INCENTIVE STOCK OPTION PLAN

OF

WESTERN FOREST PRODUCTS INC.

Effective as of July 22, 2004
(Amended as of May 10, 2007, May 8, 2008, June 3, 2011, May 8, 2013, March 13, 2015 and February 17, 2016)

1. Purpose of the Plan

1.1 The purpose of the Plan is to attract and retain persons of ability to serve as directors, officers, advisors and employees of, and consultants to, the Corporation or any of its related entities, to provide an incentive for such persons in their efforts on behalf of the Corporation or any of its related entities, and in combination with these goals, to encourage the equity participation of such persons in the Corporation.

2. Definitions

2.1 For the purposes of the Plan, the following terms have the indicated meanings set forth below:

(a) "associate" has the same meaning ascribed to that term in the OSA;

(b) "Black-out Period" means a period during which the Corporation has imposed restrictions on trades in its securities by its Optionees;

(c) "Board" means the board of directors of the Corporation;

(d) "Business Day" means a day other than a Saturday, Sunday or statutory holiday in British Columbia;

(e) "Compensation Committee" means the Management Resources and Compensation Committee of the Board as the same may be constituted from time to time or such other committee constituted by the Board from time to time with a mandate that includes the administration of the Plan and, if none is so constituted, means the full Board;

(f) "Consultant" means a person, other than an employee, executive officer or director of the Corporation or of a related entity of the Corporation, that:

(i) is engaged to provide services to the Corporation or a related entity of the Corporation, other than services provided in relation to a distribution as defined under applicable securities laws,

(ii) provides the services under a written contract with the Corporation or a related entity of the Corporation, and

(iii) spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or a related entity of the Corporation

and includes

(iv) for an individual consultant, a corporation of which the individual consultant is an employee or shareholder, and a partnership of which the individual consultant is an employee or partner, and

(v) for a consultant that is not an individual, an employee, executive officer, or director of the consultant, provided that the individual employee, executive officer, or director spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or a related entity of the Corporation;

(g) "Corporation" means Western Forest Products Inc. and any successor;

(h) "Disability" means a physical or mental incapacity of a nature that the Board determines prevents or would prevent the Optionee from satisfactorily performing the material duties of his or her position with the Corporation or any of its related entities, as applicable;

(i) "Eligible Person" means a director, officer or employee of the Corporation or of a related entity of the Corporation or a Consultant;

(j) "Exchange" means any principal exchange (as determined by the Board in its sole discretion) upon which the Shares are listed;

(k) "Grant Date" has the meaning ascribed to that term in Subsection 5.1;

(l) "insider" has the meaning ascribed to that term in the OSA, except that for so long as the Corporation is a reporting issuer listed on the Toronto Stock Exchange, insiders of the Corporation are those insiders who are "reporting insiders" as defined in National Instrument 55-104 - *Insider Reporting Requirements and Exemptions*;

(m) "Market Value" of a Share means, on any given day:

(i) where the Share is not listed on an Exchange, the fair market value of a Share on that day determined by the Board in its sole discretion; and

(ii) where the Share is listed on an Exchange, the closing price per share of Shares on the Exchange on the trading day immediately preceding the relevant date, and if there was not a sale on the Exchange on such date, then the last sale prior thereto;

(n) "NI 45-106" means National Instrument 45-106 - *Prospectus and Registration Exemptions*;

(o) "Option" means an option, granted pursuant to Section 5, to purchase a Share;

(p) "Option Period" in respect of an Option means the period commencing on the Grant Date of such Option and ending on the date of expiry of such Option;

(q) "Option Price" means the price per Share at which Shares may be purchased under an Option, as determined pursuant to Paragraph 5.1(b) and as may be adjusted in accordance with Section 10;

(r) "Optionee" means an Eligible Person to whom an Option has been granted;

(s) "OSA" means the *Securities Act* (Ontario), as amended;

(t) "person" means

(i) an individual,

(ii) a corporation,

(iii) a partnership, trust, fund, association, syndicate, organization or other organized group of persons, whether incorporated or not, and

(iv) an individual or other person in that person's capacity as a trustee, executor, administrator or personal or other legal representative;

(u) "Plan" means this Incentive Stock Option Plan as the same may be amended and/or restated from time to time;

(v) "related entity" has the same meaning ascribed to that term in NI 45-106; "Securities Regulators" has the meaning ascribed to that term in Section 11; and

(w) "Share" means, subject to Section 10, a common share, without nominal or par value, in the capital of the Corporation.

2.2 Unless otherwise indicated, all dollar amounts referred to in this Option Plan are stated in Canadian funds.

2.3 All section, subsection and paragraph references used in this Plan are references to sections, subsections and paragraphs in this Plan.

2.4 As used in this Plan, words importing the masculine gender shall include the feminine and neuter genders and words importing the singular shall include the plural and vice versa, unless the context otherwise requires.

3. Administration of the Plan

3.1 The Plan shall be administered by the Board with the assistance of the Compensation Committee.

3.2 The Compensation Committee shall, on at least an annual basis, make recommendations to the Board as to the grant of Options.

3.3 Subject to the limitations of the Plan, the Board shall have the authority:

(a) to grant Options to Eligible Persons;

(b) to determine the terms, limitations, restrictions and conditions applicable to any Option granted hereunder;

(c) to interpret the Plan and to adopt, amend and rescind such administrative guidelines and other rules and regulations relating to the Plan as it shall from time to time deem advisable; and

(d) to make all other determinations and to take all other actions in connection with the implementation and administration of the Plan as it may deem necessary or advisable.

The Board’s guidelines, rules, regulations, interpretations and determinations shall be conclusive and binding upon the Corporation and all other persons.

3.4 The Board may authorize one or more officers of the Corporation to execute and deliver and to receive documents on behalf of the Corporation.

4. Shares Subject to the Plan

4.1 The maximum aggregate number of Shares which may be issued pursuant to the exercise of Options granted under the Plan shall not exceed 20,000,000 Shares, subject to adjustment as provided in Section 10.

4.2 The total number of Shares that may be reserved for issuance to any one person pursuant to Options shall not exceed 5% of the Shares of the Corporation outstanding on a non-diluted basis on the Grant Date of the Options.

4.3 Notwithstanding that this Plan contains provisions contrary to or inconsistent with the following terms:

(a) the maximum number of Shares that may be reserved for issuance pursuant to Options granted under the Plan to insiders of the Corporation and their associates, together with the number of Shares reserved for issuance to such insiders and their associates under the Corporation’s other security based compensation arrangements, shall not exceed 10% of the Shares of the

Corporation outstanding on a non-diluted basis at the Grant Date of the Options; and

(b) the maximum number of Shares which may be issued to insiders of the Corporation and their associates under the Plan within any one-year period, when taken together with the number of Shares issued to such insiders and their associates under the Corporation's other security based compensation arrangements, shall not exceed 10% of the Shares of the Corporation outstanding on a non-diluted basis at the end of such period and, in the case of any one insider and his associates, shall not exceed 5% of such outstanding Shares.

4.4 Options may be granted in respect of authorized and unissued Shares. Shares in respect of which Options have expired, were cancelled or otherwise terminated for any reason without having been exercised shall be available for subsequent Options under the Plan. No fractional Shares may be purchased or issued under the Plan.

5. Grants of Options

5.1 Subject to the provisions of the Plan, the Board may, in its sole discretion and from time to time, determine those Eligible Persons to whom Options will be granted and the date on which such Options are to be granted (the "Grant Date"). The Board will also determine, in its sole discretion, in connection with each grant of Options:

(a) the number of Options to be granted;

(b) the Option Price applicable to each Option, but the Option Price shall not be less than the Market Value per Share on the Grant Date;

(c) subject to Subsection 6.3, the Option Period; and

(d) the other terms and conditions (which need not be identical and which, without limitation, may include non-competition provisions) applicable to such Options.

6. Eligibility, Vesting and Terms of Options

6.1 Options may be granted to Eligible Persons only.

6.2 Subject to the adjustments provided for in Section 10 hereof, each Option shall entitle the Optionee to purchase one Share.

6.3 In no event shall the Option Period expire later than 4:30 p.m. (Vancouver time) on the tenth anniversary of the Grant Date for the applicable Option.

6.4 (a) Subject to paragraph 6.4(b) and Section 8, an Option that is subject to vesting may, once vested, be exercised (in each case to the nearest full Share) at any time during the Option Period.

(b) Options granted on or after March 3, 2010 may, once vested, be exercised only if the volume-weighted average price of the Shares on the Exchange has been equal to or greater than $0.70 for the 60 consecutive trading days preceding the date of exercise.

6.5 Board may determine when any Option shall become vested and exercisable and may determine that the Option shall be vested and exercisable in installments.

6.6 Option is personal to the Optionee and is non-assignable and non-transferrable otherwise than by will or by the laws governing the devolution of property in the event of death of the Optionee.

6.7 Notwithstanding the foregoing, if an Option expires:

(a) within a Black-out Period, the date of expiry will be the date which is ten Business Days after expiry of the Black-out Period; or

(b) within nine Business Days after the end of a Black-out Period, the date of expiry will be the date which is ten Business Days after expiry of the Black-out Period less the number of Business Days between the date of expiry of the Option and the date on which the Black-out Period ends.

6.8 The term of expiry pursuant to paragraphs 6.7 (a) or (b) is fixed and is not subject to the discretion of the Board.

7. Option Agreement

7.1 As soon as practicable following the grant of an Option, the Corporation and the Optionee shall enter into an option agreement substantially in the form set out in Appendix A, which agreement shall set out the Optionee's agreement that the Options are subject to the terms and conditions set forth in the Plan as it may be amended or replaced from time to time, the Grant Date, the name of the Optionee, the number of Options, the Option Price, the expiry date of the Option Period, vesting terms and such other terms and conditions as the Board may deem appropriate.

8. Termination of Employment, Engagement or Directorship

8.1 Except as otherwise determined by the Board, in the event that an Optionee ceases to be an Eligible Person:

8.1.1 for any reason other than death, retirement, early retirement, sickness or disability, each of the Options held by the Optionee shall cease to be exercisable after the date of termination of the Optionee's position as a director, officer, employee or consultant (as the case may be);

8.1.2 as a result of retirement (other than early retirement), all of the Optionee's vested Options shall continue in force notwithstanding the termination of the Optionee's position as a director, officer, employee or consultant (as the case may be);

8.1.3 by reason only of early retirement as permitted under the provisions of the Corporation's pension plan or, with the consent of the committee appointed under the said pension plan for the administration thereof, at any time for reasons of sickness or disability as determined by such committee, the Optionee's vested Options shall continue in force notwithstanding the termination of the Optionee's position as a director, officer, employee or consultant (as the case may be); and

8.1.4 as a result of death, the legal representatives of an Optionee may exercise the Optionee's vested Options within six months after the date of the Optionee's death to the extent such Options were by their terms vested and exercisable as of the date of the Optionee's death or within the period of six months following the Optionee's death;

but for greater certainty no Option shall be exercisable after the expiry of the Option Period applicable thereto.

8.2 The Plan shall not confer upon any Optionee any right with respect to a continuation of employment or engagement by, or directorship of, the Corporation or its related entity nor shall it interfere in any way with the right of the Corporation or its related entity to terminate any Optionee's employment, engagement or directorship at any time.

8.3 For the purposes of section 8, termination in the case of an employee (including officers that are also employees) is determined to be the last day of active employment with the Corporation or its related entity, as the case may be, regardless of any salary continuance or notice period provided from or to the Corporation or implied by or otherwise available at law.

8.4 For greater certainty, an Option that was not vested at the time that the relevant event referred to in this Section 8 occurred, shall not be or become exercisable and shall be forthwith cancelled at the date of termination of the Optionee's position as director, officer, employee or consultant.

9. Exercise of Options

9.1 Subject to the provisions of the Plan, Options may be exercised from time to time by delivery to the Corporation at its registered office of a written notice of exercise, substantially in the form set out in Appendix B, addressed to the Chief Financial Officer of the Corporation specifying the number of Shares with respect to which the Options are being exercised, together with a certified cheque or bank draft for the aggregate of the Option Prices to be paid for the Shares to be acquired. Certificates for such Shares shall be issued and delivered to the Optionee within a reasonable time following the receipt of such notice and payment.

9.2 The Optionee may, in lieu of an exercise of Options under Subsection 9.1, exercise Options for a number of Shares without payment of the Option Price by notice to the Corporation in writing specifying the Optionee is subscribing for that number of Shares to which the Optionee is entitled to purchase, without payment of the Option Price. The number of Shares to be issued or provided to the Optionee is the number obtained by dividing (a) the difference between the Market Value and the Option Price multiplied by the number of Shares in respect of which the Options would otherwise be exercised with payment of the Option Price, by (b) the Market Value. In lieu of fractional Shares, there will be paid to the Optionee by the Corporation upon the exercise of such Options pursuant to this Subsection 9.2 within ten (10) Business Days after the date of exercise, an amount in lawful money of Canada equal to the then Market Value of such fractional interest, provided that the Corporation will not be required to make any payment, calculated as aforesaid, that is less than ten dollars ($10.00).

9.3 At the option of the Corporation, upon the exercise of Options by the Optionee under Subsections 9.1 or 9.2, the Corporation may, in lieu of the issue of Shares, pay to the Optionee in cash an amount equal to (a) the difference between the Market Value and the Option Price multiplied by (b) the number of Shares in respect of which the Options have been exercised.

9.4 No less than 100 Options may be exercised at any one time, except where a smaller number of vested Options is held by the Optionee, in which case, such smaller number of Options must be exercised at one time.

10. Adjustment on Alteration of Share Capital

10.1 In the event of a subdivision, consolidation or reclassification of outstanding Shares or other capital adjustment, or the payment of a stock dividend thereon, the number of Shares reserved or authorized to be reserved under the Plan, the number of Shares receivable on the exercise of an Option and the Option Price therefor shall be increased or reduced proportionately and such other adjustments shall be made as may be deemed necessary or equitable by the Board in its sole discretion to prevent dilution or enlargement and such adjustment shall be binding for all purposes of the Plan.

10.2 If the Corporation amalgamates, consolidates with or merges with or into another body corporate, whether by way of amalgamation, statutory arrangement or otherwise (the right to do so being hereby expressly reserved), the holder of an Option will, upon exercise thereafter of such Option, be entitled to receive and compelled to accept, in lieu of Shares, such other securities, property or cash which the Optionee would have received upon such amalgamation, consolidation or merger if the Optionee had exercised his or her Option immediately prior to the effective date of such amalgamation, consolidation or merger.

10.3 In the event of a change in the Corporation’s currently authorized Shares which is limited to a change in the designation thereof, the shares resulting from any such change shall be deemed to be Shares within the meaning of the Plan.

10.4 In the event of any other change affecting the Shares, such adjustment, if any, shall be made as may be deemed necessary or equitable by the Board to properly reflect such event and such adjustment shall be binding for all purposes of the Plan.

10.5 No adjustment provided in this Section 10 shall require the Corporation to issue a fractional Share and the total adjustment with respect to each Option shall be limited accordingly.

10.6 If, at any time when an Option granted under the Plan remains unexercised, an offer to purchase all of the Shares of the Corporation is made by a third party, the Corporation shall use reasonable efforts to bring such offer to the attention of the Optionee as soon as practicable and the Corporation may, at its option, require the acceleration of the time for the exercise of the

Options granted under the Plan and of the time for the fulfillment of any conditions or restrictions on such exercise and such required acceleration of time shall be binding for all purposes of the Plan.

10.7 Notwithstanding any other provision herein, if because of a proposed merger, amalgamation or other corporate arrangement or reorganization, the exchange or replacement of Shares in the Corporation of those in another company is imminent, the Board may, as deemed necessary or equitable by the Board in its sole discretion, determine the manner in which all unexercised option rights granted under the Plan shall be treated including, for example, requiring the acceleration of the time for the exercise of such rights by the Optionee and of the time for the fulfillment of any conditions or restrictions on such exercise. All determinations of the Board under this Subsection 10.7 shall be final and binding for all purposes of the Plan.

11. Regulatory Approval

11.1 Notwithstanding any of the provisions contained in the Plan or any Option, the Corporation's obligation to grant Options and issue Shares and to issue and deliver certificates for such securities to an Optionee pursuant to the exercise of an Option shall be subject to:

11.1.1 compliance with all applicable laws, regulations, rules, orders of governmental or securities regulatory authorities in Canada ("Securities Regulators")

11.1.2 compliance with the requirements of the Exchange; and

11.1.3 receipt from the Optionee of such covenants, agreements, representations and undertakings, including as to future dealings in such Shares, as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

11.2 The Corporation shall in no event be obligated to take any action in order to cause the issuance and delivery of such certificates to comply with any laws, regulations, rules, orders or requirements.

11.3 If any amendment, modification or termination to the provisions hereof or any Option granted are required by any Securities Regulators, a stock exchange or a market as a condition of approval to a distribution to the public of any Shares or to obtain or maintain a listing or quotation of any Shares, the Board is authorized to make such amendments and thereupon the Plan and any outstanding Options (including any option agreement made pursuant hereto) shall be deemed to be amended accordingly without requiring the consent or agreement of any Optionee. The Corporation will give notice of any such amendment, modification or termination to each holder of Options as soon as reasonably practicable following the same, but failure to provide notice will not invalidate such amendment, modification or termination.

12. Miscellaneous

12.1 An Optionee entitled to Shares as a result of the exercise of an Option shall not be deemed for any purpose to be, or to have rights as, a shareholder of the Corporation by such exercise, except to the extent Shares are issued therefor and then only from the date such

Shares are issued. No adjustment shall be made for dividends or distributions or other rights for which the record date is prior to the date such Shares are issued pursuant to the exercise of Options.

12.2 The Corporation may require an Optionee, as a condition of exercise of an Option, to pay or reimburse any taxes which are required to be withheld in connection with the exercise of such Option.

13. Effective Date, Amendment and Termination

13.1 The Plan is effective as of July 22, 2004, as amended or replaced from time to time.

13.2 The Board may, subject where required to approval by Securities Regulators and/or an Exchange, from time to time amend, suspend or terminate the Plan in whole or in part.

13.3 No action by the Board to terminate the Plan pursuant to this Section 13 shall affect any Options granted hereunder prior to such action.

13.4 Subject to Subsection 13.5, the Board may amend the Plan or any Option at any time in its absolute discretion without the approval of the shareholders of the Corporation to:

(a) amend the time or times that the Shares subject to each Option will become purchasable by an Optionee, including accelerating the vesting terms, if any, applicable to an Option;

(b) amend the process by which an Optionee who wishes to exercise his or her Option can do so, including the required form of payment for the Shares being purchased, the form of exercise notice and the place where such payments and notices must be delivered;

(c) extend the term of an Option, other than an Option held by an insider of the Corporation;

(d) amend the terms of the Plan relating to the effect of termination, cessation or death of an Optionee on the right to exercise Options (including Options held by an insider);

(e) make any amendments to the Plan that are of a typographical, grammatical or clerical nature; and

(f) make any amendments necessary to bring the Plan into compliance with the securities and corporate laws and the rules and policies of an Exchange.

13.5 The shareholders of the Corporation shall be required to approve any amendment to the Plan or an Option which:

(a) reduces the exercise price of an Option;

(b) extends the term of an Option held by an insider;

(c) removes or exceeds the insider participation limits described in Subsection 4.3; or

(d) increases the aggregate maximum number of Shares which may be issued pursuant to the exercise of Options granted under the Plan.

Shares held directly or indirectly by insiders who may benefit from any of amendments (a), (b) or (c) above shall not be included in the vote on the resolution approving any such amendment.

In the event that the insider participation limits set out in either of Subsections 4.3 (a) or (b) is removed from the Plan, the Shares held directly or indirectly by insiders who may benefit from amendment (d) above shall not be included in the vote on the resolution approving any such amendment.

APPENDIX A

INCENTIVE STOCK OPTION PLAN

OF

WESTERN FOREST PRODUCTS INC.

OPTION AGREEMENT

This Option Agreement is entered into between Western Forrest Products Inc. (the "Corporation") and the Optionee named below pursuant to the Corporation's Incentive Stock Option Plan (the "Plan") a copy of which are attached hereto, and confirms the following:

1. Grant Date: ______________________________

2. Optionee: ______________________________

3. Number of Options: ______________________________

4. Option Price ($ per Share): $______________________________

5. Expiry Date of Option Period: ______________________________

6. Each Option that has vested entitles the Optionee to purchase one Common Share of the Corporation at any time up to 4:30 p.m. Vancouver time on the expiry date of the Option Period. The Options vest as follows:

   [Insert vesting arrangements]

7. This Option Agreement is subject to the following terms and conditions:

   [Insert terms and conditions set by the Board applicable to the particular Grant]

8. This Option Agreement is subject to the terms and conditions set out in the Plan, as amended or replaced from time to time. In the case of any inconsistency between this Option Agreement and the Plan, the Plan shall govern.

9. Unless otherwise indicated, all defined terms shall have the respective meanings attributed thereto in the Plan.

10. By signing this agreement, the Optionee acknowledges that he, she, or its authorized representative has read and understands the Plan.

IN WITNESS WHEREOF the parties hereto have executed this Option Agreement as of the ____ day of __________________, ________________.

WESTERN FOREST PRODUCTS INC.

______________________________________ Per: _____________________________________

Signature of Optionee Authorized Signatory

Per: _____________________________________

Authorized Signatory

Western Forest Products Inc.

APPENDIX B

REQUEST TO EXERCISE STOCK OPTION

I wish to exercise the Western Forest Products Inc. stock option granted to me as follows:

1. Date stock was granted ______________________________, ___________.
2. Number of shares to be exercised ______________________.
3. Option price per share $ _________________.

PURCHASE
☐ Cheque in the amount of $____________ enclosed. (Option price multiplied by the number of shares to be purchased); or ☐ I elect to exercise the cashless exercise right described in Subsection 9.2 of the Plan. Share certificate(s) to be registered in the name of: _______________________ Mailing address: ____ ____ ____

Name ____

Signature ____

Date of Exercise ____

Please send request to: Stephen Williams
Senior Vice President, Chief Financial Officer and
Corporate Secretary
Western Forest Products Inc.
510 – 700 West Georgia Street
TD Tower, P.O. Box 10032
Vancouver, BC
V7Y 1A1
e-mail: swilliams@westernforest.com

Western Forest Products Inc.

PROCEDURE TO EXERCISE OPTIONS

If you wish to exercise your option please follow the procedure below:

Employees wishing to exercise their option and hold their option in the form of shares can do so, or alternatively, employees are free to use any financial agent they wish to exercise their option and sell the shares.

I. Complete the "Request to Exercise Stock Option" form (attached) and e-mail the completed form to the address shown on the bottom of the form, along with,

II. A personal cheque payable in Canadian funds to Western Forest Products Inc. for the value of the option exercised.

On the day of receipt of I and II above, Western Forest Products Inc. will direct Computershare Investor Services Inc. (transfer agent) to issue the said certificate. Within approximately three days the certificate will be delivered to the address requested. Please ensure that the full delivery address, including contact name is on the "Request to Exercise Stock Option" form.

As a result of having exercised the stock option you will have incurred a taxable benefit which will be recorded as income for tax purposes. For the purpose of calculating the taxable benefit Western Forest Products Inc. will use the market low of Western Forest Products common shares on the date of sale. You should be aware that this valuation may differ from the price at which shares are actually sold.

Please note that CRA requires that option exercises are subject to withholding taxes and CPP deductions (if applicable).