ 128.7	\$ (16.1)	\$ 112.6	\$ 146.6	\$ (20.8)	\$ 125.8
Lumber	90.2	(13.6)	76.6	86.1	(18.5)	67.6
Supplies and other	20.6	-	20.6	20.1	-	20.1
	<u>\$ 239.5</u>	<u>\$ (29.7)</u>	<u>\$ 209.8</u>	<u>\$ 252.8</u>	<u>\$ (39.3)</u>	<u>\$ 213.5</u>

The carrying amount of inventory recorded at net realizable value was \$73.1 million at September 30, 2024 (December 31, 2023: \$89.3 million), with the remaining inventory recorded at cost. The Company recognized a decrease in the provision for write-down to net realizable value of \$5.1 million and \$9.6 million for the three and nine months ended September 30, 2024, respectively (Q3 2023 and YTD 2023: decrease of \$2.7 million and \$4.2 million, respectively) in cost of goods sold.

### 6. Assets held for sale

Management intends to sell its Alberni Pacific Division ("APD"). Accordingly, the APD assets are presented as assets held for sale. Fair value, less costs to sell, is expected to exceed the carrying amount. Once classified as held for sale, plant and equipment are no longer amortized.

In February, 2024, the Company sold a parcel of land previously classified as held for sale and recognized a gain of \$0.4 million recorded in other income (loss).

As at September 30, 2024, the assets held for sale comprised the following assets and liabilities:

	Sept. 30, 2024	Dec. 31, 2023
Prepaid expenses and other assets	\$ 0.3	\$ -
Supplies and other	1.2	2.5
Property, plant and equipment	7.7	8.3
Assets held for sale	<u>\$ 9.2</u>	<u>\$ 10.8</u>
Lease and other liabilities directly associated with assets held for sale	<u>\$ 0.5</u>	<u>\$ 0.3</u>

On April 16, 2024, the Company announced the indefinite curtailment of its APD site. For the three and nine months ended September 30, 2024, the Company recorded related severance of \$0.9 million and \$2.2 million, respectively, in operating restructuring items. In September, 2024, the Company also recorded an impairment charge of \$1.3 million in respect of supplies and other inventories in operating restructuring items (Note 18).

## Western Forest Products Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2024 and 2023

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

### 7. Property, plant and equipment

	Land	Buildings and equipment	Projects	Logging roads	Total, excluding right of use assets	Right of use assets	Total
<b>Cost</b>							
Balance at December 31, 2022	\$ 59.5	\$ 483.5	\$ 16.2	\$ 245.5	\$ 804.7	\$ 43.6	\$ 848.3
Additions	-	0.1	36.4	8.1	44.6	5.9	50.5
Reclassification to asset held for sale	(2.1)	(17.0)	-	-	(19.1)	(0.5)	(19.6)
Disposals	(0.1)	(5.3)	(0.7)	-	(6.1)	(2.9)	(9.0)
Transfers	-	25.5	(27.2)	1.7	-	-	-
Effect of movements in exchange rates	(0.3)	(1.3)	(0.1)	-	(1.7)	(0.2)	(1.9)
Balance at December 31, 2023	57.0	485.5	24.6	255.3	822.4	45.9	868.3
Additions	-	0.4	17.3	5.1	22.8	3.7	26.5
Reclassification from asset held for sale	-	0.7	-	-	0.7	-	0.7
Disposals	-	(2.1)	-	(0.1)	(2.2)	(3.5)	(5.7)
Transfers	-	27.8	(29.8)	2.0	-	-	-
Effect of movements in exchange rates	0.3	1.3	-	-	1.6	0.2	1.8
Balance at September 30, 2024	\$ 57.3	\$ 513.6	\$ 12.1	\$ 262.3	\$ 845.3	\$ 46.3	\$ 891.6
<b>Accumulated amortization</b>							
Balance at December 31, 2022		\$ 250.8		\$ 212.1	\$ 462.9	\$ 20.7	\$ 483.6
Amortization		31.0		10.2	41.2	8.5	49.7
Reclassification to asset held for sale		(11.1)		-	(11.1)	(0.2)	(11.3)
Disposals		(5.2)		-	(5.2)	(2.5)	(7.7)
Effect of movements in exchange rates		(0.3)		-	(0.3)	(0.1)	(0.4)
Balance at December 31, 2023		265.2		222.3	487.5	26.4	513.9
Amortization		24.2		7.0	31.2	6.2	37.4
Reclassification from asset held for sale		0.4		-	0.4	-	0.4
Disposals		(1.6)		-	(1.6)	(3.4)	(5.0)
Effect of movements in exchange rates		0.3		-	0.3	0.1	0.4
Balance at September 30, 2024		\$ 288.5		\$ 229.3	\$ 517.8	\$ 29.3	\$ 547.1
<b>Carrying amounts</b>							
At December 31, 2023	\$ 57.0	\$ 220.3	\$ 24.6	\$ 33.0	\$ 334.9	\$ 19.5	\$ 354.4
At September 30, 2024	\$ 57.3	\$ 225.1	\$ 12.1	\$ 33.0	\$ 327.5	\$ 17.0	\$ 344.5

The Company did not utilize any cash deposits during the nine months ended September 30, 2024 (YTD 2023: utilized \$0.2 million as equipment was delivered).

## Western Forest Products Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2024 and 2023

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

### 8. Biological assets

Reconciliation of carrying amount

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2024	2023	2024	2023
Carrying value, beginning	\$ 49.4	\$ 49.1	\$ 49.3	\$ 49.1
Change in fair value due to growth and pricing	0.1	0.1	0.2	0.2
Harvested timber transferred to inventory	(0.3)	-	(0.3)	(0.1)
Carrying value, September 30	\$ 49.2	\$ 49.2	\$ 49.2	\$ 49.2

Under IAS 41, *Agriculture*, the Company's private timberlands are classified as a growing forest, with the standing timber recorded as a biological asset at fair value less costs to sell at each reporting date.

At September 30, 2024, private timberlands comprised an area of approximately 22,693 hectares (December 31, 2023: 22,693 hectares) of land owned by the Company. Standing timber on private timberlands range from newly planted areas to mature forest available for harvest.

During the three and nine months ended September 30, 2024, the Company harvested and scaled 5,671 cubic meters ("m<sup>3</sup>") and 13,119 m<sup>3</sup> of logs, respectively (Q3 2023 and YTD 2023: Nil and 33,711 m<sup>3</sup>, respectively), from its private timberlands, which had a fair value less costs to sell of \$131 per m<sup>3</sup> at the date of harvest (YTD 2023: \$128 per m<sup>3</sup>).

### 9. Other assets

	Sept. 30, 2024	Dec. 31, 2023
Export tax receivable and related interest <sup>(Note 22(a))</sup>	\$ 76.7	\$ 70.8
Investments and advances	3.8	3.1
Note receivable	2.6	2.6
Long-term loans	0.7	0.9
Other	0.3	0.3
	84.1	77.7
Current portion	0.3	0.3
	\$ 83.8	\$ 77.4

### 10. Long-term debt

	Sept. 30, 2024	Dec. 31, 2023
Credit facility drawings	\$ 90.5	\$ 84.0
Equipment loan	0.1	0.1
	90.6	84.1
Less transaction costs	(0.6)	(0.3)
Long-term debt	\$ 90.0	\$ 83.8
Available Credit Facility	\$ 250.0	\$ 250.0
Credit Facility drawings	(90.5)	(84.0)
Outstanding letters of credit included in line utilization	(25.8)	(19.6)
Unused portion of Credit Facility	\$ 133.7	\$ 146.4

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 July 26, 2024, the maturity date of the Credit Facility was extended to July 21, 2026 from July 21, 2025, and certain financial covenants were amended.

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.

## Western Forest Products Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2024 and 2023

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

### 10. Long-term debt (continued)

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

The Company was in compliance with its financial covenants as at September 30, 2024 and expects to comply for at least twelve months thereafter. Accordingly, the loan is classified as non-current at September 30, 2024.

### 11. Reforestation obligation

The Company's provision for reforestation results from a legal obligation to reforest timber harvested from Crown land and arises as timber is harvested. Changes in the reforestation obligation are as follows:

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2024	2023	2024	2023
Reforestation obligation, beginning	\$ 21.7	\$ 21.8	\$ 22.1	\$ 22.1
Provision charged	2.0	2.1	5.2	5.6
Expenditures	(1.8)	(1.9)	(5.7)	(5.9)
Unwind of discount	0.1	0.2	0.4	0.4
	<u>22.0</u>	<u>22.2</u>	<u>22.0</u>	<u>22.2</u>
Less current portion	8.2	9.5	8.2	9.5
Long term reforestation obligation, September 30	<u>\$ 13.8</u>	<u>\$ 12.7</u>	<u>\$ 13.8</u>	<u>\$ 12.7</u>

The reforestation expenditures are expected to occur over the next one to ten years and have been discounted at risk-free rates of 2.73% to 3.35% (YTD 2023: 4.03% to 5.37%). The total undiscounted amount of the estimated future expenditures required to settle the reforestation obligation at September 30, 2024 is \$23.9 million (December 31, 2023: \$24.5 million). Reforestation expense incurred on current production is included in cost of goods sold and the unwinding of discount, or accretion cost, is included in finance costs.

### 12. 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 are as follows:

	Sept. 30, 2024	Dec. 31, 2023
Present value of obligations	\$ 91.4	\$ 92.9
Fair value of plan assets	(86.5)	(88.2)
Liability recognized in the statements of financial position <sup>(Note 13)</sup>	<u>\$ 4.9</u>	<u>\$ 4.7</u>

The discount rate used as at September 30, 2024 was 4.50% per annum (December 31, 2023: 4.65% per annum). The Company expects to make funding contributions to its defined benefit plans of \$1.2 million in 2024.

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### 13. Other liabilities

	Current	Non-current	Total
As at September 30, 2024			
Defined benefit employee future benefits obligation <sup>(Note 12)</sup>	\$ -	\$ 4.9	\$ 4.9
Defined contribution employee future benefits obligation	-	2.4	2.4
Environmental provision	0.1	2.5	2.6
Deferred share unit plan liabilities <sup>(Note 16(b))</sup>	1.2	-	1.2
Performance share unit plan liabilities <sup>(Note 16(c))</sup>	-	-	-
Restricted share unit plan liabilities <sup>(Note 16(d))</sup>	0.9	1.5	2.4
Other	-	0.3	0.3
	<u>\$ 2.2</u>	<u>\$ 11.6</u>	<u>\$ 13.8</u>
As at December 31, 2023			
Defined benefit employee future benefits obligation <sup>(Note 12)</sup>	\$ -	\$ 4.7	\$ 4.7
Defined contribution employee future benefits obligation	-	2.1	2.1
Environmental provision	0.1	2.7	2.8
Deferred share unit plan liabilities <sup>(Note 16(b))</sup>	1.8	-	1.8
Performance share unit plan liabilities <sup>(Note 16(c))</sup>	1.4	-	1.4
Restricted share unit plan liabilities <sup>(Note 16(d))</sup>	0.8	1.2	2.0
Other	-	0.7	0.7
	<u>\$ 4.1</u>	<u>\$ 11.4</u>	<u>\$ 15.5</u>

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

### 14. Share capital

	Number of common shares	Amount
Balance at December 31, 2022	316,742,746	\$ 405.4
Exercise of stock options	2,811	-
Balance at December 31, 2023 and September 30, 2024	<u>316,745,557</u>	<u>\$ 405.4</u>

On August 3, 2023, Western renewed its Normal Course Issuer Bid ("NCIB") effective August 11, 2023, permitting the purchase and cancellation of up to 15,837,277 of the Company's common shares, representing 5% of the Company's common shares outstanding as of August 3, 2023. The renewed NCIB expired August 10, 2024 and was not renewed.

No shares were repurchased under the NCIB in 2023 or during the nine months ended September 30, 2024.

No stock options were exercised in the nine months ended September 30, 2024 (YTD 2023: 400,000 stock options exercised with 2,811 common shares issued on a cashless basis resulting in a \$0.4 million credit to retained earnings).

### 15. Non-controlling interest

On March 27, 2024, the Company completed the sale of a 34% ownership interest in its newly formed La-kwa sa muqw Forestry Limited Partnership ("LFLP") to four Vancouver Island First Nations: K'ómoks First Nation, Tlowitsis First Nation, We Wai Kai First Nation, and Wei Wai Kum First Nation, collectively referred to as the Nations, for gross proceeds of \$35.9 million. The LFLP is comprised of certain assets and liabilities of the Company's former Mid-Island Forest Operation, including TFL 64, which was created through the subdivision of Block 2 of TFL 39. This is considered a transaction with owners in their capacity as owners, and because it did not result in a loss of control, the gain on disposal of \$25.8 million and related deferred tax expense of \$6.6 million was recognized directly to retained earnings.

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### 16. Share-based compensation plans

#### (a) Stock-option plan

The Company has an incentive stock option plan which permits the granting of options to eligible participants to purchase up to an aggregate of 30,000,000 common shares, of which 9,265,475 remain available for future issuance. Each option is exercisable, subject to vesting terms of 20% per year and immediately upon a change in control of the Company, into one common share, subject to adjustments, at a price of not less than the closing price of the common shares on the TSX on the day immediately preceding the grant date. Options are exercisable only when the share price exceeds \$0.70 for a period of 60 consecutive days on a volume weighted average price basis. Options granted under the Option Plan expire a maximum of ten years from the date of the grant.

The following table summarizes the change in options outstanding:

	Nine months ended Sept. 30, 2024		Nine months ended Sept. 30, 2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at December 31	11,486,679	\$ 1.79	15,133,457	\$ 1.72
Exercised	-	-	(400,000)	1.27
Expired	(948,000)	2.60	(1,000,000)	1.27
Forfeited	-	-	(2,246,778)	1.64
Outstanding at September 30	<u>10,538,679</u>	<u>\$ 1.72</u>	<u>11,486,679</u>	<u>\$ 1.79</u>

For the three and nine months ended September 30, 2024, the Company recorded negligible compensation expenses in respect of options (Q3 2023 and YTD 2023: negligible), with a corresponding change to contributed surplus.

#### (b) Deferred share unit ("DSU") plan

The Company has a DSU Plan for equity-based fees to non-executive directors, who may also elect to take a portion of their cash fees in the form of DSUs. Prior to January 1, 2015, DSUs were also granted to designated executive officers.

	Nine months ended Sept. 30, 2024		Nine months ended Sept. 30, 2023	
	Number of DSUs	Weighted average unit value <sup>1</sup>	Number of DSUs	Weighted average unit value <sup>1</sup>
Outstanding at December 31	2,567,991	\$ 1.21	2,067,371	\$ 1.45
Granted <sup>1</sup>	1,019,930	0.53	638,536	0.97
Redeemed	(1,314,470)	1.34	-	-
Outstanding at September 30	<u>2,273,451</u>	<u>\$ 0.83</u>	<u>2,705,907</u>	<u>\$ 1.34</u>

<sup>1</sup> Fair value at the date of the grants. Grants include notional dividends.

For the three and nine months ended September 30, 2024, the Company recorded a compensation expense of \$0.1 million and recovery of \$0.4 million for DSUs, respectively (Q3 2023 and YTD 2023: \$0.5 million and \$0.7 million recovery, respectively), with a corresponding change to accounts payable and accrued liabilities.

#### (c) Performance share unit ("PSU") plan

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

	Nine months ended Sept. 30, 2024		Nine months ended Sept. 30, 2023	
	Number of PSUs	Weighted average unit value <sup>1</sup>	Number of PSUs	Weighted average unit value <sup>1</sup>
Outstanding at December 31	3,574,946	\$ 1.55	3,591,951	\$ 1.46
Granted <sup>1</sup>	3,621,608	0.64	1,638,257	1.29
Redeemed	(1,130,621)	1.54	(1,655,262)	1.08
Outstanding at September 30	<u>6,065,933</u>	<u>\$ 1.01</u>	<u>3,574,946</u>	<u>\$ 1.55</u>

<sup>1</sup> Fair value at the date of the grants. Grants include notional dividends.

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### 16. Share-based compensation plans (continued)

#### (c) Performance share unit ("PSU") plan (continued)

For the three and nine months ended September 30, 2024, the Company recorded a compensation recovery of \$0.1 million and a negligible expense for PSUs, respectively (Q3 2023 and YTD 2023: \$0.5 and \$0.4 million recovery, respectively), with corresponding changes to accounts payable and accrued liabilities and other liabilities.

#### (d) Restricted share unit ("RSU") plan

The Company has established an RSU Plan for designated officers and employees.

	Nine months ended Sept. 30, 2024		Nine months ended Sept. 30, 2023	
	Number of RSUs	Weighted average unit value <sup>1</sup>	Number of RSUs	Weighted average unit value <sup>1</sup>
Outstanding at December 31	4,665,771	\$ 1.54	3,438,775	\$ 1.61
Granted <sup>1</sup>	8,464,859	0.65	1,568,231	1.28
Redeemed	(1,179,006)	1.54	(341,235)	1.08
Outstanding at September 30	11,951,624	\$ 0.91	4,665,771	\$ 1.54

<sup>1</sup> Fair value at the date of the grants. Grants include notional dividends.

For the three and nine months ended September 30, 2024, the Company recorded compensation expense for RSUs of \$0.8 million and \$1.2 million, respectively (Q3 2023 and YTD 2023: \$0.1 million recovery and \$0.5 million expense, respectively) with corresponding changes in accounts payable and accrued liabilities and to other liabilities.

### 17. Revenue

#### Disaggregation of revenue

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

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2024	2023	2024	2023
Primary geographic markets				
Canada	\$ 81.7	\$ 86.9	\$ 283.6	\$ 293.9
United States	95.8	88.1	273.5	286.3
Japan	23.7	27.5	101.8	81.9
China	18.6	11.6	63.0	54.9
Other	18.8	13.8	59.0	43.7
Europe	3.1	3.2	9.8	10.2
	<u>\$ 241.7</u>	<u>\$ 231.1</u>	<u>\$ 790.7</u>	<u>\$ 770.9</u>
Major Products				
Lumber	\$ 189.9	\$ 179.9	\$ 602.8	\$ 603.3
Logs	39.9	38.5	141.5	129.8
By-products	9.1	7.1	32.0	29.9
Forestry services and other	2.8	5.6	14.4	7.9
	<u>\$ 241.7</u>	<u>\$ 231.1</u>	<u>\$ 790.7</u>	<u>\$ 770.9</u>

#### Contract balances

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

	Sept. 30, 2024	Dec. 31, 2023
Trade and other receivables	\$ 58.8	\$ 50.9
Long-term loan receivable <sup>(Note 9)</sup>	0.7	0.9
Contract liabilities	43.0	44.5

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### 17. Revenue (continued)

#### Contract balances (continued)

Contract liabilities relate to the consideration received from a customer for a long-term fibre supply contract and are recognized as deferred revenue, for which revenue is recognized straight-line over the term of the contract (see Note 22(c)). The Company recognized related revenue of \$0.5 million and \$1.5 million for the three and nine months ended September 30, 2024 (Q3 2023 and YTD 2023: \$0.5 million and \$1.5 million, respectively).

### 18. Operating restructuring items

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2024	2023	2024	2023
Retirement and other benefits (recovery)	\$ 0.3	\$ (0.3)	\$ 1.3	\$ 6.3
Supplies and other inventory impairment	1.3	-	1.3	-
Other	0.3	0.1	0.8	0.3
	<u>\$ 1.9</u>	<u>\$ (0.2)</u>	<u>\$ 3.4</u>	<u>\$ 6.6</u>

### 19. Other income (loss)

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2024	2023	2024	2023
Gain (loss) on disposal of property, plant, and equipment	\$ (0.1)	\$ 0.2	\$ 0.1	\$ 0.3
Foreign exchange gain (loss)	(0.5)	2.0	1.7	0.4
Other	(0.1)	-	(0.1)	0.6
	<u>\$ (0.7)</u>	<u>\$ 2.2</u>	<u>\$ 1.7</u>	<u>\$ 1.3</u>

### 20. Income taxes

Income tax expense (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,	
	2024	2023	2024	2023
Loss before income taxes	<u>\$ (28.2)</u>	<u>\$ (23.9)</u>	<u>\$ (52.6)</u>	<u>\$ (75.5)</u>
Income tax recovery at statutory rate of 27%	\$ (7.6)	\$ (6.5)	\$ (14.2)	\$ (20.4)
Difference in tax rates	0.2	0.1	0.6	0.3
Other permanent differences	0.2	(0.1)	0.2	0.4
Change in unrecognized deductible temporary differences	(1.8)	-	(6.2)	-
Other	0.4	-	0.3	-
	<u>\$ (8.6)</u>	<u>\$ (6.5)</u>	<u>\$ (19.3)</u>	<u>\$ (19.7)</u>
Recognized in Other comprehensive loss				
Deferred tax recovery	<u>\$ (0.1)</u>	<u>\$ (0.3)</u>	<u>\$ (0.2)</u>	<u>\$ (0.2)</u>
Recognized in Retained earnings				
Deferred tax expense <sup>(Note 15)</sup>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6.6</u>	<u>\$ -</u>

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### 21. Loss per share

Net 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, 2024			Three months ended Sept. 30, 2023		
	Net loss attributable to equity shareholders	Weighted average number of shares	Per share	Net loss attributable to equity shareholders	Weighted average number of shares	Per share
Issued shares, beginning of period		316,745,557			316,745,557	
Effect of shares:						
Issued in the quarter					-	
Basic loss per share	\$ (18.0)	316,745,557	\$ (0.06)	\$ (16.7)	316,745,557	\$ (0.05)
Effective of dilutive securities:						
Stock options <sup>1</sup>			-		-	
Diluted loss per share	\$ (18.0)	316,745,557	\$ (0.06)	\$ (16.7)	316,745,557	\$ (0.05)
	Nine months ended Sept. 30, 2024			Nine months ended Sept. 30, 2023		
	Net loss attributable to equity shareholders	Weighted average number of shares	Per share	Net loss attributable to equity shareholders	Weighted average number of shares	Per share
Issued shares at December 31		316,745,557			316,742,746	
Effect of shares:						
Issued in the first nine months					2,317	
Basic loss per share	\$ (29.9)	316,745,557	\$ (0.09)	\$ (54.7)	316,745,063	\$ (0.17)
Effective of dilutive securities:						
Stock options <sup>1</sup>			-		154,179	
Diluted loss per share	\$ (29.9)	316,745,557	\$ (0.09)	\$ (54.7)	316,745,063	\$ (0.17)

<sup>1</sup> 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.

### 22. Commitments and contingencies

#### (a) Softwood lumber duty dispute

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

From 2017 onward, as a result of petitions filed by the US Lumber Coalition, and others, and determinations made by the US International Trade Commission, the US Department of Commerce ("DoC") imposed Countervailing ("CV") and Anti-dumping duties ("AD") on shipments to the US from Canada. As a result of these actions, cash deposits for CV were required for Canadian lumber imports to the US effective April 28, 2017 through August 25, 2017, and from December 28, 2017 onwards; and cash deposits for AD were required for Canadian lumber imports to the US effective June 30, 2017 until December 26, 2017, and from December 28, 2017 onwards.

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

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.

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### 22. Commitments and contingencies (continued)

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

As cash deposit rates differed from final duty rates for lumber shipments made in 2017 through 2022, the Company recognized a long-term interest-bearing duty receivable totalling USD\$47.3 million (CAD\$64.0 million) in its statement of financial position, of which USD\$0.8 million (CAD\$1.0 million) was recognized as an export tax recovery in the three and nine months ended September 30, 2024 (Q3 2023 and YTD 2023: USD\$3.5 million; CAD\$4.3 million). This recovery was netted against export tax expense resulting in a net export tax of \$5.2 million and \$15.5 million for the three and nine months ended September 30, 2024, respectively, (Q3 2023 and YTD 2023: \$0.9 million and \$11.8 million, respectively) as recorded in the statement of comprehensive loss.

Under US law, the DoC and US International Trade Commission (“USITC”) are required to conduct a sunset review no later than five years after an AD or CV order is issued. The DoC review determines whether revoking the orders would be likely to lead to a continuation or recurrence of dumping or subsidies. The USITC review determines whether revoking the orders would be likely to lead to a continuation or recurrence of material injury to the US industry. If both determinations are negative, the orders will be revoked.

On March 27 and April 3, 2023, the DoC issued the final results of its first sunset review of the CV and AD orders, respectively, concluding that if duties on Canadian softwood lumber products were revoked, there would likely be a continuation or recurrence of countervailable subsidies and dumping. On November 30, 2023, the USITC issued its final determination under the sunset review, concurring with the DoC conclusion.

On January 17, 2024, the Government of Canada filed a notice of intent to challenge the ITC decision to maintain duties on Canadian softwood lumber products, under Chapter 10 of the Canada-United States-Mexico Agreement.

On March 5, 2024, the DoC initiated its sixth AR of CV and AD for shipments in 2023, with a completion deadline of January 25, 2025.

On August 12, 2024, the DoC released its final determination for CV and AD rates from its fifth AR for shipments in 2022, and on September 24, 2024 amended the AD rate to correct a ministerial calculation error. The Company recognized an additional export tax recovery of USD\$0.8 million (CAD\$1.0 million) in the three and nine months ended September 30, 2024. Effective August 19, 2024, cash deposits will continue at the revised combined duty rate of 14.4% until publication of final rates of the sixth AR in the federal register, after which time the 2023 shipment rate will apply.

The following table summarizes the cash deposit rates in effect and the final rates applicable to Canadian lumber shipments to the US in 2017 through 2022:

Lumber shipment date	Aug. 1, 2023	Aug. 9, 2022	Jan. 10, 2022	Dec. 1, 2021	Dec. 1, 2020	Jan. 1, 2020	Year			
	Aug. 19, 2024 onward	through Aug. 18, 2024	through Jul. 31, 2023	through Aug. 8, 2022	through Jan. 9, 2022	through Nov. 30, 2021	through Nov. 30, 2020	2019	2018	2017
Cash deposit rate										
CV	6.74%	1.79%	3.83%	6.32%	6.31%	7.42%	14.19%	14.19%	14.19%	14.19%
AD	7.66%	6.26%	4.76%	11.59%	11.59%	1.57%	6.04%	6.04%	6.04%	6.04%
Combined	14.40%	8.05%	8.59%	17.91%	17.90%	8.99%	20.23%	20.23%	20.23%	20.23%
Lumber shipment year					AR5 2022 Final	AR4 2021 Final	AR3 2020 Final	AR2 2019 Final	AR1 2018 Final	AR1 2017 Final
Duty rate										
CV					6.74%	1.79%	3.83%	6.32%	7.42%	7.26%
AD					7.66%	6.26%	4.76%	11.59%	1.57%	1.57%
					14.40%	8.05%	8.59%	17.91%	8.99%	8.83%

As at September 30, 2024, including interest of USD\$9.4 million (December 31, 2023: USD\$6.8 million), the duty receivable of USD\$56.7 million (December 31, 2023: USD\$53.4 million) was revalued at the period-end exchange rate to CAD\$76.7 million (December 31, 2023: CAD\$70.8 million).

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### 22. Commitments and contingencies (continued)

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

Interest revenue of \$1.4 million and \$3.5 million for the three and nine months ended September 30, 2024, respectively, was recorded in finance costs (Q3 2023 and YTD 2023: \$1.2 million and \$2.7 million, respectively). Related foreign exchange losses of \$0.8 million and gains of \$1.5 million for the three and nine months ended September 30, 2024, respectively, were recorded in other income (loss) (Q3 2023 and YTD 2023: \$2.1 million and \$0.6 million foreign exchange gains, respectively).

As at September 30, 2024, the Company had paid \$240.3 million of duties, all of which remain held in trust by US Department of Treasury (December 31, 2023: \$219.3 million). With the exception of USD\$47.3 million (CAD\$64.0 million) of duty deposits recognized as a receivable, all duty deposits have been expensed at the cash deposit rates in effect at the date of payment.

#### (b) 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.

#### (c) 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 and the exercise of force majeure provisions, the Company believes it has satisfied fibre commitments as at September 30, 2024. The Company anticipates satisfying annual fibre commitments for the year ending December 31, 2024.

### 23. 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 following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets or liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

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

	September 30, 2024			December 31, 2023			
	Level	Mandatory at FVTPL	Amortized cost	Total	Mandatory at FVTPL	Amortized cost	Total
<b>Financial assets</b>							
Cash and cash equivalents	2	\$ -	\$ 5.0	\$ 5.0	\$ -	\$ 2.3	\$ 2.3
Foreign currency forward contracts	2	0.1	-	0.1	-	-	-
Trade and other receivables	3	-	58.7	58.7	-	50.9	50.9
Note receivable (Note 9)	3	-	2.6	2.6	-	2.6	2.6
Long-term loan receivable (Note 9)	3	-	0.4	0.4	-	0.6	0.6
Other advances	3	-	0.8	0.8	-	1.0	1.0
Export tax and related interest receivable (Note 22(a))	3	76.7	-	76.7	70.8	-	70.8
<b>Total financial assets</b>		<b>\$ 76.8</b>	<b>\$ 67.5</b>	<b>\$ 144.3</b>	<b>\$ 70.8</b>	<b>\$ 57.4</b>	<b>\$ 128.2</b>
<b>Financial liabilities</b>							
Bank indebtedness	2	\$ -	\$ 1.4	\$ 1.4	\$ -	\$ 0.9	\$ 0.9
Accounts payable and accrued liabilities	2	-	86.2	86.2	-	102.8	102.8
Liabilities directly associated with assets held for sale (Note 6)	2	-	0.5	0.5	-	0.3	0.3
Long-term debt (Note 10)	2	-	90.6	90.6	-	84.1	84.1
Lease liabilities	2	-	17.5	17.5	-	19.9	19.9
<b>Total financial liabilities</b>		<b>\$ -</b>	<b>\$ 196.2</b>	<b>\$ 196.2</b>	<b>\$ -</b>	<b>\$ 208.0</b>	<b>\$ 208.0</b>

The Company enters into forward contracts to sell USD and JPY in order to mitigate a portion of the foreign currency risk. At September 30, 2024, the Company had outstanding obligations to sell an aggregate USD\$20.0 million at an average exchange rate of CAD\$1.3558 per USD with maturities through October 22, 2024. (December 31, 2023: USD\$13.0 million at an average exchange rate of CAD\$1.3279 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,	
	2024	2023	2024	2023
Fair value of liability (asset), beginning of period	\$ (0.1)	\$ 0.1	\$ -	\$ (0.1)
Fair value of asset (liability) at September 30	0.1	-	0.1	-
Change in unrealized foreign currency gains (losses)	-	0.1	0.1	(0.1)
Realized foreign currency gains (losses) on settled contracts	0.4	(0.6)	(0.2)	0.8
Foreign currency gains (losses) recognized in revenue	<b>\$ 0.4</b>	<b>\$ (0.5)</b>	<b>\$ (0.1)</b>	<b>\$ 0.7</b>

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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Trading on the TSX as "WEF"