



**Western Forest Products Inc.**

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

Years ended December 31, 2025 and 2024

# Management's Discussion & Analysis

The following Management's Discussion and Analysis ("MD&A") reports and comments on the financial condition and results of operations of Western Forest Products Inc. (the "Company", "Western", "us", "we", or "our"), on a consolidated basis, for the three months and year ended December 31, 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 audited annual consolidated financial statements and the notes thereto for the years ended December 31, 2025 and 2024, which can be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Unless otherwise noted, the information in this MD&A is updated to February 10, 2026.

The Company has prepared the consolidated financial statements for the years ended December 31, 2025 and 2024 in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board. Amounts discussed herein are based on our audited annual consolidated financial statements and are presented in millions of Canadian dollars unless otherwise noted. Certain prior period comparative figures have been reclassified to conform to the current period's presentation.

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 softwood lumber dispute; the applicability and scope of tariffs and the expected timing thereof; our growth, marketing, production, wholesale, operational and capital allocation plans, investments and strategies, fibre availability and regulatory developments; changes to stumpage rates and the expected timing thereof; the execution of our sales and marketing strategy; the completion of the sale of the CVD facility; the timing it may take to resolve the LFLP labour dispute; the development, completion and implementation of integrated resource management plans or forest landscape plan pilots by First Nations, including the Draft FLP and FOP in TFL 37; determinations of allowable annual cut ("AAC") for the Company's Forest Licences and TFLs, including TFL 6, TFL 64, TFL 39 and TFL 19, and the expected timing thereof; the capacity of the Company's facilities and assets including its continuous dry kilns and the expected timing and cost of completion and commissioning of the Company's announced capital investments and capital expenditures, including the continuous dry kilns. Although such statements reflect management's current reasonable beliefs, expectations and assumptions as to, amongst other things, the future supply and demand of forest products, global and regional economic activity and the consistency of the regulatory framework within which the Company currently operates, there can be no assurance that forward-looking statements are accurate, and actual results and performance may materially vary.

Many factors could cause our actual results or performance to be materially different, including: economic and financial conditions including inflation, international demand for forest products, the Company's ability to export its products, cost and availability of shipping carrier capacity, competition and selling prices, international trade disputes and sanctions, changes in foreign currency exchange rates, labour disputes and disruptions, ability to recruit workers, natural disasters, the impact of climate change, relations with First Nations groups, First Nations' claims and settlements, the availability of fibre and AAC, the ability to obtain operational permits, development and changes in laws and regulations affecting the forest industry, changes in the price of key materials for our products, changes in opportunities, information systems security and other factors referenced under the "Risks and Uncertainties" section herein. The foregoing list is not exhaustive, as other factors could adversely affect our actual results and performance. Forward-looking statements are based only on information currently available to us and refer only as of the date hereof. Except as required by law, we undertake no obligation to update forward-looking statements.

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

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

Summary Information		Q4 2025	Q4 2024	Q3 2025	Annual 2025	Annual 2024
Revenue						
Lumber <sup>(2)</sup>		\$ 154.9	\$ 214.3	\$ 181.1	\$ 764.5	\$ 817.1
Logs		36.8	46.5	38.3	157.6	188.0
By-products		7.4	9.7	8.5	38.4	41.7
Forestry services and other <sup>(3)</sup>		2.8	2.7	5.1	26.0	17.1
Total revenue		201.9	273.2	233.0	986.5	1,063.9
Freight		12.0	17.3	13.6	58.6	69.1
Export tax expense		9.0	8.9	66.0	92.8	24.5
Stumpage		2.4	8.2	4.3	14.6	27.9
Adjusted EBITDA <sup>(4)</sup>		\$ (6.2)	\$ 14.4	\$ (65.9)	\$ (68.2)	\$ 8.9
Adjusted EBITDA margin <sup>(4)</sup>		(3%)	5%	(28%)	(7%)	1%
Operating loss prior to restructuring and other items		\$ (18.9)	\$ (0.4)	\$ (78.0)	\$ (118.4)	\$ (46.4)
Net loss		(17.5)	(1.2)	(61.3)	(82.4)	(34.5)
Loss per share, basic and diluted	\$ per share	(1.55)	(0.05)	(5.71)	(7.56)	(2.88)
Operating Information						
Lumber shipments <sup>(2)(6)</sup>	mmfbm	108	146	129	522	588
Cedar	mmfbm	19	36	24	106	138
Japan Specialty	mmfbm	20	16	22	83	93
Industrial <sup>(2)</sup>	mmfbm	17	24	20	82	88
Commodity	mmfbm	52	71	62	252	270
Lumber production <sup>(2)</sup>	mmfbm	94	135	107	479	558
Lumber price, average <sup>(2)</sup>	\$/mfbm	\$ 1,437	\$ 1,467	\$ 1,409	\$ 1,463	\$ 1,390
Wholesale lumber shipments	mmfbm	4	6	7	29	30
Log shipments	000 m <sup>3</sup>	235	355	207	1,001	1,378
Domestic	000 m <sup>3</sup>	181	260	152	797	1,024
Export	000 m <sup>3</sup>	-	-	-	-	-
Pulp	000 m <sup>3</sup>	54	95	55	204	355
Net production <sup>(7)</sup>	000 m <sup>3</sup>	491	673	410	1,964	2,768
Saw log purchases	000 m <sup>3</sup>	218	234	214	948	750
Log price, average <sup>(8)</sup>	\$/m <sup>3</sup>	\$ 144	\$ 121	\$ 160	\$ 143	\$ 129
Illustrative Lumber Average Price Data <sup>(9)</sup>		Price Basis				
Grn WRC #2 Clear & Btr 4x6W RL (\$C)	cif dest N Euro	\$ 9,313	\$ 8,108	\$ 8,742	\$ 8,680	\$ 8,217
Grn WRC Deck Knotty 2x6 RL S4S	Net fob Mill	\$ 1,637	\$ 1,431	\$ 1,695	\$ 1,615	\$ 1,266
Grn WRC #2 & Btr AG 6x6 RL	Net fob Mill	\$ 3,650	\$ 3,434	\$ 3,644	\$ 3,580	\$ 3,364
Coast Grn WRC Std&Btr NH 3/4x4 RL S1S2E	Net fob Mill	\$ 1,190	\$ 1,140	\$ 1,178	\$ 1,166	\$ 1,116
KD Hem Baby Squares Merch 4-1/8x4-1/8 13'	c&f dest Japan	\$ 990	\$ 974	\$ 990	\$ 983	\$ 975
KD Dfir Baby Squares Merch 4-1/8x4-1/8 RL S4S	c&f dest Japan	\$ 1,223	\$ 1,104	\$ 1,238	\$ 1,172	\$ 1,127
Grn Dfir (Portland) #1&Btr 100% FOHC 6x6 Rough	Net fob Mill	\$ 1,539	\$ 1,181	\$ 1,564	\$ 1,614	\$ 1,522
Hemlock Lumber 2x4 (40x90) Metric RG Utility <sup>(9)</sup>	cif dest Shanghai	n/a	\$ 373	n/a	\$ 380	\$ 390
Hemlock Lumber 4x4 (95x95) Metric RG Utility <sup>(9)</sup>	cif dest Shanghai	\$ 460	n/a	\$ 456	\$ 456	n/a
Coast KD Hem-Fir #2 & Btr 2x4	Net fob Mill	\$ 425	\$ 477	\$ 506	\$ 497	\$ 449
Average exchange rate – CAD to USD <sup>(10)</sup>		0.717	0.715	0.726	0.716	0.730
Average exchange rate – CAD to JPY <sup>(10)</sup>		110.38	108.89	107.10	107.03	110.50

(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 glue-laminated 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 Fourth Quarter 2025 Results

We reported Adjusted EBITDA of negative \$6.2 million in the fourth quarter of 2025, as compared to \$14.4 million in the same period last year. Results in the fourth quarter of 2025 reflect lower lumber and log shipments and higher export duty rates, partially offset by higher log prices and lower stumpage expense compared to the same period last year.

### *Sales*

Lumber revenue was \$154.9 million in the fourth quarter of 2025 as compared to \$214.3 million in the same period last year. The decrease of 28% was primarily due to lower lumber shipment volumes given weaker market conditions compared to the same period last year. Our average realized lumber price decreased by 2% to \$1,437 per thousand board feet in the fourth quarter of 2025, as compared to \$1,467 per thousand board feet in the same period last year, primarily due to a lower mix of Cedar sales, partially offset by higher gross lumber prices.

Specialty lumber shipments represented 52% of total lumber shipment volumes in the fourth quarter of 2025, as compared to 52% in the same period last year. Cedar and commodity lumber shipment volumes decreased by 47% and 27% respectively, compared to the same period last year on lower North American market demand and higher export duties for sales to the United States.

Log revenue was \$36.8 million in the fourth quarter of 2025, as compared to \$46.5 million in the same period last year. The decrease of 21% was due to lower shipment volumes given lower harvest levels, partially offset by higher average domestic log prices and a stronger sales mix compared to the same period last year.

By-products revenue was \$7.4 million, as compared to \$9.7 million in the same period last year. The decrease of 24% was due to lower chip sales volume and prices.

Forestry services and other revenue were \$2.8 million compared to \$2.7 million in the same period last year.

### *Operations*

Lumber production was 94 million board feet in the fourth quarter of 2025, as compared to 135 million board feet in the same period last year. In the fourth 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. Sawmill cash conversion costs per thousand board feet increased 10% compared to the same period last year primarily due to lower production volumes.

We harvested 491,000 cubic metres of logs from our BC coastal operations in the fourth quarter of 2025, as compared to 673,000 cubic metres in the same period last year. Harvested volumes decreased primarily due to a strike at the La-kwa sa muqw Forestry Limited Partnership (“LFLP”), harvest permit approval delays and reduced helicopter harvesting availability. BC Coastal saw log purchases were 218,000 cubic metres in the fourth quarter of 2025, as compared to 234,000 cubic metres in the same period last year.

Timberlands cash operating costs per cubic metre increased 7% compared to the same period last year primarily due to lower harvest volumes and changes in the mix of operations, partially offset by lower stumpage expense.

Freight expense was \$12.0 million in the fourth quarter of 2025 as compared to \$17.3 million in the same period last year. The decrease of 31% was primarily due to decreased lumber shipments and changes in the mix of shipping method based on the destination of sales.

We recorded \$9.0 million of export tax expense in the fourth quarter of 2025, as compared to \$8.9 million in the same period last year. Export tax expense increased due to higher duty rates and incremental tariffs implemented in the fourth quarter of 2025, partially offset by lower US-destined lumber shipments.

### *Corporate and Other*

Selling and administration expense was \$9.6 million in the fourth quarter of 2025 as compared to \$10.0 million in the same period last year. The fourth quarter of 2025 included a \$0.1 million expense related to share-based compensation, as compared to a \$0.4 million recovery in the same period last year.

Restructuring costs were \$1.1 million in the fourth quarter of 2025, consisting primarily of curtailment costs at the Columbia Vista Division (“CVD”). Restructuring costs were \$2.1 million in the fourth quarter of 2024, consisting primarily of impairments and curtailment costs at the Alberni Pacific Division (“APD”).

Other loss was \$0.6 million in the fourth quarter of 2025 as compared to other income of \$4.8 million in the same period last year, resulting primarily from differences in unrealized foreign exchange translations on revaluation of our USD-denominated export tax receivable.

Finance costs were \$1.7 million in the fourth quarter of 2025 as compared to \$1.8 million in the same period last year. Finance costs decreased primarily due to lower average debt balances compared to the same period last year, partially offset by lower interest income on our export tax receivable.

### *Income Taxes*

Income tax recovery was \$4.8 million on a net loss before tax of \$22.3 million in the fourth quarter of 2025 as compared to income tax expense of \$1.7 million on income before tax of \$0.5 million in the same period last year. The rate differential results primarily from tax basis differentials and changes in valuation allowances in the fourth quarter of 2024.

### *Net Loss*

Net loss was \$17.5 million in the fourth quarter of 2025, as compared to a net loss of \$1.2 million for the same period last year. Results in the fourth quarter of 2025 were impacted from lower lumber and log shipments and higher export duty rates, partially offset by higher log prices and lower stumpage expense compared to the same period last year.

## **Summary of Annual 2025 Results**

We reported Adjusted EBITDA of negative \$68.2 million for 2025, as compared to \$8.9 million in 2024. Results in 2025 include a non-cash export duty expense of \$59.5 million compared to a \$1.0 million recovery in the same period last year, related to the finalization of certain softwood lumber Administrative Reviews (“AR”). 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.

### *Sales*

Lumber revenue was \$764.5 million in 2025 as compared to \$817.1 million in the same period last year. The decrease of 6% was due to lower shipments and a weaker sales mix, partially offset by higher prices and a stronger USD to CAD average exchange rate. Our average realized lumber price increased by 5% to \$1,463 per thousand board feet in 2025, as compared to \$1,390 per thousand board feet in the same period last year.

Speciality lumber shipments represented 52% of total lumber shipment volumes in 2025, as compared to 54% in the same period last year. Cedar, Japan, Industrial and Commodity lumber shipments all decreased compared to the same period last year due to weaker market conditions.

Log revenue was \$157.6 million in 2025, as compared to \$188.0 million in the same period last year. The decrease of 16% was due to lower shipment volumes given lower harvest levels, partially offset by higher average domestic log prices and a stronger sales mix.

By-product revenue was \$38.4 million in 2025 as compared to \$41.7 million in the same period last year. The decrease of 8% was due to lower chip volumes.

Forestry services and other revenue were \$26.0 million, as compared to \$17.1 million in the same period last year. The increase of 52% was due to an increase in the volume of approved projects and higher contract values related to work performed with our First Nation joint ventures in 2025 compared to the same period last year.

### *Operations*

Lumber production was 479 million board feet in 2025, as compared to 558 million board feet in the same period last year. In 2025, additional production curtailments were taken compared to the same period last year due to weaker market conditions, log availability and a fire at our Columbia Vista sawmill. Sawmill cash conversation costs per thousand board feet were 8% higher compared to the same period last year primarily due to lower production volumes.

We harvested 1,964,000 cubic metres of logs from our BC coastal operations in 2025, compared to 2,768,000 cubic metres harvested in the same period last year. Harvested volumes decreased primarily due to a strike at LFLP, harvest permit delays and reduced helicopter harvesting availability. 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 948,000 cubic metres in 2025, as compared to 750,000 cubic metres in the same period last year.

Timberlands cash operating costs per cubic metre increased 6% compared to the same period last year primarily due to lower harvest volumes, partially offset by lower stumpage expense.

Freight expense was \$58.6 million in 2025 as compared to \$69.1 million in the same period last year. The decrease of 15% was primarily due to lower lumber shipments and lower costs per thousand board feet due to changes in the mix of shipping method based on the destination of sales.

We recorded \$92.8 million of export tax expense in 2025, as compared to \$24.5 million in the same period of 2024. We recorded a non-cash export duty expense of \$59.5 million in 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 \$43.0 million in 2025 as compared to \$43.0 million in the same period last year. 2025 included a \$1.8 million expense related to share-based compensation, as compared to a \$0.4 million expense in the same period last year.

Restructuring costs were \$1.9 million in 2025 primarily for curtailment costs related to our CVD and APD facilities. In 2024, the Company recognized \$5.5 million for retirement and other benefits, curtailment costs and asset impairments related to our APD facility.

Other income was \$21.6 million in 2025 as compared to \$6.5 million in the same period last year. Other income in 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 CVD, which was partially offset by \$5.3 million from non-cash foreign exchange losses and \$3.9 million in impairment losses on assets at CVD. Other income in 2024 primarily related to non-cash foreign exchange gains.

Finance costs were \$15.5 million in 2025 as compared to \$6.7 million in the same period last year. Finance costs in 2025 included \$8.6 million of net interest expense related to the determination of final duty rates from the first six ARs, compared to interest revenue of \$4.6 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 \$31.8 million on a net loss before tax of \$114.2 million for an effective tax rate of 28% in 2025, as compared to a recovery of \$17.6 million on net loss before tax of \$52.1 million for an effective tax rate of 34% in the same period last year. The rate differential results primarily from tax impacts in 2024 arising on the Company's sale of a 34% ownership interest in LFLP.

### *Net Loss*

Net loss was \$82.4 million in 2025 as compared to \$34.5 million for the same period of last year. Results in the 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 in lumber and log prices, compared to the same period last year.

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

The Company continues to make progress on its key strategic priorities, including modernizing our primary manufacturing facilities, through increasing our kiln drying and planing capacity and reducing our cost structure, with a goal of accelerating the transition to higher value products. These activities are taken to position the Company to be able to execute on a broader comprehensive strategy; however, any actual future investment opportunity will be subject to considering the short-term and long-term operating environment, our business and labour partnerships, and our financial condition, cash requirements and other financial metrics that we may deem relevant.

### *Two Continuous Dry Kilns and One Thermal Kiln*

We continue to advance two continuous dry kilns at our Value-Added Division, with site construction ongoing. The first kiln is anticipated to be completed and commissioned in February 2026, with the completion and commissioning of the second kiln anticipated in mid-2026. Site preparation and fabrication is also advancing for a new thermal kiln at our Value-Added Division, with anticipated commissioning in mid-2026. Costs, excluding any contributions from the BC Manufacturing Jobs Fund (“BCMJF”), expended to December 31, 2025 for these kilns total \$17.9 million, relative to a total estimated budget of \$39 million.

### *BC Manufacturing Jobs Fund*

During 2025, the Company accrued \$5.2 million related to the BCMJF from the Province of BC (the “Province”). 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.

### **Labour Relations**

On January 17, 2025, the Company’s hourly employees that are represented by the USW ratified a new six-year collective bargaining agreement which expires on June 14, 2030.

During the second quarter of 2025, employees represented by the United Steelworkers Local 1-1937 (“USW”) at LFLP commenced a strike. In January 2026, LFLP USW members voted to reject a new collective bargaining agreement. LFLP continues to work to bring a resolution to the strike and both parties agreed to a mediation process which is occurring in February 2026.

### **Sale of Fee Simple Land and Private Timberlands**

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 to a Canadian affiliate of the Eastwood Climate Smart Forestry Fund I LP for gross proceeds of \$69.2 million. The sale resulted in a gain of \$23.7 million.

### **Alberni Pacific Division**

On February 28, 2025, the Company completed the sale of APD for gross proceeds of \$7.3 million. The sale resulted in a gain of \$0.2 million.

### **Columbia Vista Sawmill**

On June 29, 2025, the Columbia Vista sawmill, located in Vancouver, Washington, sustained extensive damage in a fire, rendering the mill inoperable. As a result of the fire, we recorded impairment charges of \$3.9 million related to property, plant and equipment and inventory that was damaged.

In December 2025, the Company decided to not rebuild on the current site and have commenced a process to sell the land and associated assets of the CVD sawmill site. The sale process is currently ongoing. Demolition of the fire impacted areas of the site has been completed and we are working with the insurance adjuster to finalize available property insurance proceeds. During 2025, we recorded US\$5.0 million (\$6.9 million) of insurance recovery related to the fire as an initial instalment of insurance proceeds.

### **Operating Curtailments**

In the first quarter of 2026, we anticipate operating curtailments at our Saltair sawmill for two weeks and at our Ladysmith sawmill for a minimum of two weeks. In addition, our Chemainus sawmill, which has been curtailed since July 2025, is expected to remain curtailed for the balance of 2026. Curtailments are in response to persistently weak market conditions and factors relating to the B.C. operating environment, including a lack of available economic log supply, ongoing harvesting permitting delays and the strike at LFLP. If there is no near-term resolution to the strike at LFLP, additional operating curtailments may be required at our Saltair and Duke Point sawmills near the end of the first quarter of 2026 due to log supply.

## Softwood Lumber Dispute

The US application of duties continues a long-standing pattern of US protectionist action against Canadian lumber producers. For a comprehensive history of the softwood lumber trade dispute and related North American Free Trade Agreement (“NAFTA”) challenge proceedings, please see “*Risks and Uncertainties – Softwood Lumber Dispute*”.

During 2025, Western expensed \$31.5 million of export duties at a combined duty rate of 14.40% on its lumber shipments into the US until July 28, 2025, 27.27% from July 29, 2025 through August 11, 2025 and at 35.16% thereafter as compared to an expense of \$25.5 million of export duties at a combined duty rate of 8.05% until August 18, 2024, and at 14.40% thereafter for the same period last year.

On July 25, 2025, the US Department of Commerce (“DoC”) announced its final anti-dumping duty (“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 countervailing duty (“CV”) rates applicable to Western related to the sixth AR 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 2025 related to the sixth AR final AD and CV rates (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.

As at December 31, 2025, Western had \$283 million (USD\$206 million) of cash on deposit with the US Department of Treasury (2024: \$264 million; USD\$184 million) in respect of these softwood lumber duties, of which \$4.4 million (USD \$3.2 million) is recognized in the Company’s consolidated statement of financial position arising from final rate determinations for Canadian shipments made to the US in 2017 through 2023.

At December 31, 2025, including interest of USD\$4.0 million (2024: USD\$10.2 million), the duty receivable of USD\$7.2 million (2024: USD\$57.5 million) was revalued at the year-end exchange rate to CAD\$9.9 million (2024: CAD\$82.7 million).

Including wholesale lumber shipments, our sales from Canadian operations to the US market represented approximately 20% of our total lumber shipments during 2025, as compared to 25% during 2024.

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 and US International Trade Commission (“USITC”) determinations may be appealed.

## Incremental US 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. During 2025, we incurred \$1.8 million of export duties related to incremental tariffs.

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.

## Indigenous Relationships

In July 2025 'Namgis First Nation ("Namgis") and Western delivered the first-ever draft forest landscape plan and forest operating plan to the Chief Forester of British Columbia covering the portion of 'Namgis territory located in Tree Farm Licence ("TFL") 37 (the "Draft FLP and FOP"). On December 15, 2025, the BC Ministry of Forests ("MFOR") and 'Namgis announced that they signed a joint decision-making agreement under Section 7 of British Columbia's *Declaration on the Rights of Indigenous Peoples Act* ("DRIPA") that advances reconciliation by supporting predictable harvesting and sustainable forestry operations on the north Island (the "Section 7 Agreement"). The Section 7 Agreement will enable the joint establishment of forest landscape plans and approval of associated forest operations plans within the area of TFL 37 that overlaps 'Namgis territory. The Company expects the Draft FLP and FOP to be put through the process described in the Section 7 Agreement and is currently operating consistently with the Draft FLP and FOP. The potential impact the Section 7 Agreement may have on the Company's future operations cannot be determined at this time.

## 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*".

Current provincial policy requires that forest management and operating plans take into account and not unreasonably infringe on Aboriginal rights and title, proven or unproven, and provide for First Nations consultation. First Nation opposition to a forest tenure or other operating authorization may delay the Province from granting the permits necessary for our timberlands operations. For additional details on these policy requirements and regulatory aspects in relation to First Nations see "*Land Claims by Indigenous Groups*" and "*Regulatory Risks*" under the heading "*Risks and Uncertainties*". The Company may manage risks associated with delays in the Province granting operating authorizations by fostering positive working relationships with the First Nations, as discussed above. The Company may partly mitigate the operating impacts of permit delays by increasing permitted harvest in other areas and by purchasing more logs on the open market.

### TFL 19

In 2024, the Province issued a decision on unharvested volume in TFL 19, awarding 303,500 cubic metres of unharvested volume to new forest licences. The Provincial Chief Forester has not yet made a determination on the new AAC for TFL 19; however, we expect this to occur in 2026. While we cannot predict the outcome of the determination, nor the impact any unharvested volume decision may have, the Management Plan that we submitted in 2020, recommended an 18% lower AAC (approximately 130,000 cubic metres), consistent with the timber supply forecasts from previous Management Plans. Since the draft Management Plan was submitted, a number of policy and landbase changes have come into effect, including the declaration of a new protected area, referred to as "Salmon Parks", by the Mowachaht/Muchalaht First Nation. The Company is unable to determine the potential impact of these changes on the Company's business at this time.

### North Island Timber Supply Area

In June 2024, the Chief Forester determined a new AAC for the North Island Timber Supply Area ("TSA"), reducing the allowable annual log harvest from 1,248,100 cubic metres to 1,096,000 cubic metres. Western holds Forest Licence A19231 and A94737 (the "Forest Licences") in the TSA, which have a current AAC of 303,283 m<sup>3</sup>, and 5,443 m<sup>3</sup>, respectively. On July 3, 2025, the Province finalized its decision on the apportionment of the AAC reduction, reducing the AAC of Forest Licence A19231 by 10% from 303,283 cubic metres to 272,187 cubic metres. No reduction was made to the AAC of Forest Licence A94737.

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

(millions of Canadian dollars except where otherwise noted)

Selected Cash Flow Items	Q4 2025	Q4 2024	Q3 2025	Annual 2025	Annual 2024
Operating activities					
Net loss	\$ (17.5)	\$ (1.2)	\$ (61.3)	\$ (82.4)	\$ (34.5)
Amortization	12.7	14.3	12.1	50.3	54.7
Impairment of assets	0.1	-	-	3.9	-
Impairment of assets held for sale	-	1.5	-	-	2.8
Loss (gain) on disposal of property, equipment and other assets	-	0.7	0.1	(23.8)	0.6
Income tax (recovery) expense	(4.8)	1.7	(21.8)	(31.8)	(17.6)
Income tax receipts	1.9	-	3.4	5.8	22.5
Share-based compensation, including mark-to-market adjustment	0.1	(0.4)	0.5	1.8	0.4
Export tax rate adjustment	-	-	59.5	59.5	(1.0)
Finance costs	1.7	1.8	12.0	15.5	6.7
Other	0.9	(5.2)	(3.0)	1.6	(10.5)
	(4.9)	13.2	1.5	0.4	24.1
Change in non-cash working capital	(5.7)	11.2	26.5	16.6	(4.0)
Cash provided by (used in) operating activities	(10.6)	24.4	28.0	17.0	20.1
Investing activities					
Additions to property, plant and equipment	(6.2)	(8.2)	(7.2)	(26.5)	(25.1)
Additions to capital logging roads	(1.2)	(2.2)	(1.2)	(4.5)	(8.3)
Net proceeds on disposal of assets	-	-	-	74.7	1.0
Advances and loans	0.2	0.1	0.1	0.4	0.3
Proceeds from disposition of minority interest in subsidiary	-	-	(0.4)	(0.4)	35.1
Cash used in investing activities	(7.2)	(10.3)	(8.7)	43.7	3.0
Financing activities					
Net repayments (drawings) on credit facility	20.6	(4.5)	(14.0)	(47.5)	2.0
Bank indebtedness (repayments)	-	(1.4)	(0.4)	0.4	(0.9)
Interest payments	(1.9)	(2.4)	(1.3)	(6.2)	(8.6)
Debt refinancing costs	-	(0.5)	-	(0.9)	(0.5)
Lease payments	(2.3)	(2.4)	(2.1)	(10.1)	(9.5)
Cash provided by (used in) financing activities	16.4	(11.2)	(17.8)	(64.3)	(17.5)
Increase (decrease) in cash	\$ (1.4)	\$ 2.9	\$ 1.5	\$ (3.6)	\$ 5.6
<b>Summary of Financial Position</b>					
Cash and cash equivalents	\$ 4.3	\$ 7.9	\$ 5.7		
Current assets	300.6	334.1	281.5		
Current liabilities	105.5	127.0	103.9		
Bank indebtedness	0.4	-	0.4		
Long-term debt	37.6	85.5	16.9		
Net debt <sup>(2)</sup>	33.7	77.6	11.6		
Equity, excluding non-controlling interest	476.6	558.2	492.1		
Total liquidity <sup>(3)(6)</sup>	212.2	144.6	234.2		
Financial ratios					
Current assets to current liabilities <sup>(4)</sup>	2.85	2.63	2.71		
Net debt to capitalization <sup>(5)(6)</sup>	7%	12%	2%		

(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 less bank indebtedness and available credit under the Company's \$250 million 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. Net debt to capitalization is a ratio defined as net debt divided by capitalization.

(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 \$17.0 million in 2025, as compared to \$20.1 million in the same period last year. The Company reduced non-cash working capital by \$16.6 million in 2025, compared to an increase of \$4.0 million in the same period last year.

Cash provided by investing activities was \$43.7 million in 2025, as compared to \$3.0 million in the same period last year. In 2025, the Company received \$74.7 million from the sale of non-core assets. In 2024, the Company received \$35.1 million from the sale of a 34% ownership interest in the LFLP.

Cash used in financing activities was \$64.3 million in 2025, as compared to \$17.5 million in the same period last year, primarily due to repayments of our credit facility in 2025.

### *Liquidity and Capital Resources*

Total liquidity was \$212.2 million at December 31, 2025, as compared to \$144.6 million at December 31, 2024 and \$234.2 million at September 30, 2025. As at December 31, 2025, liquidity is comprised of cash and cash equivalents of \$4.3 million, and unused availability under the credit facility of \$208.3 million, less \$0.4 million of bank indebtedness.

On May 1, 2025, the Company's syndicated credit facility (the "Credit Facility") was amended, with the maturity date extended to July 21, 2028 from July 21, 2026. The Credit Facility provides for a maximum borrowing amount of \$250 million, with advances in excess of \$215 million subject to a leverage metric. The Credit Facility is subject to certain financial covenants, including a maximum debt to total capitalization ratio and a minimum consolidated net worth test, and in limited circumstances a reduction to the maximum facility size related to certain material dispositions. A copy of the Credit Facility agreement is filed under the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

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 December 31, 2025, the Company had USD\$21.0 million (\$28.8 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 2026. The Company was in compliance with its financial covenants as at December 31, 2025.

### *Summary of Contractual Obligations*

The following table summarizes our contractual and legal obligations at December 31, 2025, and our payments due for each of the next five years and thereafter, including estimated interest payments:

<i>(millions of Canadian dollars)</i>	<b>Total</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>Thereafter</b>
Accounts payable and accrued liabilities <sup>(1)</sup>	86.6	86.6	-	-	-	-	-
Purchase commitments	21.7	21.7	-	-	-	-	-
Long-term debt	46.7	3.2	3.2	40.3	-	-	-
Lease liabilities	26.6	7.9	4.2	2.4	1.1	0.9	10.1
Reforestation obligation	22.3	6.8	3.9	2.5	1.7	1.3	6.1
Defined benefit pension plan funding payments	4.5	0.5	0.5	0.5	0.5	0.5	2.0
Other <sup>(1)</sup>	11.0	2.3	3.1	1.9	0.2	-	3.5
	<b>\$ 219.4</b>	<b>\$ 129.0</b>	<b>\$ 14.9</b>	<b>\$ 47.6</b>	<b>\$ 3.5</b>	<b>\$ 2.7</b>	<b>\$ 21.7</b>

(1) Accounts payable and accrued liabilities presented net of current portion of Other liabilities

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

## Outlook

Lumber markets remain challenged heading into 2026. Economic uncertainty and a slowing US housing market led to reduced lumber demand through 2025 in North America. Customer expectations are there will not be significant market improvements in the first half of 2026. Operating curtailments from lumber producers over the last half of 2025 are expected to decrease available supply at the end of the first quarter of 2026 and could lead to upward price pressure as demand improves. Demand in Western Red Cedar product lines remain slow following the trajectory of other building products.

In Japan, the Yen has further weakened against the US dollar and housing starts continue to be below 800,000 new starts on an annualized basis, reflecting ongoing shifts in demographics. Western continues to be focused on the competitiveness of Hemlock and Douglas fir to maintain current market share. Market demand for the first quarter of 2026 is lower than anticipated, with demand for Douglas fir squares and Hemlock squares down compared to the fourth quarter of 2025. The overall construction and housing market decline in China has continued to weigh on lumber demand in the Chinese market. Customers are managing inventory levels ahead of the Lunar New Year in mid-February when most manufacturing operations will close for the month. Lumber supply is rising from increased North American volumes and US logs are re-entering the market after China lifted its suspension on US log imports in early November.

## Summary of Selected Annual Information <sup>(1)</sup>

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Total revenue	\$ 986.5	\$ 1,063.9	\$ 1,017.5
Operating loss prior to restructuring and other items	(118.4)	(46.4)	(83.4)
Net loss	(82.4)	(34.5)	(70.1)
Adjusted EBITDA <sup>(2)</sup>	\$ (68.2)	\$ 8.9	\$ (29.9)
Adjusted EBITDA margin <sup>(2)</sup>	(7%)	1%	(3%)
Diluted earnings (loss), dollars per share	\$ (7.56)	\$ (2.88)	\$ (6.49)
Cash dividends, dollars per share	-	-	1.125
Total assets	\$ 738.0	\$ 915.5	\$ 915.4
Net debt <sup>(3)</sup>	33.7	77.6	82.4

(1) Included in *Appendix A* is a table of selected results for the last eight quarters.

(2) 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.

(3) Net debt, a supplemental measure, is defined as long-term debt and bank indebtedness less cash and cash equivalents.

## 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, which 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 audited annual consolidated financial statements:

(millions of Canadian dollars except where otherwise noted)

<b>Adjusted EBITDA</b>	<b>Q4 2025</b>	<b>Q4 2024</b>	<b>Q3 2025</b>	<b>Annual 2025</b>	<b>Annual 2024</b>	<b>Annual 2023</b>
Net income (loss)	\$ (17.5)	\$ (1.2)	\$ (61.3)	\$ (82.4)	\$ (34.5)	\$ (70.1)
Add:						
Amortization	12.7	14.3	12.1	50.3	54.7	53.7
Changes in fair value of biological assets	0.1	0.6	-	-	0.7	(0.2)
Operating restructuring items	1.1	2.1	-	1.9	5.5	7.5
Other expense (income)	0.6	(4.8)	(6.9)	(21.6)	(6.5)	1.2
Finance costs	1.7	1.8	12.0	15.5	6.7	3.0
Income tax (recovery) expense	(4.8)	1.7	(21.8)	(31.8)	(17.6)	(25.0)
Adjusted EBITDA	\$ (6.2)	\$ 14.4	\$ (65.9)	\$ (68.2)	\$ 8.9	\$ (29.9)
<b>Adjusted EBITDA margin</b>						
Total revenue	\$ 201.9	\$ 273.2	\$ 233.0	\$ 986.5	\$ 1,063.9	\$ 1,017.5
Adjusted EBITDA	(6.2)	14.4	(65.9)	(68.2)	8.9	(29.9)
Adjusted EBITDA margin	(3%)	5%	(28%)	(7%)	1%	(3%)
<b>Net debt to capitalization</b>				<b>Dec. 31, 2025</b>	<b>Dec. 31, 2024</b>	<b>Dec. 31, 2023</b>
Net debt						
Total debt				\$ 37.6	\$ 85.5	\$ 83.8
Bank indebtedness				0.4	-	0.9
Cash and cash equivalents				(4.3)	(7.9)	(2.3)
				\$ 33.7	\$ 77.6	\$ 82.4
Capitalization						
Net debt				\$ 33.7	\$ 77.6	\$ 82.4
Total equity attributable to equity shareholders of the Company				476.6	558.2	565.0
				\$ 510.3	\$ 635.8	\$ 647.4
Net debt to capitalization				7%	12%	13%

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

(millions of Canadian dollars except where otherwise noted)

<b>Total liquidity</b>	<b>Dec. 31, 2025</b>	<b>Dec. 31, 2024</b>	<b>Dec. 31, 2023</b>
Cash and cash equivalents	\$ 4.3	\$ 7.9	\$ 2.3
Available credit facility <sup>(1)</sup>	250.0	250.0	250.0
Bank indebtedness	(0.4)	-	(0.9)
Credit facility drawings	(38.5)	(86.0)	(84.0)
Outstanding letters of credit included in line utilization	(3.2)	(27.3)	(19.6)
	\$ 212.2	\$ 144.6	\$ 147.8

(1) Maximum borrowing amount, with advances in excess of \$215 million subject to a leverage metric. Borrowings are also subject to certain financial covenants, including a maximum debt to total capitalization ratio and a minimum consolidated net worth test.

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

## **Critical Accounting Estimates**

### *Impairments*

Assets that are subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is evaluated annually regardless of whether there is a triggering event. Impairment losses are recognized in net income for the period for the amount by which the asset's carrying amount exceeds its recoverable amount. An impairment analysis requires the use of significant assumptions, including management and independent third-party input. For impairment testing, assets that cannot be tested individually are grouped together into a cash generating unit ("CGU"), at the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using an after-tax discount rate that reflects current market assessments of time value of money and risks specific to the CGU. Significant assumptions in a discounted cash flow include future sales volume, lumber prices, fibre and production costs, softwood lumber duty and tariff rates, trend year earnings before interest, taxes, depreciation and amortization ("EBITDA") and the discount rate.

The Company continues to monitor the impacts of external factors including market prices, access to economic fibre and the duration and magnitude of trade disputes. Changes in the near and long-term outlook of these and other factors could impact the Company's estimated future operating cash flow and the valuation of its net assets.

### *Costing and Valuation of Inventory*

We cost our inventory using complex models that are required due to our integrated supply chain and the variability in the species and grades of log, lumber and engineered wood products inventory. We cost our inventory at the average cost of production by facility, species and product for lumber and by species and end sort for each operation for logs. We value our log and lumber inventories at the lower of cost and net realizable value. We estimate net realizable value by reviewing current market prices for the specific inventory items based on current sales orders and recent sales prices. If the net realizable value is less than the cost amount, we will record a provision. The determination of net realizable value at a point in time is generally both objective and verifiable. However, changes in product prices can occur suddenly, which could result in a material provision in inventories in future periods.

### *Income Tax Assets and Liabilities*

Estimations in the recognition of tax assets or liabilities require assessments to be made based on the potential tax treatment of certain items that will only be resolved once finally agreed with the relevant tax authorities. Significant judgment is required as income tax laws and regulations can be complex and are potentially subject to different interpretation between the Company and the respective tax authority. Net income in subsequent periods may be impacted by the amount that estimates differ from the final tax return.

### *Deferred Income Taxes*

Deferred tax assets and liabilities comprise the tax effect of temporary differences between the carrying amount and tax basis of assets and liabilities, as well as the tax effect of unused tax losses. Assumptions underlying the composition of deferred tax assets and liabilities include estimates of future results of operations and the timing of reversal of temporary differences as well as the substantively enacted tax rates and laws at the time of the expected reversal. The composition of deferred tax assets and liabilities is reasonably likely to change from period to period due to the number of variables associated with the differing tax laws and regulations across the jurisdictions in which the Company operates. As a result, the precision and reliability of the resulting estimates are subject to uncertainties and may change as additional information becomes known. Uncertainties surrounding these assumptions and changes in tax rates or tax policy could have a material effect on expected results.

### *Reforestation Obligation*

Under BC law, we are responsible for reforesting areas that we harvest. These obligations are referred to as reforestation obligations. We accrue our reforestation obligations based on estimates of future costs at the time the timber is harvested. The estimate of future reforestation costs is based on a detailed analysis for all areas that have been logged and includes estimates for the extent of reforestation versus natural regeneration, the cost of planting including the cost of seedlings, the extent and cost of site preparation, brushing, weeding,

thinning and replanting and the cost of conducting surveys. Our registered professional foresters conduct the analysis that is used to estimate these costs. However, these costs are difficult to estimate and can be affected by weather patterns, climate change, forest fires and wildlife issues that could impact the actual future costs incurred and thus result in material adjustments.

### *Valuation of Biological Assets*

The Company values its biological assets at fair value less costs to sell. Valuation analysis includes recent comparatives of standing timber sales, direct and indirect costs of forest management, net present value of future cash flows for standing timber and log pricing assumptions. Significant assumptions are used in the preparation of the valuation and actual results may vary materially from estimates. The Company's Registered Professional Foresters review the significant assumptions including standing timber inventories and annual harvest levels.

### *Environmental Provisions*

We disclose environmental obligations when known and accrue costs associated with the obligations when they are known and can be reasonably estimated. The Company owns a number of sites that have been in existence for significant periods of time and, as a result, we may have unknown environmental obligations. Until the sites are decommissioned, and the plant and equipment are removed, a complete environmental review cannot be undertaken.

### *Contingencies*

Provisions for liabilities relating to legal actions and claims require judgements using management's best estimates regarding projected outcomes and the range of loss, based on such factors as historical experience and recommendations of legal counsel. Actual results may vary from estimates and the differences are recorded when known.

### *Pension and Other Post Retirement Benefits*

Western has various defined benefit and defined contribution plans, a group Registered Retirement Savings Plan ("RRSP"), and Supplemental Executive Retirement Plan that provide retirement benefits to its eligible salaried employees. A group RRSP is provided to certain hourly employees not covered by forest industry union plans. The Company also provides other post-retirement benefits and pension bridging benefits to eligible retired employees. Our defined benefit plans were closed to new entrants 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.

We retain independent actuarial consultants to perform actuarial valuations of plan obligations and asset values, and advise on the amounts to be recorded in the financial statements. Actuarial valuations include certain assumptions that directly affect the fair value of the assets and obligations and expenses recorded in the financial statements. These assumptions include the discount rate used to determine the net present value of obligations, the return on plan assets used to estimate the increase in the plan assets available to fund obligations, and medical and health care costs used to estimate obligations. Actual experience can vary materially from the estimates and impact the cost of our pension and post-retirement medical and health plans and future cash flow requirements.

## **Accounting Policies and Standards**

Several new and amended IFRS standards are not yet effective for the year ended December 31, 2025 and have not been applied in preparing these 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.

## **Financial and Other Instruments**

The Company utilizes derivative financial instruments in the normal course of its operations as a means to manage its foreign exchange risk and may purchase foreign exchange forward contracts or similar instruments to hedge anticipated USD and JPY sales. The Company does not utilize derivative financial instruments for trading or speculative purposes. Accordingly, the instrument is adjusted to fair value and marked to market each accounting period, with changes recorded in net income.

During 2025, the Company entered into foreign exchange forward contracts to sell USD and JPY in order to partially mitigate its foreign currency risk. At December 31, 2025, the Company had forward contracts in place to sell an aggregate USD \$12.0 million (2024: USD \$12.0 million). A related asset of negligible amount (2024: negligible amount) was recognized in trade and other receivables at December 31, 2025. The Company recognized \$0.7 million in gains on contracts that matured during the year (2024: \$1.9 million loss), which is included in revenue in the consolidated statement of comprehensive loss.

## 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 December 31, 2025, surety performance and payment bonds aggregated \$47.3 million (December 31, 2024: \$48.2 million), of which \$28.8 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

Key personnel of the Company include the executive management team and members of the Board of Directors. The compensation paid or payable to key personnel is shown below:

	<u>Years ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Salaries, directors' fees and short-term benefits	\$ 6.2	\$ 6.3
Post-employment benefits	0.7	0.8
Share-based compensation, including mark-to-market adjustment	1.0	0.3
	<u>\$ 7.9</u>	<u>\$ 7.4</u>

The increase in related party share-based compensation expense in 2025 compared to 2024 was primarily attributable to changes in the Company's share price in 2025 compared to 2024.

## Risks and Uncertainties

The following risks and uncertainties may have a material adverse effect on our operations or our financial condition:

### *Regulatory Risks*

Our forestry and sawmill operations are subject to extensive federal, provincial, state, municipal and other local laws and regulations, including those governing forestry, exports, taxes, labour standards, occupational health, safety, waste disposal, building structures/systems, environmental protection and remediation, protection of endangered and protected species and land use and expropriation. Under certain laws and regulations, we are also required to obtain permits, licences and other authorizations to conduct our operations, which permits, licences and authorizations may impose additional conditions that must be satisfied. Although we budget for expenditures to maintain compliance with such laws, permits and authorizations, there can be no assurance that these laws and regulations or government policy will not change in the future in a manner that could have an adverse effect on our financial condition or results of operations or the manner in which we operate. Nor can there be any assurance that administrative interpretation of existing laws and regulation will not change or more stringent enforcement of existing laws will not occur, in response to changes in the political or social environment in which we operate or otherwise, in a manner that could have an adverse effect on our financial condition or results of operations or the manner in which we operate.

Log exports from our timber operations are subject to federal and provincial regulations. An export permit must be obtained from the Canadian Federal Government to export any logs harvested in BC with the requirement that the logs must be surplus to the supply required for domestic manufacturers. The Company has not exported any logs since 2021 and does not expect to export logs in 2026.

There have been significant legislative reforms in the BC Forest Industry over the last 40 years. There can be no assurance that the Province will not implement further policy changes, or that such changes will not have a material adverse effect on our operations or our financial position.

In 2019, BC became the first province in Canada to adopt the principles of the United Nations Declaration on the Rights of Indigenous Peoples (“UNDRIP”) through the bringing into force of Bill 41, *Declaration on the Rights of Indigenous Peoples Act*. The Act requires the Province to align all laws with UNDRIP, to develop an action plan to achieve this, and regularly report to the legislature to monitor progress. In December 2025, the British Columbia Court of Appeal ruled that DRIPA incorporates UNDRIP into provincial law, with immediate effect, that Indigenous peoples may raise their UNDRIP rights in consultation with the Province and that courts can adjudicate the consistency of BC laws with UNDRIP. The Government of Canada has also pledged to implement UNDRIP and the Calls to Action of the Truth and Reconciliation Commission. As a result of the foregoing, significant expectation has been raised among Aboriginal groups in BC and across the country as to the impact that DRIPA and the federal government’s commitments may have on efforts to achieve true reconciliation with Aboriginal groups. At this time, the Company is unable to predict the outcome of DRIPA and its interpretation on provincial law and the implementation of these commitments by the Government of Canada may have on Western’s ongoing operations or assets.

Notable legislative changes and policy initiatives undertaken in recent years which may have a material adverse effect on the Company are as follows:

- In January 2020, the Province announced changes to the Manufactured Forest Products Regulation (“MFPR”). The amendments to the MFPR require wood products made from Western Red Cedar (“WRC”) or cypress (yellow cedar) on the BC Coast and exported within 3,000 miles of BC to be fully manufactured to be eligible for export or be subject to export tax. The Province defines fully manufactured in relation to a schedule of manufacturing processes and assesses a fee-in-lieu of manufacturing upon issuing an export permit for partially or unmanufactured products.
- In November 2021, the Province announced its intention to work in partnership with First Nations on the proposed, temporary deferral of harvesting in 2.6 million hectares of BC forests. The proposed, temporary deferrals, if implemented, are subject to First Nations engagement. The Province has stated that final decisions on proposed, temporary deferral areas will be based on discussions between the Province and First Nations governments.
- In November 2021, the Province introduced Bill 28, *Forest Amendment Act, 2021*, which is considered enabling legislation for the redistribution of harvest rights and, subject to further regulation, includes changes to how tenure holders may be compensated under the Forest Act for tenures. Included in the amendments arising from this Bill were requirements for area-based tenure holders to maintain and provide forest inventories. In June 2023, the Province passed regulations pertaining to compensation for lost harvesting rights as a result of such redistribution.
- In November 2021, the *Forest and Range Practices Act* was amended to bring into legislation forest planning and related changes including changing the model for forest stewardship through replacing Forest Stewardship Plans approved by Forest Districts with Forest Landscape Plans which are to be established by the Province’s Chief Forester.
- In January 2022, the Province announced that it was developing BC’s first Watershed Security Strategy and Fund, with details outlined in its published Discussion Paper: Watershed Security Strategy and Fund, including a commitment to develop and implement it with Indigenous peoples and in collaboration with local and federal governments.
- In February 2023, the Province announced eight new regional FLP tables throughout BC with the participation of approximately 50 First Nations. The Province’s stated objective of these FLP tables is to provide greater clarity around the long-term, sustainable harvesting activities in the areas identified.
- In November 2023, the Province’s Bill 41, *Forests Statutes Amendment Act, 2024* received Royal Assent amending certainty forestry legislation to, among other things, modify the existing mechanism for applying for and obtaining cutting permits and road permits and amending the provisions governing the Minister of Forest’s obligation to offer replacements for replaceable forest tenures.
- In November 2023, the Government of Canada, the Province and the First Nations Leadership Council announced the signing of the Nature Agreement, which extends through March 2030, and is intended to further conserve and protect land and water, species and biodiversity in BC. The Nature Agreement includes up to \$1 billion in government funding in support of the Government of Canada’s goal to protect 30% of Canada’s terrestrial and aquatic ecosystems by 2030.

- In November 2023, the Province released a draft “BC Biodiversity and Ecosystem Health Framework”. The document outlines a high-level description of proposed outcomes, principles and coordination between various processes and initiatives. It proposes the establishment of an Office of Biodiversity and Ecosystem Health to lead development of objectives and standards.
- In September 2024, the BC Ministry of Water, Land and Resource Stewardship advised that it is developing a WHF Order for the West Coast Region pursuant to the *Forest and Range Practices Act*. The majority of the forest tenures within which the Company operates are included in the West Coast Region. The intent of a WHF Order is to identify species which require special management and thus are protected from being damaged or rendered ineffective.
- In July 2025, the Province and the First Nations Leadership Council announced that it is moving forward to the next stage of consultation and engagement on modernizing the *Heritage Conservation Act*. The *Heritage Conservation Act* regulates the protection, management and conservation of cultural and heritage sites in BC. In January 2026, the Province announced that it would not be introducing proposed amendments to the *Heritage Conservation Act* in the Spring legislative session as planned, in order to provide time for additional engagement. An updated timeline on the review process has not been provided.

The impact that these regulatory changes and policy initiatives may have on our operations cannot be determined at this time.

### *Availability of Fibre and Dependency on Fibre Obtained from Government Timber Tenures*

Substantially all of the timberlands in BC in which we operate are owned by the Province and administered by MFOR. The *Forest Act* (British Columbia) (the “Forest Act”) empowers the MFOR to grant timber tenures, including TFLs, Forest Licences (“FLs”) and Timber Licences (“TLs”), to producers, although no new TLs can be issued and the availability of extensions to expiring TLs is not assured.

Approximately 92% of Western’s and its affiliates 5.6 million cubic metre AAC is in the form of TFLs. TFLs are granted for 25-year terms and the Province is required to offer a replacement TFL every five to ten years with a new 25-year term. This replaceable AAC comes from seven TFLs, five held by the Company (TFL 6, TFL 19, TFL 25, TFL 37 and TFL 39) and two held by its affiliates (TFL 44 and TFL 64 (created from the subdivision of Block 2 from TFL 39)).

Provincial legislation requires the Chief Forester to routinely review sustainable harvesting levels of individual tenures at least every 10 years and to issue a determination which may result in an increase or decrease to AAC. The AAC determination reflects tree growth, ecology, regional and local economic and social interests, water and other environmental considerations that define how forests can be managed. An AAC determination for TFL 19 is still outstanding, but is expected to occur in 2026. The AAC determination process has commenced in TFL 6, TFL 64 and TFL 39. A Management Plan for these tenures has not yet been finalized and submitted to MFOR and we cannot predict the outcome of these determinations at this time. Such assessments have in the past resulted and may in the future result in reductions or increases to the AAC attributable to licences held by BC forest companies (without compensation), including the licences that we hold.

TFLs and FLs held by the Company have cut control periods, which are generally five years. Under the Forest Act, if the volume of timber harvested during a cut control period is less than the total AAC for the TFL or FL in that period, the licence holder loses the right to harvest the unharvested volume in any subsequent period. Furthermore, for TFLs such unharvested volume can be allocated to third parties. The Company may not harvest its full AAC during a cut control period due to, among other things, market conditions, labour disputes, labour and contractor shortages, permitting delays, severe weather conditions, and changes in government policy. We are unable to predict the potential impact of an uncut decision. In addition, our AAC can be temporarily reduced (without compensation for the first four years) in areas where logging has been suspended under Part 13 of the Forest Act pending government decisions regarding the public interest in designated areas.

Land use planning, including critical habitat designations, stand age restrictions, as well as new harvesting regulations, can constrain access to timber and new parks can permanently remove land from the timber harvesting land base. There can be no assurance that the amounts of such future reductions on our licences, if any, will not be material or the amounts of compensation, if any, for such reductions will be fair and adequate.

In the first quarter of 2025, the Province announced a review of the British Columbia Timber Sales (“BCTS”) program. The review is led by a panel of three experts, with a stated intent of “strengthening operations and ensuring BCTS continues to meet the evolving needs of the forest industry”. The Company sources a portion of its saw log purchases from third party BCTS volume. Furthermore, stumpage rates in BC are determined based on a timber pricing system known as the Market Pricing System, which uses certain information from the BCTS system to establish the market value of timber. In July 2025, the task force made recommendations to the Minister of Forests as a result of the BCTS review, several of which the MFOR has begun implementing. The recommendations the MFOR has commenced implementing to date do not appear to materially impact our operations; however, as these recommendations continue to be reviewed by the MFOR and a strategic approach to implementing the recommendations is still underway, the potential impact the review may have on our operations cannot be determined at this time.

Changes in the log markets in which we operate, including the price, quality or availability of log supply, may increase the costs of log purchases which could adversely affect our results. In addition, weather-related issues can restrict timely access to log supply.

### *Land Claims by Indigenous Groups*

Indigenous groups have made claims of rights and title to substantial portions of land in BC, including areas where our timber tenures and operations are situated. These claims have created uncertainty as to the status of competing property rights and of legislation and Crown decisions that may adversely affect such rights and title. The Supreme Court of Canada (the “Court”) has held that Aboriginal groups may have a spectrum of constitutionally recognized and affirmed Aboriginal rights, including title, in lands that have been traditionally used or occupied by their ancestors; however, such rights are not absolute, and may be infringed by government in furtherance of a valid legislative objective, including forestry, subject to meeting a justification test. The effect on any particular area will not be determinable until the nature of historical use, occupancy and rights in any particular piece of property have been clarified. The Court has also held that even before claims of rights and title are proven, where the Crown has knowledge, real or constructive, of the potential existence of an Aboriginal right or title and contemplates conduct that might adversely impact it, the Crown has a legal duty to consult with Indigenous groups, which may include a duty to provide accommodation. During the period before asserted claims are proven, the Crown is required to consult in good faith with the intention of substantially addressing concerns raised by the Indigenous groups.

From time to time, Indigenous groups seek compensation from governments (and in some instances, from forest tenure holders) with respect to their claims, and the effect of these claims on tenure rights, including our timber tenures, cannot be estimated at this time. The Federal and Provincial governments continue to negotiate treaty and/or other reconciliation agreements with Indigenous groups in BC in order to resolve these claims. This section provides an overview of recent developments in Indigenous land claims and settlements that have or may affect the Company.

In the June 2014 *Tsilhqot’in* decision, the Court recognized Tsilhqot’in title to a portion of the area in dispute, including rights to decide how the land will be used, occupancy and economic benefits of the land. The Court held that while the Province had the constitutional authority to regulate forest activity on Aboriginal title lands, it had not adequately consulted with the Tsilhqot’in. While the decision does not directly impact Western’s business as we do not have tenure in this area, we do operate on Crown tenures elsewhere that are subject to claims of Aboriginal title. The potential impact on Western’s tenure holdings is not ascertainable at this time.

In August 2025, the British Columbia Supreme Court recognized Aboriginal title for the Cowichan Tribes and other First Nations to lands in Richmond, BC, including fee simple private land, and fishing rights on the Fraser River. The decision is currently being appealed by the Province, the City of Richmond and the Musqueam Indian Band. While Western’s lands and tenures do not overlap with the lands subject to this claim, the Cowichan Tribes decision may have implication on future forestry and land development decisions going forward. The potential impact on Western’s tenure holdings is not ascertainable at this time.

The following litigation is currently outstanding in relation to forest tenures held by the Company:

- In January 2017, the Nuchatlaht First Nation (“Nuchatlaht”) filed a Notice of Civil Claim with the British Columbia Supreme Court (“BCSC”) against Canada, the Province and the Company, seeking a declaration of Aboriginal title to a claim area that encompasses approximately 201 square kilometres of the northern half of Nootka Island (the “Nuchatlaht Claim Area”) and a declaration that the Forest Act and Park Act are no longer applicable to the Nuchatlaht Claim Area. The Nuchatlaht Claim Area encompasses a portion of the harvesting area of the Company’s Forest Licence A19231 and certain timber licences also held by the Company. In April 2023, shortly after the trial began, Nuchatlaht filed a

Notice of Discontinuance, ending the proceedings against Western. On August 7, 2024, the BCSC made a formal declaration of Aboriginal title over specific sites encompassing approximately 11.33 square kilometres within the Nuchatlaht Claim Area, while also declaring that the effect of such declaration be suspended for 24 months to allow for the continued application of the relevant forest legislation. Nuchatlaht has filed for an appeal of the BCSC decision with the British Columbia Court of Appeal seeking a declaration of Aboriginal title with respect to the entire Nuchatlaht Claim Area. Given the foregoing, the potential impact of the Nuchatlaht decision on Western's tenure holdings is not ascertainable at this time.

- In May 2018, the Dzawada'enuxw First Nation filed a Notice of Civil Claim against, among others, Canada, the Province, and the Company. The Dzawada'enuxw First Nation, located at Kingcome Inlet on the mainland coast, is seeking a declaration of Aboriginal title over an area that includes a portion of two of Western's timber licenses and TFL 39 (Block 3) and a declaration that the *Forest Act* and *Park Act* are no longer applicable to the claim area. This matter has not yet been resolved or dismissed.
- On December 12, 2024, the Mowachaht/Muchalaht First Nation ("MMFN") filed an Amended Notice of Civil Claim with the BCSC against the Province, seeking a declaration of Aboriginal title to a claim area encompassing approximately 430,000 hectares of Nootka Sound (the "MMFN Claim Area") and a declaration that the Forest Act and Land Act (British Columbia) are no longer applicable to the MMFN Claim Area. The MMFN Claim Area encompasses a portion of the harvesting area of the Company's Forest Licence A19231, TFL 37 and TFL 19. On September 4, 2025, the Ehattesaht First Nation ("ECFN") filed an amended notice of civil claim, against the Government of 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 MMFN and ECFN claims have not yet been finally resolved or dismissed and the potential impact of these claims on Western's tenure holdings is not ascertainable at this time.

Government-to-government negotiation processes involving several First Nations, with territories that Western's operating areas overlap, are well advanced and may lead to agreements impacting the Company. It is expected that through these processes, the Province may seek to remove areas from the Company's forest tenures or amend existing permitting processes to incorporate shared decision making contemplated by *DRIPA*.

The Company is currently unable to predict the outcome of these legal proceedings and negotiations on Western's ongoing operations, including operational delays, access to harvesting rights or impact on the Company's assets. An unfavourable result in any of the consultation or litigation in which the Company is a party or which involves assets of the Company could have a material adverse effect on our financial condition or results of operations.

In addition to the implementation of *DRIPA* (see "*Risks and Uncertainties – Regulatory Risks*"), current provincial policy requires that forest management and operating plans take into account and not unreasonably infringe on Aboriginal rights and title, claimed or determined, and provides for consultation with Indigenous groups. This policy is reflected in the terms of our timber tenures, which provide that the Province may vary or refuse to issue cutting permits in respect of a timber tenure if it is determined by a court that the forestry operation would unjustifiably infringe an Aboriginal right, including Aboriginal title. Indigenous groups have, at times, sought to restrict the Province from granting or replacing forest tenures and other operating authorizations or from approving forest management plans on Crown lands without full consultation and accommodation or their consent if these decisions could affect lands claimed by them. There can be no assurance that denial of required approvals for, or changes to the terms of our timber tenures, other operating authorizations or forest management plans as a consequence of such consultation or action will not have an adverse effect on our financial condition or results of operations.

### *Softwood Lumber Dispute*

On November 25, 2016, the US Lumber Coalition petitioned the DoC and the USITC seeking CV and AD on Canadian softwood lumber shipments to the US. On January 6, 2017, the USITC concluded that there was "reasonable indication" that softwood lumber products from Canada materially injured US producers; and, as a result, the DoC imposed duties on Canadian shipments of softwood lumber into the US.

From 2017 onward, as a result of petitions filed by the US Lumber Coalition, and others, and determinations made by the USITC, the DoC imposed CV and 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 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.

Under US law, the DoC and 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 October 5, 2023, the NAFTA Chapter 19 panel determined that the DoC erred in how it calculated important aspects of the anti-dumping duties applied to Canadian softwood lumber exports and directed the DoC to revisit key elements of its dumping determination.

On November 30, 2023, the USITC issued its final determination under the sunset review, concurring with the DoC conclusion. The USITC filed its final determination in the Federal Register on December 21, 2023, resulting in a continuation of the CV and AD orders.

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

On February 21, 2025, the DoC initiated its seventh AR of CV and AD for shipments in 2024, with expected preliminary results released in April 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 and on August 8, 2025, the DoC announced its final CV rates. On September 11, 2025, the DoC amended the AD rate to correct a ministerial calculation error. Effective August 11, 2025, cash deposits will continue at the revised combined duty rate of 35.16% until publication of final rates of the seventh AR in the federal register, after which time the new rates 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 2024 and 2025:

Lumber shipment date	Aug. 11, 2025	July 29, 2025 through Aug. 11, 2025	Aug. 19, 2024 through July 28, 2025	Aug. 1, 2023 through Aug. 18, 2024
	Onward			
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%

This dispute may have an adverse impact on our financial condition and could also result in increased costs resulting from the administrative burden of such proceedings. The Canadian Federal Government is appealing the US findings and, as in previous trade cases, the softwood lumber dispute may take years to resolve through the legal process and remains open to a negotiated settlement at any time. Based on the foregoing, it is unclear at this time when any duty amounts paid will be recovered or if amounts paid in excess of the amended final rates will be refunded.

### *Incremental US Tariffs*

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

### *International Business and Risks of Exchange Rate Fluctuations*

Western's products are sold in international markets. Economic conditions in those markets, the strength of the housing starts in the US and Japan, the rate of development in China, fluctuations in foreign exchange rates and international sensitivity to interest rates, can all have a significant effect on our financial condition and results of operations. In general, our sales are subject to the risks of international business, including:

- fluctuations in foreign currencies;
- changes in the economic strength of the countries in which we conduct business;
- trade disputes, tariffs, duties and other barriers;
- changes in regulatory requirements;
- quotas, duties, taxes and other charges or restrictions upon exports or imports;
- transportation costs and the availability of carriers of any kind including those by land or sea;
- availability of substitute wood products;
- availability of fibre supply for domestic manufacture of lumber in foreign country; and
- strikes or labour disputes in the transportation industry or related dock or container service industries.

Depending on product mix, destination and exchange rates, generally between 45% and 55% of our total product sales are denominated in USD and between 1% and 5% in JPY. While the Canadian operations also incur some USD-denominated expenses, primarily for ocean freight and other transportation, and for CV and AD duties, most expenses are incurred in CAD. The Company's operations in the US transact primarily in USD. The Company's functional currency is the CAD and financial results are reported in CAD. Significant variations in relative currency values, particularly significant changes in the value of the CAD relative to the USD, have had, and in the future could have, a material impact on our operating earnings and cash flows.

### *Long-Term Competition*

The markets for our products are highly competitive and some of our competitors have substantially greater financial resources than Western. We also compete indirectly with firms that manufacture substitutes for solid wood products, including non-wood and engineered wood products. While the principal basis for competition is price, we also compete to a lesser extent on the basis of quality and customer service. In addition, market acceptance of the environmental sustainability of our products as compared with substitutes could be a challenge in the future. Changes in the level of competition, industry capacity and the global economy have had, and are expected to continue to have, a significant impact on the selling prices of the Company's products and the overall profitability of the Company. Our competitive position will be influenced by factors including the availability, quality and cost of fibre, energy and labour, plant efficiencies and productivity in relation to our competitors, and applicability of duties, tariffs or other charges. Our competitive position could be affected by fluctuations in the value of the CAD relative to the USD and/or the JPY, and by changes in the treatment of softwood lumber shipments to the US.

### *Variable Operating Performance, Product Pricing and Demand Levels*

A key factor affecting Western's operating and financial performance is the price received for lumber, logs and other products. Prices for these products are highly cyclical and have fluctuated significantly in the past and

may fluctuate significantly in the future. The markets for our products are also highly cyclical and are characterized by periods of excess product supply due to many factors, including:

- Additions/curtailments to industry capacity and production;
- Periods of insufficient demand due to weak economic activity or other causes, including weather;
- Customers experiencing reduced access to credit; and
- Inventory de-stocking by customers.

Product demand is influenced to a significant degree by economic activity at the global level. Additionally, although costs may increase, customers may not accept related price increases for those products. We are not able to predict with certainty market conditions and prices for our products. Western's results of operations depend upon the prices we receive for lumber, logs and chips, and deterioration in prices of, or demand for, these products could have a material adverse effect on our financial condition or results of operations. We cannot provide any assurance or prediction as to the timing and extent of any price changes.

Western's financial performance is also dependent on the rate at which production capacity is utilized. In times of challenging conditions in any of our major markets the Company maintains inventory control by aligning log supply and lumber production with anticipated sales volumes. When capacity utilization is reduced in response to weak demand for products, the cost per unit of production may increase and profitability decrease.

From time to time and in accordance with market influences, the Company will reduce production with temporary logging and/or sawmilling curtailments. In extreme cases, such curtailments may become permanent closures. When Western undertakes significant market-related curtailments of sawmills, the volume of chips produced is reduced and accordingly there is greater risk that the Company may not meet minimum contractual obligations under long-term chip supply agreements without incurring additional cost.

### *Employees and Labour Relations*

Hourly paid employees at our Canadian manufacturing facilities and timber harvesting operations are unionized. The majority of the unionized employees are represented by the USW. 863 Western employees represented by the USW are covered by a six-year collective agreement that expires on June 14, 2030.

The Public and Private Workers of Canada ("PPWC") represents the remaining unionized employees. PPWC members of our Ladysmith Sawmill are covered by an eight-year collective agreement that was ratified in February 2021 and expires in December 2028. The PPWC also represents the unionized employees at our Value-Added Remanufacturing operation with whom we have a collective agreement that runs through October 2029.

### *Pulp and Paper Market Variability*

The selling price in CAD of our residual wood chips is tied by formula to published indices that reflect the USD selling price of NBSK pulp. Fluctuations in pulp prices and foreign currencies will accordingly impact the selling price of our residual wood chips. The price and demand for the pulp logs and other logs sold to pulp and paper companies is also dependent on the market conditions for pulp and paper. If there is a contraction in the coastal pulp and paper industry, we may need to find alternative customers for the pulp logs and residual chips and hog fuel from our sawmills.

### *Information Technology Security*

Western relies on information technology systems to facilitate harvesting, log purchasing and reforestation activities, operation of our manufacturing facilities, interactions with banks, vendors, customers and employees and reporting on our business. Interruption or failure of these systems due to cyber-based attacks, vandalism, theft, power quality, data corruption, internal disaster such as water or fire damage, natural disaster or failure to recognize and action hardware or software life-cycling may result in operational disruption or failure, and/or the misappropriation of sensitive or proprietary data. Such events could have a negative impact on Western's reputation or subject the Company to potential liability, proceedings by affected parties, civil or criminal penalties. Interruption or failure of these systems could result in material adverse effect on Western's business.

While the Company believes current security measures and disaster recovery plans to be adequate, we monitor, develop, test and enhance our security measures, life-cycling process, internal controls, policies, training and procedures designed to protect information technology systems from attack, damage or unauthorized access and restore systems, in the event of a breach.

### *Reliance on Management and Other Key Personnel*

Western relies upon the experience and expertise of our personnel. No assurance can be given that we will be able to retain our current personnel and attract additional personnel as necessary for the development and operation of our business. Loss of or failure to attract and retain key personnel could have a material adverse effect on Western's business.

### *Environmental Regulation*

We are subject to extensive federal and provincial environmental laws and regulations. These laws and regulations impose stringent standards on our operations and impose liability to remedy environmental issues that we are legally responsible regarding, among other things:

- air emissions, effluent discharges, and land disposal;
- operations or activities affecting watercourses or the natural environment;
- operations or activities affecting species at risk and critical habitats;
- use and handling of hazardous materials;
- use, handling, and disposal of waste; and
- remediation of environmental contamination.

We may incur substantial costs to comply with current or future requirements, to respond to orders or directives issued by regulators, to remedy or to compensate others for the cost to remedy environmental issues for which we are legally responsible or to comply with new or updated environmental laws. In addition, we may discover currently unknown environmental issues or conditions affecting our operations or activities or for which we are otherwise legally responsible. Western has closed certain operations and although we have engaged specialists to advise of environmental issues and conditions, normal site clean-up may identify additional issues or conditions that required further investigations. Any such event could have a material adverse effect on our financial condition and results of operations.

### *Safety*

The Company's safety policy reflects its values and commitment to providing a healthy and safe workplace for its people, while at the same time ensuring compliance with our regulatory requirements under WorkSafeBC and other applicable regulations. Workplace safety laws and regulations change over time and may involve new methodologies and additional costs necessary to bring the Company into compliance. We are unable to assess the potential implication of such changes.

### *Forest Resource Risk, Natural Catastrophes and Climate Change*

Our timber tenures are subject to the risks associated with all standing forests, in particular wildfires, windstorms, insect infestations and disease. Procedures and controls are in place to try and mitigate such risk through prevention and early detection. Our insurance coverage is maintained only for loss of logs following harvesting due to fire and other occurrences. This coverage does not extend to standing timber, and there is no assurance that this coverage would be adequate to provide protection against all eventualities, including natural catastrophes. In 2016, Western entered into a cost-sharing agreement with the Crown for our private timberlands to share individual incident costs of mobilizing helicopters and aerial water tankers in the event of a fire on those lands.

In addition, our operations may be adversely affected by severe weather including wind, snow and rain that may result in our operations being unable to harvest or transport logs to our manufacturing facilities for extended periods of time. Although we anticipate and factor in a certain period of down-time due to weather, extended periods of severe or unusual weather may adversely impact our financial results due to higher costs and missed sales opportunities arising from fibre shortages or the deterioration of logs remaining on the ground or in the water for extended periods of time.

Our business operations are located on the BC coast, the US Pacific Northwest and Japan, all of which are geologically active and considered to be at risk from earthquakes.

Climate change over time is predicted to lead to changes in the frequency of storm events as well as their severity.

We may also see changes in the occurrence of wildfires and forest pest outbreaks. This may impact our operations, our timber supply or the operations of our customers. Long-term climatic models are predicting that the optimum ranges of many species, including those of our major tree species, may shift over time. While we are unable to predict the impact of all of these potential factors on our tenures or on forest practices, we have incorporated considerations for climate change in our reforestation practices as facilitated through Provincial policy and legislation.

While the Company maintains insurance coverage to the extent deemed prudent by us, we cannot guarantee that all potential insurable risks have been foreseen or that adequate coverage is maintained against known risks.

### *Transportation*

The Company depends on third parties for transportation of its products and raw materials, a significant portion of which are transported by tugs and barges, trucks, railways, and ships. If any of Western's third-party transportation providers were to fail to deliver the raw materials or products or distribute them in a timely manner, including due to seasonal factors, Western may not be able to manufacture its products or sell those products at full value, which could have a material adverse effect on the Company's financial condition and operating results. In addition, if any of these third parties were to cease operations, suffer labour-related or route disruptions, or cease doing business with Western, the Company's operations or cost structure may be adversely impacted.

### *Long-term Fibre Supply Agreements*

The Company has long-term commitments to supply chip fibre, saw logs and pulp logs to third parties. Certain of these fibre supply agreements have minimum volume requirements. A failure to supply the minimum volumes may result in additional costs or deferred obligations. If the Company is unable to produce the minimum volume, we may need to conduct whole log chipping, sell saw logs, purchase chips or pulp logs or incur a penalty under these fibre supply agreements.

### *Dividends*

Any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors, after taking into account our operating results, financial condition, cash requirements, financing agreement restrictions and other factors our Board may deem relevant. We may be unable or may elect not to declare and pay dividends, even if necessary financial conditions are met and sufficient cash is available for distribution.

## **Evaluation of Disclosure Controls and Procedures**

As required by National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, Western conducted an evaluation of the effectiveness of the disclosure controls and procedures and the system of internal control over financial reporting based on the "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's system of internal control over financial reporting was effective as at December 31, 2025.

The evaluation was carried out under the supervision and with the participation of the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"). Based on the evaluation, Western's CEO and CFO concluded that the Company's disclosure controls and procedures are effective in providing reasonable assurance that material information relating to Western and its consolidated subsidiaries is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared. In addition, Western's CEO and CFO concluded that the Company's internal controls over financial reporting are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for Western and its consolidated subsidiaries for the period in which the annual filings are being prepared.

The CEO and CFO confirm that there have been no changes or material weaknesses in the design or operating effectiveness of the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting during the year ended December 31, 2025.

## **Outstanding Share Data**

As of February 10, 2026, there were 10,558,183 Common Shares of the Company issued and outstanding.

We have reserved 1,000,000 of our Shares for issuance upon the exercise of options granted under our incentive stock option plan. During the year ended December 31, 2025, no options were granted, exercised, or forfeited and 38,152 options expired. As of February 10, 2026, 303,138 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).

## Appendix A – Summary of Selected Results of the Last Eight Quarters

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

	2025					2024					
	2025	Q4	Q3	Q2	Q1	2024	Q4	Q3	Q2	Q1	
Avg. exchange rate – USD to CAD	<b>1.397</b>	1.395	1.377	1.385	1.435	<b>1.370</b>	1.399	1.364	1.368	1.348	
Avg. exchange rate – CAD to USD	<b>0.716</b>	0.717	0.726	0.722	0.697	<b>0.730</b>	0.715	0.733	0.731	0.742	
<b>Financial Performance</b>											
Revenue											
Lumber	<b>\$ 764.5</b>	\$ 154.9	\$ 181.1	\$ 218.2	\$ 210.2	<b>\$ 817.1</b>	\$ 214.3	\$ 189.9	\$ 235.3	\$ 177.6	
Logs	<b>157.6</b>	36.8	38.3	49.0	33.5	<b>188.0</b>	46.5	39.9	56.5	45.1	
By-products	<b>38.4</b>	7.4	8.5	11.7	10.9	<b>41.7</b>	9.7	9.1	12.4	10.5	
Forestry services and other	<b>26.0</b>	2.8	5.1	10.2	7.9	<b>17.1</b>	2.7	2.8	5.3	6.3	
Total revenue	<b>\$ 986.5</b>	\$ 201.9	\$ 233.0	\$ 289.1	\$ 262.5	<b>\$ 1,063.9</b>	\$ 273.2	\$ 241.7	\$ 309.5	\$ 239.5	
Net (loss) income	<b>\$ (82.4)</b>	\$ (17.5)	\$ (61.3)	\$ (17.4)	\$ 13.8	<b>\$ (34.5)</b>	\$ (1.2)	\$ (19.6)	\$ (5.7)	\$ (8.0)	
Earnings (loss) per share, basic and diluted	<b>\$ (7.56)</b>	\$ (1.55)	\$ (5.71)	\$ (1.62)	\$ 1.33	<b>\$ (2.88)</b>	\$ (0.05)	\$ (1.71)	\$ (0.40)	\$ (0.73)	
<b>Operating Statistics</b>											
<b>Lumber<sup>(1)(2)</sup></b>											
Production	mmfbm	<b>479</b>	94	107	144	134	<b>558</b>	135	127	151	145
Shipments	mmfbm	<b>522</b>	108	129	149	137	<b>588</b>	146	138	173	131
Price	\$/mfbm	<b>\$ 1,463</b>	\$ 1,437	\$ 1,409	\$ 1,464	\$ 1,533	<b>\$ 1,390</b>	\$ 1,467	\$ 1,378	\$ 1,363	\$ 1,351
<b>Logs<sup>(3)</sup></b>											
Net production	000 m <sup>3</sup>	<b>1,964</b>	491	410	598	465	<b>2,768</b>	673	659	820	617
Saw log purchases	000 m <sup>3</sup>	<b>948</b>	218	214	299	216	<b>750</b>	234	215	172	129
Log availability	000 m <sup>3</sup>	<b>2,912</b>	709	624	897	681	<b>3,518</b>	906	874	992	746
Shipments	000 m <sup>3</sup>	<b>1,001</b>	235	207	329	231	<b>1,378</b>	355	347	339	337
Price <sup>(4)</sup>	\$/m <sup>3</sup>	<b>\$ 143</b>	\$ 144	\$ 160	\$ 139	\$ 134	<b>\$ 129</b>	\$ 121	\$ 113	\$ 155	\$ 129

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

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

(2) Includes glue-laminated wood products.

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

(4) The average realized log price per cubic metre has been presented on a gross basis, which may include fee-in-lieu and shipping charges incurred on behalf of customers to facilitate sales to export markets.

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.

In 2024 and 2025, certain BC manufacturing facilities were curtailed and log production was lowered to match fibre requirements in our manufacturing facilities.