

Annual Report

Annual Information Form dated January 31, 2000

99

West Fraser

TIMBER CO. LTD.



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WEST FRASER'S WEB SITE IBC

1999 HIGHLIGHTS

RECORDS:

Sales
\$2.2 billion

Earnings
\$147 million

Lumber Production
1.6 billion feet

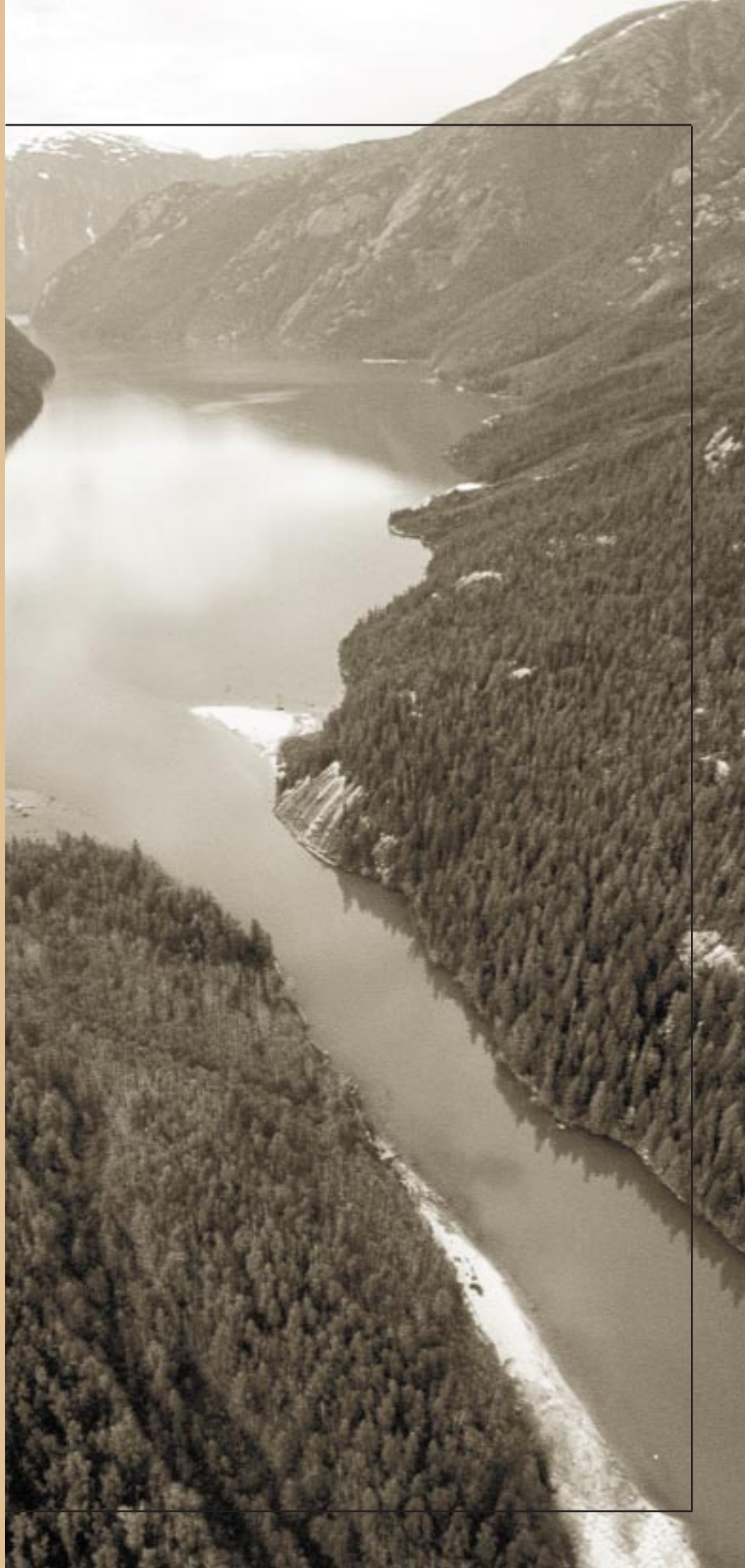
Panel Production
252 MMsf

Pulp and Paper Production
895,000 tonnes

- Expansion into plywood
- Revy Home & Garden expands into Toronto
- 300-millionth tree planted
- Forest Care certification in Alberta

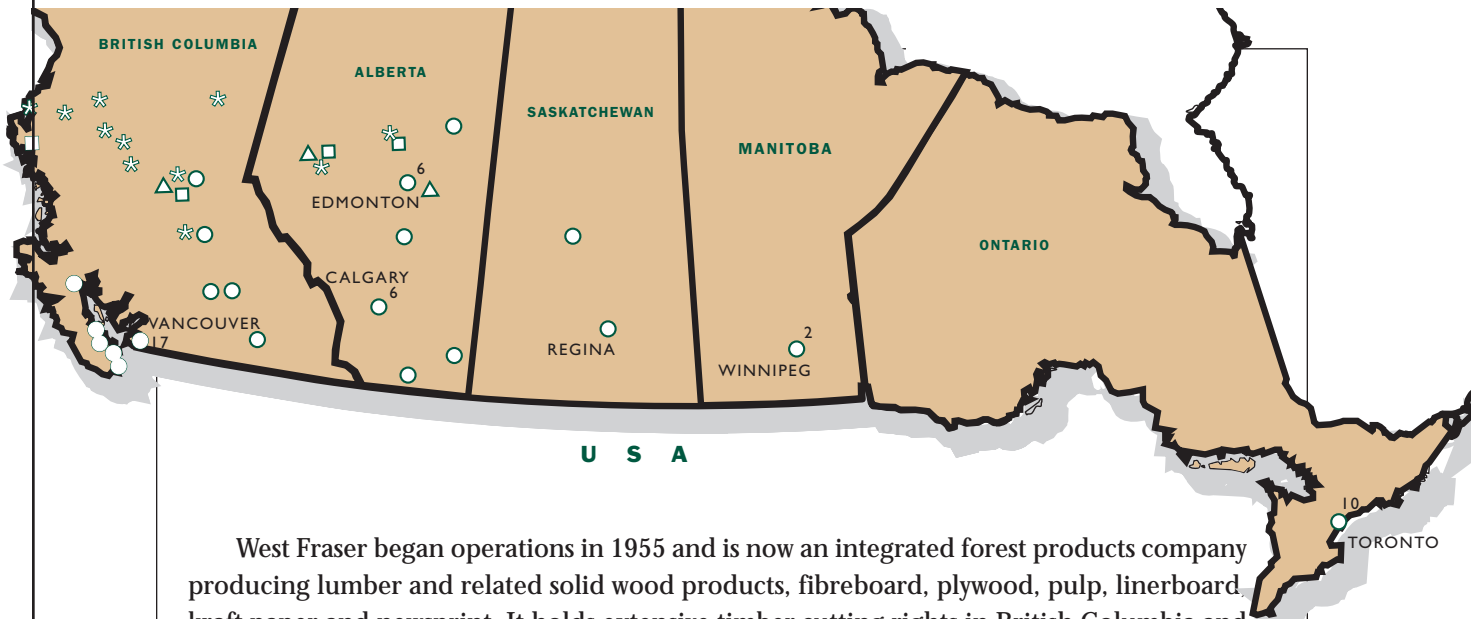
The Kitlope Watershed

Five years after being relinquished by West Fraser, the Kitlope remains a symbol of balance between preservation and sustainable development.



INTRODUCTION

Corporate Profile and Map of Operations



West Fraser began operations in 1955 and is now an integrated forest products company producing lumber and related solid wood products, fibreboard, plywood, pulp, linerboard, kraft paper and newsprint. It holds extensive timber-cutting rights in British Columbia and Alberta which provide raw material for its manufacturing operations. West Fraser also owns and operates a chain of retail home improvement stores in Canada.

LEGEND

Lumber

West Fraser has interests in 11 sawmills producing lumber and by-product wood chips.
Quesnel, Williams Lake, Smithers, Chetwynd, Fraser Lake, Terrace, Prince Rupert, Blue Ridge, Slave Lake, Houston, Burns Lake

Panels

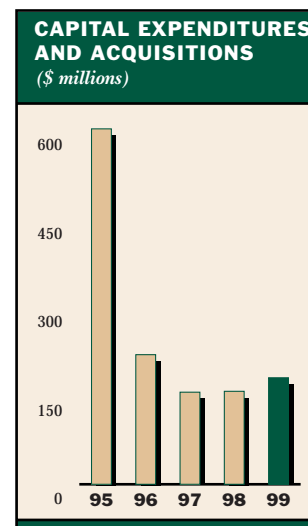
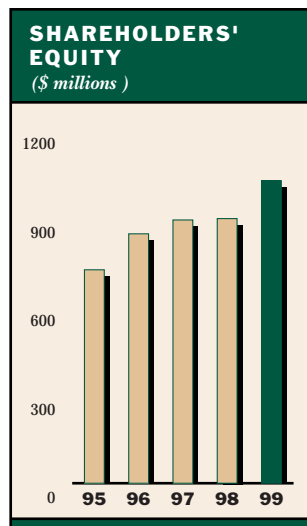
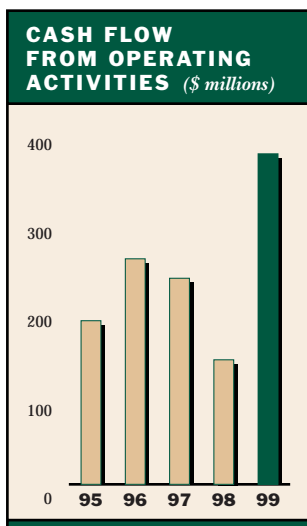
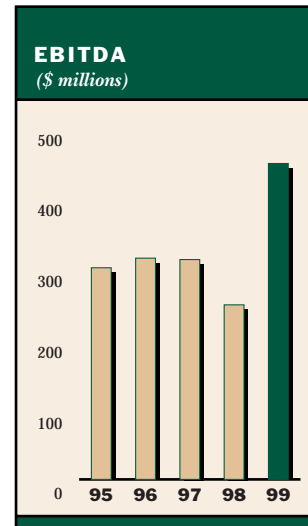
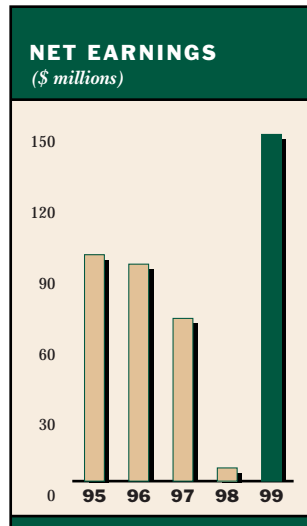
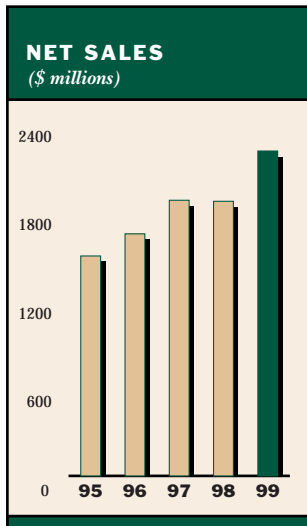
MDF is produced at Blue Ridge and Quesnel.
 Plywood is produced at Edmonton.

Pulp & Paper

West Fraser produces linerboard, kraft paper, softwood and hardwood BCTMP and newsprint.
Eurocan Pulp & Paper, Slave Lake Pulp, Quesnel River Pulp Company, Alberta Newsprint Company

Retail Home Improvement Stores

Retail Home Improvement banners:
 Revelstoke Home Centres 37 stores
 Revy Home & Garden 12 stores
 Lansing Buildall 8 stores



INTRODUCTION

Financial and Operating Highlights

	1999	1998
SALES AND EARNINGS (<i>\$ millions</i>)		
Net sales	2,204	1,863
Operating earnings	321	119
Net earnings	147	6
Cash flow from operating activities	374	141
COMMON SHARE DATA (<i>in dollars except shares outstanding</i>)		
Common shares outstanding (thousands)		
Weighted average	29,733	29,004
Year-end position	30,331	29,070
Cash flow from operating activities per share	12.32	4.85
Basic earnings per share	4.88	0.05
Fully diluted earnings per share	4.75	0.05
Cash dividends declared per share	0.54	0.54
Book value per share	33.27	29.16
Price range of common shares		
High	40.00	41.00
Low	29.00	19.05
Close	37.50	29.75
FINANCIAL POSITION (<i>\$ millions</i>)		
Working capital	344	325
Total assets	2,265	2,109
Long-term debt	590	718
Shareholders' equity	1,026	898
ANALYTICAL DATA		
Current ratio	1.76	2.05
Capital asset additions and acquisitions (\$ millions)	181	158
Net debt to capitalization	0.36	0.47
Return on average common shareholders' equity	15.8%	0.2%

		1999	1998
LUMBER			
	Production (MMfbm)	1,645	1,513
	Shipments (MMfbm)	1,612	1,540
	Sales (\$ millions)	811	669
	Operating earnings (\$ millions)	249	77
PANELS			
MDF	Production (MMsf)	215	181
	Shipments (MMsf)	212	180
PLYWOOD*	Production (MMsf)	37	-
	Shipments (MMsf)	38	-
	Sales (\$ millions)	119	78
	Operating earnings (loss) (\$ millions)	7	(10)
PULP & PAPER			
Linerboard	Production (tonnes)	330,846	311,438
	Shipments (tonnes)	356,584	291,859
Kraft paper	Production (tonnes)	102,756	104,022
	Shipments (tonnes)	111,406	95,519
BCTMP	Production (tonnes)	337,390	288,020
	Shipments (tonnes)	340,093	280,603
Newsprint	Production (tonnes)	124,351	122,957
	Shipments (tonnes)	123,132	122,631
	Sales (\$ millions)	486	442
	Operating earnings (\$ millions)	34	39
RETAIL HOME IMPROVEMENT			
Number of stores			
	Revelstoke Home Centres	37	38
	Revy Home & Garden	12	11
	Lansing Buildall	8	9
	Sales (\$ millions)	788	688
	Operating earnings (\$ millions)	37	29
* Acquired November 3, 1999			

INTRODUCTION

Report to Shareholders



1999 was a year of outstanding accomplishment at West Fraser. We had the highest sales, highest earnings and highest cash flow in our 44-year history, record production at twelve of our manufacturing operations and record sales in our retail business. Overall costs were lower in every business unit compared to 1998.

Earnings in 1999 were \$147 million or \$4.75 per common share on sales of \$2,204 million. This compares to 1998 earnings of \$6 million or \$0.05 per share on sales of \$1,863 million. Cash flow from operations was \$374 million compared to \$141 million in 1998. Spending on capital improvements, asset additions and acquisitions totaled \$181 million in 1999 compared to \$158 million in 1998. The Company paid cash dividends of \$0.54 per common share in 1999.

It is through the combined efforts of West Fraser's employees that we are able to attain these excellent results. A rigorous focus on cost control, and a striving for year-over-year production increases and profitability – no matter what the market – permeates each of our operations.

Safety remains a top priority throughout West Fraser. We are striving to make each of our operations safer every year and safer than

the industry as a whole. In 1999 we did not meet our safety goals, yet our focus did not waiver. In 2000 we expect each operation's safety success will bear out the results of safety initiatives we have begun this past year, and we will achieve better results each year in the future.

Our lumber business was the major contributor to our earnings in 1999, as lumber markets strengthened significantly during the second quarter and remained strong through the rest of the year. This was the result of continued growth in the U.S. economy and low mortgage rates. Importantly also, we have continued to drive down manufacturing costs in our sawmills by investing in machinery to improve lumber recovery. Expenditures in fast-payback capital improvements reduced costs from what already was a competitive base and will keep West Fraser positioned as one of the lowest cost and most efficient producers of softwood lumber in the industry.

In November, we broadened our panel business and enhanced our growing presence in Alberta by purchasing the forest assets of Zeidler Forest Industries Ltd. in Slave Lake and Edmonton. Zeidler, which we have renamed Alberta Plywood, is among the lowest-cost plywood producers in Canada. This

acquisition provides further integration in Alberta by adding a strong timber base and a complementary product. Alberta Plywood is a well-run operation with outstanding people who will contribute to West Fraser's future success.

Our medium density fibreboard business made considerable progress during the year. The flexible configuration of our plants allows us to develop new products, and our high-quality fibre is a benefit in the marketplace. Prices for these products are strengthening as demand for MDF is increasing worldwide. As our cost-competitive position strengthens, we are on our way to becoming an industry leader in North America.

During the year, three of our four pulp and paper operations, Slave Lake Pulp, Quesnel River Pulp and Eurocan, reported record production. Alberta Newsprint, our joint venture operation, barely missed a record but continues to be one of the lowest cost, most efficient and profitable producers in the business. We have cut costs significantly at our BCTMP mills at Slave Lake and Quesnel and focused our marketing efforts on higher margin areas.

During the year, U.S. prices for pulp and linerboard advanced from the near-record low levels reached during the last half of 1998 and early 1999. Prices for kraft paper and newsprint, on the other hand, remained under pressure. The fundamentals of these product categories suggest a healthy pricing environment in 2000 and we are positioned to take advantage of the uptrend.

During the year we achieved record production and shipments at our Kitimat linerboard and Kraft paper mill while reducing our costs by over 6%. However, to compete effectively in the global linerboard and kraft

paper business, we must improve operating efficiency and reduce our costs, each by a further 10%. This is an important challenge that can only be accomplished through the collective effort of the entire team of employees at this facility.

Over the past few years we have developed our retail business into one of the leading home improvement chains in Canada. Vigorous growth continued last year with further expansion into the Greater Toronto market where we opened two new warehouse stores and acquired several future building sites. By the end of 2000 we expect to be operating five full-service warehouse stores in the Toronto area along with our existing chain of smaller Lansing stores. Furthermore, we have rationalized a number of stores to streamline and bolster this business. In December, we announced the closure of our Surrey, British Columbia warehouse store along with two smaller stores. In the coming year, we will continue to expand and strengthen this business.

In addition to our operational achievements, the year was highlighted by several environmental successes. 1999 marked the fifth anniversary of West Fraser's decision to relinquish our cutting rights in the vast Kitlope watershed south of Kitimat, B.C. This historic decision symbolizes West Fraser's commitment to finding solutions to the competing interests of preservation and sustainable development. Today, the 317,000 hectare Kitlope watershed is preserved in perpetuity. We are proud of our role in preserving this beautiful piece of British Columbia for future generations.

The Forest Practices Board of British Columbia released the results of two full-scale audits of West Fraser's operations. These audits confirmed that we are operating in

INTRODUCTION

Report to Shareholders

accordance with, and in some cases exceeding, the very stringent requirements of the Forest Practices Code. In Alberta our lumber, MDF and pulp operations received Forest Care Certification while Alberta Newsprint passed its second round of Forest Care Audits. Recognizing the changing requirements of our industry, we are also pursuing ISO certification in our woodlands.


Apart from these operational and environmental achievements, the B.C. industry continues to operate in an over-regulated and bureaucratic environment. We must not let the current cyclically strong pricing environment mask the fundamental flaws in our regulatory regime, which will again become evident when the markets recede. Industry and government must continue to work towards a more streamlined and cost-effective regulatory system.

Also, it is important to note that West Fraser's competitiveness, and that of all Canadian producers, is constrained by the effects of the Softwood Lumber Agreement. In 1999 West Fraser and others curtailed production to reduce the punitive duties arising from this Agreement. The Agreement will expire in March 2001. It is vital that the Canadian industry develop a strong and unified approach to assure free and unfettered access to U.S. lumber markets.

In closing, I want to acknowledge the contribution to our Company of one of our longest serving and most dedicated directors – Charlie Tittlemore – who passed away in June last year. Charlie's commitment and support will be missed.

As we enter the new millennium, West Fraser is positioned with a strong balance sheet, modern and efficient production facilities and a very competitive cost structure. Most importantly, we have an employee group dedicated to building a stronger and even more competitive company for the future. Together, we will find opportunities that will expand our business and enhance the value of West Fraser for our shareholders, employees and communities.

On behalf of the Board of Directors,



Henry H. Ketcham, III (signed)
Chairman of the Board,
President and Chief Executive Officer

CERTAIN OF THE INFORMATION PRESENTED IN THIS ANNUAL INFORMATION FORM, AND ANNUAL REPORT WHICH IT FORMS PART OF, MAY INCLUDE FORWARD-LOOKING STATEMENTS. THE ACCURACY OF SUCH STATEMENTS IS SUBJECT TO A NUMBER OF RISKS, UNCERTAINTIES AND ASSUMPTIONS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE COMPANY TO DIFFER MATERIALLY FROM THOSE PROJECTED INCLUDING, BUT NOT LIMITED TO, THE EFFECT OF GENERAL ECONOMIC CONDITIONS, INCLUDING THE LEVEL OF INTEREST RATES AND HOUSING STARTS, MARKET DEMAND FOR THE COMPANY'S PRODUCTS, THE EFFECT OF FORESTRY, LAND USE, ENVIRONMENTAL AND OTHER GOVERNMENTAL REGULATIONS, THE RISK OF LOSSES FROM FIRES, FLOODS AND OTHER NATURAL DISASTERS, AND THE COMPANY'S ABILITY TO EXECUTE ITS BUSINESS PLANS. THE COMPANY IS ALSO A LARGE EXPORTER AND IS AFFECTED BY CHANGES IN ECONOMIC ACTIVITY IN THE UNITED STATES, EUROPE AND ASIA, AND BY CHANGES IN CURRENCY EXCHANGE RATES AND RESTRICTIONS ON INTERNATIONAL TRADE.

West Fraser Timber Co. Ltd. is an integrated forest products company producing lumber, specialty wood products, wood chips, fibre-board, plywood, pulp, linerboard, kraft paper and newsprint. The Company carries on its operations through subsidiary companies and joint ventures (collectively, "West Fraser"). Most of the forest products manufactured by West Fraser are sold worldwide as commodities. The Company, through its indirect subsidiary, Revy Home Centres Inc. ("Revy"), operates a chain of retail home improvement stores in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

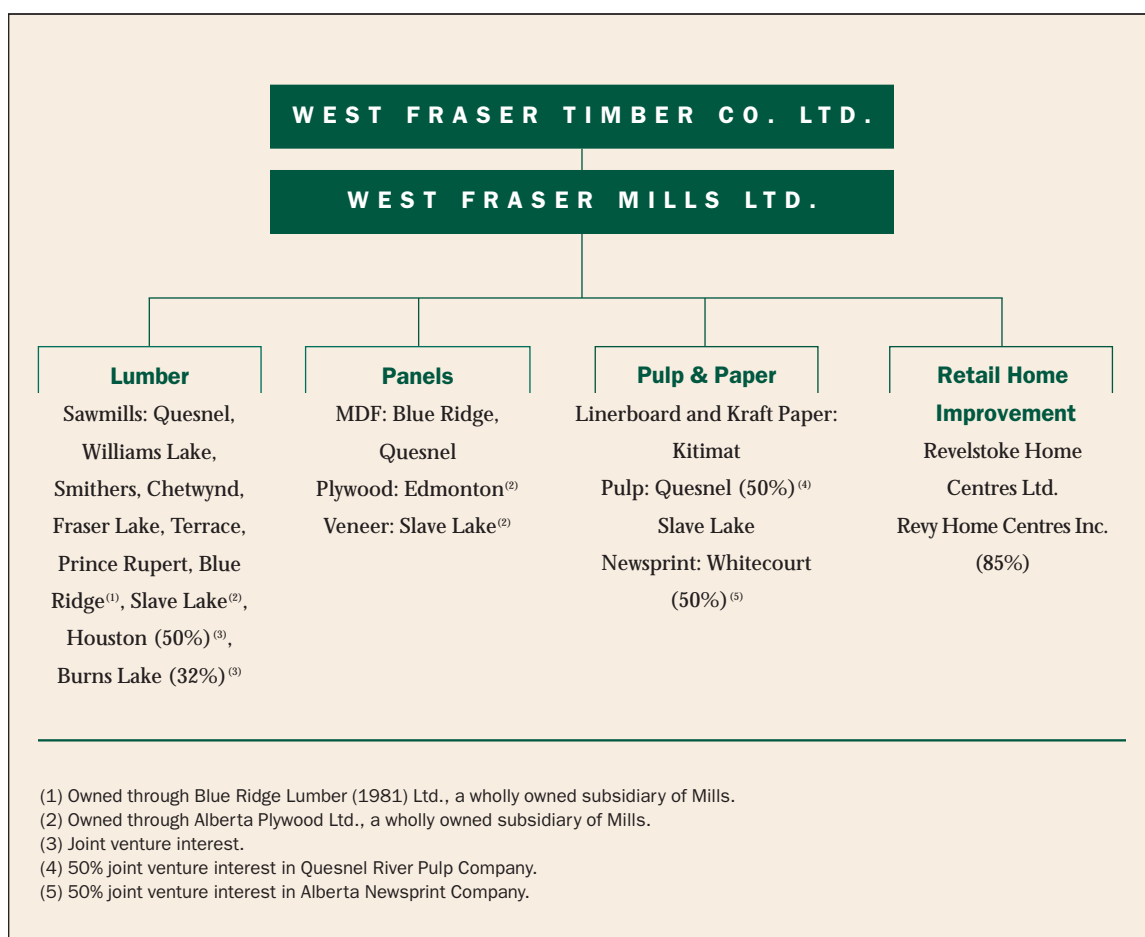
The Company began operations in 1955 and took on its present form in 1966 by the amalgamation of a group of companies under the *Company Act* (British Columbia). Its executive office is at 1000 – 1100 Melville Street, Vancouver, British Columbia, V6E 4A6.

West Fraser Mills Ltd. ("Mills"), the Company's principal operating subsidiary, owns directly or indirectly all of the Company's other subsidiaries and joint venture operations.

West Fraser holds timber-cutting rights in British Columbia and Alberta representing 6.2 million m³ of AAC from which harvesting operations provide raw material for its manufacturing operations. All of the softwood fibre requirements of West Fraser's pulp and paper mills and panel plants can be satisfied, directly or indirectly, from its own operations. West Fraser's share of the current annual capacities of its wholly owned and joint venture manufacturing facilities is approximately 1,730 MMfbm of lumber, 240 MMsf of plywood, 240 MMsf of MDF, 450,000 tonnes of linerboard and kraft paper, 350,000 tonnes of BCTMP and 125,000 tonnes of newsprint.

ANNUAL INFORMATION FORM

Corporate Structure



The above chart shows the relationship of the Company to its principal operating subsidiaries and the joint ventures in which it participates and, where less than 100%, the percentage of direct or indirect ownership by the Company.

Mills and Revelstoke Home Centres Ltd. (“Revelstoke”) subsist under the laws of British Columbia. Blue Ridge Lumber (1981) Ltd. is organized under the laws of Alberta. Alberta Plywood Ltd. and Revy are organized under the laws of Canada. Alberta Newsprint Company (“ANC”) is an unincorporated joint venture governed by the laws of Alberta. Quesnel River

Pulp Company (“QRP”) is an unincorporated joint venture governed by the laws of British Columbia.

West Fraser also owns West Fraser Overseas Ltd., incorporated under the laws of Antigua, which indirectly owns and develops timber plantations in South America.

ANNUAL INFORMATION FORM

Business of West Fraser

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HISTORY

West Fraser originated in 1955 when three brothers, Henry H. Ketcham, Jr., William P. Ketcham and Samuel K. Ketcham, acquired a small lumber planing mill at Quesnel. From 1955 to 1979 the business expanded through the acquisition of a number of sawmills and related timber rights in the interior of British Columbia and the development of a small chain of retail building supply stores.

In 1979 West Fraser formed the QRP joint venture with a Canadian subsidiary of Daishowa Paper Manufacturing Co. Ltd. of Japan to construct and operate a pulp mill at Quesnel.

In 1981 West Fraser acquired a 40% interest in Eurocan Pulp & Paper which owned a linerboard and kraft paper mill, two sawmills and partial interests in two joint venture sawmills. West Fraser increased its ownership to 50% in 1984 and in 1993 acquired the remaining 50%.

In 1989 West Fraser, together with Whitecourt Newsprint Company Limited Partnership and its partners, formed ANC to construct and operate a newsprint mill at Whitecourt, Alberta.

In 1995 West Fraser acquired the Blue Ridge sawmill and the Ranger Board MDF plant, both

located at Blue Ridge, Alberta, and the Slave Lake Pulp mill located at Slave Lake, Alberta.

West Fraser completed construction of the WestPine MDF plant at Quesnel in 1996.

In 1999, West Fraser acquired a plywood plant in Edmonton and a stud mill and veneer plant in Slave Lake.

West Fraser has expanded its retail operations since 1988 by constructing new traditional and full-service warehouse stores and through acquisitions. The most recent acquisition, that of Lansing Buildall, was accomplished through merging the existing home improvement operations of Revelstoke and Lansing Buildall, excluding the associated real estate holdings, into Revy, a new company. The former shareholders of Lansing Buildall acquired a 15% equity interest in Revy through the merger.

West Fraser's sales revenues from its various product lines over the last five years were as follows:

SALES REVENUES (\$ MILLIONS)

YEAR ENDED DECEMBER 31	1999	1998	1997	1996	1995
Lumber	\$ 811.4	\$ 668.6	\$ 811.2	\$ 782.0	\$ 633.3
Panels	118.7	78.3	71.6	48.7	9.5
Pulp and paper	485.6	441.5	441.0	438.5	548.4
Retail home improvement	788.4	688.2	546.9	372.6	300.6
Corporate and other	-	(13.2)	(0.9)	-	-
	\$ 2,204.1	\$ 1,863.4	\$ 1,869.8	\$ 1,641.8	\$ 1,491.8

ANNUAL INFORMATION FORM

Business of West Fraser

TIMBER TENURES

British Columbia About 95% of the timberland in British Columbia is owned by the province. Timber harvesting operations are regulated under the *Forest Practices Code of British Columbia Act* and under the *Forest Act* (British Columbia), which empowers the Minister of Forests to grant various forms of timber tenures, including forest licenses, TFLs and timber sale licenses.

A forest license confers the right to harvest a specified volume of timber on public lands. It usually has a term of 15 years and is replaceable every five years for a further 15-year term. The Ministry of Forests may also grant short-term non-replaceable forest licenses. A TFL requires the licensee to manage a defined land area to yield an annual harvest on a sustained yield basis. It has a term of 25 years and is replaceable every five years for a further 25-year term. Replacement of a forest license or TFL is subject to satisfactory performance by the licensee and to agreement on terms between the licensee and the Ministry of Forests.

The AAC is determined by the licensee for a TFL and by the Ministry of Forests for a forest license. In all cases the AAC must be approved by the Chief Forester of the province. Generally, the volume harvested under a forest license or TFL may differ from the AAC by up to 50% on an annual basis, but the average harvest must be within 10% of the AAC over any five-year period. All tenures in which West Fraser has an interest are currently in compliance with their cut control requirements.

Alberta Over 90% of the timberland in Alberta is owned by the province. Forest operations on public lands in Alberta are regulated under the *Forests Act* (Alberta), which empowers the Minister of Environmental Protection to grant various forms of timber tenures, including FMAs, timber quotas and timber permits. An FMA gives the holder rights to establish, grow and harvest timber on a defined land area and provides that the Minister of Environmental Protection recognizes the holder's rights to grow and harvest timber as the primary use of the FMA. An FMA generally has a 20-year term with provision for further 20-year renewal periods. Each FMA requires the holder to conduct a forest inventory and prepare a detailed forest management plan to determine the AAC and to have annual operating plans approved by the Ministry of Environmental Protection before harvesting begins.

A timber quota gives the holder the right to harvest, during a period of 20 years, a specified percentage of the AAC for a Forest Management Unit as determined by the Minister of Environmental Protection, and is renewable. The Ministry of Environmental Protection or the holder of the FMA is responsible for completing the forest inventory, preparing the forest management plan and allocating the volume of timber to be harvested by each quota holder. A quota holder must obtain a timber license issued by the Ministry that describes the area planned for logging by the quota holder and the time during which the timber may be harvested, usually a three-year to five-year period. The volume of timber that may be harvested under a timber quota may be varied from time to time by the Minister but, generally, is subject to review by the Minister every five years.

TIMBER SUPPLY

The Ministry of Forests of British Columbia completed a review of AAC levels for all TFLs and Timber Supply Areas in 1996. West Fraser's British Columbia operations were not materially affected. In 1997 the Ministry began a second timber supply review for the province, which is expected to be completed in 2001.

The following table summarizes the timber tenures supplying the mills which West Fraser owns or in which it has an interest, the AAC and the actual harvest in 1999:

LOCATION	TENURE ⁽¹⁾	EXPIRY DATE	AAC ⁽²⁾ (IN THOUSANDS OF M ³)	1999 HARVEST ⁽²⁾ (IN THOUSANDS OF M ³)
BRITISH COLUMBIA	Coniferous			
	Long-term tenures	2010-2020	3,754	3,959
	Short-term tenures	2000-2008	300	169
ALBERTA	Coniferous			
	Long-term tenures	2006-2019	1,491	2,758
	Short-term tenures	2000	125	430
	Deciduous			
	Long-term tenures	2009-2010	412	469
	Short-term tenures	2000	80	33

(1) Long-term tenures include TFLs, FMAs, timber quotas and forest licenses, which are renewable timber tenures. Short-term tenures include timber sale licenses and timber licenses, which are not renewable.
 (2) Figures for AAC and harvest are for West Fraser's interest only.

Annual log requirements for West Fraser's sawmills operating at stated capacity, including the proportionate requirements for the partly owned sawmills, total approximately 6.2 million m³, of which approximately 80% can be obtained from the tenures included in the above table. Additional timber needed to meet the log requirements is purchased on the open market.

WOOD CHIP SUPPLY

A significant portion of West Fraser's wood chip requirements is supplied from its own operations. This reduces its exposure to risks associated with wood chip price fluctuations and supply shortages. Fibre requirements of Eurocan Pulp & Paper, QRP and WestPine are

met primarily by West Fraser's sawmilling operations in British Columbia.

The Ranger Board MDF plant obtains its fibre directly from the Blue Ridge sawmill and other sawmills in the area. The Slave Lake mill consumes approximately 507,000 m³ of timber per year when operating at capacity. Of this requirement, 239,000 m³ (representing 47%) is available under the Slave Lake FMA. Additional fibre required by the mill is obtained from industrial salvage and purchases from local suppliers at prevailing market prices.

The annual fibre requirement of the ANC mill is approximately 650,000 m³, of which 95% is obtained from local sawmills, including the Blue Ridge sawmill, normally more than

ANNUAL INFORMATION FORM

Business of West Fraser

80% in trade for sawlogs. The balance is obtained from pulpwood harvested from ANC's FMA and direct fibre purchases.

HARVESTING OPERATIONS

West Fraser's harvesting operations are carried out by independent contractors supervised by its woodlands staff to ensure compliance with the terms of the timber tenures, statutes and regulations and with West Fraser's policies.

REFORESTATION

Under the terms of the timber tenures in British Columbia and Alberta, tenure holders are required to carry out reforestation to ensure re-establishment of the forest after harvesting. The determination of the type of reforestation to be performed in a particular area is based on the climate, terrain, species and other factors affecting regeneration of the forest. Each of West Fraser's reforestation projects is planned and supervised by its forestry staff and is approved by the relevant government authority.

STUMPAGE

The provinces of British Columbia and Alberta levy stumpage on timber harvested on Crown land. Under the market-index-based stumpage systems in place in British Columbia and Alberta, the stumpage paid for wood harvested is principally tied to prices received for lumber.

The reference price used in calculating stumpage in British Columbia is different from that used in Alberta. The lag time for calculating stumpage off the reference price also differs for the two provinces, with the result that Alberta stumpage rates are more market-sensitive.

CANADA-U.S. SOFTWOOD LUMBER AGREEMENT

Under the Canada-U.S. Softwood Lumber Agreement, which took effect on April 1, 1996, and expires on March 31, 2001. 14.7 billion board feet of lumber from the provinces of British Columbia, Alberta, Ontario and Quebec may be exported annually to the United States free of export duty. This annual quota of 14.7 billion board feet has been allocated by the federal government to each primary producer and re-manufacturer in the affected provinces such that each may export a specified quantity of softwood lumber to the United States without payment of export duty. Exports in excess of this level, or in excess of a quarterly maximum of 28.75% of the annual quota, incur an indexed charge which immediately before July 1, 1999, was US\$52.93 per Mfbm on the first 650 MMfbm, and US\$105.86 per Mfbm above that level.

Effective July 1, 1999, an additional charge has been levied against softwood lumber quota holders in British Columbia. The volume previously assigned at the US\$52.93 level was reduced by 25%. This 25% volume was repriced at US\$105.86 and additional volume attracts a charge of US\$146.25.

ABORIGINAL LAND CLAIMS

The governments of Canada and British Columbia have entered into negotiations to consider aboriginal land claims in British Columbia. This negotiation process is administered by the British Columbia Treaty Commission. Several native groups have filed notices of intention with the Treaty Commission to negotiate land claims in and around West Fraser's operating areas. It is expected that negotiations will last several years. West Fraser is not in a position to assess what future settlements, if any, may be made or how they may affect its operations. These claims may

result in increased aboriginal involvement in the management of the public lands on which West Fraser conducts its harvesting operations.

In 1998 the governments of British Columbia and Canada completed a treaty with the Nisga'a which is in the final stages of approval. It is not expected to have a material impact on West Fraser.

The Alberta government is in the process of settling a minor land claim in the Whitecourt FMA area. Management does not expect that there will be other land claim settlements affecting any of West Fraser's Alberta operating areas.

ENVIRONMENT

West Fraser's operations are subject to various federal, provincial and local environmental protection laws. It has programs under which all forestry and manufacturing operations are audited for compliance with applicable laws and standards, as well as management practices. The Environmental Committee of the Company's board of directors tours West Fraser's operations on a periodic basis and reviews its environmental procedures.

ENERGY

West Fraser's energy requirements are met mostly by provincial utilities and other third parties with the remainder being self-generated.

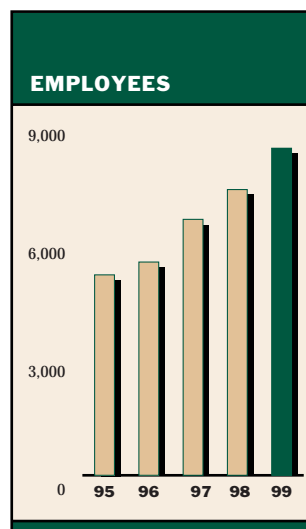
RESEARCH AND DEVELOPMENT

West Fraser supports joint industry research and development organizations and conducts research and development at several plants to improve processes, maximize resource utilization and develop new products and environmental applications.

HUMAN RESOURCES

As at December 31, 1999, West Fraser employed approximately 8,800 individuals in its operations, including 900 in its joint venture operations. Total remuneration paid to employees in 1999, including West Fraser's share of the joint venture operations, was \$171 million.

Approximately 36% of West Fraser's forest products employees are covered by collective agreements. Agreements in respect of 50% of these employees expire in 2000 and the balance in 2003.



ANNUAL INFORMATION FORM

Business of West Fraser

CAPITAL EXPENDITURES AND ACQUISITIONS

West Fraser invests much of its operating cash flow in upgrading and expanding its facilities and operations. West Fraser's capital

expenditures and acquisitions for the past five years are as follows:

CAPITAL EXPENDITURES AND ACQUISITIONS (\$ MILLIONS)					
YEAR ENDED DECEMBER 31	1999	1998	1997	1996	1995
Lumber	\$ 33.5	\$ 43.3	\$ 59.3	\$ 40.3	\$173.8
Panels	76.9	2.2	5.7	99.1	135.3
Pulp and paper	10.7	27.7	37.3	47.0	209.3
Retail home improvement	57.3	79.0	43.2	25.3	63.5
Other	2.7	5.5	10.7	8.1	20.9
	\$181.1	\$157.7	\$156.2	\$219.8	\$602.8

MARKETS

West Fraser's products are sold in competitive markets open to a number of companies with similar products. Purchasing decisions by customers are based on price, product quality and service, and are heavily influenced by general economic conditions.

The following table sets forth selected industry product average prices for the past five years. These prices do not necessarily reflect those obtained by West Fraser.

AVERAGE TRANSACTION PRICES (U.S. DOLLARS – EXCEPT PLYWOOD)					
	1999	1998	1997	1996	1995
2 x 4 random length SPF (per Mfbm) ⁽¹⁾	\$343	\$288	\$354	\$353	\$251
Plywood (per Msf 3/8" basis) ⁽²⁾	C\$442	C\$366	C\$379	C\$378	C\$377
MDF (per Msf 3/4" basis) ⁽³⁾	\$400	\$380	\$373	\$419	\$471
Newsprint (per tonne) ⁽⁴⁾	\$502	\$580	\$555	\$645	\$670
BCTMP Softwood pulp (per tonne) ⁽⁵⁾	\$391	\$391	\$414	\$410	\$763
Kraft paper (50 lb) (per tonne) ⁽⁶⁾	\$715	\$706	\$731	\$689	\$771
Kraft linerboard (42 lb) (per tonne) ⁽⁶⁾	\$435	\$402	\$375	\$414	\$562

(1) Random lengths.
(2) Source: Crow's Publications Ltd.
(3) Source: RISI and West Fraser database.
(4) Source: ANC database.
(5) Source: RISI.
(6) U.S. domestic price. Source: Forecaster.

LUMBER

Production West Fraser produces lumber and by-product wood chips from 11 sawmills, and has a plant at Quesnel producing finger-jointed studs out of trim blocks.

Annual capacity of each sawmill is based on operating two shifts per day, five days per week, except for Quesnel and Williams Lake which operate with a limited third shift each day and for Terrace and Prince Rupert, which currently operate on one shift.

Sales Lumber produced by wholly owned sawmills is sold by West Fraser's lumber sales department to retail and wholesale customers and lumber brokers. These lumber sales are influenced by the Canada-U.S. Softwood Lumber Agreement, which limits the quantity of lumber that may be

exported to the United States free of export tax. In 1999, 71% by value of lumber sales were to customers in the United States and 22% to Canadian customers, who resold a significant portion into the United States. Far Eastern and other customers accounted for the remaining 7%. Most of the sales to North American customers are shipped by rail. The remainder are shipped by truck directly to the customer or through reload facilities or shipped by water through West Fraser's deep-sea terminal at Kitimat. Lumber output from the joint venture sawmills at Houston and Burns Lake is marketed by Weldwood of Canada Limited, mainly in North America.

WEST FRASER'S SHARE OF LUMBER CAPACITY AND PRODUCTION (MMFBM)

	OWNERSHIP	1999	1998	1997	1996	1995
Capacity		1,730	1,620	1,600	1,600	1,460
Production:						
Quesnel	100%	293	274	276	285	294
Quesnel Finger-Joint	100%	25	21	23	21	21
Williams Lake	100%	153	148	141	140	134
Smithers	100%	192	166	165	158	150
Chetwynd	100%	204	190	187	187	171
Fraser Lake	100%	230	217	222	208	190
Terrace	100%	77⁽¹⁾	59 ⁽¹⁾	114	139	143
Prince Rupert ⁽¹⁾⁽²⁾	100%	6	12	6	6	4
Blue Ridge	100%	243	223	205	214	69
Slave Lake	100%	6	—	—	—	—
Houston	50%	129	119	122	118	122
Burns Lake	32%	87	84	83	86	82
		1,645	1,513	1,544	1,562	1,380

(1) Operating on a one-shift basis.

(2) Production refers to West Fraser's own production. The mill is used primarily to process timber owned by third parties on a custom cut basis.

ANNUAL INFORMATION FORM

Business Segments

PANELS

Production The Ranger Board plant was acquired in August 1995 and construction of the WestPine plant was completed in July 1996. These plants have the flexibility to produce MDF in varying thicknesses and widths. The Alberta Plywood plant was acquired in November 1999 together with a veneer plant at Slave Lake which is the primary source of its raw material.

Sales MDF is marketed under the names "Ranger™" and "WestPine™", and plywood is marketed under "Zed ply™". Panel sales are mainly in North America, with the balance exported to markets in the Far East and Europe through direct sales and distributors under the direction of West Fraser's sales personnel.

PANELS CAPACITY AND PRODUCTION (MMSF)					
MDF: 3/4" BASIS	1999	1998	1997	1996	1995
Capacity	240	210	210	210	110
Production:					
Ranger Board	127	113	99	87	14
WestPine MDF	88	68	62	15	—
	215	181	161	102	14
PLYWOOD: 3/8" BASIS					
Capacity	240	—	—	—	—
Production:					
Alberta Plywood	37	—	—	—	—

PULP AND PAPER

Linerboard and Kraft Paper

Production The Eurocan Pulp & Paper mill produces linerboard and kraft paper. Linerboard is sold worldwide to producers of corrugated shipping containers. Kraft paper is sold worldwide to a variety of paper converters whose product lines include a range of multiwall industrial sacks.

Sales All linerboard and kraft paper produced by the Eurocan Pulp & Paper mill is sold by West Fraser's sales department, principally through a sales agency agreement with Stora Enso Oyj, which gives West Fraser access to a worldwide sales office network. In 1999, 35% of the production was sold to European customers, 26% to Far Eastern customers and the balance to customers in several other countries.

LINERBOARD AND KRAFT PAPER CAPACITY AND PRODUCTION (TONNES)					
	1999	1998	1997	1996	1995
Capacity	450,000	450,000	450,000	450,000	450,000
Production:					
Linerboard	330,846	311,438	309,591	329,855	311,956
Kraft paper	102,756	104,022	101,507	79,549	95,972
	433,602	415,460	411,098	409,404	407,928

ANNUAL INFORMATION FORM

Business Segments

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Pulp

Production West Fraser produces BCTMP primarily from aspen at the Slave Lake mill, which was acquired in August 1995, and from softwood at the QRP mill. BCTMP is used by paper manufacturers to produce tissue products and a variety of other paper grades.

Sales West Fraser's sales department markets pulp produced by Slave Lake and its share of pulp produced by QRP. In 1999, 42% was sold to customers in the Far East, 20% to customers in Europe, 35% to customers in the United States and the remainder to customers in Canada and elsewhere.

WEST FRASER'S SHARE OF PULP CAPACITY AND PRODUCTION (TONNES)

	1999	1998	1997	1996	1995
Capacity	350,000	325,000	300,000	300,000	190,000
Production:					
QRP	166,586	152,193	159,488	140,483	152,227
Slave Lake Pulp	170,804	135,827	140,084	109,672	35,219
	337,390	288,020	299,572	250,155	187,446

Newsprint

Production The ANC mill produces mostly standard newsprint and a smaller quantity of rotogravure paper.

Sales ANC's newsprint is sold by a partnership owned indirectly by the owners of ANC. In 1999, 75% was sold to customers in the United States and 25% to customers in Canada.

WEST FRASER'S SHARE OF NEWSPRINT CAPACITY AND PRODUCTION (TONNES)

	1999	1998	1997	1996	1995
Capacity	125,000	125,000	125,000	120,000	117,500
Production	124,351	122,957	124,614	118,593	120,252

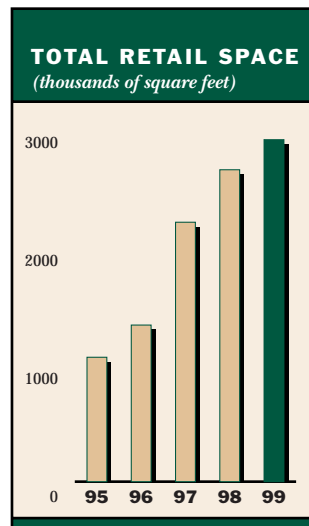
ANNUAL INFORMATION FORM

Business Segments

RETAIL HOME IMPROVEMENT

Revy, which is 85% owned by Revelstoke, operates 14 full-service warehouse stores and 43 retail home improvement centres. There are 27 located in British Columbia, 16 in Alberta, two in Saskatchewan, two in Manitoba and ten in Ontario. Revy also operates distribution centres in Langley, British Columbia; Calgary, Alberta; and Mississauga, Ontario and a wholesale lumber trading division. Revy is in the process of constructing two additional warehouse stores in Ontario and has acquired several store sites in larger urban centres. Its total retail sales floor space is approximately 2.9 million square feet.

The retail home improvement industry is highly competitive, with a large multinational chain and a number of regional chains and smaller retailers in each market. The Company believes that Revy will maintain its competitive position through continued expansion into new or growing markets and the upgrading of its existing outlets.



SITE OWNERSHIP

West Fraser's wholly owned wood products and pulp and paper mills are on land owned by West Fraser except for the sawmills at Chetwynd and Williams Lake, which are on land held under long-term leases. The joint venture sawmills at Houston and Burns Lake are also on land held under long-term leases. The QRP mill and the ANC mill are each on land owned equally by West Fraser and its joint venture partner. The retail home improvement outlets consist of 29 locations where the buildings and land are owned by Revelstoke or Revy, 26 locations where the buildings and land are leased by Revy and two locations where buildings are owned by Revelstoke on leased land.

SHARE CAPITAL AND MARKETS FOR SECURITIES

The authorized share capital of the Company consists of 80,000,000 shares divided into

- (a) 50,000,000 Common shares,
- (b) 20,000,000 Class B Common shares, and
- (c) 10,000,000 Preferred shares, issuable in series.

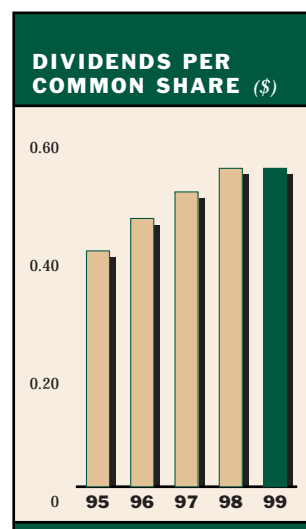
The Common shares and Class B Common shares are equal in all respects, including the right to dividends, except that each Class B Common share may at any time be exchanged for one Common share. The Common shares are listed and traded on The Toronto Stock Exchange under the symbol WFT.

As at December 31, 1999 the issued share capital consisted of 30,590,674 Common shares, of which 259,545 were Common shares held by Mills and 5,947,068 were Class B Common shares.

DIVIDENDS

The declaration and payment of dividends is within the discretion of the board of directors of the Company. It has been the practice of the Company to declare dividends on a quarterly basis payable after the end of each quarter.

In 1999 the Company declared dividends of \$0.54 per Common share and Class B Common share and dividends of \$0.492 per Series 1 Preferred Share.



ANNUAL INFORMATION FORM

Directors and Officers

DIRECTORS

The name and municipality of residence of each of the directors of the Company, their principal occupations during the past five years and the periods during which they have been directors of the Company, are as follows:

Name and Municipality of Residence	Principal Occupation	Director Since
Henry H. Ketcham, III Vancouver, B.C.	Chairman of the Board, President and Chief Executive Officer	September 16, 1985
Clark S. Binkley ⁽³⁾ Cambridge, Massachusetts	Chief Investment Officer Hancock Timber Resource Group Inc.	February 13, 1992
J. Duncan Gibson ⁽²⁾ Toronto, Ontario	Vice-Chairman, Commercial Banking Division The Toronto-Dominion Bank	April 29, 1997
Janet W. Ketcham ^{(1) (3)} Seattle, Washington	Investor	November 21, 1977
William P. Ketcham ^{(1) (3)} Seattle, Washington	President of Henry H. Ketcham Lumber Co., Inc.	December 1, 1966
C. Calvert Knudsen ^{(1) (2)} Seattle, Washington	Retired Chairman and Chief Executive Officer of MacMillan Bloedel Ltd.	June 12, 1980
Harald H. Ludwig ⁽¹⁾ West Vancouver, B.C.	President of Macluan Capital Corporation	May 2, 1995
F. David Radler ⁽²⁾ Vancouver, B.C.	President and Chief Operating Officer of Hollinger Inc.	December 10, 1991

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Environmental Committee

Each director has held the same or similar principal occupation with the organization indicated or a predecessor thereof for the last five years except for Henry H. Ketcham, III who, in addition to his position of President and Chief Executive Officer, became Chairman of the Board effective October 1, 1996; Clark S. Binkley who before August 1, 1999 was Sr. Vice-President, Investment Strategy and Research and before July 31, 1998 was Dean, Faculty of Forestry, University of British Columbia; and J. Duncan Gibson who previously held various positions with The Toronto-Dominion Bank. The term of office of each director will expire at the conclusion of the Company's next annual general meeting.

ANNUAL INFORMATION FORM

Directors and Officers

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OFFICERS

The name and municipality of residence of each of the officers of the Company, the office held by each and the principal occupation of each during the last five years are as follows:

Name, Municipality of Residence	Office Held/Principal Occupation
Henry H. Ketcham, III , <i>Vancouver, B.C.</i>	Chairman, President, Chief Executive Officer
Russell J. Clinton , <i>White Rock, B.C.</i>	Senior Vice-President, Corporate Development
D. Wayne Clogg , <i>Quesnel, B.C.</i>	Vice-President, Woodlands
Carl L. Grittner , <i>Coquitlam, B.C.</i>	Vice-President, Building Supplies; President, Revy
William H. LeGrow , <i>Coquitlam, B.C.</i>	Vice-President, Transportation and Energy
Gerald J. Miller , <i>Tsawwassen, B.C.</i>	Vice-President, Pulp and Administration
Lon M. Schroeder , <i>Kitimat, B.C.</i>	Vice-President, Kitimat Operations
Martti Solin , <i>West Vancouver, B.C.</i>	Vice-President, Finance and Chief Financial Officer
Zoltan F. Szucs , <i>Coquitlam, B.C.</i>	Vice-President, Panelboard
Ernest M. Thony , <i>Quesnel, B.C.</i>	Vice-President, Lumber Sales
Gary W. Townsend , <i>Quesnel, B.C.</i>	Vice-President, Lumber Operations
C. Paul Daniels, Q.C. , <i>West Vancouver, B.C.</i>	Secretary
Larry S. Hughes , <i>Vancouver, B.C.</i>	Assistant Secretary Partner, Lang Michener Lawrence & Shaw (barristers and solicitors)

Each officer has held the same or similar principal occupation with the organization indicated or a predecessor thereof for the last five years except for Henry H. Ketcham, III, who was the President and Chief Executive Officer; Russell J. Clinton, who was the Senior Vice-President and Vice-President, Woodlands; D. Wayne Clogg, who was the general manager of various West Fraser sawmills; William H. LeGrow, who was the Manager, Transportation; Gerald J. Miller, who was Vice-President, Administration & Controller; Lon M. Schroeder, who held various positions with Eurocan Pulp & Paper; Zoltan F. Szucs, who was the Manager, Engineered Wood Products; and C. Paul Daniels, who was associate counsel, Lang Michener Lawrence & Shaw.

ANNUAL INFORMATION FORM

Directors and Officers

SHAREHOLDINGS OF DIRECTORS AND SENIOR OFFICERS

As at December 31, 1999, the directors and senior officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 4,649,115 Common shares and 2,395,656 Class B Common shares, being 19% of the outstanding Common shares, 40% of the outstanding Class B Common shares and 23% of the outstanding voting securities of the Company.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The section of this Annual Report entitled "Ten-Year Review", which is incorporated herein by reference, contains selected consolidated financial information for the last 10 years. Selected consolidated financial information for the last eight quarters is as follows:

SELECTED QUARTERLY INFORMATION (\$ MILLIONS, EXCEPT PER SHARE AMOUNTS)

	1999				1998			
	DEC 31	SEP 30	JUN 30	MAR 31	DEC 31	SEP 30	JUN 30	MAR 31
Net sales	\$ 560.6	\$ 609.7	\$ 589.9	\$ 443.9	\$ 471.9	\$ 513.7	\$ 471.9	\$ 405.9
Net earnings	\$ 39.5	\$ 56.7	\$ 37.0	\$ 14.2	\$ 6.3	\$ 12.5	\$ (14.3)	\$ 1.1
Basic earnings								
per share	\$ 1.34	\$ 1.86	\$ 1.23	\$ 0.45	\$ 0.17	\$ 0.38	\$ (0.52)	\$ 0.02
Fully diluted								
earnings								
per share	\$ 1.27	\$ 1.83	\$ 1.20	\$ 0.45	\$ 0.17	\$ 0.38	\$ (0.52)	\$ 0.02

ADDITIONAL INFORMATION

When securities of the Company are in the course of distribution pursuant to a short form prospectus, or a preliminary short form prospectus has been filed in respect of a distribution of its securities, the Company will, upon request, provide to any person:

(a) one copy of this Annual Information Form, together with one copy of any document, or of the pertinent pages of any document, incorporated by reference in this Annual Information Form;

(b) one copy of the comparative financial statements of the Company for the year ended December 31, 1999, together with the accompanying auditors' report, and one copy of each interim financial statement of the Company prepared after December 31, 1999;

(c) one copy of the Information Circular for the annual general meeting of the Company to be held on April 26, 2000; and

(d) one copy of any other document that is incorporated by reference in the short form prospectus or the short form preliminary prospectus and is not described above.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and options to purchase securities, is contained in the Information Circular. Additional financial information is provided in the Company's comparative financial statements for the year ended December 31, 1999.

Copies of this Annual Information Form and the documents incorporated by reference therein, the comparative financial statements of the Company (including the audit report) for the year ended December 31, 1999, each interim financial statement prepared after December 31, 1999, the Information Circular and this Annual Report may be obtained at any time upon request from the Company at 1000 – 1100 Melville Street, Vancouver, British Columbia, V6E 4A6.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operations Review

THE FOLLOWING DISCUSSION AND ANALYSIS SHOULD BE READ IN CONJUNCTION WITH THE CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO INCLUDED IN THIS ANNUAL REPORT.

LUMBER

In 1999 West Fraser's lumber operations established records in production, sales and earnings.

Operating earnings were \$249 million (1998 - \$77 million) on external sales of \$811 million (1998 - \$669 million). EBITDA was \$292 million representing a margin of 33% of total sales (1998 - \$124 million and 17%). The increase in earnings resulted from higher than anticipated lumber prices and record production, even though West Fraser's sawmills in British Columbia curtailed production for approximately eight days to reduce the penalties payable under the Softwood Lumber Agreement. Total production in 1999 was 1,645 MMfbm (1998 - 1,513 MMfbm) and shipments were 1,612 MMfbm (1998 - 1,540 MMfbm).

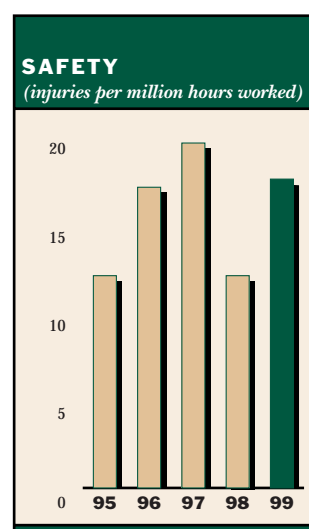
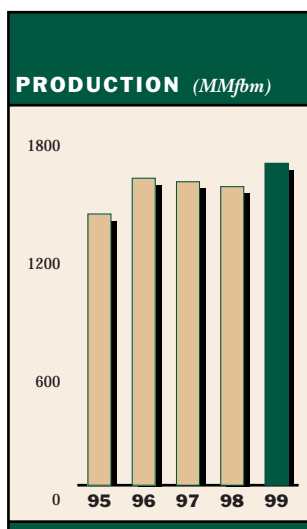
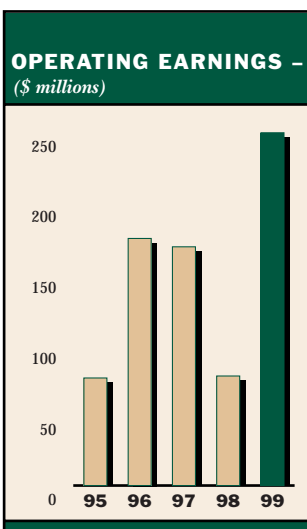
Eight of West Fraser's sawmills established annual production records. Lumber recovery, the volume of lumber produced from each log, reached new levels and production costs were

otherwise reduced. The operations at Terrace and Prince Rupert recorded significant financial improvement despite operating at reduced levels. High logging costs brought about by difficult terrain make it a challenge to operate in the region. West Fraser continues to pursue alternatives to establish a long-term, economically viable solution to its timber harvesting and mill operations in northwest British Columbia.

In 1999 West Fraser spent \$34 million on capital projects. This included expenditures for equipment to handle the increased volumes of fire-killed timber in Alberta which resulted in high returns in recovered lumber and wood chips. Many of the capital expenditures made in the last few years had paybacks of less than one year.

The Softwood Lumber Agreement, which limits the amount of lumber Canadian producers can ship duty-free to the U.S., continues to force West Fraser and many other producers to take downtime, although West Fraser's low-

LUMBER



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operations Review

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cost position minimizes this impact. In 1999, the dispute arising from a 1998 one-time stumpage reduction in British Columbia was settled. The maximum duty on above-quota U.S. shipments by British Columbia producers was increased from US\$105.86 per Mfbm to US\$146.25 per Mfbm, further constraining their U.S. shipments.

Strong housing starts in Canada and the United States resulted in higher lumber prices in 1999. Record consumption of lumber in North America pushed the average price of 2x4 western SPF to US\$343 Mfbm compared to US\$288 in 1998. The continued improvement in demand from Japan and other Pacific Rim markets contributed to these higher prices.

Lumber prices are expected to drop slightly from 1999 levels, as anticipated higher interest rates may cause a decline in housing starts in the United States. Markets in Canada and Japan should again show marginal improvement, which could help to offset the decline in the U.S.. The net effect could be a modest decline in prices during 2000.

West Fraser produced 966,000 tonnes of oven-dried wood chips (1998 - 961,000 tonnes), almost the same volume as it consumes. Prices for chips are based primarily on the price of market pulp and were largely unchanged from 1998.

Harvesting operations in Alberta were primarily in fire-killed timber, which was successfully recovered and processed at Slave Lake Pulp and the Blue Ridge sawmill. The timber salvage operations will be completed by the spring of 2000 and an extensive reforestation program is well under way on the burned-over areas.

West Fraser continued to show a high compliance with provincial forest practices regulations in 1999. This was reinforced by successful Forest Practices Board audits of the Smithers and Terrace forest operations. All of

West Fraser's forestry operations in Alberta were certified to the Alberta Forest Care standard in 1999. West Fraser is pursuing ISO 14001 certification for its forestry operations in British Columbia and Alberta.

Progress was made in British Columbia to increase the standing timber inventory approved for harvest. Although further administrative refinements are required, progress was achieved as a result of streamlining initiatives by industry and the provincial government. Overall, delivered log costs declined by approximately 6% in 1999 as a result of operating efficiencies, lower-priced timber purchased from third parties in British Columbia and fire-salvage logging in Alberta.

PANELS

Record production and shipments, together with significant cost reductions at both MDF plants, contributed to improved results for 1999. Newly-acquired Alberta Plywood immediately contributed to the earnings of the panel business.

The operating earnings of the panel segment were \$7 million (1998 - loss of \$10 million) on sales of \$119 million (1998 - \$78 million). EBITDA was \$26 million, representing a margin of 22% of sales (1998 - \$8 million and 10%).

MDF

Ranger Board's production in 1999 was 127 MMsf (1998 - 113 MMsf) and shipments were 126 MMsf (1998 - 113 MMsf). This record production resulted from increases in panel widths and a move to fewer product varieties and grades, increased plant up-time and production efficiencies. A recent study confirms Ranger Board as having the lowest cost and highest productivity of North American MDF plants.

WestPine's production in 1999 was 88 MMsf (1998 - 68 MMsf) and shipments were 86 MMsf

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operations Review

(1998 - 67 MMsf). Increased volumes and a strong focus on cost control resulted in a 17% reduction in operating costs compared to 1998. In the latter part of the year WestPine operated at its design capacity. An increasing amount of WestPine's production is "thinboard" (thicknesses ranging from 3 - 8 mm), which attracts premium values. WestPine's capability of producing for this growing market should allow it to capture more sales than in 1999.

Plywood

On November 3, 1999, West Fraser acquired certain forest product assets of Zeidler Forest Industries Ltd., which include a plywood plant in Edmonton, and a veneer and stud mill in Slave Lake and timber cutting rights of approximately 450,000 m³ per year. The operation is now known as Alberta Plywood and has been effectively integrated with West Fraser's other Alberta operations.

Alberta Plywood's products are marketed under the name Zed ply™, primarily to wholesale distributors in Canada. Plywood prices are anticipated to remain strong in 2000 and Alberta Plywood's low-cost position will allow it to take

full advantage of these prices.

Since the acquisition in November 1999, Alberta Plywood's production was 37 MMsf and its shipments were 38 MMsf.

PULP & PAPER

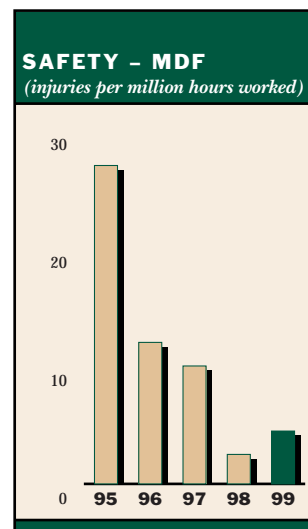
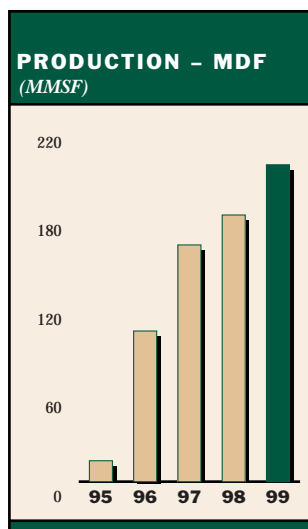
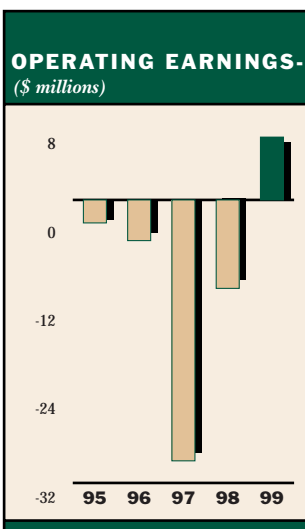
Total production of pulp, linerboard, kraft paper and newsprint increased to 895,343 tonnes in 1999 (1998 - 826,437 tonnes) as each of the two pulp mills and the linerboard and kraft paper mill established annual production records.

Operating earnings were \$34 million (1998 - \$39 million) on sales of \$486 million (1998 - \$442 million). EBITDA was \$86 million representing a margin of 18% of sales (1998 - \$89 million and 20%). The earnings decline resulted from lower packaging and newsprint prices for the year. Shipments increased significantly to 931,215 tonnes (1998 - 790,612 tonnes).

Pulp

West Fraser's pulp mills operated continuously throughout the year, resulting in combined total production of 337,390 tonnes (1998 - 288,020) comprised of approximately

PANELS



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operations Review

2

equal volumes of hardwood and softwood BCTMP. Both Quesnel River Pulp and Slave Lake Pulp production benefited from capital projects completed in 1998. During 1999 significant progress was made in reducing the number of grades produced, allowing longer and therefore more efficient production runs. The increased production and improved cost structure combined to reduce the average cost of production by 17%.

Although the 1999 average benchmark NBSK price of US\$543 per tonne was similar to that of 1998, prices improved significantly throughout the year, increasing US\$120 to US\$640 at year-end. Prices for softwood BCTMP rose in the same proportion. Stronger demand for hardwood pulps allowed for an average 15% increase in mill net realizations for hardwood BCTMP over 1998 levels.

Continuing improvement in global economic conditions resulting in increasing demand for pulp, combined with an anticipated reduction in worldwide market pulp capacity, should allow for further price increases and a significant improvement in the profitability of West Fraser's pulp business.

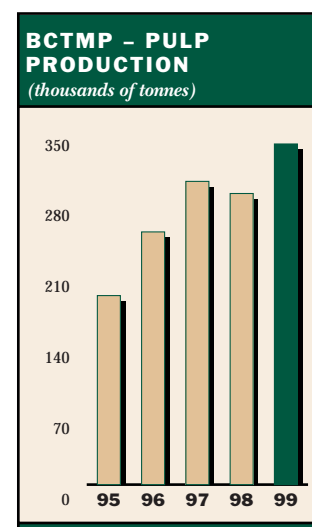
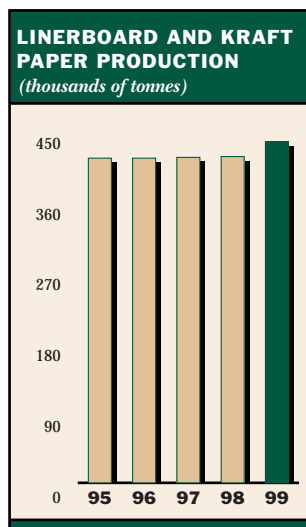
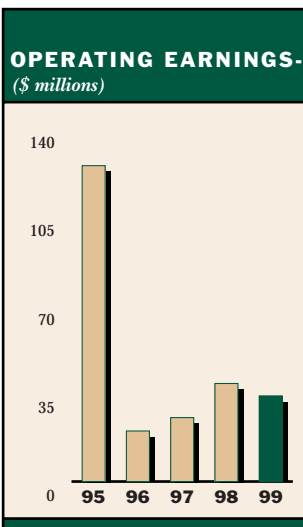
Linerboard and Kraft Paper

Production at the Kitimat mill was 330,846 tonnes of linerboard and 102,756 tonnes of kraft paper for a total of 433,602 tonnes (1998 - 415,460 tonnes). The mill operations continue to improve as the benefits of recent capital programs and operational restructuring initiatives are realized. The early retirement program in 1998 and other cost and productivity improvements have resulted in a significant decrease in costs from prior levels. However, as a result of low mill net realizations, the operation sustained an operating loss in the year.

In 1999, the effect of higher linerboard prices in Europe and the United States was offset by the weakness of the Euro relative to the Canadian dollar and lagging Asian markets. This led to lower mill net realizations than in the previous year. To further diversify the mills customer base and take advantage of opportunities, increasing volumes were sold to both North American and South American customers. Linerboard shipments totaled 356,584 tonnes in 1999 (1998 - 291,859 tonnes).

Kraft paper markets were weak in 1999, with Kitimat's mill net realizations averaging

PULP AND PAPER



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operations Review

17% lower than in 1998. Most of Kitimat's kraft paper is sold to overseas markets where competition from Nordic producers contributed to lower prices. As overseas kraft paper pricing is largely dependent on European demand, the improving economic outlook in Europe should lead to higher prices in 2000. The mill has been active in finding both new markets and new applications for its products as well as making continual improvements in product quality.

Newsprint

West Fraser's 50% share of production of the Alberta Newsprint mill was 124,351 tonnes (1998 - 122,957 tonnes) and its share of shipments was 123,132 tonnes (1998 - 122,631 tonnes). This mill has been established as one of the lowest cost, highest profitability producers in North America. Its product, sold exclusively to North American customers, has a reputation as a consistently high-quality newsprint.

The average U.S. newsprint price in 1999 was 9% lower than in 1998, in part due to decreased production because of labour disputes in that year. While North American demand remained

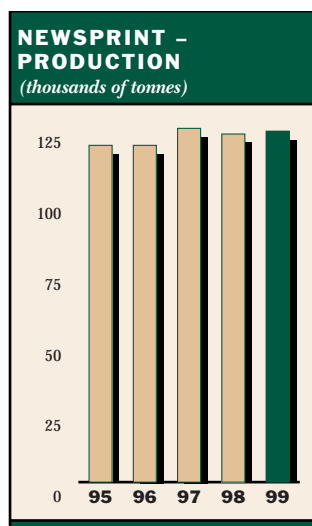
strong, up 2%, excess production in the first half of the year resulted in a price erosion of more than US\$100 per tonne. Significant downtime taken by certain major producers coupled with improving Asian demand led to acceptance of a US\$30 per tonne price increase in October.

RETAIL HOME IMPROVEMENT

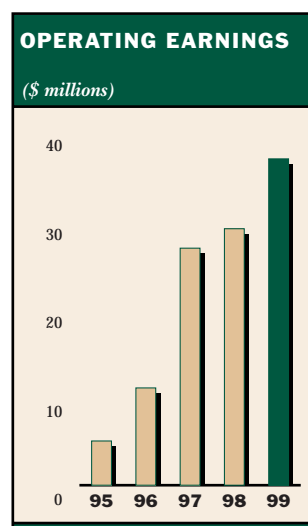
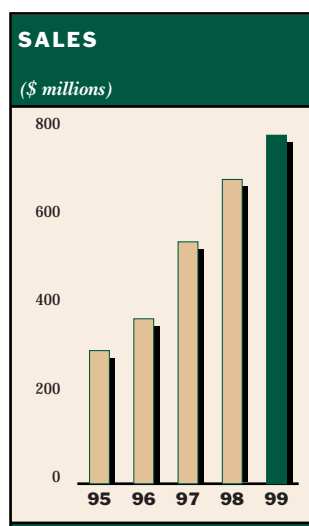
Total sales for the year increased to a record \$788 million (1998 - \$688 million) as West Fraser's retail home improvement business expanded further into the Greater Toronto market while at the same time it enhanced its strong presence in western Canada.

Operating earnings were \$37 million (1998 - \$29 million). EBITDA was \$49 million or 6% of sales (1998 - \$42 million or 6%). The increase in sales was due partly to the inclusion of Lansing's results for the full year in 1999; Lansing was acquired in May 1998. The addition of new stores and an increase in sales from existing stores also contributed to the year-over-year increase. The increase in operating earnings as a percentage of sales is attributable to lower operating expenses and the closure of unprofitable stores.

NEWSPRINT



RETAIL HOME IMPROVEMENT



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Review

2

Merchandising initiatives allowed the gross margin on retail sales to be raised, while the margin on commercial sales declined due to competitive pressures. Commercial and contractor accounts have been a significant part of sales growth and are expected to be so in the future. In an effort to expand this business and provide better service, Revy purchased a truss manufacturing operation in Calgary, Alberta.

Lansing provides the Company with a well-established market share and the infrastructure to expand the Revy Home & Garden full-service warehouse concept in Ontario. Revy was successfully introduced in Greater Toronto in the fall of 1999 with stores in Mississauga and Woodbridge. Three store openings are planned for 2000 and several additional sites have been secured for the further expansion of Revy Home & Garden into this growing market. Early in 1999 a third full-service warehouse store opened in Calgary, and additional sites are planned to be secured, further increasing Revy's growth in the West.

Across Canada, with the exception of British Columbia, the stores benefited from a strong Canadian economy. In British Columbia, Revy has announced and made store closures and consolidations. Aggressive expansion, timely store rationalizations and a continued focus on customer service and cost control will allow Revy to take advantage of an expected strong economy across Canada in the coming year.

On December 31, 1999 Revy operated 57 stores with retail space of 2.9 million square feet compared to 2.6 million square feet at the end of 1998.

EARNINGS AND REVENUE COMPARISON

Consolidated net sales for the year were \$2,204 million (1998 - \$1,863 million).

CONSOLIDATED NET SALES - CHANGE FROM 1998		
Lumber	INCREASE	21%
Panels	INCREASE	52%
Pulp & paper	INCREASE	10%
Retail	INCREASE	15%

EBITDA for the year was \$447 million (1998 - \$247 million).

EBITDA - CHANGE FROM 1998		
Lumber	INCREASE	135%
Panels	INCREASE	225%
Pulp & paper	DECREASE	4%
Retail	INCREASE	18%

Operating earnings for the year were \$321 million (1998 - \$119 million).

OPERATING EARNINGS - CHANGE FROM 1998		
Lumber	INCREASE	222%
Panels	INCREASE	171%
Pulp & paper	DECREASE	13%
Retail	INCREASE	27%

The increase in net sales was due to a combination of higher lumber prices, an increase in production and shipments in all forest products segments and an increase in retail home improvement sales. West Fraser acquired Alberta Plywood in November 1999, which contributed to the panels segment, and operated Lansing Buildall for the full year (purchased May 1998), which contributed to the retail home improvement

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Review

sales increase. Although EBITDA and operating earnings decreased in the pulp and paper segment due to lower prices, the other businesses all contributed to the increase in total EBITDA and operating earnings.

Other corporate expenses decreased to \$7.4 million in 1999 (1998 - \$11.4 million). The expense related primarily to a store closure provision in 1999 and \$6.7 million in early retirement and severance payments in 1998.

The number of Common shares outstanding increased to 30,331,129 at December 31, 1999 (1998 - 29,070,392). The increase was primarily due to the issuance of 1,250,000 Common shares as partial consideration for the purchase for cancellation of Preferred shares. Fully diluted earnings per share were \$4.75 in 1999 (1998 - \$0.05).

The amortization of deferred foreign exchange loss decreased to \$10 million in 1999 (1998 - \$19 million) due to the strengthening of the Canadian dollar and to the prepayment of the non-recourse debt during 1998.

Total taxes and tax-like levies and charges were as shown below:

PAYMENTS TO GOVERNMENT		
(\$ MILLIONS)		
	1999	1998
Income Tax	\$ 103.6	\$ 18.1
Corporation Capital Tax	\$ 3.6	\$ 3.6
Provincial Capital Tax	\$ 3.9	\$ 3.3
Canada Pension Plan	\$ 6.4	\$ 5.6
Employment Insurance	\$ 7.2	\$ 7.5
Property Tax	\$ 18.3	\$ 19.5
Social Service Tax	\$ 14.5	\$ 12.4
Stumpage & Royalties	\$ 91.3	\$ 115.0
Workers Compensation	\$ 8.6	\$ 8.8
Total	\$ 257.4	\$ 193.8

With the exception of income tax, the majority of these payments do not vary directly with profitability.

The 1999 provision for income taxes of \$107 million was 42% of earnings before income taxes (1998 - \$22 million, or 79%). The high rate for 1998 was due to capital taxes, which do not vary with earnings, and the non-deductibility for tax purposes of amortization related to acquisitions and deferred foreign exchange.

CAPITAL STRUCTURE

In 1999, the Company purchased for cancellation the 1,250,000 Preferred shares which were outstanding at the beginning of the year. The consideration for this purchase was 1,250,000 Common shares and \$2.3 million. Additional consideration may become payable as disclosed in Note 10(d) of the audited financial statements included in this report. During the year the Company issued 10,737 Common shares under its share purchase and option plans.

All of West Fraser's debt other than current borrowings for ANC is unsecured and ranks equally in right of payment. On December 31, 1999 the ratio of West Fraser's total debt, less cash, to total capitalization was 0.36 (1998 - 0.47). The improvement in the ratio is a result of strong earnings, the repayment of debt and the lower carrying value of U.S.-dollar-denominated debt.

West Fraser's fixed-interest term debt is rated as investment grade by leading rating agencies as follows:

AGENCY	RATING
Canadian Bond Rating Service	A(LOW)
Dominion Bond Rating Service	BBB
Moody's	BAA3
Standard & Poor's	BBB-

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Risks and uncertainties

2

CAPITAL REQUIREMENTS AND LIQUIDITY

West Fraser's annual cash requirements, other than for operating purposes, include interest on, and repayment of, debt, capital asset additions, acquisitions and payment of dividends. In years without a significant acquisition, cash provided by operations has generally been sufficient to meet these requirements.

In 1999, capital asset additions together with acquisitions amounted to \$181 million (1998 - \$158 million). Proceeds from capital asset disposals were \$2 million in 1999 (1998 - \$34 million).

West Fraser plans to spend approximately \$150 million on capital asset additions in 2000, mostly on business improvements, capital replacements, construction of retail stores and acquisition of store sites.

West Fraser's scheduled repayment of long-term debt in 2000 is US\$27.5 million.

On December 31, 1999 West Fraser had unused credit facilities of approximately \$375 million. In 2000, West Fraser intends to meet all of its cash requirements for planned capital additions, debt repayments, interest and dividends with funds generated from operations and from cash on hand.

CAPITAL ASSET ADDITIONS & ACQUISITIONS (\$ MILLIONS)

	1999	1998
Lumber	\$ 33.5	\$ 43.3
Panels	\$ 76.9	\$ 2.2
Pulp & paper	\$ 10.7	\$ 27.7
Retail	\$ 57.3	\$ 79.0
Corporate & other	\$ 2.7	\$ 5.5
Total	\$ 181.1	\$157.7

RISKS AND UNCERTAINTIES

Foreign Exchange

More than 60% of West Fraser's net sales resulted from the sale of forest products to customers at prices which, although denominated in a variety of currencies, are generally based on the prevailing U.S. dollar price. This results in significant sensitivity to changes in the U.S.-Canadian dollar exchange rate.

Payment for export sales may occur in the local currency of the purchaser, resulting in additional exchange rate sensitivity to a broader range of major foreign currencies. Exchange rate fluctuations between the times of purchase and payment, which may be up to 120 days, result in gains or losses on final settlement. There were no future obligations under forward-exchange contracts outstanding at year end.

During 1999 the U.S. dollar traded between Cdn\$1.54 and Cdn\$1.45 with an average of Cdn\$1.49 (1998 - between Cdn\$1.59 and Cdn\$1.40 with an average of Cdn\$1.48).

Softwood Lumber Agreement

The Softwood Lumber Agreement between the U.S. and Canada imposes a volume-based quota on shipments to U.S. destinations from British Columbia, Alberta, Ontario and Quebec. Shipments in excess of the quota are not restricted, but attract a substantial financial penalty. While this Agreement imposes additional costs on West Fraser, its position as one of Canada's lowest cost lumber producers mitigates the effect compared to many competitors. In addition, West Fraser has been increasing shipments to Canadian and offshore markets to minimize its exposure to quota penalties. The Softwood Lumber Agreement expires on March 31, 2001 and industry representatives are seeking to develop a common Canadian position in anticipation of the expiration of this Agreement.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Risks and Uncertainties

Land Claims

Native land claims continue to create an uncertainty for the forest industry in British Columbia. The recently-negotiated Nisga'a treaty has passed the British Columbia legislature and awaits federal approval. If approved in its current form, the treaty is not expected to have a material impact on West Fraser. Neither the issue of compensation for companies adversely affected by the Nisga'a treaty due to loss of timber supply, nor the issue of continued access to timber supply, have yet been fully addressed by the federal or provincial government. The Nisga'a treaty could act as a template for further treaties in British Columbia.

Environment

The "Environmental Report" which appears on page 36 is incorporated herein by reference.

Earnings Sensitivity

West Fraser's earnings are sensitive to changes in world economic conditions, primarily those in North America, Europe and the Far East. Most of its revenues are from sales of commodities for which prices are sensitive to variations in supply and demand. Since most of these sales are in foreign currencies, mainly

U.S. dollars, currency exchange fluctuations are a sensitivity factor.

West Fraser's principal raw material is timber. Stumpage charges on logs harvested from its timber tenures are partially indexed to the market price of lumber, both in British Columbia and in Alberta, although each province follows a different market index and a different policy to make changes to stumpage. The prices paid for logs obtained in the open market are the result of competitive bidding between mills seeking incremental volumes.

West Fraser is a significant consumer of electrical power and therefore changes in the prices and terms of the supply contracts with various utilities and a third party affects its earnings. The price for electricity may vary significantly even to appoint which may require short-term production curtailments.

Interest rates, particularly in the United States, have a significant effect on house construction activity, which in turn influences the demand for, and price of, lumber. Sales of existing homes and construction of new homes, together with general economic conditions in the area of retail stores, are factors affecting profitability of the retail home improvement business.

SENSITIVITY TO KEY VARIABLES

FACTOR	VARIATION	CHANGE IN EARNINGS
Lumber price	U.S. \$50 change per Mfbm	\$60.0 million
Plywood price	U.S. \$50 change per Msf	\$10.5 million
MDF price	U.S. \$50 change per Msf	\$11.0 million
BCTMP price	U.S. \$50 change per tonne	\$15.0 million
Linerboard price	U.S. \$50 change per tonne	\$15.0 million
Kraft paper price	U.S. \$50 change per tonne	\$5.0 million
Newsprint price	U.S. \$50 change per tonne	\$5.5 million
U.S. - Canadian \$ exchange rate	U.S. \$0.01 change per Cdn \$	\$10.5 million
Log cost	\$10 change per m ³	\$41.0 million
Electricity price	10% change	\$5.5 million

BUSINESS OUTLOOK

The financial performance of West Fraser's forest products business is dependent on commodity prices, the value of the Canadian dollar in relation to major foreign currencies, mainly the U.S. dollar, government policies affecting timber harvesting and the cost structure of its manufacturing units. West Fraser's retail home improvement business is influenced by the level of general economic activity in Canada, particularly new home construction, and remodeling of existing homes.

Interest rates are increasing in the United States, which may reduce housing starts, and therefore lumber prices. The challenges presented by the Softwood Lumber Agreement and the potential strengthening of the Canadian dollar against the U.S. dollar add further risks to Canadian producers. West Fraser's low-cost position will allow it to remain profitable in relation to many other Canadian producers.

While there was some progress made in 1999 by the British Columbia government to bring timber-harvesting costs in line with other Canadian supply regions, further steps are required to make the British Columbia industry both regionally and globally cost competitive. In addition, the Softwood Lumber Agreement expires in March of 2001 and the British Columbia and federal governments, along with industry, need to use the intervening time to re-examine the competitiveness of timber harvesting in British Columbia.

Increased production capacity at both mechanical pulp mills, combined with lower production costs, are expected to allow West Fraser to capitalize on the anticipated increases in pulp prices during 2000. Reducing delivered

costs to all markets continues to be a key priority of the pulp mills. This will allow them to earn West Fraser's target return of 16% on equity over a business cycle.

Newsprint demand is expected to grow in 2000. If the leading newsprint producers continue to show discipline to better match demand and supply, newsprint prices should return to levels that will allow Alberta Newsprint to show strong results.

Significant consolidation and rationalization of capacity in the United States should lead to further increases in North American linerboard prices. With the improving economic outlook for Europe and Asia, linerboard prices in the overseas markets should see similar increases. Kraft paper prices are expected to strengthen after low prices in 1999. Increased production efficiencies at the Kitimat mill should bring it to a competitive position in 2000.

While significant progress was made at WestPine and Ranger Board, further cost reductions at WestPine remain a high priority in 2000. A reduction in MDF capacity additions, together with an expected increase in Asian demand and the increasing acceptance of MDF in home furnishings in United States, should allow MDF prices to continue their steady increase.

Economic growth in Canada is expected to remain strong, especially in the central provinces. This should allow West Fraser's retail home improvement business to capitalize on its rapid growth. With the expansion into the highly populated Ontario market, West Fraser's retail home improvement business is now well established as a national chain with significant opportunities for expansion throughout Canada.

ENVIRONMENTAL REPORT

A commitment to responsible stewardship of the environment and excellence in environmental performance is essential to West Fraser's business. West Fraser's environmental policy sets out this commitment.

Each year West Fraser works toward improving its environmental performance.

ENVIRONMENTAL POLICY

West Fraser Timber Co. Ltd. is committed to responsible stewardship of the environment. A philosophy of continuous improvement has been adopted to reduce or eliminate the impact of our operations on the environment. This is achieved by forest practices and manufacturing procedures that achieve the most efficient use of resources, thereby reducing or eliminating emissions and waste.

Environmental stewardship is both a corporate and individual responsibility. West Fraser provides training to employees to ensure that they are aware of this policy and possess the skills necessary to achieve the Company's expected levels of environmental performance. Each employee is expected to follow established practices and procedures for environmental stewardship.

West Fraser is a results-oriented company that is committed to the following:

- Compliance with all applicable environmental laws and regulations.
- An ongoing assessment and prioritization of the environmental issues associated with its activities, processes, products and services.
- The conduct of periodic environmental audits.
- An ongoing review of practices and procedures to achieve environmental objectives.

West Fraser believes that long-term business success is linked to environmental excellence. The Company therefore communicates its performance to employees, customers and other stakeholders. West Fraser will regularly review this policy to ensure that it reflects the Company's ongoing commitment to environmental stewardship.

FOREST PRACTICES BOARD AUDIT

The Forest Practices Board released audits of West Fraser's operations in Terrace and Smithers. Both audits recognized the high standards of West Fraser's forest practices.

INTERNAL FOREST PRACTICES AND ENVIRONMENTAL AUDITS

West Fraser's internal forest practices audits were completed at the Williams Lake, Terrace and Quesnel lumber operations.

These operations were found to be in compliance with the *Forest Practices Code* and other applicable laws.

Internal environmental audits completed at the Blue Ridge Lumber and Ranger Board facilities, Eurocan Pulp & Paper and the Quesnel and Williams Lake lumber operations identified no significant issues.

1999 was the fifth year of West Fraser's internal environmental audit program of operational facilities. As part of West Fraser's commitment to continuous improvement, it will have an independent third party review the process and recommend improvements for the 2000 program.

EULACHON STUDIES

Recent environmental monitoring studies confirm the continued health of the Kitimat River. The Kitimat mill's effluent continues to meet all applicable permit standards. The mill is working with provincial and federal regulators as well as local stakeholders to address certain concerns relating to the brief spring spawning period of eulachon.

CERTIFICATION

West Fraser is committed to achieving forestry certification. As a first step, it will seek certification of its Quesnel and Alberta lumber operations under the ISO 14001's environmental management system. This process may lead to further certification by bodies such as the Forest Stewardship Council and the Canadian Standards Association.

Quesnel River Pulp is also working toward obtaining ISO 14001 certification in 2000.

In 1999, Blue Ridge, Ranger Board and Slave Lake Pulp, along with their woodlands operations, achieved ForestCare certification. In May 1999, ANC passed its second round of ForestCare audits for both its mill and woodlands operations.

SLUDGE AND WASTE DISPOSAL

Quesnel River Pulp continues to investigate alternatives to landfilling for the disposal of pulp sludge solid waste. The mill is participating with government agencies to develop regulations and guidelines for the environmentally safe and beneficial re-use of sludge.

Slave Lake Pulp does not dispose of any of its sludge in a landfill. Initiatives to recover and re-use the residual wood fibre in sludge have been implemented by the mill. In conjunction with the Alberta Research Council, Slave Lake Pulp is working to develop guidelines for the application of sludge onto forest lands.

During 1999 local farmers utilized about 70% of all sludge produced by ANC.

The Williams Lake operation implemented an innovative program to recover wood waste from sawmill yard clean-up activities. This material had previously been landfilled. The Smithers operation continued its wood waste management program, which includes the screening of yard debris in such a manner that no wood waste had to be landfilled.

AIR QUALITY INITIATIVES AND BURNERS

Pursuant to West Fraser's commitment to minimizing its impact on the environment, various operations participate in community airshed management programs. The Quesnel and Williams Lake sawmills and several other regional industries are participating in a program designed to assess regional air quality in the Cariboo Valley. The Kitimat mill is a member of the Kitimat Airshed Monitoring Committee.

West Fraser operates a beehive burner in Smithers under a permit which is currently the subject of an appeal by four local residents. West Fraser also has an interest in a burner in Quesnel. Unless their permits are extended, the two burners must be phased out by December 31, 2000.

LESSER SLAVE RIVER FLOWS

Recent drought conditions have resulted in extremely low flow conditions for the Lesser Slave River. The river is a source of water and treated effluent discharge for the Slave Lake Pulp mill. The mill is working with local governments to develop policies and procedures to ensure that the river is not adversely affected by the mill's operations.

NON-COMPLIANCES

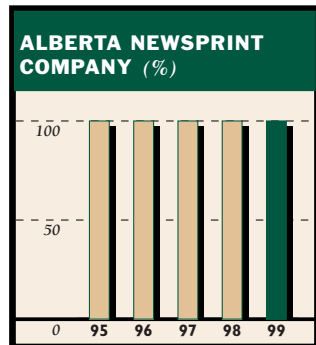
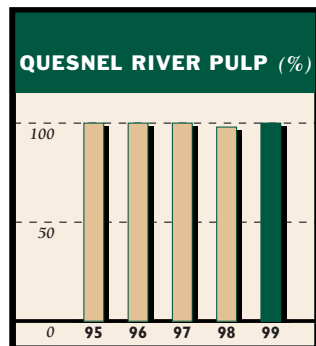
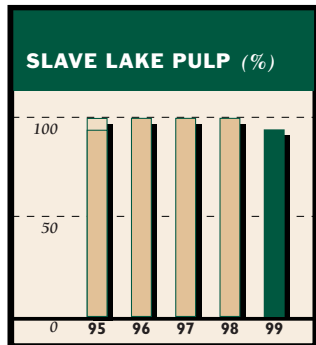
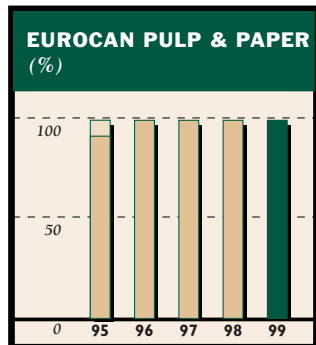
The Kitimat mill exceeded certain provincial air permit limits for its limekiln operations on two occasions. Both incidents were the result of equipment malfunctions and were quickly rectified.

The Kitimat mill faces several charges under the *Waste Management Act* relating to its operations. It is alleged that ambient air particulate monitoring equipment was not operated correctly. Management believes that the equipment was operated correctly and is preparing to defend these charges. It is not asserted that any environmental impact resulted from the alleged failures.

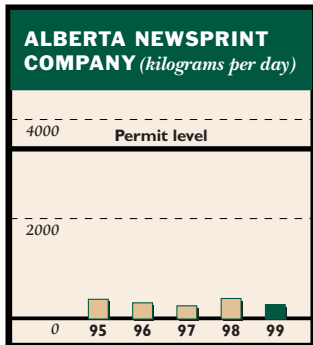
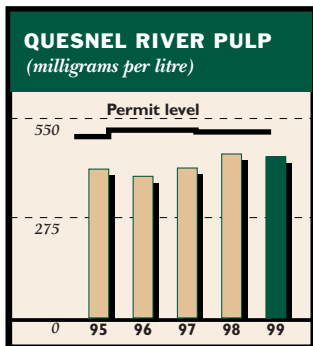
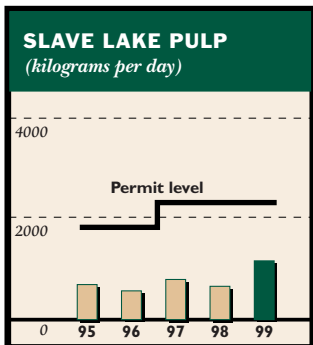
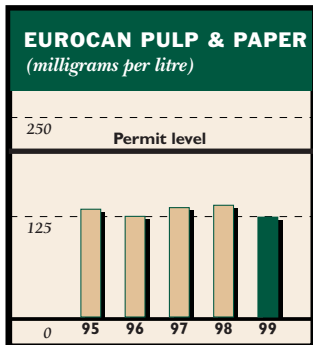
In December, Slave Lake Pulp encountered difficulties with its effluent treatment system because of a loss of glycol from the mill heating system to the effluent system. The mill immediately ceased production. This incident resulted in the mill's effluent discharge failing three toxicity tests during the period and has led to an investigation by regulatory agencies.

A wood waste burner at the Alberta Plywood veneer plant at Slave Lake was unable to meet the temperature requirements of its operating approval. West Fraser has undertaken to improve burner operation and ensure compliance in the future.

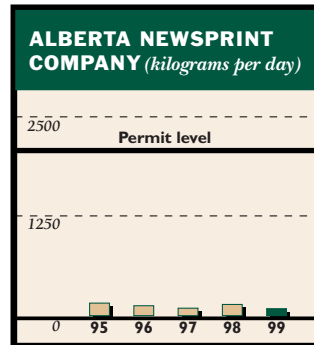
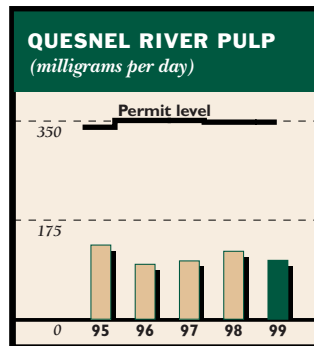
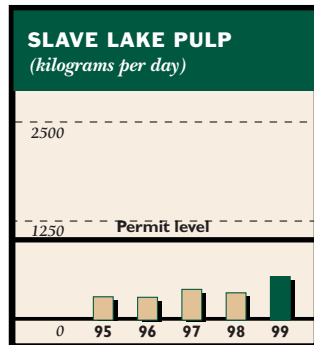
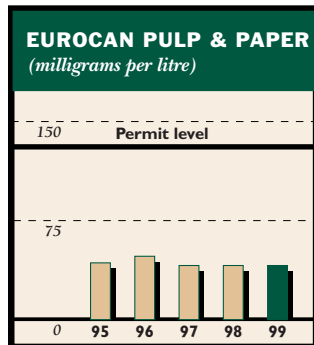
COMPLIANCE WITH TOXICITY REGULATIONS



TOTAL SUSPENDED SOLIDS



BIOCHEMICAL OXYGEN DEMAND



■ Compliance ■ Non-compliance

RESPONSIBILITY OF MANAGEMENT

The management of West Fraser Timber Co. Ltd. is responsible for the preparation as well as the integrity of the accompanying consolidated financial statements and all related financial data contained in the annual report. The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and necessarily include amounts which represent the best estimates and judgments of management. The Company has developed and maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are executed in accordance with management's authorizations.

The consolidated financial statements have been examined by the Company's auditors, PricewaterhouseCoopers LLP, who have issued their report thereon.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee comprised of four Directors, none of whom is an officer or employee of the Company. The Committee meets from time to time with management and the Company's auditors to review the financial statements and matters relating to the audit. The Company's auditors have full and free access to the Audit Committee. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for issuance to the shareholders.

TO THE SHAREHOLDERS OF WEST FRASER TIMBER CO. LTD.

We have audited the consolidated balance sheets of West Fraser Timber Co. Ltd. as at December 31, 1999 and 1998 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

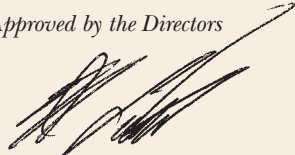
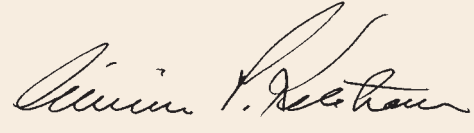
In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a consistent basis.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP (signed) Chartered Accountants
Vancouver, B.C.
January 31, 2000

CONSOLIDATED BALANCE SHEETS

As at December 31 (in thousands of Canadian dollars)

	1999	1 9 9 8
ASSETS		
Current assets		
Cash and short-term investments	\$ 97,504	\$ -
Accounts receivable	186,244	176,816
Inventories (note 4)	500,104	448,371
Prepaid expenses	9,697	9,424
	793,549	634,611
Other assets (note 5)	33,779	35,319
Capital assets (note 6)	1,414,795	1,371,070
Deferred charges (note 7)	22,797	67,930
	\$ 2,264,920	\$ 2,108,930
LIABILITIES		
Current liabilities		
Bank indebtedness	\$ 42,171	\$ 21,058
Accounts payable and accrued liabilities	371,576	246,843
Current portion of long-term debt (note 8)	36,083	42,166
	449,830	310,067
Long-term debt (note 8)	589,878	718,449
Reforestation obligation	59,419	40,469
Deferred income taxes	139,520	142,314
	1,238,647	1,211,299
SHAREHOLDERS' EQUITY		
Convertible obligation (note 10(c))	17,256	15,746
Share capital (note 9)	326,121	331,628
Contributed surplus (note 9)	1,402	-
Retained earnings	681,494	550,257
	1,026,273	897,631
	\$ 2,264,920	\$ 2,108,930
<p>Approved by the Directors</p> <div style="display: flex; justify-content: space-around; align-items: flex-end;"> <div style="text-align: center;">  <p>Harald H. Ludwig (signed) Director</p> </div> <div style="text-align: center;">  <p>William P. Ketcham (signed) Director</p> </div> </div>		

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the years ended December 31 (in thousands of Canadian dollars)

	1999	1 9 9 8
EARNINGS		
Net sales	\$ 2,204,115	\$ 1,863,399
Costs and expenses		
Cost of products sold	1,530,642	1,415,958
Retail store operating	159,167	135,622
Amortization of capital assets	125,142	127,774
Selling, general and administrative	67,756	65,146
	1,882,707	1,744,500
OPERATING EARNINGS	321,408	118,899
Other expenses		
Financing (note 12)	(59,445)	(80,209)
Other (note 13)	(7,368)	(11,412)
Earnings before income taxes	254,595	27,278
Provision for (recovery of) income taxes (note 14)		
Current	109,968	20,350
Deferred	(2,794)	1,303
	107,174	21,653
NET EARNINGS	\$ 147,421	\$ 5,625
Earnings per common share (in dollars) (note 15)		
Basic	\$ 4.88	\$ 0.05
Fully diluted	\$ 4.75	\$ 0.05
RETAINED EARNINGS		
Balance – beginning of year	\$ 550,257	\$ 562,719
Net earnings	147,421	5,625
	697,678	568,344
Convertible obligation (note 10(c))	(1,510)	(1,589)
Surplus on cancellation of shares (note 9)	2,149	1,669
Dividends		
Preferred shares	(615)	(2,494)
Common shares	(16,208)	(15,673)
Balance – end of year	\$ 681,494	\$ 550,257

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31 (in thousands of Canadian dollars)

	1999	1 9 9 8
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 147,421	\$ 5,625
Items not affecting cash		
Amortization of capital assets	125,142	127,774
Amortization of deferred foreign exchange loss	9,760	18,986
Deferred income taxes	(2,794)	1,303
Change in reforestation obligation	2,832	2,787
Other	6,601	4,723
	288,962	161,198
Changes in non-cash working capital items	84,767	(20,418)
	373,729	140,780
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	-	70,990
Repayment of long-term debt	(99,765)	(129,136)
Dividends	(16,823)	(18,167)
Other	(1,956)	2,931
	(118,544)	(73,382)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital asset additions	(106,656)	(107,873)
Proceeds from disposal of capital assets	1,914	34,113
Acquisitions <i>(note 2)</i>	(74,403)	(23,600)
Bank indebtedness assumed on acquisition <i>(note 2)</i>	-	(12,034)
Decrease (increase) in other assets	351	(5,477)
	(178,794)	(114,871)
INCREASE (DECREASE) IN CASH	76,391	(47,473)
Net cash - beginning of year	(21,058)	26,415
Net cash - end of year	\$ 55,333	\$ (21,058)
Net cash consists of		
Cash and short-term investments	\$ 97,504	\$ -
Bank indebtedness	(42,171)	(21,058)
	\$ 55,333	\$ (21,058)
INTEREST PAID	\$ 53,611	\$ 61,465
INCOME TAXES PAID	\$ 25,772	\$ 23,779

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31 (figures in tables are in thousands of Canadian dollars, except where indicated)

1. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Principal direct and indirect operating subsidiaries are West Fraser Mills Ltd., Blue Ridge Lumber (1981) Ltd., Revelstoke Home Centres Ltd., and Revy Home Centres Inc.

Investments in and operations of the Company's joint ventures are accounted for by the proportionate consolidation method.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The company harvests timber under various provincial tenures. Estimated future reforestation obligations are charged to earnings based on the volume of timber harvested. The difference in actual costs of reforestation, if any, are credited or charged to earnings when realized.

Cash and short-term investments

Cash and short-term investments consist of cash on deposit with banks and highly-liquid short-term interest-bearing securities with maturities at purchase date of three months or less.

Foreign currency translation

Monetary assets and liabilities in foreign currencies, including long-term debt, are translated into Canadian dollars at the exchange rates prevailing at the end of the year. Other assets and liabilities and income and expense items are translated at the exchange rates prevailing on the transaction dates. Resulting exchange gains or losses are included in earnings, except for unrealized foreign exchange gains and losses on long-term debt, which are deferred and amortized over the term of the related debt or reflected in earnings when the debt is repaid.

Inventories

Inventories of logs, manufactured products and retail goods are valued at the lower of average cost and net realizable value. Inventories of raw materials and supplies are valued at the lower of average cost and replacement cost.

Capital assets

Capital assets are stated at cost, which for major manufacturing assets under construction includes capitalized interest and preproduction and start-up costs. Company-owned timberlands include the cost of acquisition and all costs associated with establishing and maintaining the timberlands. Expenditures for additions, improvements and renewals are capitalized. Expenditures for maintenance and repairs are charged to earnings. Upon retirement, disposal or destruction of assets, the cost and related amortization are removed from the accounts and any gain or loss is reflected in earnings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31 (figures in tables are in thousands of Canadian dollars, except where indicated)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortization

Amortization is provided to reduce the original cost of capital assets to estimated residual values over their useful lives. The Company employs the units-of-production basis for amortization of the newsprint mill. All other capital assets are amortized on a straight-line basis.

The rates of amortization being applied are intended to amortize the assets over the following periods:

Buildings	10 - 40 years
Manufacturing equipment and machinery	10 - 20 years
Fixtures, equipment and other	3 - 10 years

Costs of logging roads are amortized on the basis of timber harvested. The cost of timber rights is amortized over the life of the rights on the basis of timber harvested, not to exceed 25 years. Amortization of Company-owned timberlands commences when harvesting begins.

Goodwill arising on business acquisitions is amortized over its estimated period of future benefit up to 25 years. Any impairment in value is recorded in earnings when it is identified, based on management's assessment of future operating results.

Deferred financing fees are amortized over the term of the related debt.

Income taxes

Income taxes are recorded using the deferral method of accounting. Deferred income taxes result from differences in the timing of income and expense recognition for accounting and tax purposes.

2. ACQUISITIONS

1999

Effective November 3, 1999, the Company acquired the forest products business and assets of Zeidler Forest Industries Ltd., consisting of plywood and veneer plants and related timber rights.

The acquisition has been accounted for by the purchase method and the results of operations have been included with those of the Company from the effective date.

Net assets acquired at fair values:

Non-cash working capital	\$ 20,550
Capital assets	69,053
Reforestation obligation assumed	(15,200)
Cash consideration	<u>\$ 74,403</u>

1998

Effective May 22, 1998, the Company purchased the home improvement business of Lansing Buildall. The acquisition has been accounted for by the purchase method and the results of operations have been included with those of the Company from the effective date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31 (figures in tables are in thousands of Canadian dollars, except where indicated)

2. ACQUISITIONS (continued)

1998

Net assets acquired at fair values:

Non-cash working capital	\$	24,520
Capital assets		7,743
Goodwill		18,226
Deferred income taxes		(698)
	\$	<u>49,791</u>
Consideration:		
Cash	\$	23,600
Bank indebtedness assumed		12,034
Convertible obligation (note 10(c))		14,157
	\$	<u>49,791</u>

3. INVESTMENTS IN JOINT VENTURES

The Company's joint ventures consist of Quesnel River Pulp Company (50%), Alberta Newsprint Company (50%), Houston Forest Products Company (50%), and Babine Forest Products Company (31.58%). The Company's proportionate share of the financial position, operating results, and cash flows of the joint ventures is as follows:

	1999	1998
Current assets	\$ 63,575	\$ 64,019
Non-current assets	212,079	226,673
Total assets	<u>275,654</u>	290,692
Current liabilities	28,100	32,961
Equity	<u>\$ 247,554</u>	\$ 257,731
Net sales	\$ 265,449	\$ 244,214
Expenses	214,071	213,390
Net earnings	<u>\$ 51,378</u>	\$ 30,824
Cash flows from:		
Operating activities	\$ 74,492	\$ 63,298
Financing activities	\$ -	\$ (113,805)
Investing activities	<u>\$ (6,322)</u>	<u>\$ (8,272)</u>

The Company has business transactions with certain of its joint venture participants and corporations related to these participants. All transactions are at market prices and on normal business terms.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31 (figures in tables are in thousands of Canadian dollars, except where indicated)

4. INVENTORIES

	1999	1998
Logs and wood chips	\$ 129,948	\$ 109,531
Manufactured products	127,019	132,236
Retail products	191,924	161,929
Processing materials and supplies	51,213	44,675
	<u>\$ 500,104</u>	<u>\$ 448,371</u>

5. OTHER ASSETS

	1999	1998
Goodwill – net of accumulated amortization	\$ 16,993	\$ 17,733
Investments	8,760	7,614
Advances for timber and timber deposits	3,348	5,019
Non-interest bearing loans to employees	2,444	2,434
Other	2,234	2,519
	<u>\$ 33,779</u>	<u>\$ 35,319</u>

6. CAPITAL ASSETS

	1999		
	COST	ACCUMULATED AMORTIZATION	NET
Manufacturing plant and equipment	\$ 1,938,269	\$ 964,782	\$ 973,487
Timber rights, timberlands and roads	311,201	138,792	172,409
Retail stores and equipment	233,282	73,371	159,911
Land	108,988	–	108,988
	<u>\$ 2,591,740</u>	<u>\$ 1,176,945</u>	<u>\$ 1,414,795</u>
	1998		
	COST	ACCUMULATED AMORTIZATION	NET
Manufacturing plant and equipment	\$ 1,856,303	\$ 873,290	\$ 983,013
Timber rights, timberlands and roads	279,952	120,742	159,210
Retail stores and equipment	207,432	63,826	143,606
Land	85,241	–	85,241
	<u>\$ 2,428,928</u>	<u>\$ 1,057,858</u>	<u>\$ 1,371,070</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31 (figures in tables are in thousands of Canadian dollars, except where indicated)

7. DEFERRED CHARGES

	1999	1998
Deferred foreign exchange loss	\$ 10,665	\$ 55,409
Deferred pension costs	9,421	9,217
Deferred financing fees	2,711	3,304
	<u>\$ 22,797</u>	<u>\$ 67,930</u>

8. LONG-TERM DEBT

	1999	1998
US\$125 million term notes due 2002; interest at 7.25%	\$ 180,283	\$ 191,503
US\$125 million term notes due 2005; interest at 7.50%	180,140	191,326
Cdn\$125 million term notes due 2007; interest at 6.80%	124,816	124,791
US\$97.5 (1998 - US\$125) million term notes due 2000 to 2004; interest at 8.44%	140,722	191,663
U.S. revolving bank loan repaid in 1999	-	61,332
	<u>625,961</u>	<u>760,615</u>
Less: Current portion	36,083	42,166
	<u>\$ 589,878</u>	<u>\$ 718,449</u>

All long-term debt is unsecured.

Principal repayments for the next five years are:

2000	\$ 36,083
2001	36,083
2002	216,365
2003	18,041
2004	14,433
Thereafter	<u>304,956</u>
	<u>\$ 625,961</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31 (figures in tables are in thousands of Canadian dollars, except where indicated)

9. SHARE CAPITAL

Authorized

10,000,000 preferred shares, issuable in series, without par value

50,000,000 common shares without par value

20,000,000 Class B common shares without par value

Issued –

	1999		1998	
	NO. OF SHARES	AMOUNT	NO. OF SHARES	AMOUNT
Series I preferred shares	-	\$ -	1,250,000	\$ 49,875
Common shares	24,643,606	326,735	23,630,869	283,533
Class B common shares	5,947,068	597	5,949,068	597
	30,590,674	327,332	29,597,937	284,130
Shares owned by a subsidiary	(259,545)	(1,211)	(509,545)	(2,377)
Total common shares	30,331,129	326,121	29,070,392	281,753
Total share capital		\$ 326,121		\$ 331,628

Share capital transactions during 1999

The Company purchased for cancellation 1,250,000 Series 1 preferred shares. Consideration consisted of 1,250,000 common shares issued for \$46,151,250 and a cash payment of \$2,322,000 (note 10(d)). The resulting surplus has been credited to contributed surplus.

The Company issued 10,737 common shares for \$365,143; 2,000 Class B shares were converted to common shares.

The Company cancelled 250,000 common shares owned by a subsidiary. The resulting surplus has been credited to retained earnings.

Share capital transactions during 1998

The Company issued 93,860 common shares for \$2,931,000.

The Company cancelled 230,000 common shares owned by a subsidiary. The resulting surplus has been credited to retained earnings.

Rights and restrictions

Common shares

Common shares and Class B common shares are equal in all respects except that each Class B common share may at any time be exchanged for one common share.

Dividends payable

Dividends declared and unpaid at December 31, 1999 amounted to \$4,130,000 (1998 - \$4,553,000) and are included in accounts payable and accrued liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31 (figures in tables are in thousands of Canadian dollars, except where indicated)

9. SHARE CAPITAL (continued)

Share options

The Company has a fixed share option plan for its directors and officers, under which it may issue up to 1,526,000 share options. No expense is recognized for share options issued under this plan. The exercise price of options is equal to the closing price of the Company's shares on the day preceding the grant date. The options vest at 20% per year from the grant date and expire after 10 years. The weighted average contractual life of the options outstanding is 7 years.

A summary of the status of the plan as at December 31, 1999 and 1998 is presented below:

	1999		1998	
	NUMBER OF SHARES	WEIGHTED AVERAGE SHARE PRICE (DOLLARS)	NUMBER OF SHARES	WEIGHTED AVERAGE SHARE PRICE (DOLLARS)
Outstanding – beginning of year	543,479	\$ 36.14	455,121	\$ 36.42
Granted	132,000	\$ 34.00	143,000	\$ 35.00
Exercised	(1,100)	\$ 29.13	(4,400)	\$ 29.13
Expired	(4,400)	\$ 37.97	(50,242)	\$ 36.12
Outstanding - end of year	<u>669,979</u>		<u>543,479</u>	\$ 36.14
Options exercisable at the end of the year	<u>263,065</u>		<u>161,942</u>	

10. COMMITMENTS

a) Operating leases

The Company is committed to payments under certain operating leases for equipment, land, buildings and office space. Minimum payments required under these leases in each of the next five years are:

2000	\$ 17,900
2001	16,200
2002	12,000
2003	9,400
2004	8,200
	<u>\$ 63,700</u>

The majority of the leases provide the Company with the right to early termination without penalty.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31 (figures in tables are in thousands of Canadian dollars, except where indicated)

10. COMMITMENTS (continued)

b) Pension plans

The Company maintains non-contributory, defined-benefit pension plans covering a significant portion of its employees. These plans provide pensions based on length of service and, in some cases, earnings and length of service.

Pension expense includes the amortization of past service liabilities and experience gains and losses. Amortization is on a straight-line basis over the expected average remaining service life of each employee group.

As at December 31, the actuarial calculation of the total present values of accrued pension benefits and the market-related value of net assets available to provide these benefits are as follows:

	1999	1998
Accrued pension benefits	\$ 182,057	\$ 158,317
Pension fund assets	\$ 181,966	\$ 153,662

Other full-time employees are covered by various defined-contribution pension plans.

The Company has entered into agreements with certain employees pursuant to which the Company has a liability to pay each of them a supplementary retirement benefit upon retirement. The unfunded liability of \$13,000,000 (1998 - \$13,568,000) is included in accrued pension benefits.

c) Convertible obligation

On the acquisition of the home improvement business of Lansing Buildall, a subsidiary of the Company issued 1,500,000 of its common shares to the vendors of that business. The Company entered into an agreement with the vendors whereby, among other things, (a) the vendors may require the Company to purchase such shares at fair market value within a specified period after the end of each of 2001, 2002 and 2003, (b) the vendors may require the Company to purchase such shares on December 31, 2004 at the price of \$21.40 each, and (c) the Company has the right to purchase such shares at the same price on December 31, 2004. The Company has the right to issue common shares to the vendors in satisfaction of the price payable to the vendors under (b). Accordingly, the present value of this obligation has been recorded in shareholders' equity as a convertible obligation and is being increased through a charge to retained earnings as the present value of the obligation increases. Under certain circumstances, including specified capital market transactions, the rights and obligations referred to above will terminate before December 31, 2004.

d) Preferred share purchase

Under the terms of the preferred share purchase described in note 9, the Company may be required to pay additional purchase consideration based on the market value of Company's common shares between the purchase date and July 31, 2002. The maximum additional purchase consideration that could become payable is \$39.90 per share less the market price of the Company's common shares on July 31, 2002, plus the excess dividend entitlement on the preferred shares over the common shares between July 29, 2000 and July 31, 2002.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31 (figures in tables are in thousands of Canadian dollars, except where indicated)

10. COMMITMENTS (continued)

The obligation will be terminated at the earliest of:

- i) the date on which the market price equals or exceeds \$49.875 for a 10-day period on or before July 29, 2000;
- ii) the date on which the market price equals or exceeds \$39.90 for a 10-day period after July 29, 2000;
- iii) the date on which the shareholder ceases to hold the common shares issued by the Company as partial consideration for the preferred shares; or
- iv) July 31, 2002.

11. FINANCIAL INSTRUMENTS

a) Fair values

The recorded amounts for cash and short-term investments, accounts receivable, bank indebtedness, and accounts payable and accrued liabilities approximate fair values based on the short maturity of those instruments.

The fair value of the Company's long-term debt is estimated as the book value adjusted for the premium or discount required to provide a yield equal to current rates on new debt with maturities equal to the remaining terms to maturity.

	1999		1998	
	BOOK VALUE	FAIR VALUE	BOOK VALUE	FAIR VALUE
Long-term debt (note 8)				
Term notes	\$ 485,239	\$ 472,292	\$ 507,620	\$ 513,772
Other notes	140,722	150,517	191,663	203,190
Revolving bank loan	-	-	61,332	61,332
	<u>\$ 625,961</u>	<u>\$ 622,809</u>	<u>\$ 760,615</u>	<u>\$ 778,294</u>

b) Credit risk

The Company sells its products to a variety of customers and, accordingly, is exposed to credit risk on the accounts receivable from its customers. The Company has adopted policies and procedures designed to limit its credit risk.

12. FINANCING EXPENSE

	1999	1998
Long-term interest	\$ 51,352	\$ 58,667
Current interest - net	(1,667)	2,556
Amortization of deferred foreign exchange loss	9,760	18,986
	<u>\$ 59,445</u>	<u>\$ 80,209</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31 (figures in tables are in thousands of Canadian dollars, except where indicated)

13. OTHER INCOME (EXPENSES)

	1999	1998
Loss from equity investments	\$ (149)	\$ (1,911)
Earnings (loss) on sale of capital assets - net	1,210	(1,404)
Early retirement and severance payments	(30)	(6,686)
Write-down of capital asset	(7,050)	-
Other - net	(1,349)	(1,411)
	<u>\$ (7,368)</u>	<u>\$ (11,412)</u>

14. INCOME TAXES

The company's effective tax rate is as follows:

	1999		1998	
	AMOUNT	%	AMOUNT	%
Federal income taxes	\$ 71,290	28.0	\$ 7,638	28.0
Provincial income taxes	41,083	16.1	4,136	15.2
Manufacturing and processing allowances	(16,746)	(6.6)	(502)	(1.8)
Large corporations tax	3,600	1.4	3,600	13.2
Permanent differences arising from acquisitions	6,342	2.5	5,977	21.9
Permanent differences arising from deferred foreign exchange	927	0.4	1,804	6.6
Other	678	0.3	(1,000)	(3.7)
	<u>\$ 107,174</u>	<u>42.1</u>	<u>\$ 21,653</u>	<u>79.4</u>

15. EARNINGS PER COMMON SHARE

Basic earnings per common share are calculated based on net earnings available to common shareholders, as set out below, using the weighted average common shares outstanding. Adjusted basic earnings per share assume the conversion of preferred shares at the beginning of the year. Fully diluted earnings per share assume the conversion of preferred shares and exercise of options, if dilutive, at the beginning of the year or on their dates of issue, if later.

Supplemental fully diluted earnings per share assume the convertible obligation (note 10(c)) is settled by issuing common shares of the Company.

	1999	1998
Net earnings	\$ 147,421	\$ 5,625
Preferred share dividends	(615)	(2,494)
Convertible obligation	(1,510)	(1,589)
Net earnings available to common shareholders	<u>\$ 145,296</u>	<u>\$ 1,542</u>
Weighted average common shares outstanding	<u>29,733,000</u>	<u>29,004,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31 (figures in tables are in thousands of Canadian dollars, except where indicated)

15. EARNINGS PER COMMON SHARE (continued)

Earnings per common share (in dollars)

Basic	\$ 4.88	\$ 0.05
Fully diluted	\$ 4.75	\$ 0.05
Adjusted basic	\$ 4.81	\$ N/A
Supplemental fully diluted	\$ 4.73	\$ 0.05

16. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including the efforts of customers, suppliers, or other third parties, will be fully resolved.

17. SEGMENTED INFORMATION

The segmentation of the Company's manufacturing operations into lumber, panels and pulp and paper is based on a number of factors, including similarities in products, production processes, and economic characteristics. The principal operations of each segment are as follows:

Lumber	- 11 sawmills, which includes the Company's interest in joint ventures, producing lumber and by-product wood chips
Panels	- 2 MDF plants and 1 plywood plant
Pulp and paper	- 4 mills, which includes the Company's interest in joint ventures, producing a range of products including linerboard, kraft paper, softwood and hardwood BCTMP, and newsprint
Retail	- 14 full-service warehouse stores and 43 retail home improvement centres in western and central Canada

The accounting policies of each segment are the same as those described in note 1.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31 (figures in table are in millions of Canadian dollars)

17. SEGMENTED INFORMATION (continued)

1999

	LUMBER	PANELS	PULP & PAPER	RETAIL	CORPORATE & OTHER	CONSOLIDATED
Net sales at market prices –						
To external customers	\$ 811.4	\$ 118.7	\$ 485.6	\$ 788.4	\$ –	\$ 2,204.1
To other segments	68.4	–	–	–	–	–
	<u>\$ 879.8</u>	<u>\$ 118.7</u>	<u>\$ 485.6</u>	<u>\$ 788.4</u>	<u>\$ –</u>	
EBITDA	\$ 291.7	\$ 25.7	\$ 85.8	\$ 48.9	\$ (5.6)	\$ 446.5
Amortization of capital assets	42.4	18.6	51.9	12.0	0.2	125.1
Operating income	249.3	7.1	33.9	36.9	(5.8)	321.4
Financing Expense	10.3	7.4	26.7	14.8	0.2	59.4
Other	1.1	–	(0.3)	7.6	(1.0)	7.4
Earnings (loss) before income taxes	<u>\$ 237.9</u>	<u>\$ (0.3)</u>	<u>\$ 7.5</u>	<u>\$ 14.5</u>	<u>\$ (5.0)</u>	<u>\$ 254.6</u>
Capital employed (*)	<u>\$ 432.9</u>	<u>\$ 267.5</u>	<u>\$ 710.5</u>	<u>\$ 419.6</u>	<u>\$ 62.8</u>	<u>\$ 1,893.3</u>
Identifiable assets	<u>\$ 517.7</u>	<u>\$ 304.7</u>	<u>\$ 765.7</u>	<u>\$ 501.9</u>	<u>\$ 174.9</u>	<u>\$ 2,264.9</u>
Capital asset additions, including acquisitions	<u>\$ 33.5</u>	<u>\$ 76.9</u>	<u>\$ 10.7</u>	<u>\$ 57.3</u>	<u>\$ 2.7</u>	<u>\$ 181.1</u>

SALES BY GEOGRAPHIC AREA

Net sales to external customers

U.S.A.	\$ 578.2	\$ 48.5	\$ 134.0	\$ 4.4	\$ –	\$ 765.1
Canada	180.5	57.8	56.9	782.5	–	1,077.7
Europe	0.3	0.5	94.8	–	–	95.6
Far East	52.4	11.9	144.7	1.5	–	210.5
Other	–	–	55.2	–	–	55.2
	<u>\$ 811.4</u>	<u>\$ 118.7</u>	<u>\$ 485.6</u>	<u>\$ 788.4</u>	<u>\$ –</u>	<u>\$ 2,204.1</u>

(*) Capital employed is defined as identifiable assets less current non-interest bearing liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31 (figures in table are in millions of Canadian dollars)

17. SEGMENTED INFORMATION (continued)

1998

	LUMBER	PANELS	PULP & PAPER	RETAIL	CORPORATE & OTHER	CONSOLIDATED
Net sales at market prices –						
To external customers	\$ 668.6	\$ 78.3	\$ 441.5	\$ 688.2	\$ (13.2)	\$ 1,863.4
To other segments	74.3	–	–	–	–	
	<u>\$ 742.9</u>	<u>\$ 78.3</u>	<u>\$ 441.5</u>	<u>\$ 688.2</u>	<u>\$ (13.2)</u>	
EBITDA	\$ 124.3	\$ 7.9	\$ 89.1	\$ 41.6	\$ (16.2)	\$ 246.7
Amortization of capital assets	46.9	17.9	50.2	12.6	0.2	127.8
Operating income	77.4	(10.0)	38.9	29.0	(16.4)	118.9
Financing Expense	12.9	7.1	26.9	11.7	21.6	80.2
Other	3.7	(0.3)	7.3	(1.0)	1.7	11.4
Earnings (loss) before income taxes	<u>\$ 60.8</u>	<u>\$ (16.8)</u>	<u>\$ 4.7</u>	<u>\$ 18.3</u>	<u>\$ (39.7)</u>	<u>\$ 27.3</u>
Capital employed (*)	<u>\$ 439.6</u>	<u>\$ 208.9</u>	<u>\$ 760.5</u>	<u>\$ 368.3</u>	<u>\$ 84.8</u>	<u>\$ 1,862.1</u>
Identifiable assets	<u>\$ 531.1</u>	<u>\$ 215.7</u>	<u>\$ 821.9</u>	<u>\$ 432.2</u>	<u>\$ 108.0</u>	<u>\$ 2,108.9</u>
Capital asset additions, including acquisitions	<u>\$ 43.3</u>	<u>\$ 2.2</u>	<u>\$ 27.7</u>	<u>\$ 79.0</u>	<u>\$ 5.5</u>	<u>\$ 157.7</u>

SALES BY GEOGRAPHIC AREA

Net sales to external customers						
U.S.A.	\$ 443.4	\$ 30.2	\$ 126.3	\$ 7.2	\$ –	\$ 607.1
Canada	190.0	42.5	40.5	680.0	(13.2)	939.8
Europe	0.4	0.1	99.3	–	–	99.8
Far East	34.7	5.0	102.3	1.0	–	143.0
Other	0.1	0.5	73.1	–	–	73.7
	<u>\$ 668.6</u>	<u>\$ 78.3</u>	<u>\$ 441.5</u>	<u>\$ 688.2</u>	<u>\$ (13.2)</u>	<u>\$ 1,863.4</u>

(*) Capital employed is defined as identifiable assets less related current non-interest bearing liabilities.

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TEN-YEAR REVIEW

	1999	1998	1997	1996
FINANCIAL				
Sales & Earnings (\$ millions)				
Net Sales	2,204.1	1,863.4	1,869.8	1,641.8
Cost of Product Sold	1,689.8	1,551.6	1,480.6	1,262.8
Amortization	125.1	127.8	129.1	113.5
Selling, General and Administrative	67.8	65.1	78.4	66.3
Operating Earnings	321.4	118.9	181.7	199.2
Financing Expense	59.4	80.2	68.2	61.4
Other	7.4	11.4	(2.9)	(0.5)
Income Taxes	107.2	21.7	46.9	46.0
Net Earnings (Loss)	147.4	5.6	69.5	92.3
Cash Provided from Operations (\$ millions)				
	373.7	140.8	233.2	254.7
Cash Dividends Declared (\$ millions)				
Common Shares	16.2	15.7	14.5	13.0
Preferred Shares	0.6	2.5	2.5	2.5
Capital Asset Additions and Acquisitions (\$ millions)				
	181.1	157.7	156.2	219.8
Financial Position (\$ millions)				
Working Capital	343.7	324.5	353.0	321.4
Capital Assets, Net	1,414.8	1,371.1	1,415.7	1,415.9
Long-Term Debt	589.9	718.4	660.6	650.3
Non-Recourse Debt	—	—	101.1	120.4
Deferred Income Taxes	139.5	142.3	140.3	128.5
Preferred Shares	—	49.9	49.9	49.9
Common Shareholders' Equity	1,026.3	847.7	843.2	790.5
Per Common Share (dollars)				
Fully Diluted Earnings	4.75	0.05	2.30	3.11
Cash Dividends Declared	0.54	0.54	0.50	0.455
Common Shareholders' Equity	33.27	29.16	29.10	27.29
Price Range – High	40.00	41.00	47.00	44.00
– Low	29.00	19.05	30.65	28.50
Return on Net Assets Employed ⁽²⁾	8.2%	0.3%	3.9%	5.2%
Return on Net Sales	6.7%	0.3%	3.7%	5.6%
Return on Average Common Shareholders' Equity	15.8%	0.2%	8.2%	12.3%
Net Debt to Capitalization	.36	.47	.46	.48
Number of Employees (year-end)	8,320	7,269	6,511	5,425
OPERATIONS				
Production (figures in thousands)				
Lumber (Mfbm)	1,645	1,513	1,544	1,562
Linerboard (tonnes)	331	311	310	330
Kraft Paper (tonnes)	103	104	102	80
BCTMP (tonnes)	337	288	300	250
Newsprint (tonnes)	124	123	125	119
MDF (Msf)	215	181	161	102
Plywood (Msf)	37	—	—	—
(1) Prior years' figures restated to reflect stock dividends (2) Net of Deferred Foreign Exchange (Gain) Loss				

TEN-YEAR REVIEW

1995	1994	1993	1992	1991	1990
1,491.8	1,280.5	904.0	677.3	533.9	540.5
1,128.9	975.4	687.3	554.0	474.5	455.1
95.2	74.4	57.3	48.9	42.9	38.1
63.8	54.6	35.7	29.7	28.8	27.7
203.9	176.1	123.8	44.6	(12.3)	19.6
57.1	47.3	31.0	25.4	21.3	16.1
(5.5)	(61.6)	(1.7)	0.2	1.7	(0.4)
56.4	71.9	41.0	8.8	(18.8)	0.5
95.9	118.5	53.5	10.2	(16.5)	3.4
185.2	108.0	114.8	89.5	37.1	37.4
10.7	9.1	7.9	6.8	6.5	6.2
1.1	-	-	-	-	-
602.8	218.2	235.0	41.9	33.3	116.6
226.3	164.9	125.7	143.6	134.7	93.3
1,322.6	875.6	743.9	567.2	575.5	593.9
578.9	245.3	207.4	169.0	154.8	153.1
149.5	177.2	178.0	181.0	176.2	164.0
112.1	116.3	109.1	101.9	104.4	102.6
49.9	-	-	-	-	-
673.7	532.2	393.6	276.0	272.6	265.3
3.51	4.71	2.28	0.45	(0.77)	0.17
0.40	0.40	0.40	0.40	0.40	0.40
24.30	21.21	15.68	12.17	12.02	12.82
36.36	39.88	41.12	23.67	16.90	15.78
28.50	30.00	21.60	15.03	12.77	12.40
6.1%	11.1%	6.1%	1.4%	(2.3%)	0.7%
6.4%	9.3%	5.9%	1.5%	(3.1%)	0.6%
15.8%	26.4%	16.7%	3.7%	(6.1%)	1.3%
.54	.51	.53	.54	.56	.59
5,099	4,070	3,560	2,654	2,632	2,627
1,380	1,320	1,133	999	971	993
312	316	188	125	141	127
96	84	58	39	41	44
187	152	146	146	141	144
119	117	112	110	87	22
14	-	-	-	-	-
-	-	-	-	-	-

CORPORATE INFORMATION

CORPORATE OFFICES:

1000 – 1100 Melville Street
Vancouver, British Columbia
Canada V6E 4A6
Tel: (604) 895-2700
Fax: (604) 681-6061

1250 Brownmiller Road
Quesnel, British Columbia
Canada V2J 3J5
Tel: (250) 992-9244
Fax: (250) 992-9233

RETAIL:

Home Office, Distribution and Trading

19550 – 92nd Avenue
Surrey, British Columbia
Canada V4N 4G7
Tel: (604) 882-6200
Fax: (604) 888-1554

Regional Office

9630 Macleod Trail
Calgary, Alberta
Canada T2J 0P7
Tel: (403) 253-6868
Fax: (403) 253-1313

Regional Office

1170 Martin Grove Rd.
Etobicoke, Ontario
Canada M9W 4X1
Tel: (416) 241-5129
Fax: (416) 246-5261

OPERATIONS:

Lumber

1250 Brownmiller Road
Quesnel, British Columbia
Canada V2J 3J5
Tel: (250) 992-9244
Fax: (250) 992-9233

Ranger Board

P.O. Box 1079
Whitecourt, Alberta
Canada T7S 1P9
Tel: (780) 648-6333
Fax: (780) 648-6397

Westpine

P.O. Box 6300
Quesnel, British Columbia
Canada V2W 3J5
Tel: (250) 991-7100
Fax: (250) 991-7115

Eurocan Pulp & Paper

P.O. Box 1400, Eurocan Way
Kitimat, British Columbia
Canada V8C 2H1
Tel: (250) 632-6111
Fax: (250) 639-3486

Quesnel River Pulp Company

1000 Finning Road
Quesnel, British Columbia
Canada V2J 5C3
Tel: (250) 992-8919
Fax: (250) 992-2612

Slave Lake Pulp

P.O. Box 1790
Slave Lake, Alberta
Canada T0G 2A0
Tel: (780) 849-7777
Fax: (780) 849-7725

Alberta Plywood

140 – 6325 103 Street
Edmonton, Alberta
Canada T6H 5H6
Tel: (780) 468-3311
Fax: (780) 462-9863

Alberta Newsprint Company

Postal Bag 9000
Whitecourt, Alberta
Canada T7S 1P9
Tel: (780) 778-7000
Fax: (780) 778-7070

SALES:

Lumber

1250 Brownmiller Road
Quesnel, British Columbia
Canada V2J 3J5
Tel: (250) 992-9254
Fax: (250) 992-3034

MDF and Plywood

140 – 6325 103 Street
Edmonton, Alberta
Canada T6H 5H6
Tel: (780) 413-8900
Fax: (780) 413-8910

Linerboard and Kraft Paper

1000 – 1100 Melville Street
Vancouver, British Columbia
Canada V6E 4A6
Tel: (604) 895-2750
Fax: (604) 685-2441

Pulp

1000 – 1100 Melville Street
Vancouver, British Columbia
Canada V6E 4A6
Tel: (604) 895-2700
Fax: (604) 683-2097

Newsprint

650 – 375 Water Street
Vancouver, British Columbia
Canada V6B 5C6
Tel: (604) 681-8817
Fax: (604) 681-8861

DIRECTORS:

Henry H. Ketcham, III	Chairman of the Board, President and Chief Executive Officer
Clark S. Binkley	Chief Investment Officer, Hancock Timber Resource Group, Inc.
J. Duncan Gibson	Vice-Chairman, Commercial Banking Division, The Toronto-Dominion Bank
Janet W. Ketcham	Investor
William P. Ketcham	President of Henry H. Ketcham Lumber Co. Inc.
C. Calvert Knudsen	Retired Chairman and Chief Executive Officer of MacMillan Bloedel Ltd.
Harald H. Ludwig	President of Macluan Capital Corporation
F. David Radler	President and Chief Operating Officer of Hollinger Inc.

OFFICERS:

Henry H. Ketcham, III	Chairman of the Board, President and Chief Executive Officer
Russell J. Clinton	Senior Vice-President, Corporate Development
D. Wayne Clogg	Vice-President, Woodlands
Carl L. Grittner	Vice-President, Building Supplies; President, Revy
William H. LeGrow	Vice-President, Transportation and Energy
Gerald J. Miller	Vice-President, Pulp and Administration
Lon M. Schroeder	Vice-President, Kitimat Operations
Martti Solin	Vice-President, Finance and Chief Financial Officer
Zoltan F. Szucs	Vice-President, Panelboard
Ernest M. Thony	Vice-President, Lumber Sales
Gary W. Townsend	Vice-President, Lumber Operations
C. Paul Daniels, Q.C.	Secretary
Larry S. Hughes	Assistant Secretary

SHAREHOLDER INFORMATION

Annual General Meeting

The Annual General Meeting of the shareholders of the Company will be held in Quesnel, B.C., April 26, 2000

Auditors

PricewaterhouseCoopers LLP
Vancouver, British Columbia

Legal Counsel

Lang Michener Lawrence & Shaw
Vancouver, British Columbia

Transfer Agent

CIBC Mellon Trust Company
Vancouver, Calgary, Regina, Winnipeg,
Toronto, Montreal and Halifax

Shares Listed

The Toronto Stock Exchange
Symbol: WFT

Number of Common Shares Outstanding

30,331,129 shares, as at December 31, 1999 excluding those held by a subsidiary.

Investor Contact

Martti Solin
Vice-President, Finance and Chief Financial Officer
Tel: (604) 895-2700
Fax: (604) 681-6061
e mail: shareholder@westfrasertimber.ca

GLOSSARY OF INDUSTRY TERMS

The following are definitions of certain terms used throughout this Annual Report:

AAC means allowable annual cut, being the volume of timber that may be harvested annually from a specific timber tenure

BCTMP means bleached chemi-thermomechanical pulp

BURNER means a wood waste incinerator

DIMENSION LUMBER means standard commodity lumber ranging from 1 x 3's to 2 x 12's, in varying lengths

ENVIRONMENTAL AUDIT means a systematic examination of an industrial operation used to measure compliance with regulations, policy and with good industrial practice

FMA means a forest management agreement granted by the Alberta government which entitles the holder to establish, grow and harvest timber on specified lands

FOREST MANAGEMENT UNIT means an area of forest land designated by the Minister of Environmental Protection of Alberta as a management unit

M³ means a solid cubic metre, a unit of measure for timber, equal to approximately 35 cubic feet.

MDF means medium density fibreboard, a composite wood product made from wood residue

MFBM means one thousand board feet (equivalent to one thousand square feet of lumber, one inch thick), and MMfbm means one million board feet

MSF is a unit of measure for MDF equal to one thousand square feet on a 3/4 inch basis, and MMSf means one million square feet on a 3/4 inch basis

NBSK means Northern Bleached Softwood Kraft pulp

SPF means spruce/pine/balsam fir species of trees

SUSTAINED YIELD means the yield that a forest can produce in perpetuity at a given intensity of management without impairment of the land's productivity, with the intent that there will be a balance between timber growth and harvesting on a sustainable basis

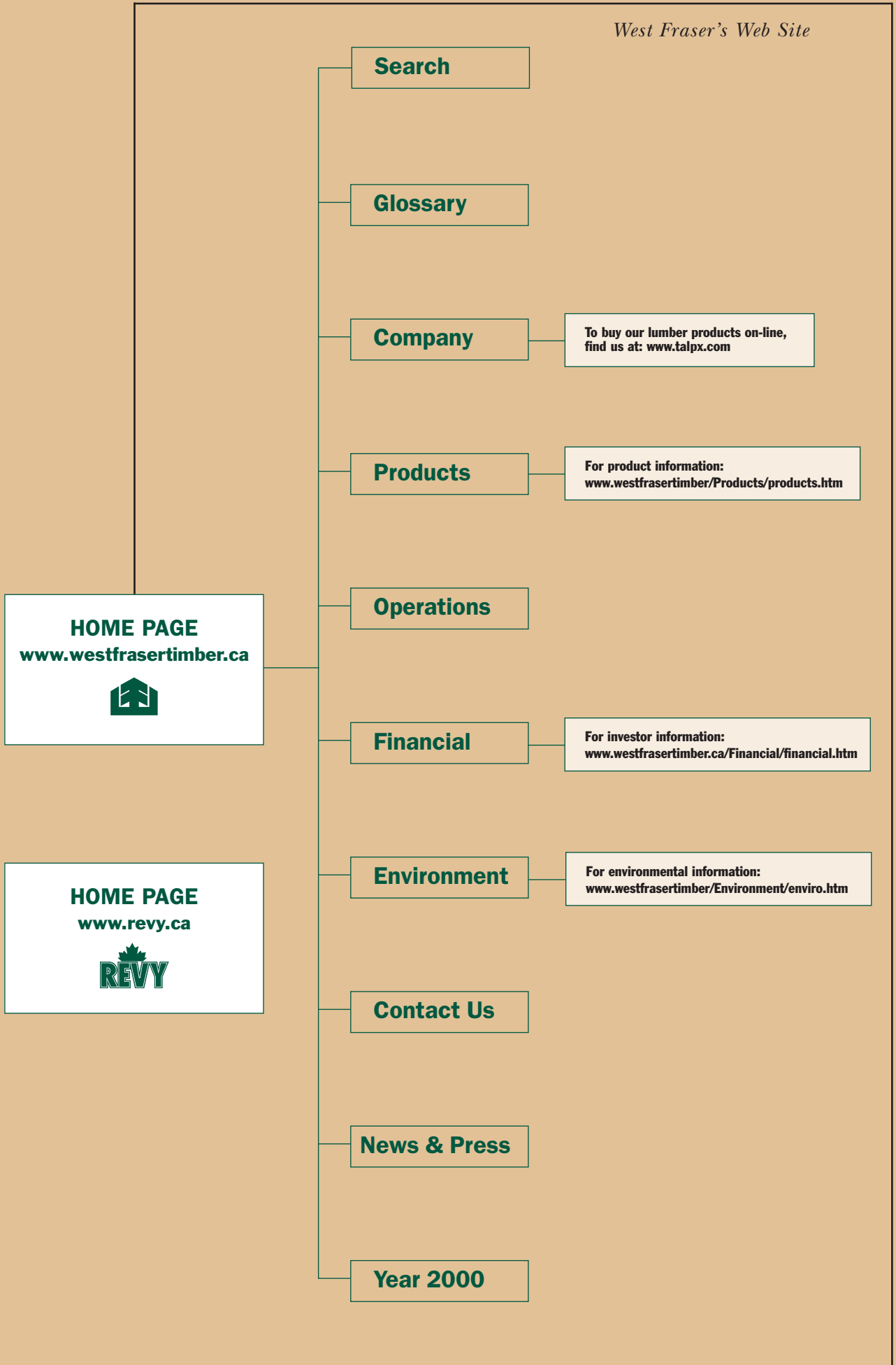
TFL means a tree farm license granted by the Ministry of Forests of British Columbia to a licensee who undertakes to manage an area of timberland to yield an annual harvest on a sustained yield basis.

TIMBER SUPPLY AREA means an area of forest land designated by the Ministry of Forests of British Columbia and allocated an AAC from which non-area based timber tenures are granted

TONNE is a unit of weight in the metric system equal to 1,000 kilograms or approximately 2,204 pounds

TOXICITY means a measure of lethality used to test effluent. To pass the test, 50% of young rainbow trout must survive exposure in undiluted effluent for 96 hours

WOOD RESIDUE means wood chips, shavings and sawdust produced by a sawmill



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www.revy.ca



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Glossary

Company

To buy our lumber products on-line,
find us at: www.talpx.com

Products

For product information:
www.westfrasertimber.com/Products/products.htm

Operations

Financial

For investor information:
www.westfrasertimber.ca/Financial/financial.htm

Environment

For environmental information:
www.westfrasertimber.com/Environment/enviro.htm

Contact Us

News & Press

Year 2000



West Fraser Timber Co. Ltd.
1000 - 1100 Melville Street
Vancouver, British Columbia
Canada V6E 4A6
Tel: (604) 895-2700 Fax: (604) 681-6061
www.westfrasertimber.ca

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