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Forest Products

Western Forest Products Inc.

Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2025 and 2024

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

	September 30, 2025	December 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	$ 5.7	$ 7.9
Trade and other receivables	61.8	60.1
Inventory (Note 5)	180.1	217.1
Prepaid expenses and other assets	26.0	35.0
Assets held for sale (Note 6)	-	7.4
Income taxes receivable	7.9	6.6
	281.5	334.1
Non-current assets:		
Property, plant and equipment	328.6	349.6
Timber licenses	85.2	88.2
Biological assets (Note 7)	16.0	48.6
Other assets (Note 17(a))	14.6	87.4
Goodwill	7.2	7.5
Deferred income tax assets	1.6	0.1
	$ 734.7	$ 915.5
Liabilities and Equity		
Current liabilities:		
Bank indebtedness	$ 0.4	$ -
Accounts payable and accrued liabilities	87.0	110.7
Liabilities directly associated with assets held for sale (Note 6)	-	0.3
Income taxes payable	0.2	-
Lease liabilities	6.9	6.7
Reforestation obligation	7.4	7.3
Deferred revenue (Note 17(d))	2.0	2.0
	103.9	127.0
Non-current liabilities:		
Long-term debt (Note 8)	16.9	85.5
Lease liabilities	14.3	12.8
Reforestation obligation	13.1	14.6
Other liabilities (Note 10)	12.7	11.8
Deferred revenue (Note 17(d))	38.9	40.5
Deferred income tax liabilities	36.2	57.0
	236.0	349.2
Equity:		
Share capital	405.4	405.4
Contributed surplus	8.9	8.9
Translation reserve	5.7	8.1
Retained earnings	72.1	135.8
Total equity attributable to equity shareholders of the Company	492.1	558.2
Non-controlling interest	6.6	8.1
	498.7	566.3
	$ 734.7	$ 915.5

Commitments and contingencies (Note 17)
Subsequent events (Note 17(b))

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,	
	2025	2024	2025	2024
Revenue (Note 13)	$ 233.0	$ 241.7	$ 784.6	$ 790.7
Costs and expenses:				
Cost of goods sold	220.4	233.8	720.3	736.4
Freight	13.6	16.4	46.6	51.8
Export tax (Note 17(a, b))	66.0	5.2	83.8	15.5
Selling and administration	11.0	10.7	33.4	33.0
	311.0	266.1	884.1	836.7
Operating loss prior to restructuring and other items	(78.0)	(24.4)	(99.5)	(46.0)
Operating restructuring items	-	(1.9)	(0.8)	(3.4)
Other income (loss) (Note 14)	6.9	(0.7)	22.2	1.7
Operating loss	(71.1)	(27.0)	(78.1)	(47.7)
Finance costs	(12.0)	(1.2)	(13.8)	(4.9)
Loss before income taxes	(83.1)	(28.2)	(91.9)	(52.6)
Income tax expense (recovery) (Note 15)				
Current	(2.9)	(7.2)	(4.8)	(7.1)
Deferred	(18.9)	(1.4)	(22.2)	(12.2)
	(21.8)	(8.6)	(27.0)	(19.3)
Net loss	(61.3)	(19.6)	(64.9)	(33.3)
Net loss attributable to equity shareholders of the Company	(60.3)	(18.0)	(63.4)	(29.9)
Net loss attributable to non-controlling interest	(1.0)	(1.6)	(1.5)	(3.4)
	(61.3)	(19.6)	(64.9)	(33.3)
Other comprehensive income (loss)				
Items that will not be reclassified to profit or loss:				
Employee future benefits actuarial loss	0.7	(0.4)	-	(0.7)
Income tax (recovery) expense (Note 15)	(0.2)	0.1	-	0.2
Total items that will not be reclassified to profit or loss	0.5	(0.3)	-	(0.5)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	1.5	(0.8)	(2.4)	1.6
Total comprehensive loss	$ (59.3)	$ (20.7)	$ (67.3)	$ (32.2)
Loss per share (in dollars) (Note 16)				
Basic and diluted	$ (5.71)	$ (1.71)	$ (6.00)	$ (2.83)

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, 2023	10,558	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 [Note 15]	-	-	-	-	0.2	-	0.2
Foreign currency translation differences for foreign operations	-	-	-	1.6	-	-	1.6
Total comprehensive loss	-	-	-	1.6	(30.4)	(3.4)	(32.2)
Non-controlling interest [Note 11]	-	-	-	-	19.2	9.3	28.5
Total transactions with owners, recorded directly in equity	-	-	-	-	19.2	9.3	28.5
Balance at September 30, 2024	10,558	$ 405.4	$ 8.8	$ 3.5	$ 137.7	$ 8.8	$ 564.2
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 [Note 11]	-	-	-	-	(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

[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,	
	2025	2024	2025	2024
Cash provided by (used in):				
Operating activities:				
Net loss	$ (61.3)	$ (19.6)	$ (64.9)	$ (33.3)
Items not involving cash:				
Amortization of property, plant and equipment	11.1	12.6	34.6	37.4
Amortization of timber licenses	1.0	1.0	3.0	3.0
Impairment of assets	-	0.1	-	0.1
Fire-related impairments	-	-	3.8	-
Loss (gain) on disposal of assets (Notes 6, 14)	0.1	0.1	(23.8)	(0.1)
Amortization of deferred revenue	(0.5)	(0.5)	(1.6)	(1.5)
Finance costs	12.0	1.2	13.8	4.9
Income tax recovery (Note 15)	(21.8)	(8.6)	(27.0)	(19.3)
Change in reforestation obligation	(0.9)	0.1	(1.7)	(0.6)
Share-based compensation, including mark-to-market adjustment	0.5	0.8	1.7	0.8
Change in employee future benefits obligation	(0.1)	(0.2)	(0.6)	(0.7)
Export tax receivable (Note 17(a))	59.5	(1.0)	59.5	(1.0)
Foreign exchange and other	(1.5)	(0.4)	4.6	(2.6)
Income taxes received	3.4	22.6	3.9	22.5
	1.5	8.2	5.3	9.6
Changes in non-cash working capital items:				
Trade and other receivables	7.0	21.0	0.5	(7.9)
Inventory	23.0	(8.6)	36.5	5.2
Prepaid expenses and other assets	7.9	5.1	9.1	6.1
Accounts payable and accrued liabilities	(11.4)	(14.8)	(23.8)	(17.3)
	26.5	2.7	22.3	(13.9)
	28.0	10.9	27.6	(4.3)
Investing activities:				
Additions to property, plant and equipment	(8.4)	(9.5)	(23.6)	(22.8)
Net proceeds from private timberlands sale (Note 14)	-	-	67.3	-
Net proceeds from sale of assets held for sale (Notes 6, 14)	-	-	7.1	-
Net proceeds of property, equipment and other disposals	-	0.1	0.3	1.0
Deposits on purchase of equipment	-	(0.2)	-	(0.2)
Advances and loans receipts	0.1	0.1	0.2	0.2
Net proceeds on disposition of minority interest in subsidiary (Note 11)	(0.4)	-	(0.4)	35.1
	(8.7)	(9.5)	50.9	13.3
Financing activities:				
Drawings (repayments) on credit facility	(14.0)	2.6	(68.1)	6.5
Deferred financing fees	-	-	(0.9)	-
Bank (repayments) indebtedness	(0.4)	0.9	0.4	0.5
Interest payments	(1.3)	(1.8)	(4.3)	(6.2)
Lease payments	(2.1)	(2.4)	(7.8)	(7.1)
	(17.8)	(0.7)	(80.7)	(6.3)
Increase (decrease) in cash and cash equivalents	1.5	0.7	(2.2)	2.7
Cash and cash equivalents, beginning of period	4.2	4.3	7.9	2.3
Cash and cash equivalents, September 30	$ 5.7	$ 5.0	$ 5.7	$ 5.0

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

1. Reporting entity

Western Forest Products Inc. ("Western" or the "Company") is an integrated softwood forest products company, incorporated and domiciled in Canada, operating in the coastal region of British Columbia ("BC") and Washington State, 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, 2025 and 2024 comprise the financial results of the Company and its subsidiaries. The Company's primary business is the sale of lumber and logs, which includes timber harvesting, sawmilling logs into specialty lumber, value-added lumber and glulam remanufacturing, and wholesaling purchased lumber. The Company is listed on the Toronto Stock Exchange ("TSX"), under the symbol WEF.

2. Basis of preparation

These interim financial statements of the Company have been prepared in accordance with IAS 34, *Interim Financial Reporting.* These interim financial statements do not include all of the disclosures required by IFRS for annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2024, available at www.westernforest.com or www.sedarplus.ca. References to the three 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 4, 2025.

3. Material accounting policies

The material accounting policies applied by the Company in these interim financial statements are the same as those applied by the Company in its annual consolidated financial statements as at and for the year ended December 31, 2024.

4. Seasonality of operations

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

5. Inventory

	September 30, 2025			December 31, 2024		
	Gross carrying value	Provisions	Lower of cost and net realizable value	Gross carrying value	Provisions	Lower of cost and net realizable value
Logs	$ 111.4	$ (13.3)	$ 98.1	$ 138.0	$ (13.2)	$ 124.8
Lumber	73.1	(11.1)	62.0	82.8	(11.3)	71.5
Supplies and other	20.0	-	20.0	20.8	-	20.8
	$ 204.5	$ (24.4)	$ 180.1	$ 241.6	$ (24.5)	$ 217.1

The carrying amount of inventory recorded at net realizable value was $70.9 million at September 30, 2025 (December 31, 2024: $61.9 million), with the remaining inventory recorded at cost.

The Company recognized a decrease in the provision for write-down to net realizable value of $5.5 million and $0.1 respectively for the three and nine months ended September 30, 2025 (Q3 2024 and YTD 2024: decrease of $5.1 million and $9.6 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. APD had been recorded in assets held for sale as at December 31, 2024. The Company recognized a gain of $0.2 million in the first quarter of 2025 recorded in other income (loss) in the statement of comprehensive loss related to the sale.

As at September 30, 2025, the assets held for sale comprised the following assets and liabilities:

	Sept. 30, 2025	Dec. 31, 2024
Property, plant and equipment	-	7.4
Assets held for sale	$ -	$ 7.4
Lease and other liabilities directly associated with assets held for sale	$ -	$ 0.3

7. Biological assets

Reconciliation of carrying amount

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2025	2024	2025	2024
Carrying value, beginning	$ 15.9	$ 49.4	$ 48.6	$ 49.3
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)
Disposals (Note 14)	-	-	(32.8)	-
Carrying value, September 30	$ 16.0	$ 49.2	$ 16.0	$ 49.2

At September 30, 2025, private timberlands comprised an area of approximately 8,399 hectares (December 31, 2024: 22,693 hectares) of land owned by the Company. Standing timber on private timberlands range from newly planted areas to mature forest available for harvest.

During the three and nine months ended September 30, 2025, the Company harvested and scaled 452 cubic meters ("m^3") and 6,143 m^3 of logs, respectively (Q3 2024 and YTD 2024: 5,671 cubic meters and 13,119 m^3, respectively), from its private timberlands for the nine months ended September 30, 2025.

8. Long-term debt

	Sept. 30, 2025	Dec. 31, 2024
Credit facility drawings	$ 17.9	$ 86.0
Less transaction costs	(1.0)	(0.5)
Long-term debt	$ 16.9	$ 85.5
Available Credit Facility	$ 250.0	$ 250.0
Credit Facility drawings	(17.9)	(86.0)
Outstanding letters of credit included in line utilization	(3.2)	(27.3)
Unused portion of Credit Facility	$ 228.9	$ 136.7

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.

On September 16, 2025, the Credit Facility was amended to allow a new bilateral letter of credit facility (the "LC Facility") with Royal Bank of Canada. The LC Facility provides for a maximum of USD$30 million in letters of credit to be used as collateral for US customs bonds related to duties imposed on softwood lumber. The LC Facility is guaranteed by Export Development Canada. As at September 30, 2025, the Company had USD$21.0 million ($29.2 million) in outstanding letters of credit on the LC Facility.

8. Long-term debt (continued)

The Company was in compliance with its financial covenants as at September 30, 2025 and expects to comply for at least twelve months thereafter. Accordingly, the loan is classified as non-current at September 30, 2025.

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, 2025	Dec. 31, 2024
Present value of obligations	$ 87.5	$ 89.8
Fair value of plan assets	(83.1)	(84.9)
Liability recognized in the statements of financial position (Note 10)	$ 4.4	$ 4.9

The discount rate used as at September 30, 2025 was 4.55% per annum (December 31, 2024: 4.54% per annum). The Company expects to make funding contributions to its defined benefit plans of $1.2 million in 2025.

10. Other liabilities

	Current	Non-current	Total
As at September 30, 2025			
Defined benefit employee future benefits obligation (Note 9)	$ -	$ 4.4	$ 4.4
Defined contribution employee future benefits obligation	-	3.1	3.1
Environmental provision	0.2	2.2	2.4
Deferred share unit plan liabilities	1.6	-	1.6
Restricted share unit plan liabilities	0.5	2.7	3.2
Other	-	0.3	0.3
	$ 2.3	$ 12.7	$ 15.0
As at December 31, 2024			
Defined benefit employee future benefits obligation (Note 9)	$ -	$ 4.9	$ 4.9
Defined contribution employee future benefits obligation	-	2.7	2.7
Environmental provision	0.1	2.4	2.5
Deferred share unit plan liabilities	1.0	-	1.0
Restricted share unit plan liabilities	0.6	1.4	2.0
Other	-	0.4	0.4
	$ 1.7	$ 11.8	$ 13.5

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

11. Non-controlling interest

On March 27, 2024, the Company completed the sale of a 34% ownership interest in its newly formed La-kwa sa muqw Forestry Limited Partnership ("LFLP") to four Vancouver Island First Nations for gross proceeds of $35.9 million. The LFLP is comprised of certain assets and liabilities of the Company's former Mid-Island Forest Operation, including TFL 64, which was created through the subdivision of Block 2 of TFL 39. This is considered a transaction with owners in their capacity as owners, and because it did not result in a loss of control, the gain on disposal was recognized directly to retained earnings. During the three and nine months ended September 30, 2025, the Company incurred $0.3 million, net of deferred tax, as a final settlement payment related to the sale, which was recognized directly to retained earnings.

12. BC Manufacturing Jobs Fund

On February 28, 2025, the Company and the Province of British Columbia, through the BC Manufacturing Jobs Fund, entered into an agreement to reimburse eligible expenditures up to a maximum of $7.5 million related to construction of new kilns and other capital projects. During the three and nine months ended September 30, 2025, the Company accrued $2.1 and $3.5 million, respectively, related to eligible expenditures incurred, which has been deducted from the carrying amount of the assets in construction.

13. Revenue

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

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2025	2024	2025	2024
Primary geographic markets				
Canada	$ 79.8	$ 81.7	$ 283.4	$ 283.6
United States	69.7	95.8	271.4	273.5
Japan	30.0	23.7	84.4	101.8
China	23.2	18.6	65.4	63.0
Other	24.5	18.8	64.7	59.0
Europe	5.8	3.1	15.3	9.8
	$ 233.0	$ 241.7	$ 784.6	$ 790.7
Major Products				
Lumber	$ 181.1	$ 189.9	$ 609.6	$ 602.8
Logs	38.3	39.9	120.8	141.5
By-products	8.5	9.1	31.0	32.0
Forestry services and other	5.1	2.8	23.2	14.4
	$ 233.0	$ 241.7	$ 784.6	$ 790.7

14. Other income (loss)

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2025	2024	2025	2024
Gain on sale of private timberlands	$ -	$ -	$ 23.7	$ -
Gain on sale of assets held for sale	-	-	0.2	-
Gain on disposal of property, plant, and equipment	-	(0.1)	-	0.1
Fire-related impairments	-	-	(3.8)	-
Foreign exchange gain (loss)	0.1	(0.5)	(4.8)	1.7
Insurance recovery	6.9		6.9	
Other	(0.1)	(0.1)	-	(0.1)
	$ 6.9	$ (0.7)	$ 22.2	$ 1.7

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

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. During the three and nine months ended September 30, 2025, the Company recognized $6.9 million in an insurance recovery related to the fire as an initial deposit.

15. 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,	
	2025	2024	2025	2024
Loss before income taxes	$ (83.1)	$ (28.2)	$ (91.9)	$ (52.6)
Income tax recovery at statutory rate of 27%	$ (22.4)	$ (7.6)	$ (24.8)	$ (14.2)
Difference in jurisdictional tax rates	(0.2)	0.2	0.5	0.6
Difference in basis and capital inclusion rates	-	-	(3.9)	-
Other permanent differences	0.7	0.2	0.8	0.2
Realization of previously unrecognized valuation allowance	-	(1.8)	-	(6.2)
Other	0.1	0.4	0.4	0.3
	$ (21.8)	$ (8.6)	$ (27.0)	$ (19.3)
Recognized in Other comprehensive loss				
Deferred tax recovery	$ 0.2	$ (0.1)	$ -	$ (0.2)
Recognized in Retained earnings				
Deferred tax (recovery) expense	$ (0.1)	$ -	$ (0.1)	$ 6.6

16. 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, 2025			Three months ended Sept. 30, 2024		
	Net earnings attributable to equity shareholders	Weighted average number of shares	Per share	Net loss attributable to equity shareholders	Weighted average number of shares	Per share
Issued shares, beginning of period		10,558			10,558	
Effect of shares:						
Issued in the quarter		-			-	
Basic loss per share	$ (60.3)	10,558	$ (5.71)	$ (18.0)	10,558	$ (1.71)
Effective of dilutive securities:						
Stock options		-			-	
Diluted loss per share	$ (60.3)	10,558	$ (5.71)	$ (18.0)	10,558	$ (1.71)

	Nine months ended Sept. 30, 2025			Nine months ended Sept. 30, 2024		
	Net earnings attributable to equity shareholders	Weighted average number of shares	Per share	Net loss attributable to equity shareholders	Weighted average number of shares	Per share
Issued shares, beginning of period		10,558			10,558	
Effect of shares:						
Issued in the quarter		-			-	
Basic loss per share	$ (63.4)	10,558	$ (6.00)	$ (29.9)	10,558	$ (2.83)
Effective of dilutive securities:						
Stock options		-			-	
Diluted loss per share	$ (63.4)	10,558	$ (6.00)	$ (29.9)	10,558	$ (2.83)

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

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

17. 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. As cash deposit rates differed from final duty rates for lumber shipments made in 2017 through 2023, the Company recognized a long-term interest-bearing duty receivable totalling USD$3.2 million ($4.5 million) in its statements of financial position. During the three and nine months ended September 30, 2025, export tax expense of $66.0 million and $83.8 million, respectively (Q3 2024 and YTD 2024: $5.2 million and $15.5 million, respectively) was recorded in the statements of comprehensive loss.

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

On July 21, 2025, a binational Canada-United States-Mexico Agreement ("CUSMA") Chapter 10 Panel (the "Panel") issued its initial decision with respect to Canada's challenge of the DoC's final results of the first AR ("AR1") of the AD order on Canadian softwood lumber products. AR1 relates to softwood lumber exports from the period April 28, 2017 through December 31, 2018. The Panel determined that certain key aspects of the DoC's final AR1 AD results were inconsistent with US law and directed the DoC to review those aspects of its decision. On September 17, 2025, the Panel dismissed the case at the joint request of the Canadian and US parties.

On July 25, 2025, the DoC announced its final AD rates applicable to Western related to the sixth AR of 20.56%, compared to the previous AD rate of 7.66%. On August 8, 2025, the DoC announced its final CV rates applicable to Western related to AR6 of 14.63%, compared to the previous CV rate of 6.74%. On September 11, 2025, the DoC amended the AD rate to 20.53% to correct a ministerial calculation error. Western recorded a non-cash export tax expense of USD$44.1 million ($59.5 million), plus accrued interest of approximately USD$8.2 million ($11.4 million), in the third quarter of 2025 related to the sixth AR final AD and CV rates (Q3 2024 and YTD 2024: export tax recovery of USD$0.8 million; CAD$1.0 million related to the fifth AR final AD and CV rates). Cash deposits accrue at the most recent final AD and CV duty rates.

17. Commitments and contingencies (continued)

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

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

Lumber shipment date	Aug. 11, 2025 Onward	July 29, 2025 through Aug. 11, 2025	Aug. 19, 2024 through July 28, 2025	Aug. 1, 2023 through Aug. 18, 2024
Cash deposit rate				
CV	14.63%	6.74%	6.74%	1.79%
AD	20.53%	20.53%	7.66%	6.26%
Combined	35.16%	27.27%	14.40%	8.05%

Lumber shipment year	AR6 2023 Final	AR5 2022 Final	AR4 2021 Final
Duty rate			
CV	14.63%	6.74%	1.79%
AD	20.53%	7.66%	6.26%
Combined	35.16%	14.40%	8.05%

As at September 30, 2025, including interest of USD$4.2 million (December 31, 2024: USD$10.2 million), the duty receivable of USD$7.4 million (December 31, 2024: USD$57.5 million) was revalued at the period-end exchange rate to $10.3 million (December 31, 2024: $82.7 million) and is recorded in other assets on the consolidated statement of financial position.

Net interest expense of $10.4 million and $8.4 million for the three and nine months ended September 30, 2025, respectively, was recorded in finance costs (Q3 2024 and YTD 2024: interest revenue of $1.4 million and $3.5 million, respectively). Related foreign exchange losses of $0.1 million and $4.6 million for the three and nine months ended September 30, 2025, respectively, were recorded in other income (loss) (Q3 2024 and YTD 2024: $0.8 million and $1.5 million foreign exchange losses, respectively).

As at September 30, 2025, the Company had paid USD$201 million ($280 million) of duties, all of which remain held in trust by US Department of Treasury (December 31, 2024: USD$184 million ($264 million)). With the exception of USD$3.2 million ($4.5 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) *Incremental US Tariffs*

On July 31, 2025, US President Donald Trump signed an executive order imposing a tariff of 35% on imported goods from Canada to the US that are not compliant with the Canada-United States-Mexico Agreement ("CUSMA") starting on August 1, 2025. The Company's exports to the United States are compliant with CUSMA and are not subject to the 35% tariff.

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.

(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

17. Commitments and contingencies (continued)

(d) Long-term fibre supply agreements (continued)

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, 2025. The Company anticipates satisfying annual fibre commitments for the year ending December 31, 2025. The Company has recorded consideration received as part of the long-term fibre supply agreements as deferred revenue, which is recognized straight-line over the term of the contract. The Company recognized related revenue of $0.5 million and $1.6 million for the three and nine months ended September 30, 2025 (Q3 2024 and YTD 2024: $0.5 million and $1.5 million, respectively).

18. 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 17(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, 2025, the Company had outstanding obligations to sell an aggregate USD$8.0 million at an average exchange rate of CAD$1.3842 per USD with maturities through October 9, 2025 (December 31, 2024: USD$12.0 million at an average exchange rate of CAD$1.4369 per USD).

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

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2025	2024	2025	2024
Foreign currency (losses) gains recognized in revenue	$ (0.2)	$ 0.4	$ 0.6	$ (0.1)

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

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