



**Western Forest Products Inc.**

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Management's Discussion and Analysis  
of Financial Conditions and Results of Operations

Three and nine months ended September 30, 2025

# 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, 2025, to help security holders and other readers understand our Company and the key factors underlying our financial results. This discussion and analysis should be read in conjunction with our unaudited condensed consolidated interim financial statements and the notes thereto for the three and nine months ended September 30, 2025, and our audited annual consolidated financial statements and the notes thereto and Management's Discussion and Analysis for the year ended December 31, 2024, which can be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Unless otherwise noted, the information in this discussion and analysis is updated to November 4, 2025.

The Company has prepared the consolidated financial statements for the three and nine months ended September 30, 2025, in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board. Amounts discussed herein are based on our unaudited condensed consolidated interim financial statements and are presented in millions of Canadian dollars unless otherwise noted.

Reference is made in this MD&A to Adjusted Earnings Before Interest, Tax, Depreciation and Amortization ("Adjusted EBITDA"). Adjusted EBITDA is defined as operating income prior to operating restructuring items and other income (expense), plus amortization of plant, equipment, right of use and timber licence assets, impairment adjustments, and changes in fair value of biological assets. Adjusted EBITDA margin is Adjusted EBITDA as a proportion of revenue. Western uses Adjusted EBITDA and Adjusted EBITDA margin as benchmark measurements of our own operating results and as benchmarks relative to our competitors. We consider Adjusted EBITDA to be a meaningful supplement to operating income as a performance measure primarily because amortization expense, impairment adjustments and changes in the fair value of biological assets are non-cash costs, and vary widely from company to company in a manner that we consider largely independent of the underlying cost efficiency of their operating facilities. Further, the inclusion of operating restructuring items which are unpredictable in nature and timing may make comparisons of our operating results between periods more difficult. We also believe Adjusted EBITDA and Adjusted EBITDA margin are commonly used by securities analysts, investors and other interested parties to evaluate our financial performance.

Adjusted EBITDA does not represent cash generated from operations as defined by IFRS and it is not necessarily indicative of cash available to fund cash needs. Furthermore, Adjusted EBITDA does not reflect the impact of certain items that affect our net income. Adjusted EBITDA and Adjusted EBITDA margin are not measures of financial performance under IFRS and should not be considered as alternatives to measures of performance under IFRS. Moreover, because all companies do not calculate Adjusted EBITDA in the same manner, Adjusted EBITDA and Adjusted EBITDA margin calculated by Western may differ from similar measures calculated by other companies. A reconciliation between the Company's net income as reported in accordance with IFRS and Adjusted EBITDA is included in the "Non-GAAP Financial Measures" section of this report.

Management uses key performance indicators such as net debt, net debt to capitalization and current assets to current liabilities. Net debt is defined as long-term debt and bank indebtedness less cash and cash equivalents. Net debt to capitalization is a ratio defined as net debt divided by capitalization, with capitalization being the sum of net debt and equity. Current assets to current liabilities ratio is defined as total current assets divided by total current liabilities. These key performance indicators are non-GAAP financial measures that do not have a standardized meaning and may not be comparable to similar measures used by other issuers. They are not recognized by IFRS, but are meaningful in that they indicate the Company's ability to meet its obligations on an ongoing basis and indicate whether the Company is more or less leveraged than in the past.

This MD&A contains statements that may constitute forward-looking statements under the applicable securities laws. Readers are cautioned against placing undue reliance on forward-looking statements. All statements herein, other than statements of historical fact, may be forward-looking statements and can be identified by the use of words such as "will", "commit", "project", "estimate", "expect", "anticipate", "plan", "target", "forecast", "intend", "believe", "seek", "could", "should", "may", "likely", "continue", "pursue" and similar references to future periods. Forward-looking statements in this MD&A include, but are not limited to, statements relating to our current intent, belief or expectations with respect to: domestic, North American and international market conditions, prices, demands and growth, including demands for our cedar products; economic conditions; legislative changes and policy initiatives; the applicability and scope of tariffs and the expected timing thereof; our growth, marketing, production, wholesale, operational and capital allocation plans, investments and strategies, fibre availability and regulatory developments; the development, completion and implementation of integrated resource management plans or forest landscape plan pilots by First Nations; the expected timing and cost of completion and commissioning of the Company's announced capital investments and capital expenditures, including the new kilns; the extent of the reduction in lumber production at our manufacturing facilities; the Company's ability to adjust operations to match market conditions and available log supply; future operations of the Columbia Vista Sawmill and any insurance proceeds available in relation to the fire that occurred at such sawmill, and the timing it may take to resolve the La-kwa sa muqw Forestry Limited Partnership labour dispute. 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 <sup>(1)</sup>

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

Summary Information		Q3 2025	Q3 2024	Q2 2025	YTD 2025	YTD 2024
Revenue						
Lumber <sup>(2)</sup>		\$ 181.1	\$ 189.9	\$ 218.2	\$ 609.6	\$ 602.8
Logs		38.3	39.9	49.0	120.8	141.5
By-products		8.5	9.1	11.7	31.0	32.0
Forestry services and other <sup>(3)</sup>		5.1	2.8	10.2	23.2	14.4
Total revenue		233.0	241.7	289.1	784.6	790.7
Freight		13.6	16.4	16.7	46.6	51.8
Export tax expense		66.0	5.2	8.8	83.8	15.5
Stumpage		4.3	7.8	5.6	12.2	19.7
Adjusted EBITDA <sup>(4)</sup>		\$ (65.9)	\$ (10.7)	\$ 0.5	\$ (62.0)	\$ (5.5)
Adjusted EBITDA margin <sup>(4)</sup>		(28%)	(4%)	0%	(8%)	(1%)
Operating loss prior to restructuring and other items		\$ (78.0)	\$ (24.4)	\$ (12.3)	\$ (99.5)	\$ (46.0)
Net loss		(61.3)	(19.6)	(17.4)	(64.9)	(33.3)
Loss per share, basic and diluted	\$ per share	(5.71)	(1.71)	(1.62)	(6.00)	(2.83)
<b>Operating Information <sup>(5)</sup></b>						
Lumber shipments <sup>(2)(6)</sup>	mmfbm	129	138	149	415	442
Cedar	mmfbm	24	33	32	87	102
Japan Specialty	mmfbm	22	21	25	64	77
Industrial <sup>(2)</sup>	mmfbm	20	19	22	65	63
Commodity	mmfbm	62	65	70	200	199
Lumber production <sup>(2)</sup>	mmfbm	107	127	144	385	424
Lumber price, average <sup>(2)</sup>	\$/mfbm	\$ 1,409	\$ 1,378	\$ 1,464	\$ 1,470	\$ 1,364
Wholesale lumber shipments	mmfbm	7	8	9	25	25
Log shipments	000 m <sup>3</sup>	207	347	329	766	1,023
Domestic	000 m <sup>3</sup>	152	230	266	616	764
Export	000 m <sup>3</sup>	-	-	-	-	-
Pulp	000 m <sup>3</sup>	55	117	63	151	260
Net production <sup>(7)</sup>	000 m <sup>3</sup>	410	659	598	1,473	2,095
Saw log purchases	000 m <sup>3</sup>	214	215	299	730	516
Log price, average <sup>(8)</sup>	\$/m <sup>3</sup>	\$ 160	\$ 113	\$ 139	\$ 143	\$ 132
<b>Illustrative Lumber Average Price Data <sup>(9)</sup></b>						
	<b>Price Basis</b>					
Grn WRC #2 Clear & Btr 4x6W RL (\$C)	cif dest N Euro	\$ 8,742	\$ 8,100	\$ 8,542	\$ 8,469	\$ 8,253
Grn WRC Deck Knotty 2x6 RL S4S	Net fob Mill	\$ 1,695	\$ 1,368	\$ 1,638	\$ 1,607	\$ 1,210
Grn WRC #2 & Btr AG 6x6 RL	Net fob Mill	\$ 3,644	\$ 3,391	\$ 3,587	\$ 3,557	\$ 3,341
Coast Gm WRC Std&Btr NH 3/4x4 RL S1S2E	Net fob Mill	\$ 1,178	\$ 1,123	\$ 1,158	\$ 1,159	\$ 1,108
KD Hem Baby Squares Merch 4-1/8x4-1/8 13'	c&f dest Japan	\$ 990	\$ 975	\$ 983	\$ 981	\$ 975
KD Dfir Baby Squares Merch 4-1/8x4-1/8 RL S4S	c&f dest Japan	\$ 1,238	\$ 1,132	\$ 1,179	\$ 1,156	\$ 1,134
Grn Dfir (Portland) #1&Btr 100% FOHC 6x6 Rough	Net fob Mill	\$ 1,564	\$ 1,626	\$ 1,642	\$ 1,639	\$ 1,636
Hemlock Lumber 2x4 (40x90) Metric RG Utility <sup>(9)</sup>	cif dest Shanghai	n/a	\$ 389	n/a	\$ 380	\$ 396
Hemlock Lumber 4x4 (95x95) Metric RG Utility <sup>(9)</sup>	cif dest Shanghai	\$ 456	n/a	\$ 450	\$ 454	n/a
Coast KD Hem-Fir #2 & Btr 2x4	Net fob Mill	\$ 506	\$ 411	\$ 533	\$ 521	\$ 439
Average exchange rate – CAD to USD <sup>(10)</sup>		0.726	0.733	0.722	0.715	0.735
Average exchange rate – CAD to JPY <sup>(10)</sup>		107.10	109.23	104.44	105.95	111.05

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

(2) Includes glulamated wood products.

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

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

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

(6) Includes wholesale lumber shipments.

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

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

(9) Sourced from Random Lengths in USD/Mfbm except Hemlock Metric RG Utility that is sourced from the Forest Economic Advisors LLC China Bulletin ("FEA"). During the second quarter of 2025, FEA ceased publication of the 2x4 Hemlock Metric RG Utility and began publishing the 4x4 Hemlock Metric RG Utility rates. As such 2x4 Hemlock Metric RG Utility YTD price data is reported until April 2025, and 4x4 Hemlock Metric RG Utility YTD price data is subsequent to April 2025.

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

## Summary of Third Quarter 2025 Results

We reported Adjusted EBITDA of negative \$65.9 million in the third quarter of 2025, which included a non-cash export duty expense of \$59.5 million related to the determination of final duty rates from the sixth Administrative Review (“AR”). We reported Adjusted EBITDA of negative \$10.7 million in the same period last year, which included a non-cash export duty recovery of \$1.0 million related to the determination of final duty rates from the fifth AR. Results in the third quarter of 2025 reflect lower lumber shipments, higher export duty rates and lower external log shipments, partially offset by higher lumber and log prices compared to the same period last year.

Net loss was \$61.3 million in the third quarter of 2025, as compared to a net loss of \$19.6 million in the same period last year. Operating loss prior to restructuring and other items was \$78.0 million in the third quarter of 2025, as compared to \$24.4 million in the same period last year.

### *Revenue*

Lumber revenue was \$181.1 million in the third quarter of 2025, as compared to \$189.9 million in the same period last year. The decrease of 5% was primarily due to lower shipment volumes, particularly in Cedar products, partially offset by higher realized average prices. Our average realized lumber price increased by 2% to \$1,409 per thousand board feet in the third quarter of 2025, as compared to \$1,378 per thousand board feet in the same period last year, due to modest price improvements in most lumber markets.

Specialty lumber shipments represented 51% of total lumber shipment volumes in the third quarter of 2025, as compared to 53% in the same period last year, primarily due to lower Cedar shipments.

Log revenue was \$38.3 million in the third quarter of 2025, as compared to \$39.9 million in the same period last year. The decrease of 4% was primarily due to lower log shipment volumes, partially offset by an increase in realized log prices due to a stronger mix of higher-valued fir sawlogs.

By-products revenue was \$8.5 million in the third quarter of 2025, as compared to \$9.1 million in the same period last year. The decrease of 7% was due to a decrease in chip sales volumes.

Forestry services and other revenue were \$5.1 million in the third quarter of 2025, as compared to \$2.8 million in the same period last year. The increase of 82% was due to an increase in the volume of approved projects with our First Nation joint ventures in the third quarter of 2025 compared to the same period last year.

### *Operations*

Lumber production was 107 million board feet in the third quarter of 2025, as compared to 127 million board feet in the same period last year. In the third quarter of 2025, additional production curtailments compared to the same period last year were taken due to market conditions and log availability, in addition to lost production from our Columbia Vista sawmill due to a fire in June 2025. Sawmill cash conversion costs per thousand board feet increased 5% primarily due to lower production volumes.

We harvested 410,000 cubic metres of logs from our BC coastal operations in the third quarter of 2025, as compared to 659,000 cubic metres in the same period last year. Harvested volumes decreased primarily due to a strike at our La-kwa sa muqw Forestry Limited Partnership (“LFLP”), harvest permit approval delays and reduced helicopter harvesting availability. BC Coastal saw log purchases were 214,000 cubic metres in the third quarter of 2025, as compared to 215,000 cubic metres in the same period last year.

Timberlands cash operating costs per cubic metre increased 9% compared to the same period last year due to lower harvest volumes.

Freight expense was \$13.6 million in the third quarter of 2025 as compared to \$16.4 million in the same period last year. The decrease of 17% was primarily due to decreased lumber shipments and a higher percentage of shipments within Canada.

We recorded \$66.0 million of export tax expense in the third quarter of 2025, as compared to \$5.2 million in the same period of 2024. We recorded a non-cash export duty expense of \$59.5 million in the third quarter of 2025 related to the determination of final duty rates from the sixth AR, compared to a \$1.0 million non-cash export duty recovery related to the determination of final duty rates from the fifth AR in the same period last year. Export duty expense from cash deposits increased due to higher duty rates, partially offset by lower US-destined lumber shipments.

## *Corporate and Other*

Selling and administration expense was \$11.0 million in the third quarter of 2025, consistent with \$10.7 million in the same period last year.

Restructuring costs were \$nil in the third quarter of 2025, compared to \$1.9 million in the third quarter of 2024 which primarily related to parts inventory impairment and employee severance for our Alberni Pacific Division sawmill ("APD").

We recorded \$6.9 million of Other income in the third quarter of 2025 primarily related to an insurance recovery related to a fire at our Columbia Vista sawmill as compared to Other loss of \$0.7 million in the same period last year.

Finance costs were \$12.0 million in the third quarter of 2025 as compared to \$1.2 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 determination of final duty rates from the first six ARs, compared to interest revenue of \$1.4 million in the same period last year related to the determination of final duty rates from the first five ARs. Finance cost increases were partially offset by lower interest expense on external debt due to lower average debt balances compared to the same period last year.

## *Income Taxes*

Income tax recovery was \$21.8 million on a net loss before tax of \$83.1 million in the third quarter of 2025 as compared to income tax recovery of \$8.6 million on net loss before tax of \$28.2 million in the same period last year.

## *Net Loss*

Net loss was \$61.3 million in the third quarter of 2025, as compared to a net loss of \$19.6 million for the same period last year. Results in the third quarter of 2025 were impacted by a \$59.5 million non-cash export duty and \$11.4 million interest expense on the determination of final rates from the sixth AR and lower lumber and log shipment volumes, partially offset by higher realized lumber and log prices, compared to the same period last year.

## **Summary of Year to Date 2025 Results**

We reported Adjusted EBITDA of negative \$62.0 million in the first nine months of 2025, as compared to negative \$5.5 million in the same period last year. Results in the first nine months of 2025 reflect a non-cash export duty adjustment of \$59.5 million compared to a \$1.0 million recovery in the same period last year. Results were also impacted by lower lumber and log shipment volumes and higher export duty rates, partially offset by higher lumber and log realized prices compared to the same period last year.

Net loss was \$64.9 million in the first nine months of 2025, as compared to \$33.3 million in the same period last year. Operating loss prior to restructuring and other items was \$99.5 million in the first nine months of 2025, as compared to \$46.0 million in the same period last year.

## *Revenue*

Lumber revenue was \$609.6 million in the first nine months of 2025 as compared to \$602.8 million in the same period last year. The increase of 1% was due to higher lumber prices, partially offset by lower lumber shipments and a weaker sales mix. Our average realized lumber price increased by 8% to \$1,470 per thousand board feet in the first nine months of 2025, as compared to \$1,364 per thousand board feet in the same period last year, due to price improvements in most lumber markets and a stronger USD to CAD average exchange rate, partially offset by a weaker sales mix.

Specialty lumber shipments represented 52% of total lumber shipment volumes for the first nine months of 2025, as compared to 55% in the same period last year, primarily due to lower Cedar and Japan shipments.

Log revenue was \$120.8 million in the first nine months of 2025, as compared to \$141.5 million in the same period last year. The decrease of 15% was due to lower shipment volumes driven from lower harvest levels, partially offset by higher log prices on a stronger sales mix compared to the same period last year.

By-products revenue was \$31.0 million in the first nine months of 2025, as compared to \$32.0 million in the same period last year. The decrease of 3% was due to a decrease in chip sales volumes.

Forestry services and other revenue were \$23.2 million in the first nine months of 2025, as compared to \$14.4 million in the same period last year. The increase of 61% was due to an increase in the volume of approved

projects and higher contract values from more complex work performed with our First Nation joint ventures in the first nine months of 2025 compared to the same period last year.

### *Operations*

Lumber production was 385 million board feet in the first nine months of 2025, as compared to 424 million board feet in the same period last year. In the first nine months of 2025, additional production curtailments compared to the same period last year were due to weaker market conditions, log availability and a fire at our Columbia Vista sawmill. Sawmill cash conversion costs per thousand board feet increased 8% primarily due to lower production volumes and higher spending on internal processing.

We harvested 1,473,000 cubic metres of logs from our BC coastal operations in the first nine months of 2025, as compared to 2,095,000 cubic metres in the same period last year. Harvested volumes decreased primarily due to harvest permit approval delays, a strike at LFLP and reduced helicopter harvesting availability due to fires in other parts of BC compared to the same period last year. Log harvest reductions were partly offset by increased saw log purchases to match log volumes to our sawmill requirements. BC Coastal saw log purchases were 730,000 cubic metres in the first nine months of 2025, as compared to 516,000 cubic metres in the same period last year.

Timberlands cash operating costs per cubic metre increased 6% compared to the same period last year. The increase was primarily due to lower harvest volumes compared to the same period last year, partially offset by lower average stumpage rates due to the mix of logs harvested.

Freight expense was \$46.6 million in the first nine months of 2025 as compared to \$51.8 million in the same period last year. The decrease of 10% was primarily due to decreased lumber shipments and a higher percentage of shipments within Canada.

We recorded \$83.8 million of export tax expense in the first nine months of 2025, as compared to \$15.5 million in the same period of 2024. We recorded a non-cash export duty expense of \$59.5 million in the first nine months of 2025 related to the determination of final duty rates from the sixth AR, compared to a \$1.0 million non-cash export duty recovery in the same period last year related to the determination of final duty rates from the fifth AR. Export tax expense increased due to higher duty rates and a stronger average USD to CAD exchange rate, partially offset by lower US-destined shipments.

### *Corporate and Other*

Selling and administration expense was \$33.4 million in the first nine months of 2025, consistent with \$33.0 million in the same period last year.

Restructuring costs were \$0.8 million in the first nine months of 2025, related to \$0.5 million for a US timber purchase contract provision and \$0.3 million in curtailment costs at APD. Restructuring costs were \$3.4 million in the first nine months of 2024, which consisted primarily of a \$1.3 million parts inventory impairment and \$2.2 million in employee severance at APD.

We recorded \$22.2 million of Other income in the first nine months of 2025 as compared to \$1.7 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 and \$6.9 million in insurance recovery related to a fire at our Columbia Vista sawmill, which was partially offset by \$4.8 million from non-cash foreign exchange losses and \$3.8 million in impairment losses on assets related to the fire. Foreign exchange gains of \$1.7 million were recognized in the first nine months of 2024.

Finance costs were \$13.8 million in the first nine months of 2025 as compared to \$4.9 million in the same period last year. Finance costs in the first nine months of 2025 included \$8.4 million of net interest expense related to the determination of final duty rates from the first six ARs, compared to interest revenue of \$3.5 million related to the determination of final duty rates from the first five ARs in the same period last year. Finance cost increases were partially offset by lower interest expense on external debt due to lower average debt balances.

### *Income Taxes*

Income tax recovery was \$27.0 million on a net loss before tax of \$91.9 million in the first nine months of 2025 as compared to income tax recovery of \$19.3 million on net loss before tax of \$52.6 million in the same period last year. The rate differential results primarily from reduced tax rates on capital gains from the sale of assets in the first quarter of 2025 and tax arising from the sale of a 34% interest in LFLP in the first nine months of 2024.

## *Net loss*

Net loss was \$64.9 million in the first nine months of 2025, as compared to a net loss of \$33.3 million for the same period last year. Results in the first nine months of 2025 were impacted by a \$59.5 million non-cash export duty expense, \$11.4 million in interest expense related to the change in export duty rates and lower lumber and log shipments, partially offset by gains on sales of non-core assets and increases on lumber prices, compared to the same period last year.

## **Columbia Vista Sawmill Fire**

We continue to evaluate our future plans related to the sawmill and are working with our insurers to determine available proceeds. During the three and nine months ended September 30, 2025, we recorded US\$5.0 million (\$6.9 million) of insurance recovery related to the fire as an initial deposit.

## **Labour Relations**

During the second quarter of 2025, employees represented by the United Steelworkers Local 1-1937 (“USW”) at LFLP commenced a strike. LFLP is actively working to bring an end to the work stoppage. If the strike continues for a prolonged period of time, it will further impact available log supply to our Duke Point and Ladysmith sawmills, resulting in potential further operating curtailments in the fourth quarter of 2025 and into 2026.

## **Operating Curtailments**

Given current lumber market conditions, delays in harvest permit approvals in BC and a lack of accessible economic fibre in BC, we took temporary lumber production curtailments of 30 million board feet at certain BC sawmills in the third quarter of 2025 and plan to take 35 million board feet of lumber production curtailments in the fourth quarter of 2025. We will continue to monitor market conditions and available log supply and will adjust our operating schedules as required.

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

### *Two Continuous Dry Kilns*

We continue to advance two continuous dry kilns, with site construction ongoing. The first kiln is anticipated to be completed and commissioned in early 2026, with the completion and commissioning of the second kiln anticipated in mid-2026. Costs, excluding any contributions from the BC Manufacturing Jobs Fund (“BCMJF”), expended to September 30, 2025 for these kilns total \$11.3 million, relative to a total estimated budget of \$33 million.

### *BC Manufacturing Jobs Fund*

During the third quarter of 2025, the Company accrued \$2.1 million related to the BCMJF from the Province of BC (the “Province”). In the first nine months of 2025, the Company has accrued a total of \$3.5 million related to the BCMJF. The Company is eligible to receive reimbursement from the Province of expenditures related to the kilns and other capital projects up to \$7.5 million.

## **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 challenge proceedings, please see “*Risks and Uncertainties – Softwood Lumber Dispute*” in our Management’s Discussion and Analysis for the year ended December 31, 2024.

On July 25, 2025, the DoC announced its final determination for antidumping (“AD”) rates applicable to Western related to the sixth AR of 20.56%, compared to the current 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 increase in AD and CV

rates. This amount was offset against the long-term duty receivable on the Company's balance sheet as at September 30, 2025.

As at September 30, 2025, Western had USD\$201 million (\$280 million) of cash on deposit with the US Department of Treasury in respect of softwood lumber duties, of which USD\$3.2 million (\$4.5 million) plus accrued interest of USD\$4.2 million (\$5.8 million) is recognized in the Company's consolidated statements of financial position arising from final rate determinations for Canadian shipments made to the US in 2017 through 2023.

Including wholesale lumber shipments, our sales from Canadian operations to the US market represented approximately 21% of total lumber shipments in the first nine months of 2025, as compared to 25% 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.

### *First Administrative Review Update*

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. On September 17, 2025, the Panel dismissed the case, at the joint request of Canadian and US parties.

## **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.

The potential implementation and duration of any incremental US tariffs is unknown and could have a material impact on our operating earnings and cash flows. We are working with all levels of government across Canada to advocate for programs and policies that will best enable the forestry sector to serve global markets and manage through these uncertain times.

## **Regulatory Environment**

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

### *Timber Tenure Replacements*

On September 12, 2025, the Ministry of Forests ("MFOR") offered the Company a replacement licence for TFL 19.

### *DRIPA Section 7 Agreement*

In July 2025 'Namgis First Nation ("Nāmgis") and Western delivered the first-ever draft forest landscape plan and forest operating plan to the chief forester covering TFL 37 (the "Draft FLP and FOP"). On October 3, 2025, MFOR and 'Nāmgis announced that they had reached agreement on a Section 7 joint decision-making agreement under the Province's Declaration on the Rights of Indigenous Peoples Act ("DRIPA") to support the joint establishment of forest landscape plans and joint approval of associated forest operations plans within Tree Farm Licence 37 (the "Section 7 Agreement"). The Company expects the Draft FLP and FOP to be put through the process described in the Section 7 Agreement and is currently operating consistent with such Draft FLP and FOP. However, the potential impact the Section 7 Agreement may have on the Company's future operations cannot be determined at this time.

### *Land Claims by Indigenous Groups*

On September 4, 2025, the Ehattesaht First Nation (“ECFN”) filed an amended notice of civil claim, against Canada and the Province of British Columbia seeking a declaration of Aboriginal title. The area in which ECFN claims Aboriginal title encompasses a portion of the harvesting area of the Company’s Forest Licence A19231 and TFL 19. The potential impact of the ECFN claim on Western’s tenure holdings is not ascertainable at this time.

For additional details on policy requirements and regulatory aspects in relation to First Nations see “Land Claims by Indigenous Groups” under the heading “Risks and Uncertainties” in our Management’s Discussion and Analysis for the year ended December 31, 2024.

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

(millions of Canadian dollars except where otherwise noted)

Selected Cash Flow Items	Q3 2025	Q3 2024	Q2 2025	YTD 2025	YTD 2024
Operating activities					
Net loss	\$ (61.3)	\$ (19.6)	\$ (17.4)	\$ (64.9)	\$ (33.3)
Amortization	12.1	13.6	12.8	37.6	40.4
Fire-related impairments	-	-	3.8	3.8	-
Loss (gain) on disposal of property, equipment and other assets	0.1	0.1	-	(23.8)	(0.1)
Income tax recovery	(21.8)	(8.6)	(5.1)	(27.0)	(19.3)
Income taxes receipts (payments)	3.4	22.6	-	3.9	22.5
Share-based compensation	0.5	0.8	0.3	1.7	0.8
Finance costs	12.0	1.2	0.7	13.8	4.9
Export duty receivable	59.5	(1.0)	-	59.5	(1.0)
Other	(3.0)	(0.9)	4.1	0.7	(5.3)
	1.5	8.2	(0.8)	5.3	9.6
Change in non-cash working capital	26.5	2.7	6.1	22.3	(13.9)
Cash provided by (used in) operating activities	28.0	10.9	5.3	27.6	(4.3)
Investing activities					
Additions to property, plant and equipment	(7.2)	(7.3)	(6.4)	(20.3)	(16.8)
Additions to capital logging roads	(1.2)	(2.2)	(1.4)	(3.3)	(6.0)
Net proceeds on disposal of assets	-	0.1	0.1	75.0	1.0
Advances and loans receipts (issued)	0.1	0.1	-	0.2	0.2
Deposits on purchase of equipment	-	(0.2)	-	-	(0.2)
Proceeds from disposition of minority interest in subsidiary	(0.4)	-	-	(0.4)	35.1
Cash provided by (used in) investing activities	(8.7)	(9.5)	(7.7)	50.9	13.3
Financing activities					
(Repayments) drawings on credit facility	(14.0)	2.6	5.9	(68.1)	6.5
Bank indebtedness (repayments)	(0.4)	0.9	0.4	0.4	0.5
Interest payments	(1.3)	(1.8)	(1.1)	(4.3)	(6.2)
Lease payments	(2.1)	(2.4)	(2.5)	(7.8)	(7.1)
Deferred financing fees	-	-	(0.9)	(0.9)	-
Cash provided by (used in) financing activities	(17.8)	(0.7)	1.8	(80.7)	(6.3)
Increase (decrease) in cash	\$ 1.5	\$ 0.7	\$ (0.6)	\$ (2.2)	\$ 2.7
<b>Summary of Financial Position</b>					
Cash and cash equivalents	\$ 5.7	\$ 5.0	\$ 4.2		
Current assets	281.5	318.2	315.6		
Current liabilities	103.9	104.8	117.1		
Bank indebtedness	0.4	1.4	0.8		
Long-term debt	16.9	90.0	30.7		
Net debt <sup>(2)</sup>	11.6	86.4	27.3		
Equity, excluding non-controlling interest	492.1	555.4	550.7		
Total liquidity <sup>(3)(6)</sup>	234.2	137.3	189.7		
Financial ratios					
Current assets to current liabilities <sup>(4)</sup>	2.71	3.04	2.70		
Net debt to capitalization <sup>(5)(6)</sup>	2%	13%	5%		

(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 \$28.0 million in the third quarter of 2025, as compared to \$10.9 million in the same period last year. Cash provided by operating activities in the third quarter of 2025 increased primarily due to a reduction in non-cash working capital, partially offset by reductions in income taxes received compared to the same period last year.

Cash used in investing activities was \$8.7 million in the third quarter of 2025, consistent with \$9.5 million used in the same period last year.

Cash used in financing activities was \$17.8 million in the third quarter of 2025, as compared to \$0.7 million used in the same period last year. Cash used in financing activities increased primarily due to repayments of our \$250 million syndicated credit facility (the “Credit Facility”).

### *Liquidity and Capital Resources*

Total liquidity was \$234.2 million at September 30, 2025, as compared to \$144.6 million at December 31, 2024 and \$137.3 million at September 30, 2024. Liquidity is comprised of cash and cash equivalents of \$5.7 million, and unused availability under the Company’s Credit Facility of \$228.9 million, less \$0.4 million of bank indebtedness.

On September 16, 2025, the Company entered into 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 of borrowings for letters of credit to be used as collateral for US customs bonds related to the US softwood lumber dispute. The LC Facility is guaranteed by Export Development Canada. The LC facility is incremental to the Credit Facility. As at September 30, 2025, the Company had USD\$21.0 million (\$29.2 million) in outstanding letters of credit on the LC Facility.

Based on our current forecasts, we expect sufficient liquidity will be available to meet any commitments as well as our other obligations through the next twelve months. The Company was in compliance with its financial covenants as at September 30, 2025 and expects to comply for at least twelve months thereafter.

### **Share consolidation**

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

### **Capital Expenditures**

We are reducing our planned 2025 capital expenditure spending to approximately \$30 to \$35 million, which includes approximately \$16 million of planned spending on two continuous dry kilns. Total planned spending on the two continuous dry kilns is anticipated to be approximately \$33 million, excluding any contributions from the BC Manufacturing Jobs Fund. We will continue to evaluate our capital expenditure spending based on market conditions, with a priority of maintaining a strong balance sheet.

### **Market Outlook**

North American markets are expected to continue to remain weak, mainly due to high interest rates and low consumer confidence. In addition, elevated US channel lumber inventory levels are further reducing demand at the producer level. The incremental US tariff of 10% has further complicated market dynamics as producers look to pass the tariff onto customers in an already weak demand environment. Markets may start to improve towards the end of the fourth quarter of 2025 or into early 2026 as supply decreases and as distributors start to build inventories ahead of the spring building season. However, in the near-term, distributors and pro-dealers continue to buy on an as-needed basis and the home center business is expected to be slow as consumers manage their way through the uncertain economic environment.

In Japan and China, housing demand continues to trend downwards, but lumber inventories remain low, resulting in near-term stable pricing. The strong pricing in specialty shop and better products into export markets has started to negatively affect demand into the fourth quarter of 2025, which may have the effect of capping further price increases.

## 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)

	Q3 2025	Q3 2024	Q2 2025	YTD 2025	YTD 2024
<b>Adjusted EBITDA</b>					
Net loss	\$ (61.3)	\$ (19.6)	\$ (17.4)	\$ (64.9)	\$ (33.3)
Add:					
Amortization	12.1	13.6	12.8	37.6	40.4
Changes in fair value of biological assets	-	0.1	-	(0.1)	-
Operating restructuring items	-	1.9	0.5	0.8	3.4
Other (income) expense	(6.9)	0.7	9.0	(22.2)	(1.7)
Finance costs	12.0	1.2	0.7	13.8	4.9
Income tax recovery	(21.8)	(8.6)	(5.1)	(27.0)	(19.3)
Adjusted EBITDA	\$ (65.9)	\$ (10.7)	\$ 0.5	\$ (62.0)	\$ (5.5)
<b>Adjusted EBITDA margin</b>					
Total revenue	\$ 233.0	\$ 241.7	\$ 289.1	\$ 784.6	\$ 790.7
Adjusted EBITDA	(65.9)	(10.7)	0.5	(62.0)	(5.5)
Adjusted EBITDA margin	(28%)	(4%)	0%	(8%)	(1%)
	<b>Sep. 30 2025</b>	<b>Sep. 30 2024</b>	<b>Jun. 30 2025</b>		
<b>Net debt to capitalization</b>					
Net debt					
Total debt	\$ 16.9	\$ 90.0	\$ 30.7		
Bank indebtedness	0.4	1.4	0.8		
Cash and cash equivalents	(5.7)	(5.0)	(4.2)		
	\$ 11.6	\$ 86.4	\$ 27.3		
Capitalization					
Net debt	\$ 11.6	\$ 86.4	\$ 27.3		
Total equity attributable to equity shareholders of the Company	492.1	555.4	550.7		
	\$ 503.7	\$ 641.8	\$ 578.0		
Net debt to capitalization	2%	13%	5%		
	<b>Sep. 30 2025</b>	<b>Sep. 30 2024</b>	<b>Jun. 30 2025</b>		
<b>Total liquidity</b>					
Cash and cash equivalents	\$ 5.7	\$ 5.0	\$ 4.2		
Available credit facility <sup>(1)</sup>	250.0	250.0	250.0		
Bank indebtedness	(0.4)	(1.4)	(0.8)		
Credit facility drawings	(17.9)	(90.5)	(31.8)		
Outstanding letters of credit	(3.2)	(25.8)	(31.9)		
	\$ 234.2	\$ 137.3	\$ 189.7		

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

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

## Accounting Policies and Standards

Several new standards, and amendments to existing standards and interpretations, were not yet effective as at September 30, 2025, and have not been applied in preparing the Company's unaudited condensed consolidated interim financial statements. We are currently evaluating the impact of IFRS 18, *Presentation and Disclosure in Financial Statements*, which will replace IAS 1, *Presentation of Financial Statements*, for the year ending December 31, 2027. No other standards are currently considered by the Company to be significant or likely to have a material impact on future financial statements.

## **Critical Accounting Estimates**

For a review of significant management judgements affecting financial results and critical accounting estimates, please see our 2024 Annual Report, which can be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). There were no changes to critical accounting estimates during the nine months ended September 30, 2025.

## **Financial Instruments and Other Instruments**

We use various financial instruments to reduce the impact of movement in foreign exchange rates on our net result. Please see our Management Discussion and Analysis for the year ended December 31, 2024 for a further discussion on our use of financial instruments. There were no changes to our use of financial instruments during the nine months ended September 30, 2025.

## **Off-Balance Sheet Arrangements**

The Company has off-balance sheet arrangements which include letters of credit and surety performance and payment bonds, primarily for timber purchases and CV and AD duty deposits. At September 30, 2025, surety performance and payment bonds aggregated \$49.4 million (December 31, 2024: \$48.2 million), of which \$29.2 million (December 31, 2024: \$24.5 million) are secured by letters of credit. Off-balance sheet arrangements have not had, and are not reasonably likely to have, any material impact on the Company's current or future financial condition, results of operations or cash flows.

## **Related Party Transactions**

Other than transactions in the normal course of business with the Board of Directors and key management personnel, the Company had no transactions between related parties in the three and nine months ended September 30, 2025.

## **Risks and Uncertainties**

The business of the Company is subject to several risks and uncertainties, including those described in the 2024 Annual Report which can be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Any of the risks and uncertainties described in the above-noted document could have a material adverse effect on our operations and financial condition and cash flows and, accordingly, should be carefully considered in evaluating Western's business. Except as set forth in this MD&A and the notes to our unaudited condensed consolidated interim financial statements, there were no additional risks and uncertainties identified during the nine months ended September 30, 2025.

## **Internal Controls over Financial Reporting**

There have been no changes in the Company's internal controls over financial reporting ("ICFR") during the nine months ended September 30, 2025, that have materially affected, or are reasonably likely to materially affect, its ICFR.

## **Outstanding Share Data**

As of November 4, 2025, 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, 2025, no options were granted or exercised, 34,285 options expired and no options were forfeited. As of November 4, 2025, 307,005 stock options were outstanding under our incentive stock option plan.

## **Additional Information**

Additional information relating to the Company and its operations, including the Company's Annual Information Form, can be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## Management's Discussion and Analysis – Appendix A

### Summary of Selected Results for the Last Eight Quarters

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

	2025			2024				2023
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Average exchange rate – USD to CAD	1.377	1.385	1.435	1.399	1.364	1.368	1.348	1.361
Average exchange rate – CAD to USD	0.726	0.722	0.697	0.715	0.733	0.731	0.742	0.734
<b>Financial performance</b>								
Revenue								
Lumber	\$ 181.1	\$ 218.2	\$ 210.2	\$ 214.3	\$ 189.9	\$ 235.3	\$ 177.6	\$ 178.3
Logs	38.3	49.0	33.5	46.5	39.9	56.5	45.1	51.1
By-products	8.5	11.7	10.9	9.7	9.1	12.4	10.5	9.9
Forestry services and other	5.1	10.2	7.9	2.7	2.8	5.3	6.3	7.3
Total revenue	\$ 233.0	\$ 289.1	\$ 262.5	\$ 273.2	\$ 241.7	\$ 309.5	\$ 239.5	\$ 246.6
Net (loss) income	\$ (61.3)	\$ (17.4)	\$ 13.8	\$ (1.2)	\$ (19.6)	\$ (5.7)	\$ (8.0)	\$ (14.3)
Earnings (loss) per share								
Basic and diluted	\$ (5.71)	\$ (1.62)	\$ 1.33	\$ (0.05)	\$ (1.71)	\$ (0.40)	\$ (0.73)	\$ (1.31)
<b>Operating statistics</b>								
<b>Lumber <sup>(1)(2)</sup></b>								
Production	Mmfbm	107	144	134	135	127	151	145
Shipments	Mmfbm	129	149	137	146	138	173	131
Price	\$/mfbm	\$ 1,409	\$ 1,464	\$ 1,533	\$ 1,467	\$ 1,378	\$ 1,363	\$ 1,351
<b>Logs <sup>(3)</sup></b>								
Shipments	000 m <sup>3</sup>	207	329	231	355	347	339	337
Net production	000 m <sup>3</sup>	410	598	465	673	659	820	617
Saw log purchases	000 m <sup>3</sup>	214	299	216	234	215	172	129
Log price, average <sup>(4)</sup>	\$/m <sup>3</sup>	\$ 160	\$ 139	\$ 134	\$ 121	\$ 113	\$ 155	\$ 129

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

- (1) "mmfbm" = millions of board feet; "mfbm" = thousands of board feet.
- (2) Includes glulamated wood products.
- (3) Coastal BC business only. Net production is log production, net of residuals and waste.
- (4) The average realized log price per cubic metre has been presented on a gross basis.

In a normal operating year there is seasonality to the Company's operations with higher lumber sales in the second and third quarters when construction and renovation and repair activity, particularly in the US, has historically tended to be higher. Log production is greater in that same period as longer daylight permits more hours of operations. Logging activity may also vary depending on weather conditions such as rain, snow and ice in the winter and the threat of forest fire in the summer. This seasonality generally results in the Company increasing working capital utilization through its third quarter as it builds log inventory during optimal harvest conditions and builds lumber inventory in advance of seasonally high lumber demand.

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