Western Reports First Quarter 2008, Results Reflect Forest Products Market Downturn

Western Forest Products Inc. (TSX: WEF) ("Western" or "the Company") today announced results for the first quarter of 2008. The Company reported a net loss for the quarter of $17.0 million ($0.08 per share).

The First Interim Report for 2008 is available on SEDAR and on the Company's website at www. westernforest.com .

TELECONFERENCE CALL: Tuesday, May 13, 2008 at 10:00 a.m. PST/1:00 p.m. EST

On Tuesday, May 13, 2008, Western Forest Products Inc. will host a teleconference call at 10:00 a.m. PST (1:00 p.m. EST). To participate in the teleconference please dial 1-800-591-7539 in Canada and the U.S. (toll free) and in Toronto or Internationally, 416-644-3421 before 10:00 a.m. PST (1:00 p.m. EST). This call will be taped, available one hour after the teleconference, and on replay until May 27, 2008. To hear a complete replay, please call 1-877-289-8525 in Canada and the U.S. (toll free), Passcode 21270571# or in Toronto and Internationally, 416-640-1917, Passcode 21270571#. This call will also be webcast from Western's website at www.westernforest.com .

Western Forest Products

Western is an integrated Canadian forest products company and the largest coastal British Columbia woodland operator and lumber producer with an annual available harvest of approximately 7.5 million cubic metres of timber of which 7.3 million cubic metres is from Crown lands and lumber capacity in excess of 1.5 billion board feet from eight sawmills and four remanufacturing plants. Principal activities conducted by the Company include timber harvesting, reforestation, sawmilling logs into lumber and wood chips and value-added remanufacturing. Substantially all of Western's operations, employees and corporate facilities are located in the coastal region of British Columbia while its products are sold in over 30 countries worldwide.

Western Forest Products Inc.

2008 First Quarter Report

Management's Discussion & Analysis

The following discussion and analysis reports and comments on the financial condition and results of operations of Western Forest Products Inc. ("Company", "Western", "us", "we", or "our"), on a consolidated basis, for our first interim period ended March 31, 2008 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 management's discussion and analysis ("MD&A") for the year ended December 31, 2007 (the "2007 Annual Report"), all of which can be found on the System for Electronic Document Analysis and Retrieval (SEDAR), at http://www.sedar.com .

We have prepared the financial information contained in this discussion and analysis in accordance with Canadian generally accepted accounting principles ("GAAP"). Reference is also made to EBITDA(1). EBITDA is defined as operating income (loss) plus amortization of property, plant and equipment and the write-down of property, plant and equipment and operating restructuring costs. We use EBITDA as a benchmark measurement of our own operating results and as a benchmark relative to our competitors. We consider EBITDA to be a meaningful supplement to operating income as a performance measure primarily because amortization expense and property write-downs are not 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, operating restructuring costs are not expected to occur on a regular basis and may make comparisons of our operating results between periods more difficult. We also believe EBITDA is commonly used by securities analysts, investors and other interested parties to evaluate our financial performance.

EBITDA does not represent cash generated from operations as defined by Canadian GAAP and it is not necessarily indicative of cash available to fund cash needs. Furthermore, EBITDA does not reflect the impact of a number of items that affect our net income (loss). EBITDA is not a measure of financial performance under GAAP, and should not be considered as an alternative to measures of performance under GAAP. Moreover, because all companies do not calculate EBITDA in the same manner, EBITDA as calculated by us may differ from EBITDA as calculated by other companies.

This management's discussion and analysis contains statements which constitute forward-looking statements and forward-looking information within the meaning of applicable securities laws. Those statements and information appear in a number of places in this document and include statements and information regarding our intent, belief or current expectations primarily with respect to market and general economic conditions, future costs, expenditures, available harvest levels and our future operating performance. Such statements and information may be indicated by words such as "estimate", "expect", "anticipate", "plan", "intend", "believe", "should", "may" and similar words and phrases. Readers are cautioned that any such forward-looking statements and information are not guarantees and may involve known and unknown risks and uncertainties, and that actual results may differ from those expressed or implied in the forward-looking statements or information as a result of various factors. Such risks and uncertainties include, among others: general economic conditions, competition and selling prices, changes in foreign currency exchange rates, labour disruptions, natural disasters, relations with First Nations groups, changes in laws, regulations or public policy, misjudgments in the course of preparing forward-looking statements or information and other factors referenced under the "Risk Factors" section in our Annual Information Form dated March 4, 2008 and under the "Risks and Uncertainties" section of our MD&A in our 2007 Annual Report. All written and oral forward-looking statements or information attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. Except as required by law, Western does not expect to update forward-looking statements or information as conditions change.

Unless otherwise noted, the information in this discussion and analysis is updated to May 7, 2008. All financial references are in millions of Canadian dollars unless otherwise noted.

(1) Earnings Before Interest, Tax, Depreciation and Amortization

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Summary of Selected Quarterly Results            Three months ended
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(millions of dollars except where noted)  March 31, 2008    March 31, 2007
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Sales	$	203.7	$	276.3
EBITDA		(9.9)		23.3
EBITDA as % of sales		(4.9)%		8.4%
Operating income (loss)		(17.7)		13.4
Net income (loss) from continuing operations		(16.2)		8.2
Net income (loss) and comprehensive income (loss)		(17.0)		7.2
Basic and diluted net income (loss) per share (dollars)	$	(0.08)	$	0.04

Overview

In the first quarter of 2008, the net loss from continuing operations of $16.2 million represented a deterioration of $24.4 million compared to the same period in the prior year. The impact of the $37.8 million decline in gross profits (defined as sales less cost of sales) between the first quarters of 2007 and 2008 was somewhat softened by $13.4 million generated by certain positive actions or events.

The $37.8 million decline in gross profits included both lower sales and higher costs. This position reflects the current severe downturn in the forest products industry and in some cases included the impact of mitigating actions taken by the Company. Softening the decline were net offsets totaling $13.4 million. These comprised reduced operating expenses of $6.7 million, increased profits on sales of property and assets amounting to $9.2 million, partly offset by higher net interest expense of $2.2 million and other items of $0.3 million.

Operating Results

Sales   Three months ended

(millions of dollars)	March 31, 2008	March 31, 2007
Lumber	$ 152.9	$ 205.2
Logs	34.5	55.6
By-products	16.3	15.5
Total sales	$ 203.7	$ 276.3

Sales of lumber and logs, Western's key product groups, both suffered from adverse market conditions. Lumber sales fell 26 percent, due to declines in sales volume and the strengthened Canadian dollar. The majority of the decline was attributed to 30 percent lower shipments of dimension hemlock to the United States and Japan, which endured particularly weak markets in the first quarter of 2008. Cedar volumes in North America suffered from a shortage of log supply in the first three months of 2008 as these log inventories were rebuilt following the three-month strike in the second half of 2007 by members of the United Steelworkers of America Union. Shipments fell by 17 percent comparing that period to the first quarter of 2007.

Average sales values for lumber as recorded in Canadian dollars remained relatively stable between the two comparative quarters due to mix. Prices for high-grade cedar products increased and the change in mix away from U.S. dimension markets had the same effect. This was countered by the Canadian dollar strengthening by approximately 14 percent between the two quarters, thereby reducing prices expressed in Canadian dollars.

Sales to customers in the U.S. structural dimension lumber market in the first quarter of 2008 continued to be constrained by the poor state of the U.S. housing industry characterized by reduced housing starts and high levels of unsold housing inventory. In addition, sales to Asia were constrained by weak market conditions where the downturn in the U.S. housing market has affected Japan, compounding a normal seasonal downturn and difficulties encountered in changing from break bulk shipping to containers. In contrast, demand for western red cedar was robust during the first quarter of 2008 and the cedar order file for the second quarter of

2008 is strong. As of the date of this report, the Company has not observed any material change in market conditions.

Log sales dropped 38 percent due to a combination of 30 percent lower shipments and 11 percent lower average prices, both driven by difficult market circumstances for veneer logs and hembal sawlogs. Log prices in the first quarter 2007 reflected a greater proportion of high-value cedar shingle logs and a lower percentage of pulp logs when compared to the first quarter of 2008.

Margins and Net Income (Loss)

Gross profit margin decreased from 17 percent to 4 percent when comparing the first quarter of 2007 to the same quarter this year. This margin decrease is due to the following influences: lower log pricing as discussed above, higher cost of sales, and an accounting policy change as discussed below. Cost of sales included significant stumpage and fuel rate increases adding approximately $12 million and $1 million, respectively, to costs, quarter over quarter. Increased stumpage reflects the higher average market value of cedar logs. Despite the weather and market-related downtime taken by certain logging operations and sawmills in the first quarter of 2008 harvesting and sawmilling costs, relative to sales, remained virtually unchanged when measured against the comparative quarter of 2007.

With effect January 1, 2008, Western implemented the new Handbook Section 3031 - Inventories as recommended by the Canadian Institute of Chartered Accountants. Consequent to the implementation, cost of sales in the first quarter of 2008 increased by $6.4 million or the equivalent of 3 percent of sales. Costs of products sold or consumed are recorded on an actual basis under the new policy, which results in earlier cost recognition than under the prior policy. In 2007, costs were recorded on an averaged basis over a six month period. To the extent additional costs of sales were recorded in the first quarter of 2008 according to the new policy, costs recorded in later periods will be lower by the same amount. The provision required to record inventory at net realizable value did not change significantly between January 1, 2008 and March 31, 2008 and therefore had no impact on the financial statements in the first quarter of 2008.

On March 20, 2008, the Company sold the site of its former sawmill at New Westminster, British Columbia. The cash sale proceeds of $39.8 million generated a gain of $9.8 million. Western's available capital losses from prior years will shelter this gain from income tax.

In the first quarter of 2008, selling and administration expenses, export taxes and freight expenses declined by a combined total of $6.7 million when compared to the first quarter of 2007. Nearly half this amount arises from lower freight expenses, representing lower payments for diminished lumber shipments partly offset by the higher rates of freight per shipment billed by shippers. Savings in selling and administration costs of $2.0 million demonstrate Western's continued drive to reduce costs. Export taxes are lower, reflecting reduced sales in the United States.

Interest expense was $2.2 million higher in the first three months of 2008 compared to the same period a year before. This year, net interest expense included $3.0 million incurred when unamortized financing costs were written off concurrent with the repayment of certain long term debt from proceeds of the refinancing completed in March 2008. The interest rate charged on debt borrowed under the new financing facility is the sum of either the Canadian prime or the bankers acceptance rate, plus a margin in either case. The margin agreed under the new facility is lower than that applied under the former facilities.

Financial Position and Liquidity	Three months ended	
(millions of dollars except where noted)	March 31, 2008	March 31, 2007
Cash provided (used) by continuing operations	$ 1.8	$ 28.8
Cash provided (used) by investing activities	35.2	8.7
Cash provided (used) by financing activities	(32.1)	(31.5)
Additions to property, plant and equipment	1.5	4.1
Additions to capitalized roads	3.1	3.1
Total liquidity(1)	$ 58.0	$ 158.5

Financial ratios:

Current assets to current liabilities	1.91	1.67
Net debt(2) to shareholders equity	0.49	0.29

(1) Total liquidity comprises cash and cash equivalents and available credit under the Company's revolving credit facility.

(2) Net debt defined as the sum of long-term debt, current portion of long term debt, revolving credit facility, less cash and cash equivalents.

Cash flow of $1.8 million provided by continuing operations in the first quarter of 2008 was $27.0 million lower than that provided in the previous comparative period. This was driven primarily by $24.4 million in reduced net income from continuing operations. The remaining $2.6 million additional use of cash included: increased gains on disposal of property, plant and equipment; an increase in accounts receivable; largely offset by lower payments on account of accounts payable and accrued liabilities.

Investing activities provided cash of $35.2 million, or $26.5 million greater than in the same period last year. Significant investing receipts in the first quarter of 2008 included $39.8 million proceeds from sale of a property located in New Westminster, British Columbia. Capital spending on property, plant and equipment in the first quarter was $2.6 million lower than in the first quarter of 2007. In the latter period, $12.5 million was received to adjust the working capital balance of an acquisition completed in 2006.

Cash used in financing activities netted to $32.1 million. On March 14, 2008, the Company received $175.0 million in proceeds from a new debt facility. On the same day, Western retired $174.3 million of debt formerly provided by Brookfield Bridge Lending Fund, a lender related to Tricap Management Ltd., the Company's largest shareholder. On March 25, 2008 Western repaid $40.0 million of the new debt facility mostly with the sale proceeds from the New Westminster property. Furthermore, in the first quarter of 2008 the Company drew an additional $8.9 million from a revolving credit facility. Other disbursements in financing activities included $2.4 million in transaction costs paid in association with concluding the new debt facility.

Total liquidity at March 31, 2008 amounted to $58.0 million, a $100.5 million decrease from the same date in 2007. During this period of time, the Company drew significant cash resources to fund losses, primarily those induced by the three-month strike in 2007 by members of the Steelworkers Union. Liquidity is subject to borrowing restrictions determined by financial covenants for long-term debt and the asset borrowing base for the revolving credit facility. Demands on credit are typically greatest during the summer season as harvesting activities accelerate and may fluctuate further according to market and operating conditions.

Selected Quarterly Information

To assist shareholders and other readers in understanding our business, we have included as Appendix A to this MD&A a table of the financial results and operating data for the Company for the last eight quarters. This includes a reconciliation of EBITDA to net income or loss and a discussion of significant non-seasonal influences on certain quarters where appropriate.

Changes in Accounting Policies

Inventories

Effective January 1, 2008, the Company adopted, on a prospective basis, the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031 - Inventories. Section 3031 requires that inventories be valued at lower of cost and net realizable value. Under the new standard, logs designated for lumber production are recorded at the lower of cost and net realizable value (NRV) with NRV determined on the basis of the logs converted into lumber. Under the former policy, logs designated for lumber production were valued at the lower of cost and net realizable value with NRV determined from log market prices. This change recognizes any forecasted losses on future lumber sales upon the purchase or production of logs that remain in inventory, and accordingly future changes in NRV may produce fluctuations in cost of sales. Upon the adoption of these new recommendations inventory decreased by $8.0 million due to increased provisions required to value certain inventory products at NRV. Upon adoption of the new standard, the Company discontinued costing inventory based on a rolling six month average, and commenced costing using actual costs. This change had no material impact on the carrying value of total inventory as at January 1, 2008. Consequently inventory decreased by $8.0 million to $245.2 million and the deficit increased by the same amount to $163.9 million as at January 1, 2008.

Risks and Uncertainties

The business of the Company is subject to a number of risks and uncertainties, including those described in the 2007 Annual Report and the Annual Information Form dated March 4, 2008, both of which can be found on the System for Electronic Document Analysis and Retrieval (SEDAR), at http://www.sedar.com . Any of the risks and uncertainties described in the above-noted documents could have a material adverse affect on our operations and financial condition and cash flow and, accordingly, should be carefully considered in evaluating Western's business. The Company has the following additional comments as at the date of this report.

As discussed in the Company's Annual Information Form and Annual Report both dated March 4, 2008, from time to time claims against the Company may be made by various interest groups, including the First Nations of British Columbia. In April 2008 the Kwakiutl First Nation filed a lawsuit against the B.C. Government, Western and the Federal Government of Canada seeking, amongst other things, orders to set aside the B.C. Government's decision to remove Western's private lands from a Tree Farm License and the B.C. Government's approval of the Company's Forest Stewardship Plan on the Crown lands within their area of interest, based on alleged infringements of their treaty rights and unextinguished aboriginal title and rights. The Company is currently unable to predict the outcome of this lawsuit on Western's ongoing operations or the sale or management of its private forestry lands.

As described in the Annual Information Form, the Company is subject to market fluctuations for products brought about by influences such as foreign exchange rates, competition and economic conditions in the industries that purchase Western's products, such as housing. From time to time, when these influences cause significant reductions in demand for forest products or prices to fall to uneconomic levels, the Company will mitigate the risks of operating at unchanged levels with temporary logging or sawmilling curtailments. In extreme cases, such curtailments may become permanent closures. In the first quarter of 2008, Western's sawmills took ten weeks of market-related downtime. In April 2008, in view of continuing challenging market conditions particularly the downturn in the U.S. dimension lumber market, the Company took measures to better align log supply and lumber production with reduced sales programs. At that time, Western instituted an indefinite shutdown of its sawmill located at Ladysmith on Vancouver Island and took steps to curtail logging during May and June for periods ranging between one and six weeks for certain logging operations on Vancouver Island and the Sunshine Coast. This curtailment represents approximately one third of the log harvesting Western normally undertakes during this two-month period. At this time, the Company is unable to predict whether future market conditions will necessitate further curtailments.

Outlook and Strategy

While the U.S. dimension lumber markets remain extraordinarily weak, Western continues to leverage the advantage of marketing high-value lumber products. Western does not anticipate improved market conditions in the U.S. markets within the remainder of 2008. To the extent possible, harvesting and manufacture of such products as hemlock dimension lumber, normally destined to the United States, has been curtailed whereas levels of cedar production remain at or exceed previously anticipated levels. Nonetheless, the Company continues to carefully evaluate production capacity in relation to market requirements and has and will continue to take harvesting and/or manufacturing down-time in order to better position Western in the circumstances. In addition, the ongoing asset sales initiative is designed gain improved use of Company assets.

Asset Sales Initiative

Early in 2007, the Company commenced an initiative to market specific non-core assets with an estimated value of between $150 million and $180 million. As part of that initiative, in the second quarter of 2007 the Company sold the Duke Point merchandiser site for $8.2 million and in March 2008 the site of the former New Westminster sawmill was sold generating net proceeds of $39.8 million. The Company and a prospective buyer have agreed on a conditional contract detailing the intent to sell approximately 2,500 hectares of Higher and Better Use lands situated in the south of Vancouver Island. The withdrawal of these and other properties from Tree Farm Licenses has led to some controversy and the Capital Regional District has changed certain zoning bylaws to significantly increase the minimum permitted lot size of the Higher and Better Use lands in the south of Vancouver Island, which could reduce the land value. Discussions have been initiated regarding another non-core property included in the original initiative, the gravel holdings in the Port McNeill area of Vancouver Island. The Company will continue to market the remaining non-core assets from this initiative at the appropriate time. There is no assurance that any of the potential sales will be completed, or when they may ultimately be completed. In addition to the non-core assets discussed above, in the first quarter of 2008 the Company engaged investment bankers to assess the marketability of approximately 26,000 hectares of freehold forestry lands situated on Vancouver Island. Should any future proposed transaction for these lands offer sufficient added value to Western, the lands may be sold. Any proceeds provided by these asset sales are expected to be applied primarily against the Company's outstanding long-term debt.

Outstanding Share Data

As of May 7, 2008, there were 119,842,359 Common Shares and 84,571,206 Non-Voting Shares issued and outstanding.

In addition, the Company has 569,373 Tranche 1 Class C Warrants, 854,146 Tranche 2 Class C Warrants, and 1,423,743 Tranche 3 Class C Warrants (collectively, the "Class C Warrants") outstanding. The Company has reserved up to 2,847,262 Common Shares for issuance upon the exercise of the Class C Warrants. Western has also reserved 10,000,000 Common Shares for issuance upon the exercise of options granted under the Company's incentive stock option plan. In March 2008, 275,000 options were cancelled. As of May 7, 2008, 3,958,060 options were outstanding under the Company's incentive stock option plan.

Tricap Management Limited ("Tricap") owns 49% of the Company's Common Shares and 100% of the Non-Voting Shares. By virtue of the Brookfield Asset Management Inc. ("BAM") voting arrangements with Tricap, BAM is related to the Company. Western has certain arrangements with entities related to BAM to provide financing, acquire and sell logs, lease certain facilities, provide access to roads and other areas, and acquire other services including insurance, all in the normal course and at market rates or at cost. During the first quarter of 2008, the Company paid entities related to BAM $8.9 million in connection with these arrangements and received $0.1 in payments for the sale of logs. As of March 14, 2008, the aforesaid financing arrangements were terminated.

Public Securities Filings

Readers may access other information about the Company, including the Annual Information Form and additional disclosure documents, reports, statements and other information that are filed with the Canadian securities regulatory authorities, on SEDAR at www.sedar.com .

On behalf of the Board of Directors

John MacIntyre, Chairman

Reynold Hert, President and Chief Executive Officer

Duncan, BC

May 7, 2008

Western Forest Products Inc.

2008 First Quarter Report

Management's Discussion and Analysis - Appendix A

Summary of Selected Results for the Last Eight Quarters (Unaudited)

(millions of dollars except per share amounts and where noted)	2008	2007				2006		
	1st	4th	3rd	2nd	1st	4th	3rd	2nd
Average Exchange Rate - Cdn $								

to purchase one US $	1.005	0.981	1.045	1.098	1.173	1.128	1.118	1.129
Sales								
Lumber	152.9	93.3	141.6	210.0	205.2	217.8	214.0	158.1
Logs	34.5	29.6	26.5	72.9	55.6	44.6	44.8	49.0
By-products	16.3	13.7	8.4	18.2	15.5	16.7	20.7	12.9
Total sales	203.7	136.6	176.5	301.1	276.3	279.1	279.5	220.0
Lumber								
Shipments - millions of board feet	188	131	174	273	251	278	291	243
Price - per thousand board feet	815	712	814	769	818	782	739	648
Logs								
Shipments - thousands of cubic metres	455	412	364	943	650	625	592	605
Price - per cubic metre	76	72	73	77	86	71	76	81
Selling and administration	8.9	9.9	10.2	11.3	10.9	12.5	11.9	11.4

EBITDA	(9.9)	(28.4)	(29.8)	21.1	23.3	120.4	10.2	7.7
Amortization of capital assets	(7.8)	(7.9)	(6.8)	(10.8)	(9.9)	(9.7)	(10.3)	(10.8)
Restructuring & other items	-	-	-	2.6	-	(2.4)	(0.7)	(4.9)
Net interest expense	(8.4)	(5.8)	(5.8)	(5.4)	(6.2)	5.1	(10.9)	(9.6)
Foreign exchange on long-term debt	0.2	0.1	5.6	6.3	0.7	(6.0)	(0.3)	9.7
Other income (expense)	9.8	0.8	(0.3)	-	0.6	2.4	0.9	0.5
Income taxes	(0.1)	(0.7)	(0.1)	-	(0.3)	(0.5)	(0.3)	(0.1)
Net income (loss) from continuing operations	(16.2)	(41.9)	(37.2)	13.8	8.2	109.3	(11.4)	(7.5)
Net income (loss) from discontinued operations	(0.8)	(1.0)	(0.5)	3.8	(1.0)	(1.0)	(0.8)	(1.9)
Net income (loss)	(17.0)	(42.9)	(37.7)	17.6	7.2	108.3	(12.2)	(9.4)
Basic and diluted earnings (loss) per share	(0.08)	(0.21)	(0.18)	0.09	0.04	0.53	(0.06)	(0.06)
EBITDA as % of sales	-4.9%	-20.8%	-16.9%	7.0%	8.4%	43.1%	3.6%	3.5%

In a normal operating year, there is some seasonality to the Company's operations with higher lumber sales in the second and third quarters as construction activity, particularly in the U.S., has historically tended to be higher. Logging activity may also vary depending on weather conditions of rain, snow and ice in the winter and the threat of forest fires in the summer. The following were unusual events that influenced results other than for seasonal reasons. In the fourth quarter of 2006, the Company received a lumber duty refund and interest thereon from the United States. In the third and fourth quarter of 2007, net earnings were influenced by strike action by most of the Company's unionized employees. The first quarter 2008 was influenced by a significant forest products industry downturn.

Western Forest Products Inc.

Unaudited Consolidated Financial Statements

For the three months ended March 31, 2008

Consolidated Balance Sheets (Unaudited)
(Expressed in millions of Canadian dollars)

	Mar 31, 2008	Dec 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 8.9	$ 4.9
Accounts receivable	62.0	55.9
Inventory (Note 2)	242.7	253.2
Prepaid expenses and other assets	9.0	8.4
	322.6	322.4
Property, plant and equipment	450.8	484.4

Other assets	8.5	8.9
	$ 781.9	$ 815.7
Liabilities and Shareholders' Equity		
Current liabilities:		
Revolving credit facility	$ 57.5	$ 48.6
Accounts payable and accrued liabilities	107.3	85.7
Current portion of long-term debt (Note 5)	-	101.1
Discontinued operations (Note 10)	4.0	4.1
	168.8	239.5
Long-term debt (Note 5)	132.6	69.7
Other liabilities	33.4	34.1
Deferred revenue	75.9	76.4
	410.7	419.7
Shareholders' equity:		
Common shares	410.6	410.6
Non-voting shares	139.6	139.6
Contributed surplus	1.9	1.7
Deficit	(180.9)	(155.9)
	371.2	396.0
	$ 781.9	$ 815.7

See accompanying notes to these consolidated financial statements.

Approved on behalf of the Board:

"Reynold Hert" Director

"John MacIntyre" Director

Consolidated Statements of Operations, Comprehensive Income (Loss) and Deficit (Unaudited)

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

	Three months ended March 31	
	2008	2007
Sales	$ 203.7	$ 276.3
Cost and expenses:		
Cost of goods sold	194.9	229.7
Export tax	3.0	4.4
Freight	14.6	17.9
Selling and administration	8.9	10.9
	221.4	262.9
Operating income (loss)	(17.7)	13.4
Net interest expense	(8.4)	(6.2)
Foreign exchange gain (loss) on long-term debt	0.2	0.7
Other income (Note7)	9.8	0.6

Income (loss) before income taxes	(16.1)	8.5
Income tax expense	(0.1)	(0.3)
Net income (loss) from continuing operations	(16.2)	8.2
Net loss from discontinued operations	(0.8)	(1.0)
Net income (loss) and comprehensive income (loss)	$ (17.0)	$ 7.2
Deficit, beginning of period as previously reported	$ (155.9)	$ (100.1)
Adoption of new accounting policy (Note 2)	(8.0)	-
Deficit, beginning of period as restated	(163.9)	(100.1)
Deficit, end of period	$ (180.9)	$ (92.9)
Basic and diluted earnings (loss) and earnings (loss) from continuing operations per share (in dollars)	$ (0.08)	$ 0.04
Weighted average number of shares outstanding (thousands of shares)	204,414	204,414

See accompanying notes to these consolidated financial statements.

Consolidated Statements of Cash Flows (Unaudited)

(Expressed in millions of Canadian dollars)

	Three months ended March 31	
	2008	2007
Cash provided by (used in):		
Operating activities:		
Net income (loss) from continuing operations	$ (16.2)	$ 8.2
Items not involving cash:		
Amortization of property, plant and equipment	7.8	9.9
Foreign exchange (gain) loss on long-term debt	(0.2)	(0.7)
(Gain) loss on disposal of property, plant and equipment	(9.8)	(0.5)
Other	2.8	1.6
	(15.6)	18.5
Changes in non-cash working capital items:		
Accounts receivable	(6.1)	(0.6)
Inventory	2.5	2.3
Prepaid expenses	(0.6)	1.5
Accounts payable and accrued liabilities	21.6	7.1
	17.4	10.3

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Cash provided (used) by		
continuing operations	1.8	28.8
	------------	------------
Investing activities:		
Additions to property, plant, equipment		
and capitalized roads	(4.6)	(7.2)
Proceeds on disposals of property,		
plant and equipment	39.8	1.8
Adjustment to purchase price paid		
for a prior acquisition	-	12.5
Other	-	1.6
	------------	------------
	35.2	8.7
	------------	------------
Financing activities:		
Proceeds from (repayment of)		
revolving credit facility	8.9	(3.6)
Proceeds from refinancing of		
debt (Note 5)	175.0	-
Repayment of term debt (Note 5)	(40.0)	(25.5)
Repayment of pre-existing debt (Note 5)	(174.3)	-
Other	(1.7)	(2.4)
	------------	------------
	(32.1)	(31.5)
	------------	------------
Cash provided (used) by		
discontinued operations	(0.9)	(2.5)
	------------	------------
	------------	------------

Increase (decrease) in cash and cash equivalents	4.0	3.5
Cash and cash equivalents, beginning of period	4.9	41.6
Cash and cash equivalents, end of period	$ 8.9	$ 45.1
Supplementary information:		
Cash interest paid	$ 5.3	$ 3.7

See accompanying notes to these consolidated financial statements.

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in millions of Canadian dollars)

The business of Western Forest Products Inc. (the "Company" or "Western") is timber harvesting and lumber manufacturing for worldwide markets. Western's operations are located in the coastal region of British Columbia.

1. Significant Accounting Policies

These quarterly consolidated financial statements do not include all disclosures required by Canadian generally accepted accounting principles for annual financial statements and, accordingly, should be read in conjunction with the Company's most recent audited annual consolidated financial statements. These quarterly consolidated financial statements follow the same accounting policies, methods of application and disclosures used in the Company's consolidated financial statements as at December 31, 2007 and for the year then ended except that the Company has adopted new accounting policies as required by the new accounting pronouncements as described below.

2. Adoption of New Accounting Policies

a) Inventories

Effective January 1, 2008, the Company adopted, on a prospective basis, the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031 - Inventories. Section 3031 requires that inventories be valued at lower of cost and net realizable value. Under the new standard, logs designated for lumber production are recorded at the lower of cost and net realizable value (NRV) with NRV determined on the basis of the logs converted into lumber. Under the former policy, logs designated for lumber production were valued at the lower of cost and net realizable value with NRV determined from log market prices. This change recognizes any forecasted losses on future lumber sales upon the purchase or production of logs that remain in inventory, and accordingly future changes in NRV may produce fluctuations in cost of sales. Upon the adoption of these new recommendations inventory decreased by $8.0 million due to increased provisions required to value certain inventory products at NRV. Upon adoption of the new standard, the Company discontinued costing inventory based on a rolling six month average, and commenced costing using actual costs. This change had no material impact on the carrying value of total inventory as at January 1, 2008. Consequently inventory decreased by $8.0 million to $245.2 million and the deficit increased by the same amount to $163.9 million as at January 1, 2008.

b) Capital disclosures

Effective January 1, 2008, the Company adopted the new recommendations of the CICA Handbook Section 1535, Capital Disclosures. Under the recommendations additional disclosure is provided with respect to the Company's capital. Adoption of the recommendations had no impact on the Company's financial statements. The additional disclosures are included in Note 8.

c) Financial instruments - disclosure and presentation

Effective January 1, 2008, the Company adopted the new recommendations of the CICA Handbook Sections 3862 and 3863, Financial Instruments - Disclosures and presentation. Under the recommendations the Company is required to provide additional information pertaining to the use of financial instruments irrespective of whether or not those financial instruments are recognized in the financial statements. Adoption of the recommendations had no impact on the Company's financial statements. The additional disclosures are included in Note 9.

d) Going concern

In June 2007, Section 1400 of the CICA Handbook was amended to require management to assess and disclose an entity's ability to continue as a going concern. This section applies for interim and annual periods beginning on or after January 1, 2008.

The Company has adopted this section on January 1, 2008. The Company has forecasted results over the next fiscal year using best estimates of economic conditions. Based on these forecasts, management believes that the Company will continue to operate as a going concern and fund its current operations without additional financial support.

The Steelworkers strike that occurred in 2007 significantly curtailed the Company's operations and weakened the Company's financial position as overall liquidity was reduced. In addition, the strong Canadian dollar and the weak U.S. housing markets experienced over the second half of 2007 and the first quarter of 2008 are expected to continue during the remainder of 2008 and into 2009. In addition, expected sales of non-core assets will add to liquidity. These factors are included in the Company's forecasts. However, any material strengthening of the Canadian dollar, decline in U.S. housing markets, negative impacts of possible tenure reductions, or absence of asset sales could impact the Company's liquidity in the short-term potentially requiring support from the Company's lenders, significant shareholders or others.

3. Pension Expense

The Company has defined benefit and defined contribution pension plans and other pension arrangements that cover substantially all salaried and certain hourly employees. The Company also contributes to hourly paid employee union pension plans and has health care plans covering certain hourly and retired salaried employees. During the first quarter ended March 31, 2008, the Company incurred costs of $3.7 million (2007 - $ 4.1 million) with respect to these plans.

4. Stock-Based Compensation Plan

In the first quarter 275,000 employee stock options were cancelled. At March 31, 2008, 3,958,060 options were outstanding with a weighted average exercise price of $2.48 per Common Share.

5. Long-Term Debt

On March 14, 2008, the Company closed a new financing providing $175.0 million in term loan facilities. The proceeds retired the prior existing facilities which amounted to $72.5 (US$73.5 million) and $101.8 million, both provided by the Brookfield Bridge Lending Fund, a lender related to Tricap Management Ltd, the Company's largest shareholder.

The new financing agreement provides for two secured term facilities: a $75.0 million revolving credit facility due in three years and a $100.0 million term facility repayable within 18 months. At the discretion of the Company, interest on the facilities is based on either the Canadian prime or the bankers acceptance rate plus a margin of 1.75 percent or 2.75 percent, respectively.

On March 25, 2008, as described in Note 8, the Company repaid $40.0 million of the new term facility. At the time of concluding the new financing agreement the Company paid $2.4 million in transaction costs, which have been deferred and will be amortized over the term of the facilities using the effective interest rate method.

The following table provides additional information with respect to the Company's long term debt:

	Mar 31, 2008	Dec 31, 2007
US dollar debt	$ -	$ 72.9
Associated transaction costs	-	(3.2)
	$ -	$ 69.7

Canadian dollar debt	$ 135.0	$ 101.8
Associated transaction costs	(2.4)	(0.7)
	$ 132.6	$ 101.1
	$ 132.6	$ 170.8
Less current portion	-	101.1
	$ 132.6	$ 69.7

6. Segmented Information

The Company is an integrated Canadian forest products company operating in one industry segment comprising timber harvesting, reforestation, sawmilling, value-added lumber remanufacturing and lumber marketing operations.

7. Asset Sale

On March 20, 2008, the Company sold for cash the site of the former sawmill in New Westminster, British Columbia. Sale proceeds, less commission and other fees, totaled $39.8 million and generated a gain on sale of $9.8 million, which is included in other income.

8. Capital Requirements

The Company's policy for managing capital is to maintain a strong capital position to provide financial flexibility, achieve growth and to maximize long-term shareholder value. Western's capital requirements typically include major new investments designed to grow net earnings and disbursements for other new equipment and ongoing enhancements, efficiency improvements, safety, and protection or extension of the life of equipment. Finally, significant expenditures are also required to fund new capital roads allowing access to timber stands for harvesting purposes.

The Company seeks to achieve a balance between the higher returns that may arise with higher levels of borrowing and the advantages and security provided by a sound capital position. The Company monitors the ratio of net debt to capitalization, targeting a ratio in the range of 30% to 45%. Net debt is defined as long-term debt plus amounts drawn on revolving credit facilities, less cash and cash equivalents. Capitalization comprises net debt and shareholders' equity.

Changes to the capital structure may be made as strategic opportunities arise. In order to maintain or adjust the capital structure, the Company may issue new shares, source new debt, or sell assets to reduce debt. The Company has internal controls to ensure changes to the capital structure are properly reviewed and approved.

On March 14, 2008, the Company refinanced its debt facilities (Note 5). Subsequently, on March 25, 2008 the Company repaid $40.0 million of the long-term portion of the debt facility substantially from the cash proceeds of disposition of an asset (Note 7). This repayment was contemplated under the language of the new financing agreement and reduced debt and related interest payments.

Under the new financing agreement, the Company is subject to financial covenants including maintaining a certain ratio of debt to capitalization. As at March 31, 2008, this ratio was within the limit prescribed in the agreement.

The Company is not subject to any statutory capital requirements. Under the Company's stock-based compensation plan, commitments exist to issue common shares.

There were no changes to the Company's approach to managing capital during the period.

9. Financial Instruments

The Company's financial assets include its cash and cash equivalents and accounts receivable. Cash and cash equivalents are designated as held-for-trading and measured at fair value. Accounts receivable are designated as loans and receivables and are measured at amortized cost using the effective interest rate method. The Company's financial liabilities comprise accounts payable and accrued liabilities and long-term debt. All financial instrument liabilities are designated as other financial liabilities and are measured at amortized cost using the effective interest rate method. The Company does not have any financial instruments classified as held-to-maturity or available-for-sale.

The Company utilizes financial instruments in the normal course of business and takes action to mitigate the associated risks. The Company does not engage directly in any hedging or derivative activities. The use of financial instruments exposes the Company to credit risk, liquidity risk, and market risk. Other than described below, Management does not consider the risks to be significant to the Company.

The Board of Directors has overall responsibility for the oversight of the Company's risk management framework. The Company identifies, analyzes and actively manages the financial market risks associated with changes in foreign exchange rates, interest rates and commodity prices. The Company has established risk management policies and controls to identify and analyze the risks faced by the Company, to set appropriate risk limits and to monitor risks and adherence to limits.

The Company is exposed to credit risk in connection with its receivables from customers. The carrying amount of the Company's accounts receivable represents the maximum credit exposure. The Company is also exposed to currency risk in connection with its foreign currency denominated receivables from customers, predominantly in US dollars and to a lesser extent in Japanese yen, Australian dollars, and the Euro.

Sales transactions are made through the extension of credit to customers and are recorded at the point in time the sale is recognized. Accordingly, fluctuations in collectability may affect the carrying value of the underlying accounts receivable. Management balances the credit risk through rigorously and continually reviewing customer credit profiles. The Company has established policies and controls to review the creditworthiness of new customers, including review of credit ratings. A significant majority of lumber sales conducted under standard industry terms and conditions are insured by the Export Development Corporation. The Company regularly reviews the collectability of accounts receivable and makes provisions where the collectability is uncertain. Historically the Company's bad debts have been minimal and as at March 31, 2008, the Company had an allowance for doubtful accounts of $0.8 million.

As described in the Company's Annual Information Form dated March 4, 2008, certain sales transactions are denominated in foreign currencies, principally, the US dollar. Accordingly, fluctuations in foreign exchange rates may affect the carrying value of the underlying accounts receivable. As of March 31, 2008, the Company's accounts receivable denominated in US dollars totaled US$ 22.8 million. The Company estimates that, excluding the effect of long-term debt, an increase or decrease of one cent in the value of the Canadian dollar per US$1.00 would decrease or increase, respectively, operating earnings by approximately $4 million to $6 million annually, depending on the mix of foreign currencies in total sales.

The Company is also exposed to market risk in connection with the pricing for its products. On an annualized basis, the Company estimates that an increase or decrease of one per cent in selling prices would increase or decrease, respectively, operating earnings by $8 to $12 million annually. The Company does not enter into commodity contracts other than to meets its normal expected usage and sale requirements.

Long term debt is recorded at the principal amount less the net value of the associated financing fees. Financing fees are deferred and amortized over the life of the debt using the effective interest rate method. Accordingly, fluctuations in market interest rates may affect the carrying value of the debt. Management mitigates the interest rate risk associated with the long term debt through utilizing floating interest rates. Based on the Company's average debt during 2007, a change of 100 basis points in interest rates would have increased or decreased net earnings by approximately $0.2 million.

From time to time the Company may recognize liabilities for the settlement of certain obligations. The amount recognized in the financial statements is based on Management's best estimate given the facts available at the time the obligation was incurred. Accordingly, fluctuations in pricing and interest rates will affect the ultimate cost to settle a given obligation. Management mitigates the associated pricing risk through regularly reviewing the assumptions used in the generation of the estimate.

Liabilities for ongoing operations are recorded in the financial statements at cost accrued to that point in time. Management mitigates any liquidity risk associated with the subsequent payment of these liabilities through the continual monitoring of expenditures and forecasting of liquidity resources.

10. Discontinued Operations

In March 2006, the Company closed its Squamish mill located on 213 acres on the mainland coast of British Columbia and exited the pulp business. Subsequent to the closure, the Company has sold substantially all of the productive assets of the mill. Ongoing costs such as for supervision, security and property taxes continue to be expensed as incurred. The property is one of a portfolio of non-core assets held for sale and following the completion of site remediation likely in the second half of 2008 the Company anticipates listing the property for sale.

The following table provides additional information with respect to the discontinued operations:

	Three months ended March 31	
	2008	2007
Net income (loss) from discontinued operations	$ (0.8)	$ (1.0)
Cash provided (used) by discontinued operations	$ (0.9)	$ (2.5)

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