



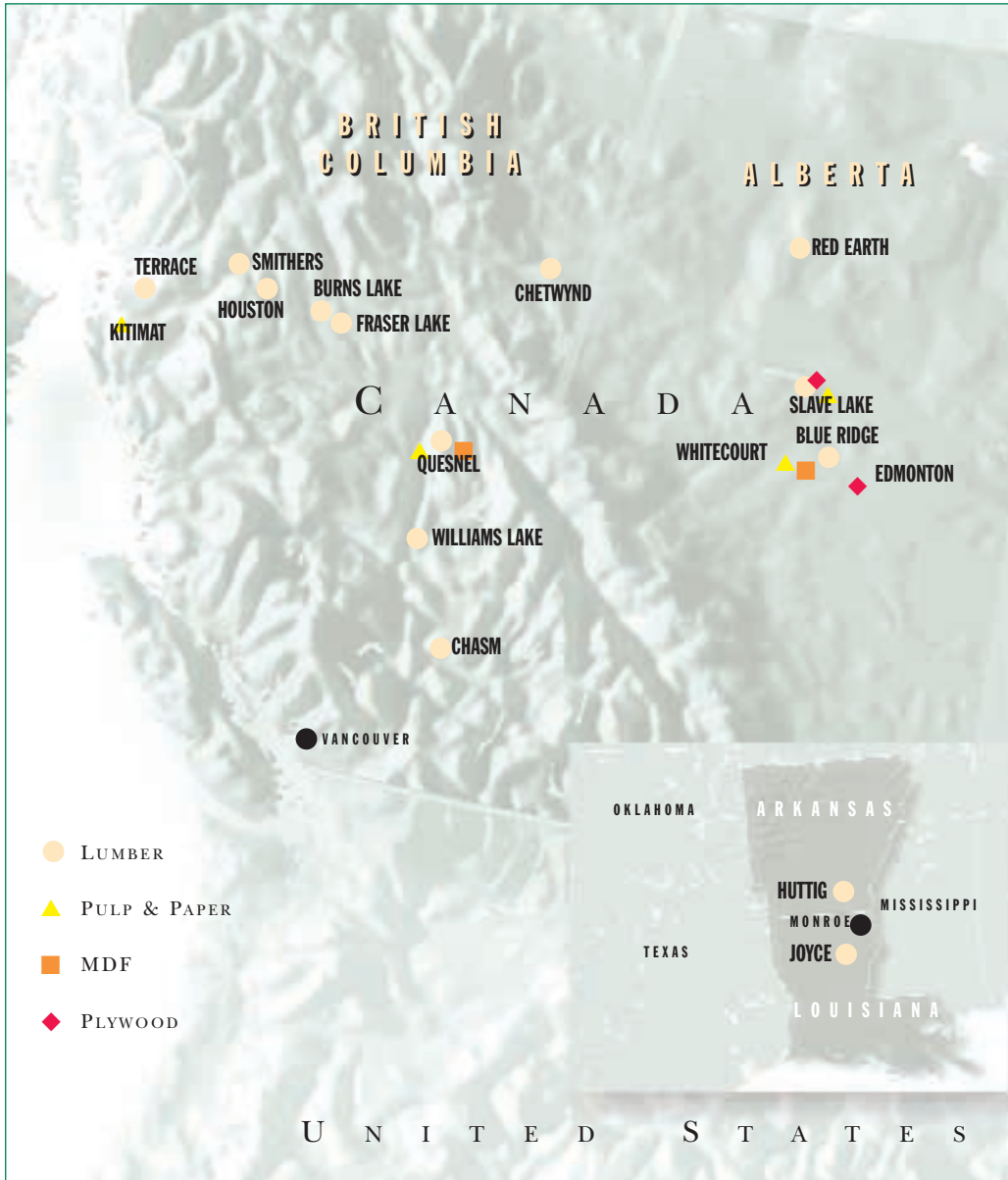
West Fraser Timber Co. Ltd.

ANNUAL REPORT

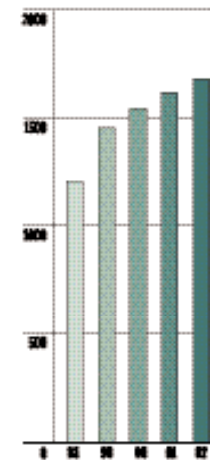
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West Fraser began operations in 1955 and is now an integrated forest products company producing lumber, wood chips, MDF, plywood, pulp, linerboard, kraft paper and newsprint. It holds extensive timber rights in British Columbia and Alberta that provide raw material for its manufacturing operations

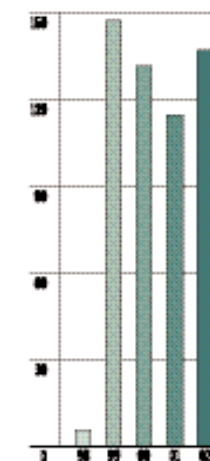
MAP OF OPERATIONS



NET SALES
(\$ millions)



EARNINGS
(\$ millions)



RETURN ON COMMON
SHAREHOLDERS' EQUITY
(percentage)

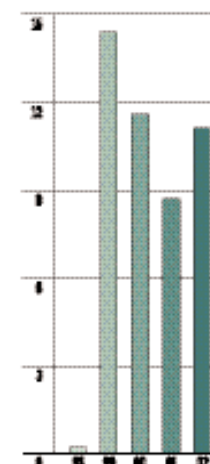
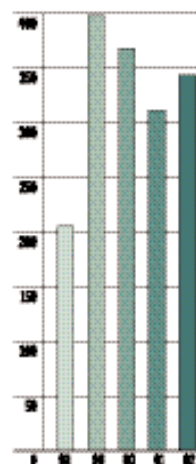


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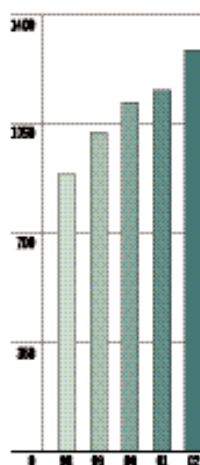
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2002 Annual Report

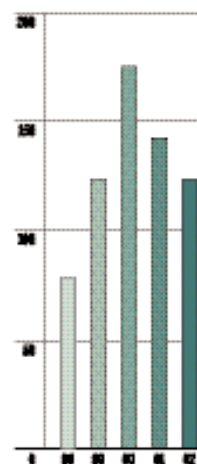
EBITDA
(\$ millions)



SHAREHOLDERS' EQUITY
(\$ millions)



PROPERTY, PLANT & EQUIPMENT EXPENDITURES & ACQUISITIONS
(\$ millions)



FINANCIAL AND OPERATING HIGHLIGHTS

EARNINGS (\$ millions)

	2002	2001 ¹
Net sales	1,632	1,562
EBITDA	344	311
Operating earnings	209	187
Earnings	138	115
Cash flow from operating activities	170	260

COMMON SHARE DATA (in dollars per share, except shares outstanding)

Shares outstanding (thousands)		
Weighted average ²	33,457	33,392
Year end	33,483	30,360
Cash flow from operating activities ²	5.07	7.77
Earnings ²		
From continuing operations — Basic	3.85	2.86
— Diluted	3.82	2.85
After discontinued operations — Basic	4.11	3.01
— Diluted	4.07	3.00
Cash dividends ²	0.56	0.51
Common shareholders' equity ²	38.58	35.05
Price range ²		
— High	45.00	34.95
— Low	28.90	23.18
— Close	35.00	34.95

FINANCIAL POSITION (\$ millions)

Working capital	481	288
Total assets	2,116	2,320
Long-term debt (excluding current portion)	338	360
Shareholders' equity	1,292	1,170

ANALYTICAL DATA

Current ratio	3.27	1.61
Capital asset additions and acquisitions (\$ millions)	123	143
Net debt to capitalization (%)	11.3	21.9
Return on common shareholders' equity (%)	11.1	8.7

LUMBER

Production (MMfbm)	2,347	2,012
Shipments (MMfbm)	2,297	2,007
Sales (\$ millions)	931	852
Operating earnings (\$ millions)	139	104

PANELS

MDF	Production (3/4" MMsf)	249	250
	Shipments (3/4" MMsf)	249	249
Plywood	Production (3/8" MMsf)	235	248
	Shipments (3/8" MMsf)	235	252
	Sales (\$ millions)	217	214
	Operating earnings (\$ millions)	47	39

PULP AND PAPER

Linerboard	Production (Mtonnes)	306	304
	Shipments (Mtonnes)	293	309
Kraft paper	Production (Mtonnes)	105	102
	Shipments (Mtonnes)	102	100
Pulp	Production (Mtonnes)	397	361
	Shipments (Mtonnes)	386	366
Newsprint	Production (Mtonnes)	128	120
	Shipments (Mtonnes)	132	116
	Sales (\$ millions)	485	497
	Operating earnings (\$ millions)	32	52

1. Restated for change in accounting policy for foreign exchange translation on long-term debt.

2. Adjusted for 10% stock dividend paid March 2002.

We achieved production and efficiency records in all the sawmills managed directly by us.



HENRY H. KETCHAM
Chairman of the Board, President & Chief Executive Officer

Despite difficult pricing environments for most of our products throughout 2002, West Fraser earned \$138 million, or \$4.07 per share, on sales of \$1,632 million. This compares to earnings of \$115 million, or \$3.00 per share, on sales of \$1,562 million in 2001.

Our strong operating cash flow and proceeds from real estate sales enabled us to invest \$123 million in capital improvements and reduce our long-term debt by \$236 million. At year end we had \$165 million of debt, net of cash, and a net debt to total capitalization ratio of 11%.

During the year we received \$125 million from the sale of real estate that we retained on the sale of our home improvement operations in 2001. We still hold income-producing real estate with a book value of \$55 million and will continue to explore opportunities to sell these properties.

In March the Company declared a 10% stock dividend, and since the directors did not change the amount of the quarterly dividend per share this effectively increased the cash dividend by 10%. West Fraser is one of only two Canadian forest products companies currently listed on the Toronto Stock Exchange that have paid quarterly dividends continuously since 1986, the year of our initial public offering.

Even with strong North American housing starts and near record demand, lumber prices declined throughout the year in response to higher production in North America and rapidly increasing

imports from Europe. By the fourth quarter, prices fell to their lowest levels in 10 years.

The continuing softwood lumber dispute with the United States added uncertainty and instability to the market. In May, the U.S. Department of Commerce ruled that Canadian lumber was subsidized and was being dumped into the U.S. market. Effective May 22, 2002, lumber shipments into the United States from most Canadian producers have been subjected to combined countervailing and antidumping duties averaging 27.22%. West Fraser currently pays 20.97%, reflecting its specific antidumping rate of 2.18%.

We believe that the allegations of subsidy and dumping are completely unfounded and that Canada will prevail if these issues are decided by the panels that have been established under NAFTA and the WTO. In the interim, we encourage our provincial and federal governments to continue to seek an acceptable negotiated solution with the United States to put an end, once and for all, to this long-running trade dispute.

Working under the cloud of depressed lumber prices and punitive duties, our operating personnel were still able to drive our lumber operations to new heights in 2002. We achieved production and efficiency records in all the sawmills managed directly by us. Overall we improved lumber conversion by 3%, reduced the costs of production by 4% and improved our safety record, as measured by time-loss accidents, by 9%.

In March, we started up our newest sawmill in Chasm, British Columbia. This mill ramped up to full production in nine months and is now running above its rated capacity.

A \$35 million rebuild of our Huttig, Arkansas sawmill is set to begin this spring. Permitting issues

Working under the cloud of depressed lumber prices and punitive duties, our operating personnel were still able to drive our lumber operations to new heights in 2002.

that caused a year-long delay are now resolved and the project should be completed by the fourth quarter of 2003. When this project is finished, we believe we will have among the most modern and efficient group of sawmills in the industry. We will continue to invest to keep them on the leading edge of technology and enable us to face an uncertain future with confidence.

During the year, the government of British Columbia continued to work on improving many aspects of its forest policy. Two significant accomplishments were the introduction of a new results-based *Forest and Range Practices Act* that is to replace the current *Forest Practices Code* over the next several years and the designation of a Working Forest in B.C. We encourage the government to draft new policies in a way that will allow the forest industry in the interior of British Columbia to maintain its competitiveness and continue to build on its strengths.

Many of our forest tenures are up for replacement in 2003 and the Ministry of Forests is now required to consult with interested First Nations groups before making replacement offers.

This requirement may cause delays and result in the addition of new terms and conditions, but we do not expect the replacement tenures to be materially different.

The pine beetle epidemic continues to grow in central British Columbia and now affects more than nine million hectares. West Fraser and other companies operating in this region are focusing logging operations in the affected areas to try to control the problem and to remove infested timber before it deteriorates.

Our panel operations, consisting of two MDF plants, a veneer plant and a plywood plant, also performed well. Plywood prices were relatively strong during the year, reflecting considerable strength in the housing market. The plywood and veneer plants ran satisfactorily despite disruptions from major capital improvements carried out during the summer. These improvements will increase production and recovery and will further reduce our operating costs. MDF prices continued to be under pressure as a result of over capacity in the industry and a weakening economy in the United States.

Sawmill in Chasm, B.C.



"This mill ramped up to full production in nine months and is now running above its rated capacity."



We believe West Fraser's operating results confirm our position as one of the lowest cost producers in the industry.

Our pulp and paper operations produced a record 935,547 tonnes. Alberta Newsprint Company ("ANC") achieved record annual production as a result of the major speed-up project completed in the fall of 2001. Our Kitimat linerboard and kraft paper mill showed significant operating improvement as the year progressed and we expect this trend to continue. Prices for most of our pulp and paper products remained under pressure, mainly due to the weakened U.S. economy, but newsprint, linerboard and pulp prices began to improve during the second half of the year. The stability of these improved prices remains dependent on the health of that economy.


In November, West Fraser purchased the other 50% interest in Quesnel River Pulp Company, ending a friendly and successful 23-year joint venture with Daishowa Canada Co. Ltd. in the largest market mechanical pulp mill in the world. While we are sorry to see this association ended, we are excited that unifying this operation under single ownership will enable us to operate the mill more efficiently. We are also delighted to welcome the 130

employees at Quesnel River Pulp into the West Fraser family.

During the fourth quarter, West Fraser was unsuccessful in an attempt to sell its 50% joint venture interest in ANC into a public income fund. ANC is one of North America's lowest cost and highest quality newsprint producers, with an outstanding work force contributing greatly to its success. While we have been proud to be a part of ANC, the income fund structure offered a potentially compelling value. Unfortunately, the market for that type of investment weakened considerably by the year end and our proposed sale has been deferred. While we will continue to monitor the public market, we are happy to remain part of one of the premier newsprint operations in the industry.

We believe West Fraser's operating results confirm our position as one of the lowest cost producers in the industry. The key elements of our success are an engaged and productive work force, continuous modernization of our facilities, a relentless emphasis on cost control and a strong balance sheet through the business cycle.

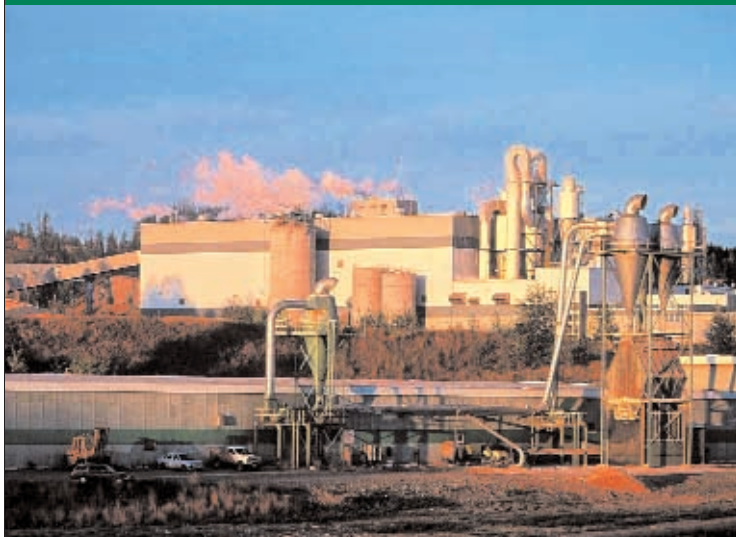
Mountain Pine Beetle Infestation



The mountain pine beetle is part of a normal lodgepole pine forest. When the forest is young, it is able to withstand large scale attacks, but as trees approach 60 years of age, resistance declines rapidly. By the time they reach 80 to 100, resistance is low and large stands can be damaged. However, beetle-killed wood can continue to be harvested for several years, depending on the wetness of the climate. For instance, West Fraser is still harvesting such wood in the Williams Lake area, 18 years after the previous infestation.

Our people, of course, make the difference. Throughout our company, West Fraser employees work safely and diligently to improve our plants, our cost structure and our commitment to our customers . . .

Quesnel River Pulp



"In November, West Fraser purchased the other 50% interest in Quesnel River Pulp Company, ending a friendly and successful 23-year joint venture with Daishowa Canada Co. Ltd. in the largest market mechanical pulp mill in the world."

Our people, of course, make the difference. Throughout our company, West Fraser employees work safely and diligently to improve our plants, our cost structure and our commitment to our customers and to ensure that we take our social, environmental and economic responsibilities seriously. That means offering safe and secure employment to our people, supporting our communities and continuously improving our environmental performance and our commitment to sustainability. Staying true to these principles throughout our 47-year history has been the reason for our success. These principles will continue to guide us as we build West Fraser into a larger and stronger company in the years ahead.

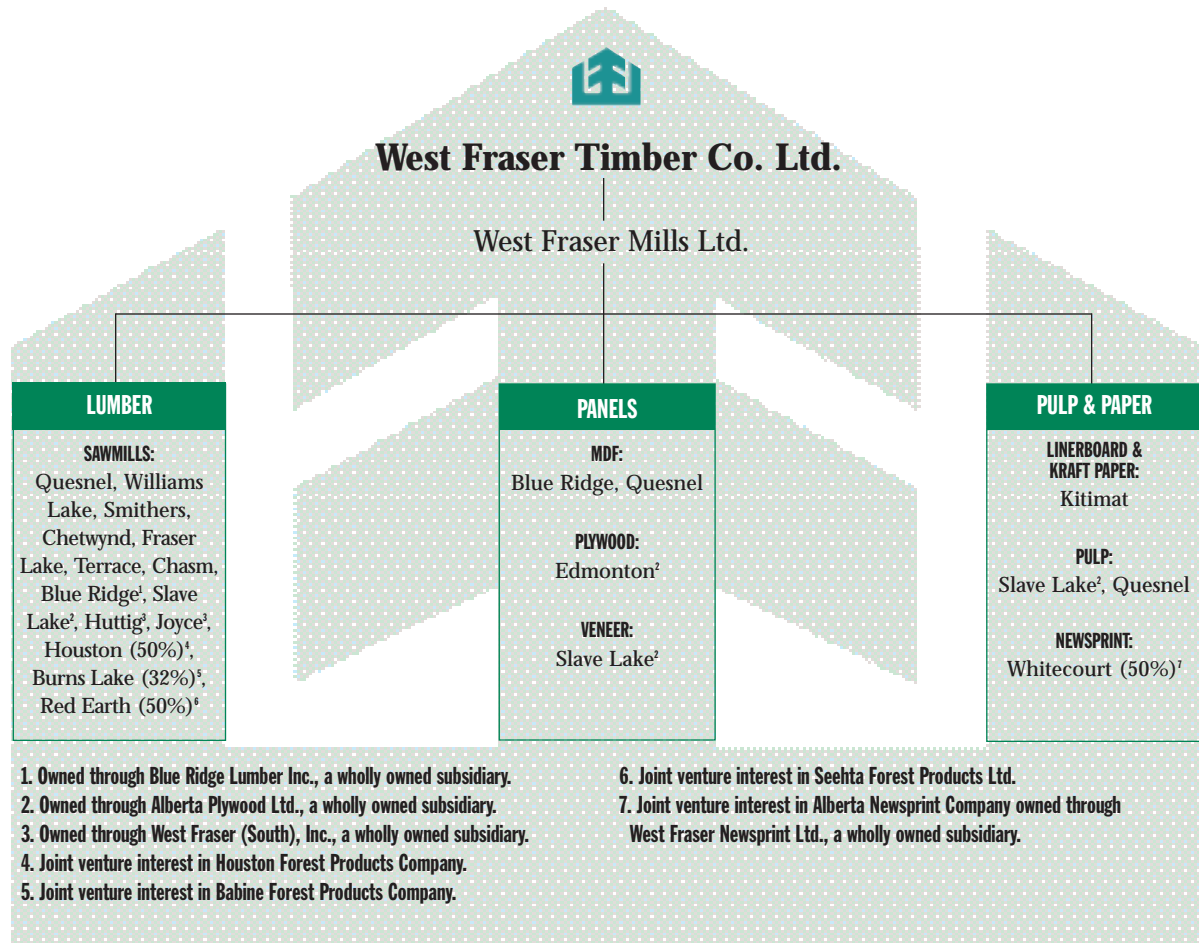
In April 2002, Janet Ketcham retired from our Board of Directors. Janet joined the Board in 1977 and was an active and dedicated participant in the growth of West Fraser for these past 25 years. We will miss her valuable input and her unique perspective on the growth and success of the Company.

Finally, also in April, 2002, Will Ketcham joined the Board of Directors. Will is a managing partner in Seraphin Partners LLP in New York City.

His background in investment banking as well as his long relationship with West Fraser will add an important new dimension to our Board.

Henry H. Ketcham

Chairman of the Board,
President & Chief Executive Officer



CORPORATE STRUCTURE

The above chart shows the relationship of West Fraser Timber Co. Ltd. (the “Company”) to its principal subsidiaries and the joint ventures in which it participates and, where less than 100%, the percentage of ownership by the Company.

West Fraser Mills Ltd. (“West Fraser Mills”) subsists under the laws of British Columbia. Blue Ridge Lumber Inc. and West Fraser Newsprint Ltd. are incorporated under the laws of Alberta. Alberta Plywood Ltd. and Seehta Forest Products Ltd. subsist under the laws of Canada. West Fraser (South), Inc. is incorporated under the laws of Delaware. Alberta Newsprint Company (“ANC”) is an unincorporated joint venture governed by the laws of Alberta. Houston Forest Products Company

and Babine Forest Products Company are unincorporated joint ventures governed by the laws of British Columbia.

West Fraser Timber Co. Ltd. is an integrated forest products company producing lumber, wood chips, MDF, 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 outside Canada as commodities. 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.

CERTAIN OF THE INFORMATION PRESENTED IN THIS ANNUAL INFORMATION FORM, AND IN THE ANNUAL REPORT OF WHICH IT FORMS A PART, INCLUDES FORWARD-LOOKING STATEMENTS THE ACCURACY OF WHICH DEPENDS ON A NUMBER OF ASSUMPTIONS AND IS SUBJECT TO RISKS AND UNCERTAINTIES. THESE INCLUDE, BUT ARE NOT LIMITED TO, THE EFFECT OF GENERAL ECONOMIC CONDITIONS ON DEMAND FOR THE COMPANY'S PRODUCTS, THE EFFECTS OF FORESTRY, LAND USE, ENVIRONMENTAL AND OTHER GOVERNMENTAL REGULATIONS, TRADE SANCTIONS, FIRST NATIONS CLAIMS, THE RISK OF LOSSES FROM FIRES AND NATURAL DISASTERS, AND THE ABILITY OF THE COMPANY TO EXECUTE ITS BUSINESS PLANS. ACCORDINGLY, ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE COMPANY MAY DIFFER MATERIALLY FROM THOSE PROJECTED.

West Fraser Mills, the Company's principal operating subsidiary, owns directly or indirectly all of the Company's other subsidiaries and joint venture interests.

West Fraser holds timber rights representing 6.8 million m³ of AAC from which harvesting operations provide raw material for its Canadian manufacturing operations, and has a long-term agreement for the supply of most of the fibre required by its sawmills in the southern United States. All of the fibre requirements of West Fraser's pulp and paper mills and MDF 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 2,600 MMfbm of lumber, 260 MMsf of plywood, 250 MMsf of MDF, 450,000 tonnes of linerboard and kraft paper, 540,000 tonnes of pulp and 130,000 tonnes of newsprint.

HISTORY

West Fraser was founded in 1955 when three brothers, Henry H. Ketcham Jr., William P. Ketcham and Samuel K. Ketcham, acquired a 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 chain of retail building supply stores.

1979 – West Fraser formed the Quesnel River Pulp (“QRP”) joint venture, in which it owned 50%, to construct and operate a pulp mill at Quesnel.

1981 – West Fraser acquired a 40% interest in Eurocan Pulp & Paper, which owned a linerboard and kraft paper mill at Kitimat and two sawmills

and partial interests in two joint venture sawmills elsewhere in British Columbia. West Fraser increased its ownership to 50% in 1984 and to 100% in 1993.

1989 – West Fraser formed the ANC joint venture to construct and operate a newsprint mill at Whitecourt, Alberta, owning a 50% interest.

1995 – West Fraser acquired the Blue Ridge sawmill and the Ranger Board MDF plant, both at Blue Ridge, Alberta, and the Slave Lake Pulp mill at Slave Lake, Alberta.

1996 – West Fraser began operations at its WestPine MDF plant at Quesnel.

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

2000 – West Fraser acquired two sawmills in the southern United States and a 50% interest in a sawmill in northern Alberta.

2001 – West Fraser acquired a sawmill at Chasm, British Columbia and permanently closed its Prince Rupert sawmill.

– West Fraser sold its 28,500 hectare timber plantations in Uruguay.

– West Fraser sold its retail home improvement operations, retaining the underlying real estate in two subsidiaries, West Fraser Home Centres Inc. and West Fraser Real Estate Ltd. Most of the real estate was sold in 2001 and 2002.

2002 – West Fraser increased its ownership of QRP to 100%.

Table I shows West Fraser's sales revenues from its various product lines over the last five years.

Sales Revenues (\$ millions)					Table I
Year ended December 31	2002	2001	2000	1999	1998
Lumber	\$ 930.8	\$ 851.8	\$ 724.3	\$ 811.4	\$ 668.6
Panels	216.7	214.0	198.5	118.7	78.3
Pulp & Paper	484.7	496.5	582.0	485.6	441.5
Corporate & Other	—	—	—	—	(13.2)
	\$ 1,632.2	\$ 1,562.3	\$ 1,504.8	\$ 1,415.7	\$ 1,175.2

TIMBER SUPPLY

BRITISH COLUMBIA. About 95% of the timberland in British Columbia is owned by the province. Timber harvesting is 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 licences, 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 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 between the licensee and the Ministry.

In 2003, West Fraser will begin negotiating with the Ministry of Forests for the replacement of many of its timber tenures in British Columbia. The Ministry is required to consult with interested First Nations groups before making replacement offers. This requirement may delay the process and may result in the addition of new terms and conditions to tenures, but it is expected that the replacement tenures will be materially the same as the existing ones.

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 must average 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.

Under the *Forest Act* (British Columbia), AAC determinations must be reviewed at least once every five years for each timber supply area and tree farm license. The current round of reviews began in 1997 and was completed in 2002 with no material effect on West Fraser.

ALBERTA. Over 90% of the timberland in Alberta is owned by the province. Forest operations on public lands are regulated under the *Forests Act* (Alberta), which empowers the Minister of Sustainable Resource Development 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 recognizes these rights as the primary use of the area. An FMA generally has a 20-year term with further 20-year renewal periods. Each FMA requires the holder to conduct a forest inventory and prepare a detailed forest management

Touring British Columbia's Forests



Getting ready to hike the trail.

Investigating a culturally modified tree along the trail.

The Smithers sawmill and Houston joint venture sawmill sponsored a cultural field trip for the residents of Fort Babine, a First Nations community located at the north end of Babine Lake, about 100 kilometres from Smithers.

plan to determine the AAC and to have annual operating plans approved by the Minister.

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, and is renewable. The Minister 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 Minister that describes the area planned for logging by the quota holder and the period during which the timber may be harvested, usually three to five years.

The volume of timber that may be harvested under a timber quota may be varied by the Minister, and generally is subject to review by the Minister every five years.

Table II summarizes the timber tenures supplying the mills that West Fraser owns or in which it has an interest, the AAC and the actual harvest in 2002.

Annual log requirements for West Fraser's Canadian sawmills and plywood plant operating at stated capacity, including the proportionate requirements for the partly owned sawmills, total approximately 8.0 million m³, of which approximately 66% can be obtained from the tenures summarized in Table II. Additional log requirements are met by open-market purchases.

U.S. SOUTH. West Fraser's sawmills at Joyce, Louisiana and Huttig, Arkansas consume approximately 1.0 million m³ of logs annually, of which approximately 60% is presently supplied under a long-term agreement. The balance is obtained on the open market.

WOOD CHIP SUPPLY

A significant portion of West Fraser's wood chip requirements is supplied from its own operations.

Location	Tenure ¹	Expiry Date	AAC ²	2002 Harvest ²	Table II
BRITISH COLUMBIA	Coniferous				
	Long-Term Tenures	2013 – 2026	4,276	3,798	
	Short-Term Tenures	2004 – 2008	343	252	
ALBERTA	Coniferous				
	Long-Term Tenures	2006 – 2018	1,645	1,475	
	Deciduous				
	Long-Term Tenures	2009 – 2019	515	445	

1. Long-term tenures include TFL's, FMA's, timber quotas and forest licenses, all of 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 have been adjusted to reflect West Fraser's share of operations and are in thousands of m³.

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 sawmills in British Columbia. Ranger Board obtains its fibre from the Blue Ridge sawmill and other sawmills in the area. The Slave Lake Pulp mill consumes the equivalent of approximately 613,000 m³ of logs per year when operating at capacity. Of this, 370,000 m³ is available under the Slave Lake FMA and additional fibre is obtained from industrial salvage and purchases from local suppliers at prevailing market prices. The annual fibre requirement of the ANC mill is approximately 700,000 m³. Of this, 95% is obtained from local sawmills, including the Blue Ridge sawmill, through sawlog-for-chip trading of logs harvested from ANC's tenures. The balance is obtained from pulpwood harvested from the tenures 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 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 provincial land. Under the market-based systems in place in British Columbia and Alberta, stumpage is principally tied to lumber prices.

The reference price used in calculating stumpage in British Columbia differs from that used in Alberta, as does the lag time for calculating stumpage off the reference price. Alberta stumpage rates are more market-sensitive.

The government of British Columbia has announced its intention to review its timber pricing policy. The outcome of this review is uncertain and it is therefore not possible to predict accurately any effect on the Company.

CANADA-UNITED STATES SOFTWOOD DISPUTE

Effective May 22, 2002, the United States Department of Commerce imposed countervailing duty ("CVD") and antidumping duty ("ADD") on shipments of softwood lumber from Canada. Since then West Fraser has been making cash deposits to the U.S. Treasury to pay CVD of 18.79% and ADD of 2.18%. The allegations of subsidy and dumping are now under appeal by Canada through the World Trade Organization ("WTO") and the North American Free Trade Agreement ("NAFTA"), but the outcome may not be finalized for a considerable time. Reference is made to "Management's Discussion & Analysis — Risks and Uncertainties" in this Annual Report for additional information.

FIRST NATIONS CLAIMS

The governments of Canada and British Columbia are engaged in negotiations to consider First Nations claims in British Columbia. This negotiation process is administered by the British Columbia Treaty

Commission. Several First Nations groups have filed notices of intention with the Commission to negotiate claims in and around West Fraser's operating areas. The negotiations are expected to last several years. West Fraser is not in a position to assess what settlements, if any, may be made or how they might affect its operations. The claims may result in increased First Nations involvement in the management of the public lands on which West Fraser conducts timber harvesting.

During 2002, British Columbia courts delivered several judgments concerning the provincial government's relationship to First Nations groups. The courts determined that the government has an affirmative duty to consult with and, where reasonable, to accommodate any First Nations group that has a good *prima facie* aboriginal claim that may be affected by the government's dealing with a public right. The judgments were pronounced in the context of a transfer of timber harvesting rights and the change of control of the holder of the rights, but the duty to consult may also extend to renewals of such rights as well as the issuance of cutting, road use and other permits under existing rights.

Failure of the government to adequately discharge its obligations to First Nations groups may affect the validity of its actions in dealing with public rights. The resulting uncertainty presents a risk to those relying upon the validity of a grant of public rights. This uncertainty may be alleviated by government action, the negotiation of treaties with First Nations groups and further judgments of the courts.

Management does not expect that there will be any land claim settlement affecting 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 and with management practices. The Environmental Committee of the Company's Board of Directors actively participates in reviews of environmental matters and

Property, Plant & Equipment Expenditures and Acquisitions (\$ millions)

Table III

Year ended December 31	2002	2001	2000	1999	1998
Lumber	\$ 84.1	\$ 104.3	\$ 148.6	\$ 33.5	\$ 43.3
Panels	12.2	8.6	7.2	76.9	2.2
Pulp & Paper	20.1	29.0	16.2	10.7	27.7
Corporate & Other	7.0	0.9	4.0	2.7	5.5
	\$ 123.4	\$ 142.8	\$ 176.0	\$ 123.8	\$ 78.7

makes recommendations to the Board. The Committee also periodically tours West Fraser's operations.

ENERGY

West Fraser's energy requirements are met from a variety of sources. In British Columbia, a secure supply of electricity is provided by B.C. Hydro at regulated prices. In the deregulated Alberta market, West Fraser has entered into long-term contracts that give its Alberta operations access to electricity at largely predetermined prices. The Alberta pulp and paper operations also have the opportunity to take advantage of price volatility by shifting load to low-cost periods. West Fraser purchases natural gas at market prices and consumes wood waste at several plants to generate steam and heat.

PROPERTY, PLANT & EQUIPMENT EXPENDITURES AND ACQUISITIONS

West Fraser invests much of its operating cash flow in upgrading and expanding its facilities and

operations. Table III shows the capital expenditures and acquisitions made by West Fraser during the past five years.

HUMAN RESOURCES

As at December 31, 2002 West Fraser employed approximately 4,000 individuals in its operations, including 900 in joint ventures. Total remuneration paid to employees in 2002, including West Fraser's share of remuneration paid by joint ventures, was \$261 million.

Approximately 30% of West Fraser's employees are covered by collective agreements, which expire in 2003 and 2005. The Company anticipates that the agreements which expire in 2003 will be renegotiated without any disruption of operations.

MARKETS

West Fraser's products are sold in markets open to a number of companies with similar products. Purchasing decisions by customers are based on price,

Average Transaction Prices (U.S. dollars – except plywood)

Table IV

Year ended December 31	2002	2001	2000	1999	1998
2x4 random length SPF (per Mfbm) ¹	\$ 235	\$ 250	\$ 257	\$ 343	\$ 288
Plywood (per Msf 3/8" basis) ²	C\$ 405	C\$ 362	C\$ 371	C\$ 442	C\$ 366
MDF (per Msf 3/4" basis) ³	\$ 405	\$ 405	\$ 400	\$ 400	\$ 380
Newsprint (per tonne) ⁴	\$ 450	\$ 570	\$ 550	\$ 502	\$ 580
BCTMP softwood pulp (per tonne) ⁵	\$ 392	\$ 414	\$ 583	\$ 391	\$ 391
Kraft paper (50 lb) (per tonne) ⁶	\$ 730	\$ 720	\$ 745	\$ 715	\$ 706
Kraft linerboard (42 lb) (per tonne) ⁶	\$ 464	\$ 485	\$ 511	\$ 435	\$ 402

1. Source: Random Lengths – Western SPF – price before duties.

2. Source: Crow's Publications Ltd.

3. Source: RISI and West Fraser database.

4. Source: ANC database.

5. Source: RISI.

6. Source: Forecaster and West Fraser database.

Lumber Capacity and Production (MMfbm) ¹		Table V				
Ownership	2002	2001	2000	1999	1998	
Capacity (December 31)	2,600	2,380	2,060	1,730	1,620	
Production:						
Quesnel 100%	337	310	304	293	274	
Quesnel Finger-Joint 100%	15	14	19	25	21	
Williams Lake 100%	197	153	163	153	148	
Smithers 100%	224	204	171	192	166	
Chetwynd 100%	232	205	206	204	190	
Fraser Lake 100%	269	238	244	230	217	
Terrace 100%	83	76	79	77	59	
Chasm 100%	138	19	—	—	—	
Blue Ridge 100%	264	233	255	243	223	
Slave Lake 100%	27	28	31	6	—	
Huttig 100%	101	94	3	—	—	
Joyce 100%	182	182	4	—	—	
Houston 50%	148	131	130	129	119	
Burns Lake 32%	102	91	88	80	84	
Red Earth 50%	28	29	4	—	—	
Prince Rupert 100%	—	5	12	6	12	
Total Production	2,347	2,012	1,713	1,638	1,513	

1. Reflects West Fraser's share only.

quality and service, and are heavily influenced by general economic conditions.

Table IV sets forth selected average prices for the past five years. These prices do not necessarily reflect those obtained by West Fraser.

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.

OPERATIONS

LUMBER

Production: West Fraser produces lumber and by-product wood chips from 14 sawmills, and has a plant at Quesnel producing finger-jointed studs out of trim blocks.

Sales: Lumber produced by wholly owned sawmills is sold by West Fraser's lumber sales

department to retail and wholesale customers and lumber brokers. Lumber output from the joint venture sawmills at Houston and Burns Lake is marketed by the other joint venturer, mainly in North America. In 2002, 74% by value of lumber sales was to customers in the United States and 20% to Canadian customers, who resold a significant portion into the United States. Customers in Japan and elsewhere accounted for the remaining 6%.

Quesnel Sawmill



West Fraser's largest sawmill in Quesnel produced 337 MMfbm of lumber in 2002. The konus system (pictured) uses energy from wood waste produced in the sawmill to dry lumber.

Panels Capacity and Production (MMs ³)					Table VI
	2002	2001	2000	1999	1998
MDF: (3/4" basis)					
Capacity	250	240	240	240	210
Production:					
Ranger Board	138	136	135	127	113
Westpine	111	114	105	88	68
Total Production	249	250	240	215	181
Plywood: (3/8" basis)					
Capacity	260	240	240	240	—
Total Production	235	248	246	37	—

Linerboard and Kraft Paper Capacity and Production (tonnes)					Table VII
	2002	2001	2000	1999	1998
Capacity	450,000	450,000	450,000	450,000	450,000
Production:					
Linerboard	305,566	304,309	318,454	330,846	311,43
Kraft paper	104,630	102,271	110,719	102,756	104,022
Total Production	410,196	406,580	429,173	433,602	415,460

Most sales to North American customers are shipped by rail. The remainder are shipped by truck directly to customers or through reload facilities. Offshore sales are shipped through public terminals in Vancouver.

PANELS

Production: West Fraser produces MDF from two plants, each having the flexibility to manufacture various thicknesses and sizes. The plywood plant was acquired in November 1999, together with the veneer plant which is the primary source of its raw material.

Sales: MDF is marketed under the names "Ranger™" and "WestPine™" while plywood is marketed under "Zedply™". Panels are sold directly and through distributors under the direction of West Fraser's sales personnel, mainly to North American markets, with the balance to markets in the Far East.

PULP & PAPER

LINERBOARD AND KRAFT PAPER

Production: West Fraser's mill in Kitimat produces unbleached linerboard, with weights ranging from 125 to 337 grams, for use worldwide by makers of

corrugated shipping containers. It also produces kraft paper, with basis weights ranging from 60 to 147 grams, for a variety of end uses, including multi-wall industrial sacks.

Sales: All sales are made by West Fraser's sales department. Overseas sales of linerboard are arranged principally through an agency agreement with Stora Enso Oyj, which provides West Fraser access to a worldwide sales office network. In 2002,

Veneer Plant at Slave Lake, Alberta



Slave Lake Veneer is the primary source of raw material for Alberta Plywood.

Elisa Heukshorst,
Green chain puller

Pulp Capacity and Production¹ (tonnes)

Table VIII

	2002	2001	2000	1999	1998
Capacity	540,000	375,000	375,000	350,000	325,000
Production:					
QRP	189,917	175,829	167,556	166,586	152,193
Slave Lake Pulp	207,040	184,802	195,754	170,804	135,827
Total Production	396,957	360,631	363,310	337,390	288,020

¹ Reflects 50% ownership of QRP until October 31, 2002 and 100% thereafter.

Newsprint Capacity and Production¹ (tonnes)

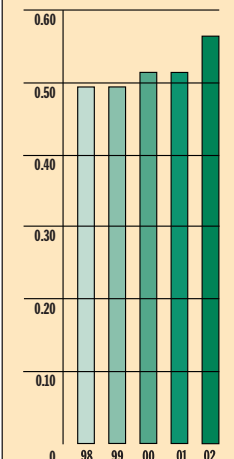
Table IX

	2002	2001	2000	1999	1998
Capacity	130,000	130,000	125,000	125,000	125,000
Total Production:	128,394	119,621	123,454	124,351	122,957

¹ Reflects 50% share.

Table X

CASH DIVIDENDS PER COMMON SHARE¹
(S)



¹ Adjusted for 10% stock dividends paid March 2002

approximately 13% of the production was sold to European customers, 33% to Asian customers, 40% to North American customers and the balance to customers in other areas.

PULP

Production. West Fraser produces BCTMP, primarily from aspen, at the Slave Lake Pulp mill and BCTMP and TMP from softwood at the QRP mill. These pulps are used by paper manufacturers to produce printing and writing papers, toweling products and a variety of other paper grades.

Sales. All sales are made by West Fraser's sales department. In 2002, 54% was sold to customers in the Far East, 12% to customers in Europe, 32% to customers in the United States and the remainder to customers in Canada and elsewhere.

NEWSPRINT

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

Sales. The output is sold by a partnership owned indirectly by the owners of ANC. In 2002, 75% was sold to customers in the United States and 25% to customers in Canada.

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, Williams Lake and Chasm, which are on land held under long-term leases. The joint venture sawmills are on land held under long-term leases. The ANC mill is on land owned equally by West Fraser and the other joint venturer. West Fraser also owns a number of retail locations under long-term leases to third parties, as well as other sites held for sale.

SHARE CAPITAL AND MARKETS FOR SECURITIES

The authorized share capital of the Company consists of 230,000,000 shares divided into:

- (a) 200,000,000 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, 2002, the issued share capital consisted of 27,848,023 Common shares and 5,635,206 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 2002, the Company declared cash dividends of \$0.56 per Common share and Class B Common share. Also in 2002, the Company declared a 10% stock dividend per Common share and Class B Common share.

SHAREHOLDINGS OF DIRECTORS AND SENIOR OFFICERS

As at December 31, 2002, the directors and senior officers as a group, beneficially owned directly or indirectly, or exercised control or direction over, 5,688,865 Common shares and 2,261,764 Class B Common shares, being 20% of the outstanding Common shares, 40% of the outstanding Class B Common shares and 24% of the outstanding voting shares of the Company.

INCORPORATION BY REFERENCE

The sections of this Annual Report entitled "Management's Discussion & Analysis" and "Six-Year Review", are incorporated herein by reference.

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, 2002, together with the accompanying auditors' report, and one copy of each interim financial statement of the company prepared after December 31, 2002;
- (c) one copy of the Information Circular for the annual general meeting of the Company to be held on April 15, 2003; and
- (d) one copy of each other document that is incorporated by reference in the short form prospectus or the preliminary short form 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 its 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, 2002.

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, 2002, each interim financial statement

Fraser Lake Sawmill



Don Williamson
*8-inch Gang Saw
Operator*

Skeena Sawmill



Gordy May
Forklift Operator

prepared after December 31, 2002, 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. This Annual Report may also be obtained on the web site www.westfraser.com.

DIRECTORS

The names and municipalities of residence 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:

Directors		Table XI
NAME AND MUNICIPALITY OF RESIDENCE	PRINCIPAL OCCUPATION	DIRECTOR SINCE
Henry H. Ketcham Vancouver, British Columbia	Chairman of the Board President and Chief Executive Officer	September 16, 1985
Clark S. Binkley ³ Cambridge, Massachusetts	Senior Vice-President, Hancock Natural Resource Group Inc. (timberland investment)	February 13, 1992
J. Duncan Gibson ^{1 & 2} Toronto, Ontario	Investor	April 29, 1997
Larry S. Hughes Vancouver, British Columbia	Partner, Lang Michener, (lawyers)	February 19, 2002
William H. Ketcham ^{1 & 3} New York, New York	Managing Partner, Serafin Partners LLP (investment partnership)	April 23, 2002
William P. Ketcham ¹ Seattle, Washington	President, Henry H. Ketcham Lumber Co., Inc (private investment)	December 1, 1966
C. Calvert Knudsen ¹ Seattle, Washington	Retired Chairman & Chief Executive Officer, MacMillan Bloedel Ltd. (forest products)	June 12, 1980
Harald H. Ludwig ² West Vancouver, British Columbia	President, Macluan Capital Corporation (diversified manufacturing)	May 2, 1995
Brian F. MacNeill ^{1 & 3} Calgary, Alberta	Chairman, Petro-Canada Inc. (energy, exploration, development, refining and marketing)	September 19, 2000
F. David Radler ² Vancouver, British Columbia	President and Chief Operating Officer, Hollinger Inc. (newspaper publishing and printing)	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 a similar principal occupation with the organization indicated or a predecessor thereof for the last five years except for Clark S. Binkley who before August, 1999 was Senior Vice-President, Investment Strategy and Research, Hancock Natural Resource Group Inc. and before August, 1998 was Dean, Faculty of Forestry, University of British Columbia; J. Duncan Gibson who before November, 2001 was Vice-Chairman, Commercial Banking Division, The Toronto-Dominion Bank and held various other positions with that bank; William H. Ketcham who before December, 2002 was Vice-President, Apex Learning Inc. and before January, 1999 was First Deputy Director for the District Attorney of Manhattan and Brian F. MacNeill who before January, 2001 was President and Chief Executive Officer, Enbridge Inc. The term of office of each director will expire at the conclusion of the Company's next annual general meeting.

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 are as follows:

Officers		Table XII
NAME AND MUNICIPALITY OF RESIDENCE	OFFICE HELD/PRINCIPAL OCCUPATION	
Henry H. Ketcham , Vancouver, British Columbia	Chairman, President and Chief Executive Officer	
D. Wayne Clogg , Quesnel, British Columbia	Vice-President, Woodlands	
Rodger M. Hutchinson , West Vancouver, British Columbia	Vice-President, Corporate Controller	
William H. LeGrow , Coquitlam, British Columbia	Vice-President, Transportation and Energy	
Gerald J. Miller , Tsawwassen, British Columbia	Group Vice-President, Pulp & Paper and Vice-President, Administration	
Edward R. Seraphim , North Vancouver, British Columbia	Vice-President, Pulp & Paper Sales	
Martti Solin , West Vancouver, British Columbia	Vice-President, Finance and Chief Financial Officer	
Zoltan F. Szucs , Coquitlam, British Columbia	Vice-President, Panelboards	
Ernest M. Thony , Quesnel, British Columbia	Vice-President, Lumber Sales	
Gary W. Townsend , Quesnel, British Columbia	Group Vice-President, Lumber Operations	
Larry S. Hughes , Vancouver, British Columbia	Secretary Partner, Lang Michener (lawyers)	

Each officer has held the same or a similar principal occupation with the organization indicated or a predecessor thereof for the last five years except for Rodger M. Hutchinson, who was Corporate Controller and Manager of Financial Reporting and Tax; Gerald J. Miller, who was Vice-President, Pulp and Administration, and Controller; Edward R. Seraphim who was Managing Director of Pulp & Paper Sales; and Gary W. Townsend, who was Vice-President, Lumber Operations.

The following discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto included in this Annual Report.

U.S. Lumber Duties (\$ millions)

Table A

	2002				
	Q1	Q2	Q3	Q4	Total
Reversal - 2001	\$ 2.0	\$ 23.0	\$ —	\$ —	\$ 25.0
(Accrual) Reversal – Jan. 1 to May 21, 2002	(3.7)	3.7	—	—	—
(Accrual) — May 22 to Dec. 31, 2002	—	(13.9)	(28.9)	(24.6)	(67.4)
Effect on earnings before taxes	\$ (1.7)	\$ 12.8	\$ (28.9)	\$ (24.6)	\$ (42.4)

LUMBER

West Fraser's total lumber production in 2002 was 2,347 MMfbm (2001 – 2,012 MMfbm), with production records at most of its sawmills. Incremental improvements in lumber recoveries were a major factor in achieving these records. The rebuilt Chasm sawmill started up in March and reached design production levels by the end of the year. Shipments were 2,297 MMfbm (2001 – 2,007 MMfbm).

West Fraser produced approximately 1.0 million oven-dried tonnes of residual softwood chips, approximately the same volume it consumes, and 325,000 green tons of southern yellow pine ("SYP") chips. Prices for softwood chips, based primarily on the price of market pulp, decreased from 2001 levels. Prices for SYP chips, based on the market for

pulpwood in the region where they are produced, were comparable to those in 2001.

Operating earnings for the year were \$139 million (2001 – \$104 million) on external sales of \$931 million (2001 – \$852 million). EBITDA was \$194 million, representing a margin of 20% on sales (2001 – \$153 million and 17%).

The U.S. softwood lumber dispute remains the most important issue facing the Canadian industry. Cash deposits to pay countervailing and antidumping duties have been required for shipments to the U.S. from May 22, 2002. All liabilities accrued before that date have been reversed. Table A shows the effect of the duties on 2002 earnings. For further detail on this matter see "Risks and Uncertainties – U.S. Trade Dispute."

West Fraser continued to invest in capital projects for its lumber operations, expending \$84 million in 2002 (2001 - \$74 million). The main project was the Chasm sawmill rebuild, completed early in the year at a total cost of \$49 million, most of which was incurred in 2001. The mill produces dimension lumber and has a two-shift annual capacity of 200 MMfbm. The other significant project was the installation of a new planer complex at the Fraser Lake sawmill which enables the mill to process more lumber and provides more sorting capacity. Smaller projects were completed throughout

Chetwynd Sawmill



Scale yard and log yard crew:
(From left to right):
Brian Rondeau,
Richard Harris, Jim Gayse, Dave Winland

Lumber Shipment



First shipment of lumber from West Fraser's newest sawmill at Chasm, B.C.

U.S. South Operations



Shipping Crew from Joyce, LA sawmill: (From left to right:) William Lafollette, Isaih Jackson, Pat Carter, Jerry Griffin and Mark Smith



Shipping Crew from Huttig, AR sawmill: (From left to right:) Sandy Matthews, Alvin Roach, Dennis Jones, Shannon Little, Lee Autry Williams

the Canadian operations, most with an expected payback of less than two years.

Projects at the two U.S. mills totaling \$15 million were carried out in the year. The rebuild of the Huttig, Arkansas mill, which was deferred from 2002 because of permitting delays, will begin in the spring of 2003. On completion, both U.S. South mills will be as technologically efficient as most of West Fraser's other sawmills.

During the year there was significant fluctuation in the weekly average benchmark western SPF 2x4 lumber price, which reached a high of US \$300 per Mfbm in March and fell to a low of US \$183 in November. The average for the year was

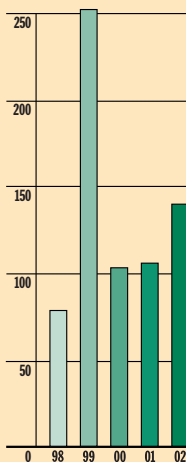
US \$237 compared to US \$250 in 2001. The benchmark SYP 2x4 lumber price was also volatile, with a high of US \$340 per Mfbm and a low of US \$275. The average for the year was US \$302 compared to US \$327 in 2001.

During 2002, the government of British Columbia introduced a new results-based *Forest and Range Practices Act* to replace the highly prescriptive and rigid *Forest Practices Code*. West Fraser expects that the new legislation, which is to be phased in over several years, will allow more flexible and efficient forest management without sacrificing existing high environmental standards. However, immediate cost savings are not expected.

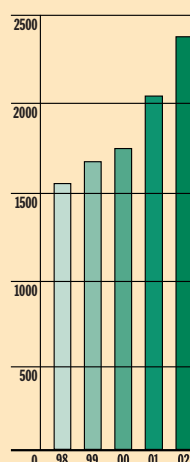
Lumber

Table B

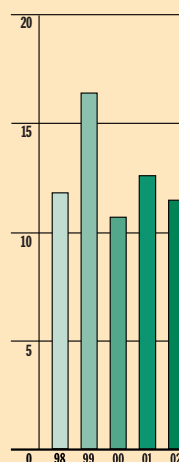
OPERATING EARNINGS (\$ millions)



PRODUCTION (MMfbm)



SAFETY (injuries per million hours worked)



The pine beetle infestation in central British Columbia and unsettled claims of First Nations groups are other issues that may affect West Fraser. These issues are discussed separately under "Risks and Uncertainties – Pine Beetle Infestation" and "Risks and Uncertainties – First Nations Claims."

PANELS

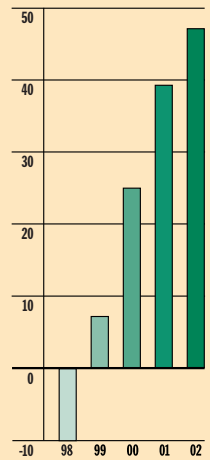
Operating earnings for the year were \$47 million (2001 - \$39 million) on sales of \$217 million (2001 - \$214 million). EBITDA



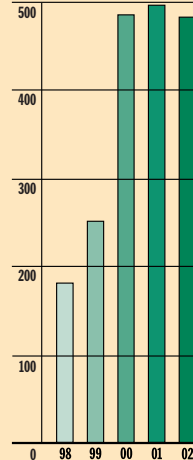
Panels

Table C

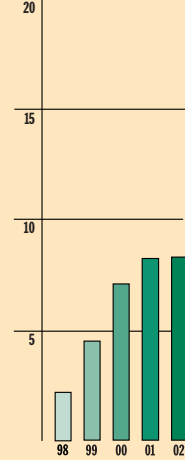
OPERATING EARNINGS
(\$ millions)



PRODUCTION
(MMsf)



SAFETY
(injuries per million hours worked)



was \$70 million, representing a margin of 32% of sales (2001 - \$62 million and 29%).

MDF

Total MDF production in 2002 was 249 MMsf (2001 - 250 MMsf) and shipments in 2002 were 249 MMsf (2001 - 249 MMsf). Ranger Board set an annual production record of 138 MMsf in 2002 (2001 - 136 MMsf) and WestPine's production was 111 MMsf (2001 - 114 MMsf), despite a press fire that caused 10 days of downtime for repairs.

Continuing efforts to optimize product mix and manufacturing processes at both plants

resulted in a 4% overall reduction in unit manufacturing costs in 2002.

Total capital expenditures for 2002 were \$3 million (2001 - \$6 million). The projects allow Ranger Board to continue incremental production increases and WestPine to improve workplace air quality.

Markets for MDF were strong for most of the year, reflecting continued strength in the housing sector. However, during the latter part of 2002 North American demand softened and a higher proportion of production was sold overseas, with both factors contributing to lower mill net realizations. The industry expects prices for MDF to improve in the first half of 2003 and remain stable for the rest of the year.

Markets are growing for specific grades of thinboard. Efforts are being made to establish a wider customer base for this product, which would allow more efficient production runs.

PLYWOOD

Plywood production in 2002 was 235 MMsf (2001 - 248 MMsf) and shipments were 235 MMsf (2001 - 252 MMsf). The reductions were attributable entirely to plant downtime required for projects at the plywood plant that improved dryer efficiency and air quality and increased capacity by 20 MMsf. Total capital expenditures in the plywood and the veneer operations were \$9 million (2001 - \$3 million).

Westpine MDF



Shipping and lab staff receive congratulations for achieving a five-year accident-free period (May 2002)

Back row: (left to right): Janice Schutz, Brad Misera, Bob Blois, Mike Mahil

Front row: (left to right): Graham Abercrombie, Hardeep Hhun-Hhun, Coreen Follack, Trevor Fourmeaux (General Manager), Tanya Peever, Michelle Klapatiuk, Lora-Lee Wasyliw

In 2002, the veneer mill increased its productivity, allowing it to reduce shifts and still meet the requirements of the plywood plant.

On average, plywood prices increased 12% over 2001, driven by a robust Canadian housing sector. West Fraser's plywood output represents approximately 12% of Canadian softwood plywood production.

PULP & PAPER

West Fraser's share of total production of pulp, linerboard, kraft paper and newsprint was 935,547 tonnes (2001 - 886,832 tonnes). The increase of 5% over the previous year resulted from fewer power-related curtailments and less downtime related to major capital projects at the Alberta operations, higher production at the Kitimat mill and the acquisition of the other 50% interest in QRP. West Fraser's combined annual capacity in pulp and paper increased to 1,120,000 tonnes by the end of 2002. Shipments in the year were 912,644 tonnes (2001 - 890,298 tonnes).

Operating earnings for the year were \$32 million (2001 - \$52 million) on sales of \$485 million (2001 - \$497 million). EBITDA was \$87 million, a margin of 18% of sales (2001 - \$104 million and 21%).

The decrease in earnings was largely the result of lower prices, partially offset by higher production and shipments and lower fibre costs. Combined

capital expenditures for pulp and paper were \$20 million (2001 - \$29 million).

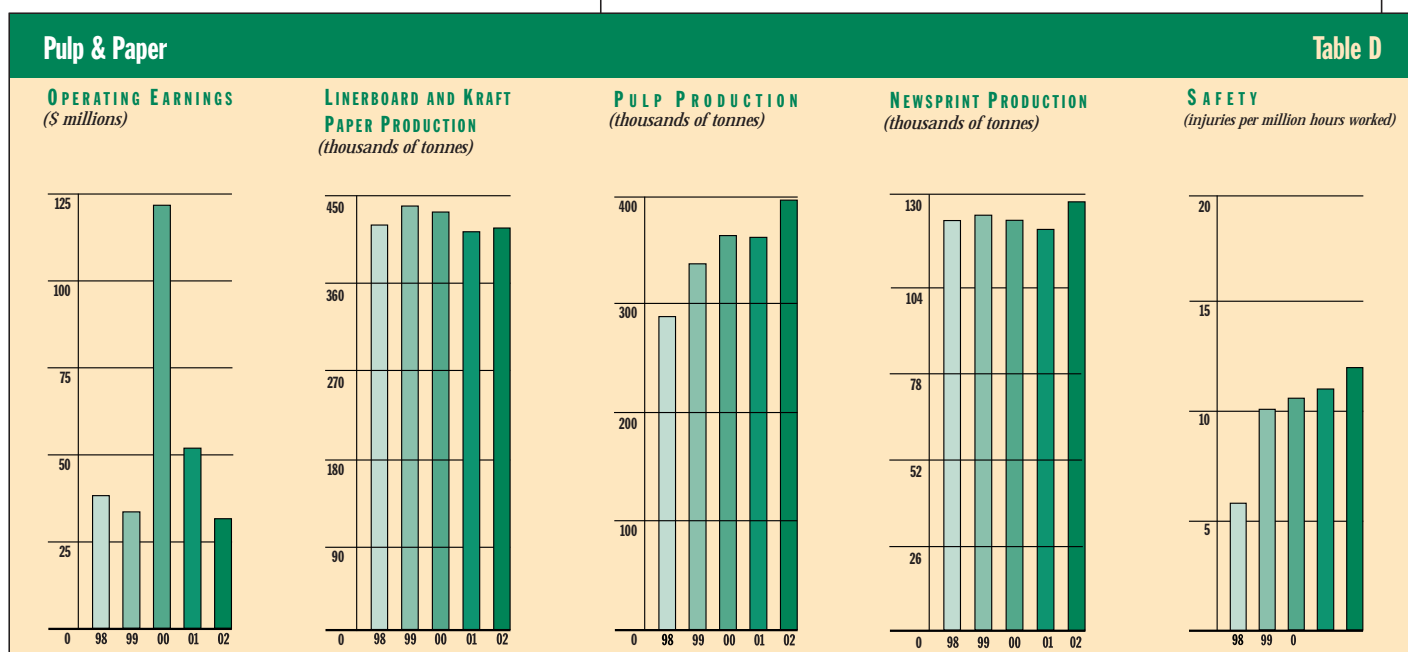
West Fraser's Alberta operations actively manage their electricity costs by shifting some of their production to lower-cost off-peak periods when warranted. Also, the long-term electricity purchase agreements have stabilized power costs. A capital project at Slave Lake Pulp, completed during the year, increased refining and interim storage capacity, which will enhance its ability to manage electricity costs.

PULP

West Fraser's share of total pulp production increased to 396,957 tonnes (2001 - 360,631 tonnes).

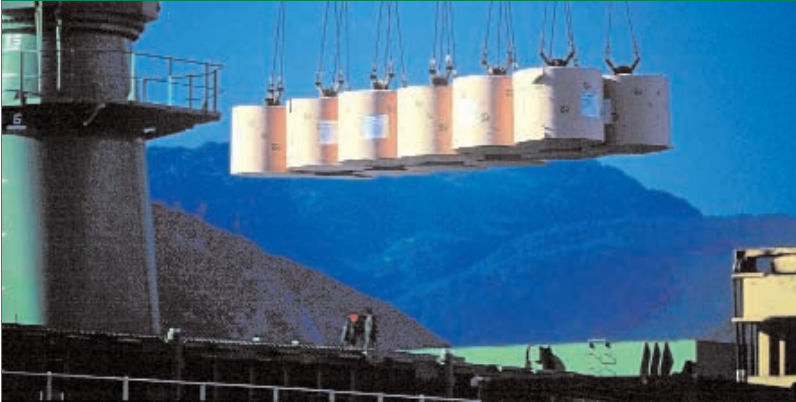
Slave Lake Pulp established an annual production record of 207,040 tonnes, realizing the benefits of several capital projects completed in recent years. In addition, curtailments due to high electricity prices were taken less often in 2002 than in 2001.

West Fraser's share of production at QRP of 189,917 was 14,088 tonnes greater than in 2001, mainly as a result of the purchase of the other joint venture interest. The acquisition increased West Fraser's annual capacity in pulp by approximately 150,000 tonnes to 540,000 tonnes, and will allow the mill to take advantage of operating efficiencies not possible under the previous structure. The transaction included a commitment by the seller to buy certain quantities of pulp.





Eurocan Pulp & Paper



Products from the Kitimat mill are shipped to about 45 countries worldwide. (Pictured: Linerboard rolls being loaded at West Fraser's deep-sea terminal at Kitimat).

Production costs at Slave Lake Pulp increased by 7%, due to higher electricity prices. A rebate given by the Alberta government in 2001 to offset the high electricity costs was not repeated in 2002. Production costs at QRP declined by 9%, primarily due to reductions in fibre and natural gas costs. Capital expenditures on various projects at the two mills were \$10 million (2001 - \$4 million).

Pulp markets were generally poor during the year, with the benchmark NBSK price declining to a low of US\$460 per tonne at the end of the first quarter. Industry production curtailments during the fourth quarter of 2001 and the first quarter of 2002 supported some price improvement in the second and third quarters of 2002. However, the NBSK price receded to the US\$480 level by year end. Overall, price levels for most grades were about 10% lower than in 2001. The one exception was the price for hardwood BCTMP, which generally remained the same as in 2001. The market for hardwood BCTMP improved significantly during the last few years in response to growth in demand.

Industry analysts expect prices to improve during the first quarter of 2003, but this will be sustained only if there is a fundamental improvement in paper demand.

LINERBOARD AND KRAFT PAPER

Operations at the Kitimat mill improved modestly over the previous year. Linerboard and kraft paper production were 305,566 tonnes and 104,630 tonnes respectively (2001 - 304,309 tonnes of linerboard, 102,271 tonnes of kraft paper). The increase came

mostly in the fourth quarter after the annual maintenance shutdown in September addressed a number of outstanding issues. Although several key issues still need to be addressed, the modest successes in the latter part of the year indicate the mill can succeed in the highly competitive worldwide packaging business.

In 2002, the mill achieved a 5% decline in unit production costs, primarily as a result of lower costs for fibre. Capital spending was \$8 million (2001 - \$15 million).

2002 was another year of soft demand for linerboard, resulting in a 6% decline in mill net realizations. The strong U.S. dollar over the past three years has contributed to a reduction in U.S. production of manufactured goods, lowering the demand for corrugated boxes and, therefore, for linerboard. In offshore markets, demand for imported linerboard continues to decline due to growth in local capacity. However, Kitimat's share of North American exports to these markets has increased.

Kraft paper markets in North America were essentially flat in 2002. Prices in offshore markets declined during the first half of the year, but improved in the second half. Overall, kraft paper mill net returns were up 2%.

Much of the significant linerboard capacity in North America that is currently idled may start up if markets improve, causing downward pressure on prices. Accordingly, unless there is a meaningful increase in box demand, prices for linerboard in 2003 are expected to remain at levels similar to those of 2002. For kraft paper, an increase in pricing is anticipated by the industry if the Euro continues to strengthen and the U.S. economy improves.

NEWSPRINT

West Fraser's share of newsprint production at ANC was 128,394 tonnes (2001 - 119,621 tonnes). The increase is largely the result of the paper machine upgrade that required two weeks of downtime in 2001. In addition to the production increase, product quality has been improved, allowing ANC to retain its position as the benchmark for newsprint quality in North America. ANC continues to be ranked as the #1 supplier by the majority of its customers, with 92% giving it the top ranking in 2002.

Newsprint prices continued to slide in the first half of 2002, but reversed direction in the second half. The average for the year was approximately US \$120 per tonne lower than in 2001. Prices are generally expected to improve in 2003 because of higher consumption of newsprint and significant capacity closures by major North American newsprint producers

West Fraser's share of capital expenditures in the year totaled \$2 million (2001 - \$10 million).

In 2002, ANC and the government of Saskatchewan completed a pre-feasibility study to determine whether a greenfield newsprint mill could be established in that province. It was concluded that the project could not proceed due to a lack of sawmilling capacity and of available economically priced chips.

In November 2002, West Fraser announced its intention to sell its interest in ANC to a publicly traded income fund. However, the market for income fund products weakened in December and the sale was deferred.

EARNINGS AND REVENUE COMPARISON

Total net sales for the year were \$1,632 million (2001 - \$1,562 million)

Net Sales by Product	Change from 2001	\$ millions	Table E
Lumber	Increase	\$ 79.0	9%
Panels	Increase	\$ 2.7	1%
Pulp & Paper	Decrease	\$ (11.8)	(2%)

EBITDA for the year was \$344 million (2001 - \$311 million)

EBITDA by Product	Change from 2001	\$ millions	Table F
Lumber	Increase	\$ 41.1	27%
Panels	Increase	\$ 8.1	13%
Pulp & Paper	Decrease	\$ (16.8)	(16%)

The increase in net sales was due primarily to lumber operations, where a 14% increase in shipments more than offset the effect of the lumber duties. The decline in sales of pulp and paper was due to lower prices for linerboard and newsprint, partially offset by higher prices for kraft paper and hardwood BCTMP and increased shipments of newsprint.

Alberta Newsprint



(Left to right) Jim McCammon, Brenda Preyma, Jeff Brooks, Jason Kennedy, Pauline Fluet, Dave Hughes and Conway Elkins

ANC targets replanting 90% of its logged areas in the year following the logging activity. 2002 was another successful season.

The EBITDA increase was primarily from increased sales and lower production costs for lumber. The lower production costs were due to a number of factors, including reductions to market-based stumpage rates caused by weak lumber markets. The panel operations also contributed to the higher EBITDA through lower unit production costs at the MDF operations and higher plywood prices. The pulp and paper operations had decreased EBITDA due to the sales decline and overall higher production costs at the Alberta operations. Production costs were abnormally low in 2001 due to one-time rebates of electricity costs available in that year. Notwithstanding that there were no electricity rebates in 2002, unit production costs at all pulp and paper operations declined due primarily to lower furnish and natural gas costs.

The decrease in financing expense to \$27.1 million in 2002 from \$60.1 million in 2001 was attributable mainly to the foreign exchange translation of long-term debt, which resulted in a gain of \$5.5 million in 2002 compared to a loss of \$26.6 million in 2001.

The other income of \$3.4 million (2001 - \$4.7 million) relates to a variety of items, including foreign exchange and net rental revenue.

The earnings from discontinued operations of \$8.5 million were mostly from gains on property sales, higher rental income and lower than expected closure costs. The 2001 discontinued operations earnings of \$17.6 million were

comprised of a gain of \$33.3 million on the sale of timber plantations offset by the estimated loss from selling the home improvement operations and related real estate. Additional information can be found in Note 3 to the Company's audited financial statements.

Total tax and tax-like levies and charges were as follows:

Tax and Tax-like Levies (\$ millions)		Table G
	2002	2001
Income Tax	\$ 60.8	\$ 63.4
Capital Tax	1.2	3.2
Canada Pension Plan	6.4	5.5
Employment Insurance	4.2	4.2
Property Tax	13.9	14.0
Social Service Tax	9.6	12.3
Stumpage & Royalties	86.8	77.4
Workers' Compensation	4.1	4.1
Other	1.9	—
Total	\$ 188.9	\$ 184.1

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

The 2002 provision for income taxes of \$56.2 million was 30% of earnings before income taxes (2001 - \$34.5 million or 26%).

Diluted earnings per share from continuing operations were \$3.82 (2001 - \$2.85) and diluted earnings per share after discontinued operations were \$4.07 (2001 - \$3.00).

SIGNIFICANT MANAGEMENT JUDGMENTS AFFECTING FINANCIAL RESULTS

The preparation of financial statements requires management to make estimates and assumptions and to select accounting policies that affect the amounts reported in the financial statements. In doing so management attempts to be conservative, considering the industry and current business environment. The significant accounting policies followed by West Fraser are disclosed in note 1 to the audited financial statements. The following are the areas of judgment considered most significant:

AMORTIZATION

West Fraser believes that the frequency of technological changes in its manufacturing processes needs to be reflected in amortization periods. Accordingly, West Fraser amortizes its manufacturing equipment and machinery over 10 to 20 years, with sawmill machinery and equipment averaging 10 years. Purchased timber rights are amortized over periods not exceeding 60 years.

REFORESTATION OBLIGATION

West Fraser's Canadian operations are required by provincial laws to carry out reforestation to ensure re-establishment of the forest after harvesting. Reforested areas must be tended until they reach a free-to-grow standard, verified by survey. Although the time to meet legal requirements depends on a variety of factors, in West Fraser's operating areas it usually

Selected Quarterly Information (\$ millions, except earnings per share (EPS) amounts)								Table H
	2002				2001 ¹			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Continuing Operations	\$	\$	\$	\$	\$	\$	\$	\$
Net Sales	404.8	427.8	420.2	379.4	363.7	407.4	416.1	375.1
Earnings	27.1	4.3	71.0	26.6	4.4	30.9	64.8	(2.8)
Basic EPS	0.81	0.13	2.12	0.79	0.12	0.91	1.93	(0.10)
Diluted EPS	0.81	0.13	2.10	0.78	0.12	0.91	1.92	(0.10)
After Discontinued Operations								
Earnings	35.6	4.3	71.0	26.6	10.5	30.9	78.0	(4.5)
Basic EPS	1.06	0.13	2.12	0.79	0.30	0.91	1.97	(0.17)
Diluted EPS	1.06	0.13	2.10	0.78	0.30	0.91	1.97	(0.17)

1. 2001 restated for stock dividend and change in accounting policy for foreign exchange translation on long-term debt.

takes 12 to 15 years. West Fraser accrues the estimated total cost of reforestation as logging takes place, including tending until the free-to-grow standard is reached. These estimates are reviewed annually and adjusted if required. At December 31, 2002 the accrued reforestation obligation was \$87 million, comprised of a current portion of \$29 million, expected to be spent in 2003, and a long-term portion of \$58 million.

STOCK-BASED COMPENSATION

In common with most publicly traded companies, West Fraser grants stock options to certain directors, officers and senior employees, as disclosed in note 12 to the audited financial statements. The Company does not recognize any compensation expense related to these options because there is no option valuation model that has been widely accepted as giving meaningful results. However, a number of accounting standards organizations are considering mandating the recognition of and the method of determining the amount of compensation expense on the granting of stock options. If compensation expense had been recognized on the options granted in 2002, reported income before taxes would have been reduced by \$0.8 million.

PENSION ASSUMPTIONS

As disclosed in note 14 to the audited financial statements, West Fraser maintains defined benefit pension plans. Future funding requirements and the expense for accounting purposes depend on assumptions selected by management as well as actual returns experienced on plan assets. Management selects assumptions it believes to be conservative when benchmarked against industry comparatives. Table I shows the significant assumptions adopted by West Fraser for December 31, 2002.

Pension Assumptions		Table I
Discount rate	6.5%	
Expected rate of return	7.0%	
Compensation increase	4.0%	

CHANGE IN ACCOUNTING POLICY

Effective January 1, 2002, the Company changed its method of accounting for foreign exchange gains and losses on long-term debt, as recommended by the Canadian Institute of Chartered Accountants. Before 2002, a gain or loss on translation of long-term debt denominated in a foreign currency was deferred and amortized over the life of the debt. Under the new method the entire gain or loss is recognized in the current period. The change, which was applied retroactively, resulted in a reduction of opening retained earnings in 2002 of \$33.0 million (2001 - \$21.4 million)

CAPITAL STRUCTURE

The combined number of Common and Class B Common shares outstanding increased to 33,483,229 at December 31, 2002 (2001 - 30,360,088). Most of the increase was due to the issuance of a 10% share dividend effective March 15, 2002, paid entirely in Common shares.

All of West Fraser's debt, other than current borrowings for ANC, is unsecured and ranks equally in right of payment. On December 31, 2002, the ratio of West Fraser's total debt, less cash and short-term investments, to total capitalization was 0.11 (December 31, 2001 - 0.22).

West Fraser's fixed-interest term debt is rated as investment grade by leading rating agencies. The ratings remained stable during 2002 and are currently as shown in Table J.

Agency	Rating	Table J
Dominion Bond Rating Service	BBB	
Moody's	BAA2	
Standard & Poor's	BBB	

ACQUISITIONS AND DISPOSITIONS

In 2002, West Fraser continued to dispose of real estate related to its retail home improvement operations sold in 2001. In November 2002, West Fraser purchased the other 50% joint venture interest in QRP for \$0.3 million.

In April 2001, West Fraser acquired a sawmill in British Columbia, associated timber rights and working capital for \$29.9 million cash and the



assumption of long-term silviculture liabilities estimated at \$11.4 million.

In June 2001, West Fraser sold its timber plantations in Uruguay for \$72.2 million. The plantations comprised 28,500 hectares planted in pine and eucalyptus.

Also in June 2001, West Fraser sold its retail home improvement operations for \$185 million. The sale did not include any of the real estate occupied by the stores sold, which was instead made the subject of long-term leases.

CAPITAL REQUIREMENTS AND LIQUIDITY

West Fraser's cash requirements, other than for operating purposes, are primarily for interest, repayment of debt, property, plant and equipment additions, acquisitions and payment of dividends. In years without a major acquisition, cash on hand and funds provided by operations have normally been sufficient to meet these requirements.

In 2002, property, plant and equipment additions and acquisitions amounted to \$123 million (2001 - \$143 million). Proceeds from property, plant and equipment disposals other than in discontinued operations were \$6 million (2001 - \$2 million). Cash provided from discontinued operations was \$115 million (2001 - \$305 million).

Repayment of West Fraser's long-term debt in 2002 was \$236 million, paid from cash on hand, and scheduled repayment in 2003 is \$20 million.

On December 31, 2002, West Fraser had unused credit facilities of approximately \$385 million and short-term investments of \$193 million. It expects that cash on hand and funds provided by operations will meet all its cash requirements in 2003 for planned property, plant and equipment additions, debt repayment, interest and dividends.

Property, Plant & Equipment Additions & Acquisitions (\$ millions) Table K		
	2002	2001
Lumber	\$ 84.1	\$ 104.3
Panels	12.2	8.6
Pulp & Paper	20.1	29.0
Corporate & Other	7.0	0.9
Total	\$ 123.4	\$ 142.8

RISKS AND UNCERTAINTIES

FOREIGN EXCHANGE

Most of West Fraser's sales are at prices that, although denominated in a variety of currencies, are generally based on prevailing U.S. dollar prices. 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, with exchange rate fluctuations in the period between purchase and payment, which may be up to 120 days, resulting in additional exchange rate sensitivity.

During 2002, the U.S. dollar traded between Cdn\$1.61 and Cdn\$1.50, with an average of Cdn\$1.57 (2001 - between Cdn\$1.61 and Cdn\$1.49 with an average of Cdn\$1.55).

U.S. TRADE DISPUTE

In April and May 2002, U.S. trade agencies (Department of Commerce and International Trade Commission) issued final determinations concerning Canadian shipments of softwood lumber to the United States, resulting in the imposition of duties effective May 22, 2002. Preliminary duty liabilities that had accrued during the period of investigation were canceled and all bonds deposited during the period were returned. In the first half of the year, West Fraser reversed \$25 million that had been accrued for duties during the preliminary period.

The determination in the countervail investigation resulted in a duty deposit rate of 18.79% for shipments from all regions of Canada except the Maritime provinces. The dumping investigation reviewed shipments from West Fraser and five other major lumber producers with each being assigned a specific rate, ranging from 2.18% to 12.44% and all other producers being assigned 8.43%, the average of the six company-specific rates. West Fraser's antidumping duty rate was lowest, at 2.18%, which resulted in a combined rate of 20.97% compared to an industry average of 27.22%. Duties must be paid in cash to the U.S. Treasury as shipments cross the border. Final duties are determined through an administrative review process that will investigate actual shipments for each

12-month period following the effective date. This annual process, with appeals, could take 18 to 24 months before duties are finalized.

The federal and provincial governments of Canada and the companies investigated all categorically deny the U.S. allegations of subsidy and dumping, and have initiated appeals under NAFTA and to the WTO. The WTO has already issued a preliminary decision in the countervail case, finding the U.S. methodology for calculating the subsidy complaint to be in violation of international agreements. Final determinations from the WTO and under NAFTA are expected in 2003. While West Fraser believes the Canadian arguments are sound, the outcome of any litigation is uncertain and is subject to appeal and further delay regardless of the result.

A negotiated settlement is an option to resolve this trade dispute. Such a solution could result in changes to provincial timber tenure policies and pricing regimes and may include a temporary export tax. It is not possible to predict how such changes might affect West Fraser and other companies operating in British Columbia or elsewhere in Canada. Neither the final outcome nor the time required to resolve the dispute can be determined at this time.

FIRST NATIONS CLAIMS

Recent decisions of British Columbia courts have identified a duty of the provincial government to consult with potentially affected First Nations groups whenever the province deals with public rights. The duty had not previously been recognized by the province, and its nature, extent and implications are uncertain. West Fraser has historically had good relations with First Nations groups in its operating areas, and expects that as a result of the province's duty to consult, discharging this duty will result in increased dealings with them in connection with its operations.

PINE BEETLE INFESTATION

The pine beetle infestation continues to spread in central British Columbia. The epidemic is estimated to have infested some 108 million m³ of lodgepole pine covering more than nine million hectares. In 2001, the volume was estimated at 70 million m³. Current warm winter patterns are unlikely to eliminate or slow the spread. AAC levels have been increased in response to this issue, and over the next several years there will be an over-supply of timber throughout much of the interior of British Columbia. In the longer term, timber supply is expected to be only slightly below pre-infestation cut levels.

Woodframe Housing



Wood frame construction is the preferred building method of the North American homebuyer. About 88% of all new residential homes are built with wood.

(Source: Wood Markets publication)



Earnings Sensitivity to Key Variables		Table L
Factor	Variation	Change in Earnings
Lumber price	US\$50 change per Mfbm	\$89 million
Plywood price	US\$50 change per Msf	\$13 million
MDF price	US\$50 change per Msf	\$13 million
BCTMP price	US\$50 change per tonne	\$26 million
Linerboard price	US\$50 change per tonne	\$16 million
Kraft paper price	US\$50 change per tonne	\$ 6 million
Newsprint price	US\$50 change per tonne	\$ 7 million
U.S.-Canadian \$ exchange rate	US\$0.01 change per Cdn\$	\$12 million
Log cost	\$10 change per m ³	\$58 million

ENVIRONMENT

The section of this Annual Report entitled “West Fraser Environmental Report” 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 major factor.

West Fraser’s principal raw material is timber. Stumpage charges on logs harvested from its timber tenures are 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 on the open market are the result of competitive bidding between mills seeking incremental volumes. In West Fraser’s operations in the United States, approximately 60% of the required log volume is obtained at market prices under a long-term contract and the balance through market purchases.

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.

BUSINESS OUTLOOK – 2003

West Fraser’s financial performance is largely dependent on commodity prices and the value of the Canadian dollar in relation to the U.S. dollar. Several other factors could also significantly affect its financial results in 2003. These include the outcome of the Canada – U.S. softwood lumber dispute, changes in government policies affecting timber harvesting, the cost structure of West Fraser’s various manufacturing units, and acquisitions and divestitures it might undertake.

With a threat of a war in the Middle East and other political and economic uncertainties, it is prudent to assume only slow growth for the U.S. economy in 2003. At the same time, in the absence of any major geopolitical event, the recent economic performance of Canada may result in a stronger Canadian dollar.

The outcome of the trade dispute and potential timber policy changes in British Columbia could significantly affect the profitability of West Fraser’s lumber business. In addition, the accelerated harvest of trees affected by the pine beetle infestation in

Forest Fires in Alberta



Each spring brings a new fire season to Alberta forests. From 1992 – 2001, Alberta experienced, on average, 923 forest fires per year caused by lightning (59%) or humans (41%). (Source: Alberta Sustainable Resource Development)

After a forest fire, the rate of regeneration depends on the type of trees burned and on whether the burned wood is salvaged. The forest type in West Fraser's Slave Lake area is mainly spruce and aspen, with some lodgepole pine. In the natural system, aspen usually takes over from spruce after a fire. Left alone, it could take generations before spruce reappears as a significant part of the regrown forest, but where salvage occurs, spruce is usually manually replanted. In the Blue Ridge area, the forests contain more lodgepole pine, which regenerates naturally after a fire. The heat melts the resinous material that holds the cones' scales together and seeds are released. Young seedlings are produced immediately and the forest is effectively regenerated within 3 to 4 years.

Large photo: Near West Fraser's Seehta operations (2002)

Inset photo: Near West Fraser's Slave Lake operations (2001)

British Columbia should cause the lumber supply to remain at higher levels than otherwise, thereby depressing lumber prices.

The rebuilt sawmill at Chasm will contribute to operating earnings, but the two sawmills in the U.S. South require completion of planned capital expenditures and improved market pricing before they can achieve expected levels of profitability.

For most pulp and paper products, industry analysts are expecting gradual but modest improvement over 2002 prices. Pulp and newsprint appear to have the best potential for price increases.

West Fraser will benefit from the acquisition of QRP. It is expected that the additional pulp production not sold to the former owner will be sold

to new and existing customers, allowing the mill to operate at or near capacity and thereby making the acquisition immediately accretive to earnings.

The Kitimat linerboard and kraft paper mill will re-negotiate its labour agreements in the spring of 2003. For the long-term success of the mill it is essential that the new contracts support co-operative efforts to improve operating efficiencies.

Management will continue to assess the desirability of selling West Fraser's 50% interest in ANC. The decision will depend on the expected sale price and on the need for additional funds for growth.

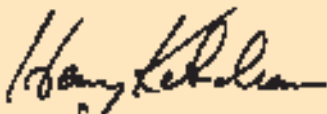
West Fraser's strong financial position will allow it to consider growth opportunities as they may arise.

The management of West Fraser Timber Co. Ltd. is responsible for the preparation, integrity and objectivity of the 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 principals generally accepted in Canada and necessarily include amounts that 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 transactions are executed in accordance with management's authorization.

Independent accountants were engaged to perform an independent audit of the consolidated financial statements. In determining the nature and extent of their auditing procedures, they have evaluated the Company's accounting policies and procedures and the effectiveness of the related internal control system. Their report appears on the next page.

The Board of Directors provides oversight to the financial reporting process through its Audit Committee, comprised of five Directors, none of whom is an officer or employee of the Company. The Audit Committee meets regularly with management and the Company's auditors to review the 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.



Henry M. Ketcham
Chairman of the Board,
President & Chief Executive Officer



Martti Solin
Vice-President, Finance
& Chief Financial Officer

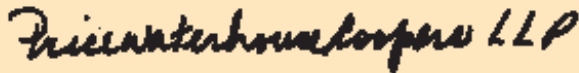
January 31, 2003

**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, 2002 and 2001 and the consolidated statements of earnings, 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, 2002 and 2001 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, after giving effect to the change in the accounting policy described in note 2 to the consolidated financial statements, on a consistent basis.



PricewaterhouseCoopers LLP Chartered Accountants
Vancouver, B.C.

January 31, 2003

As at December 31 (in thousands of Canadian dollars)

ASSETS

Current assets

Cash and short-term investments	\$ 192,916	\$ 270,057
Accounts receivable	173,983	169,635
Inventories (note 6)	319,443	305,550
Prepaid expenses	7,009	7,789
Discontinued operations – current assets (note 3)	—	5,984

Other assets (note 7)

Property, plant and equipment (note 8)

Deferred charges (note 9)

Discontinued operations – long-term assets (note 3)

	693,351	759,015
	85,214	86,490
	1,316,889	1,331,126
	20,217	16,353
	—	126,607
	\$ 2,115,671	\$ 2,319,591

LIABILITIES

Current liabilities

Accounts payable and accrued liabilities	\$ 163,041	\$ 188,799
Current portion of reforestation obligation	29,464	28,135
Current portion of long-term debt (note 10)	19,720	238,920
Discontinued operations - current liabilities (note 3)	—	15,370

Long-term debt (note 10)

Other liabilities (note 11)

Future income taxes (note 18)

Discontinued operations - long-term liabilities (note 3)

	212,225	471,224
	337,745	359,589
	72,214	100,649
	201,725	213,171
	—	4,543
	823,909	1,149,176

SHAREHOLDERS' EQUITY

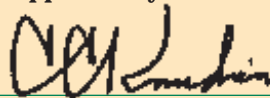
Share capital (note 12)

Retained earnings

	327,524	324,789
	964,238	845,626
	1,291,762	1,170,415
	\$ 2,115,671	\$ 2,319,591

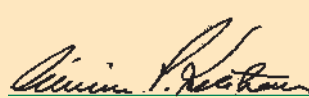
Contingency (note 21)

Approved by the Board of Directors



C. Calvert Knudsen

Director



William P. Ketcham

Director

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

EARNINGS

	2002	2001
Net sales	\$ 1,632,239	\$ 1,562,306
Costs and expenses		
Cost of products sold	1,243,765	1,181,304
Amortization of property, plant and equipment	135,434	123,279
Selling, general and administrative	69,181	70,494
Recovery of prior year export duties <i>(note 21)</i>	(25,010)	—
	1,423,370	1,375,077
Operating earnings	208,869	187,229
Other		
Financing expense <i>(note 16)</i>	(27,064)	(60,146)
Other income <i>(note 17)</i>	3,442	4,705
Earnings from continuing operations before income taxes	185,247	131,788
Provision for (recovery of) income taxes <i>(note 18)</i>		
Current	60,852	66,590
Future	(4,644)	(32,071)
	56,208	34,519
Earnings from continuing operations	129,039	97,269
Earnings from discontinued operations <i>(note 3)</i>	8,521	17,648
Earnings	\$ 137,560	\$ 114,917
Earnings per share <i>(note 19)</i>		
From continuing operations — Basic	\$ 3.85	\$ 2.86
— Diluted	\$ 3.82	\$ 2.85
After discontinued operations — Basic	\$ 4.11	\$ 3.01
— Diluted	\$ 4.07	\$ 3.00

RETAINED EARNINGS

	2002	2001
Balance — beginning of year	\$ 845,626	\$ 782,842
Change in accounting for foreign currency translation <i>(note 2)</i>	—	(21,424)
	845,626	761,418
Earnings	137,560	114,917
	983,186	876,335
Common share dividends	(18,742)	(17,001)
Discontinued operations - convertible obligation <i>(note 3)</i>	—	(12,564)
Preferred share payment <i>(note 13(b))</i>	(206)	(1,144)
Balance — end of year	\$ 964,238	\$ 845,626

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

CASH FLOWS FROM OPERATING ACTIVITIES

Earnings from continuing operations

Items not affecting cash

	2002	2001
Earnings from continuing operations	\$ 129,039	\$ 97,269
Items not affecting cash		
Amortization of property, plant and equipment	135,434	123,279
Exchange (gain) loss on long-term debt	(5,495)	26,619
Change in reforestation obligation	(6,000)	(12,682)
Change in other long-term liabilities	(22,094)	27,811
Future income taxes	(9,762)	(32,071)
Other	(4,181)	(871)
	216,941	229,354
Net change in non-cash working capital items	(47,158)	30,358
	169,783	259,712

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from long-term debt	—	76,446
Repayment of long-term debt	(235,668)	(112,796)
Dividends	(18,742)	(17,001)
Other	2,529	(1,308)
	(251,881)	(54,659)

CASH FLOWS FROM INVESTING ACTIVITIES

Property, plant and equipment additions	(123,109)	(112,910)
Proceeds from disposal of property, plant and equipment	6,333	1,548
Acquisitions <i>(note 4)</i>	(304)	(29,929)
Decrease (increase) in other assets	6,784	(3,124)
	(110,296)	(144,415)

Change in cash from continuing operations

Change in cash from discontinued operations *(note 3)*

Net cash - beginning of year

Net cash - end of year

Net cash consists of

Cash and short-term investments

Interest paid

Income taxes paid

	(192,394)	60,638
	115,253	305,052
	270,057	(95,633)
Net cash - end of year	\$ 192,916	\$ 270,057
Net cash consists of		
Cash and short-term investments	\$ 192,916	\$ 270,057
<i>Interest paid</i>	\$ 42,393	\$ 46,665
<i>Income taxes paid</i>	\$ 72,293	\$ 93,403

(Figures 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 Inc., Alberta Plywood Ltd., West Fraser (South), Inc., West Fraser Newsprint Ltd., West Fraser Real Estate Holdings Ltd. and West Fraser Home Centres Inc.

Investments in and operations of the company's principal joint ventures are accounted for by the proportionate consolidation method (note 5).

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.

REVENUE RECOGNITION

Revenues are derived from product sales and recognized when significant risks and rewards of ownership are transferred, which is generally at the time of shipment.

FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies, including long-term debt, are translated into Canadian dollars at the exchange rates prevailing at the end of the period. 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.

The company's foreign operations are considered to be integrated. Accordingly, monetary items are translated at the rates of exchange in effect at the balance sheet dates, and non-monetary items are translated at historical exchange rates. Revenues and expenses are translated at the average rate of exchange in effect during the period in which they occur, except for amortization of assets, which is translated at the same historical exchange rate as the asset to which it relates. Gains or losses on the translation of monetary items are included in earnings.

CASH AND SHORT-TERM INVESTMENTS

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

INVENTORIES

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, which for major manufacturing assets under construction includes capitalized interest and preproduction and start-up costs. Expenditures for additions, improvements and renewals are capitalized. Expenditures for maintenance and repairs are charged to earnings. Upon

(Figures are in thousands of Canadian dollars except where indicated.)

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. Any permanent impairment in the carrying value of property, plant and equipment is charged against earnings in the period the impairment is determined.

AMORTIZATION

Property, plant and equipment is principally amortized on a straight-line basis over its estimated useful life and 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 and timber rights are amortized on the basis of timber harvested not to exceed 60 years.

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

Capitalized preproduction and start-up costs are amortized over a period not to exceed five years.

REFORESTATION OBLIGATION

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

POST-RETIREMENT BENEFITS

The cost of pension and other retirement benefits is actuarially determined using the projected benefit method pro-rated for years of service and using management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. Plan obligations are discounted using current market interest rates and plan assets are presented at fair value.

2. CHANGE IN ACCOUNTING POLICY

FOREIGN CURRENCY TRANSLATION

Effective January 1, 2002, the company retroactively changed its method of accounting for foreign currency translation gains and losses on long-term debt, as recommended by the Canadian Institute of Chartered Accountants. Before 2002, exchange gains and losses were deferred and amortized over the life of the debt. Under the new method, gains and losses are recognized in the current period. The effect of adopting the new method on the prior period financial statements is to reduce earnings by \$11,572 and opening retained earnings by \$21,424.

3. DISCONTINUED OPERATIONS

RETAIL HOME IMPROVEMENT

On April 30, 2001 (the Measurement Date), the company adopted a plan to dispose of its retail home improvement operations and the majority of related real estate. Effective June 6, 2001, the company sold substantially all of its retail home improvement operations for proceeds of \$184,690.

Results from discontinued operations are based on management's estimates. These include the proceeds on the sale of the real estate and other retained assets, closure and other costs related to the disposition of the remaining retail sales operations owned, and other liabilities. Changes to these estimates resulted in the recognition of earnings of \$8,521 from discontinued operations in 2002.

Effective December 31, 2002, the remaining unsold real estate totalling \$40,413 was reclassified to property, plant and equipment for the periods presented. Future gains and losses will be recorded as other income (expense).

CONVERTIBLE OBLIGATION

On the acquisition of a home improvement business in 1998, a subsidiary of the company issued 1,500,000 of its common shares. Under certain circumstances, the company had the right to issue common shares in satisfaction of a contractual repurchase obligation. Accordingly, the present value was recorded in shareholders' equity as a convertible obligation. On July 13, 2001, the company acquired these shares for \$32,100, which resulted in a charge of \$12,564 to retained earnings.

TIMBER PLANTATIONS

On June 29, 2001, the company sold its timber plantations for net proceeds of \$72,185. The resulting gain on sale of \$33,292 has been accounted for as discontinued operations. Available capital losses eliminated taxes on the sale.

DISCONTINUED OPERATIONS

The results of discontinued operations are as follows:

	2002	2001
Retail operations		
Loss to Measurement Date (net of tax recovery of \$799)	\$ —	\$ (886)
Gain (loss) on disposal - net of tax expense of \$3,600 (2001 - tax recovery of \$3,100)	8,521	(14,758)
Earnings (loss) from discontinued retail operations	8,521	(15,644)
Timber plantations	—	33,292
Earnings from discontinued operations	\$ 8,521	\$ 17,648

Cash flows from discontinued operations are as follows:

	2002	2001
Cash from operating activities	\$ 1,268	\$ 50,741
Cash used in financing activities	(4,800)	(32,100)
Cash from investing activities	118,785	286,411
Increase in cash	\$ 115,253	\$ 305,052



(Figures are in thousands of Canadian dollars except where indicated.)

4. ACQUISITIONS

2002

Effective November 1, 2002, the company increased its ownership in the Quesnel River Pulp Company joint venture to 100% by acquiring the other venturer's 50% interest. 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 for cash	\$ 304
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2001

Effective April 24, 2001, the company acquired a sawmill and associated 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:

Non-cash working capital	\$ 7,295
Property, plant and equipment	34,061
Reforestation obligation assumed	(11,427)
Cash consideration	\$ 29,929

5. INVESTMENTS IN JOINT VENTURES

The company's principal joint ventures consist of Alberta Newsprint Company (50%), Quesnel River Pulp Company (50% to November 1, 2002, see note 4), Houston Forest Products Company (50%), Babine Forest Products Company (31.58%) and Seehta Forest Products (50%). The company's proportionate share of the joint ventures is as follows:

	2002	2001
Current assets	\$ 48,154	\$ 59,273
Non-current assets	150,966	207,761
Total assets	199,120	267,034
Current liabilities	24,289	36,720
Non-current liabilities	9,068	4,816
Equity	\$ 165,763	\$ 225,498
Net sales	\$ 251,616	\$ 255,946
Expenses	217,225	201,392
Earnings	\$ 34,391	\$ 54,554
Cash from operating activities	\$ 49,935	\$ 83,690
Cash from financing activities	\$ 149	\$ 123
Cash used in investing activities	\$ (6,457)	\$ (14,474)

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

6. INVENTORIES

	2002	2001
Logs and wood chips	\$ 94,970	\$ 95,153
Manufactured products	174,721	161,914
Processing materials and supplies	49,752	48,483
	\$ 319,443	\$ 305,550

7. OTHER ASSETS

	2002	2001
Investments	\$ 39,839	\$ 41,169
Power purchase agreements	34,711	36,730
Advances for timber and timber deposits	9,453	6,871
Non-interest bearing loans to employees	1,211	1,720
	\$ 85,214	\$ 86,490

Power purchase agreements

The company entered into agreements to acquire a portion of the electricity to be generated from two power plants in Alberta, beginning January 1, 2001, at substantially predetermined prices. The company's share is expected to be 150 megawatts per year to 2013 and 120 megawatts per year to 2020. The company also has entered into agreements to resell the electricity at prevailing market prices. At the same time, the company's Alberta operations purchase electricity at prevailing market prices. The initial payment for these rights of \$38,737 is being amortized over the life of the underlying agreements. The electricity acquired under the agreements meets the requirements of the company's Alberta operations.

8. PROPERTY, PLANT AND EQUIPMENT

	2002		
	Cost	Accumulated amortization	Net
Manufacturing plant and equipment	\$ 2,278,841	\$ 1,292,955	\$ 985,886
Timber rights, timberlands and roads	419,958	165,441	254,517
Rental properties	64,328	9,086	55,242
Other	23,757	2,513	21,244
	\$ 2,786,884	\$ 1,469,995	\$ 1,316,889

	2001		
	Cost	Accumulated amortization	Net
Manufacturing plant and equipment	\$ 2,173,951	\$ 1,180,894	\$ 993,057
Timber rights, timberlands and roads	424,304	162,216	262,088
Rental properties	71,072	10,052	61,020
Other	16,683	1,722	14,961
	\$ 2,686,010	\$ 1,354,884	\$ 1,331,126



(Figures are in thousands of Canadian dollars except where indicated.)

9. DEFERRED CHARGES

	2002	2001
Deferred pension (note 14)	\$ 19,140	\$ 14,780
Deferred financing fees	1,077	1,573
	\$ 20,217	\$ 16,353

10. LONG-TERM DEBT AND BANK INDEBTEDNESS

Long-term debt

	2002	2001
US \$125,000 term notes due 2002; interest at 7.25%	\$ —	\$ 199,031
US \$125,000 term notes due 2005; interest at 7.50%	197,082	198,956
Cdn \$125,000 term notes due 2007; interest at 6.80%	124,887	124,864
US \$22,500 (2001 - US \$47,500) notes due 2001 to 2004; interest at 8.44%	35,496	75,658
	357,465	598,509
Less: Current portion	19,720	238,920
	\$ 337,745	\$ 359,589

Principal repayments required are as follows:

2003	\$ 19,720
2004	15,776
2005	197,082
2006	—
2007	124,887
	\$ 357,465

Bank indebtedness

The company has approximately \$385,000 in demand or revolving lines of credit available, none of which was utilized as at December 31, 2002.

All long-term debt and bank lines of credit are unsecured.

11. OTHER LIABILITIES

	2002	2001
Pension liability (note 14)	\$ 14,417	\$ 11,501
Reforestation obligation - long-term	57,797	64,138
Long-term lumber duties payable (note 21)	—	25,010
	\$ 72,214	\$ 100,649

12. SHARE CAPITAL

Authorized

- 10,000,000 Preferred shares, issuable in series, without par value
- 200,000,000 Common shares, without par value
- 20,000,000 Class B common shares, without par value

Issued	2002		2001	
	Number of shares	Amount	Number of shares	Amount
Common	27,848,023	\$ 326,958	24,531,020	\$ 324,204
Class B common	5,635,206	566	5,829,068	585
Total Common	33,483,229	\$ 327,524	30,360,088	\$ 324,789

Share capital transactions during 2002

The company issued 3,038,698 Common shares pursuant to a 10% stock dividend; 84,443 Common shares were issued for \$2,735; 193,862 Class B shares were exchanged for Common shares.

Share capital transactions during 2001

The company issued 15,516 Common shares for \$486.

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, 2002 amounted to \$4,687 (2001 - \$4,250) and are included in accounts payable and accrued liabilities.

Share options

The company has a fixed share option plan for its directors, officers and employees, under which it may grant up to 3,200,000 share options. No expense is recognized for share options granted under this plan. The exercise price of a share option is equal to the closing price of the company's common 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 seven years.

A summary of the activity in the stock option plan is presented below:

	2002		2001	
	Options	Weighted average exercise price (dollars)	Options	Weighted average exercise price (dollars)
Outstanding — Beginning of year	1,467,032	\$ 29.87	1,100,354	\$ 32.24
Granted	297,000	36.82	385,000	23.18
Exercised	(75,290)	30.60	(11,275)	28.71
Expired	—	—	(7,047)	34.93
Outstanding — End of year	1,688,742	\$ 31.06	1,467,032	\$ 29.87
Exercisable — End of year	824,417	\$ 31.25	640,106	\$ 31.65

The figures in the above table reflect the effects of the 10% stock dividend issued in 2002, as if the options had been outstanding from January 1, 2001.



(Figures are in thousands of Canadian dollars except where indicated.)

The following table summarizes information about the stock options outstanding at December 31, 2002:

Range of exercise prices (dollars)	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (dollars)	Number of exercisable options	Weighted average exercise price (dollars)
\$20 – \$30	489,500	7	\$ 23.96	207,460	\$ 25.01
\$30 – \$40	1,199,242	6	\$ 33.96	616,957	\$ 33.35
	<u>1,688,742</u>			<u>824,417</u>	

Stock-based compensation

During 2002, the company granted 297,000 stock options to directors and officers at \$36.82 per share. No compensation expense has been recognized for these options. Had compensation expense for these stock options been determined based on the fair value at the grant date, consistent with the fair value based method of accounting for stock-based compensation, the company's earnings would have been reduced by \$790, or \$0.02 per share. The total fair value of the options granted during 2002 was \$4,738. The company has not calculated the fair value of the stock options granted before January 1, 2002.

The fair value of the stock options granted in 2002 was estimated on the grant date using a Black-Scholes option pricing method. The significant assumptions are as follows:

Expected option life	8 years
Expected share price volatility	36%
Dividend yield	1.5%
Risk-free interest rate	5.7%

13. COMMITMENTS

a) Operating leases

The company is committed to payments under certain operating leases for equipment, land, buildings and office space. The payments required under these leases over the next five years amount to \$4,387 (2001 — \$4,955).

b) Preferred share purchase

Under the terms of a 1999 preferred share repurchase, the company was required to pay an excess dividend entitlement dependent upon the common share dividends paid. During 2001, an excess dividend entitlement of \$1,794 was paid, of which \$650 was charged to contributed surplus and \$1,144 was charged to retained earnings.

The obligation was terminated in 2002, with a final payment of \$206 which was charged to retained earnings.

14. POST-RETIREMENT BENEFITS

The company maintains non-contributory defined benefit and defined contribution pension plans covering a majority of its employees. The defined benefit plans provide pension benefits based on either length of service or earnings and length of service. The company has unfunded supplemental defined benefit pension plans for certain salaried employees. The company also provides group life insurance, medical and extended health benefits to certain employee groups. Under its non-pension post-retirement benefit plans, the projected benefit obligations were \$6,419 at December 31, 2002 (2001 – \$6,932).

The total pension expense for the company's defined contribution pension plans is \$1,735 (2001 - \$1,686).

The status of the company's defined benefit pension plans at December 31, 2002 and 2001 was as follows:

	2002	2001
Pension expense		
Current service cost	\$ 9,491	\$ 8,230
Interest cost	15,094	13,702
Expected plan return	(14,302)	(13,288)
Amortization of transition amount and experience gains	500	349
Net expense	\$ 10,783	\$ 8,993
Accrued benefit obligation		
Projected benefit obligations - opening	\$ 208,593	\$ 177,768
Liability assumed	13,933	9,039
Current service cost	9,491	8,230
Interest cost	15,094	13,702
Benefits paid	(8,501)	(7,328)
Actuarial loss	10,000	7,182
Projected benefit obligations - ending	\$ 248,610	\$ 208,593
Plan assets		
Fair value - opening	\$ 196,226	\$ 183,486
Assets acquired	12,448	8,700
Actual return	7,126	3,286
Contributions	10,843	8,082
Benefits paid	(8,501)	(7,328)
Fair value — ending	\$ 218,142	\$ 196,226
Funded status of the plans		
Plan surplus (deficit) — funded plans	\$ (8,141)	\$ 9,892
— supplemental plan	(22,327)	(22,259)
Unamortized net actuarial losses	36,994	18,680
Unamortized past service costs	769	602
Unamortized net transitional amount	(2,572)	(3,636)
Net accrued benefit asset	\$ 4,723	\$ 3,279
Represented by		
Deferred pension	\$ 19,140	\$ 14,780
Pension liability	(14,417)	(11,501)
	\$ 4,723	\$ 3,279



(Figures are in thousands of Canadian dollars except where indicated.)

The significant actuarial assumptions at December 31 are as follows:

	2002	2001
Discount rate	6.5%	7.0%
Expected rate of return on plan assets	7.0%	7.0%
Compensation increase	4.0%	5.0%

15. FINANCIAL INSTRUMENTS

a) Fair values

The recorded amounts for cash and short-term investments, accounts receivable, accounts payable and accrued liabilities approximate fair values, based on their short-term maturities.

The fair value of the company's long-term debt at December 31, 2002 was \$378,524, based on rates currently available to the company for long-term debt with similar terms and remaining maturities.

b) Credit risk

The company sells its products to a variety of customers with various payment terms and, therefore, is exposed to credit risk. The company has adopted policies and procedures designed to limit this risk.

16. FINANCING EXPENSE

	2002	2001
Long-term interest	\$ 38,699	\$ 45,530
Current interest income - net	(6,140)	(1,941)
Exchange (gain) loss on long-term debt	(5,495)	26,619
Attributed to discontinued operations	—	(10,062)
	\$ 27,064	\$ 60,146

17. OTHER INCOME

	2002	2001
Rental income - net	\$ 1,552	\$ 910
Earnings (loss) from equity investments	227	(282)
Foreign exchange gain (loss)	(871)	1,459
Other - net	2,534	2,618
	\$ 3,442	\$ 4,705

18. INCOME TAXES

The company's effective tax rate is as follows:

	2002		2001	
	Amount	%	Amount	%
Income taxes at statutory rate	\$ 77,525	41.9	\$ 58,439	44.3
Manufacturing and processing allowances	(11,409)	(6.2)	(6,022)	(4.6)
Large corporations tax	219	0.1	1,069	0.8
Non-deductible (taxable) amounts	(1,957)	(1.6)	6,794	5.2
Rate differentials between jurisdictions	(6,714)	(3.6)	(10,502)	(7.9)
Reduction in statutory income tax rates	(2,013)	(1.1)	(17,000)	(12.9)
Other	557	0.8	1,741	1.3
	\$ 56,208	30.3	\$ 34,519	26.2

The components of the future income tax liability are as follows:

	2002	2001
Future income tax liabilities		
Property, plant and equipment	\$ (242,734)	\$ (257,374)
Other assets	(6,165)	(5,064)
	\$ (248,899)	\$ (262,438)
Future income tax assets		
Reforestation accrual	\$ 28,863	\$ 33,004
Other	18,311	16,263
	\$ 47,174	\$ 49,267
	\$ (201,725)	\$ (213,171)

In addition, the company has a capital loss carryforward of \$60,000 (2001 - \$45,000) which may be used to reduce future capital gains.

19. EARNINGS PER SHARE

Basic earnings per share are calculated based on net earnings available to common shareholders, as set out below, using the weighted average number of common shares outstanding. Diluted earnings per share assume the settlement of the convertible obligation for common shares, if dilutive, and the exercise of options using the treasury stock method.

Earnings per share figures reflect the 10% stock dividend as if the shares had been outstanding from the beginning of the years presented.



(Figures are in thousands of Canadian dollars except where indicated.)

	From continuing operations	2002 After discontinued operations	From continuing operations	2001 After discontinued operations
Earnings	\$ 129,039	\$ 137,560	\$ 97,269	\$ 114,917
Preferred share payments	(206)	(206)	(1,794)	(1,794)
Convertible obligation accretion	—	—	—	(12,564)
Available to shareholders	\$ 128,833	\$ 137,354	\$ 95,475	\$ 100,559
Weighted average shares				
Weighted average shares – basic	33,457,154	33,457,154	33,391,715	33,391,715
Stock options - treasury stock method	297,792	297,792	105,330	105,330
Weighted average shares – diluted	33,754,946	33,754,946	33,497,045	33,497,045
Earnings per share (dollars)				
Basic earnings per share	\$ 3.85	\$ 4.11	\$ 2.86	\$ 3.01
Diluted earnings per share	\$ 3.82	\$ 4.07	\$ 2.85	\$ 3.00

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

2002 (Figures are in millions of Canadian dollars)	Lumber	Panels	Pulp & paper	Corporate & other	Consolidated
Net sales at market prices					
To external customers	\$ 930.8	\$ 216.7	\$ 484.7	\$ —	\$ 1,632.2
To other segments	28.2	—	—	—	
	\$ 959.0	\$ 216.7	\$ 484.7	\$ —	
EBITDA ⁽¹⁾	\$ 193.6	\$ 70.4	\$ 87.0	\$ (6.7)	\$ 344.3
Amortization of property, plant and equipment	55.1	23.5	55.0	1.8	135.4
Operating earnings (loss)	138.5	46.9	32.0	(8.5)	208.9
Interest expense (income)	16.1	6.2	14.3	(4.0)	32.6
Exchange gain on long-term debt	—	—	—	(5.5)	(5.5)
Other	(1.3)	—	(0.4)	(1.7)	(3.4)
Earnings from continuing operations before income taxes	\$ 123.7	\$ 40.7	\$ 18.1	\$ 2.7	\$ 185.2
Total capital employed ⁽²⁾	\$ 716.9	\$ 221.5	\$ 677.6	\$ 307.2	\$ 1,923.2
Identifiable assets	\$ 811.8	\$ 245.8	\$ 740.8	\$ 317.3	\$ 2,115.7
Capital expenditures and acquisitions	\$ 84.1	\$ 12.2	\$ 20.1	\$ 7.0	\$ 123.4
Sales by geographic area					
Net sales to external customers					
USA	\$ 686.7	\$ 137.7	\$ 170.7	\$ —	\$ 995.1
Canada	189.6	64.2	45.3	—	299.1
Europe	—	—	51.9	—	51.9
Far East	54.5	14.8	156.2	—	225.5
Other	—	—	60.6	—	60.6
	\$ 930.8	\$ 216.7	\$ 484.7	\$ —	\$ 1,632.2

(1) EBITDA is defined as operating earnings plus amortization.

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

2001 <i>(Figures are in millions of Canadian dollars)</i>	Lumber	Panels	Pulp & paper	Corporate & other	Consolidated
Net sales at market prices					
To external customers	\$ 851.8	\$ 214.0	\$ 496.5	\$ —	\$ 1,562.3
To other segments	30.9	—	—	—	
	<u>\$ 882.7</u>	<u>\$ 214.0</u>	<u>\$ 496.5</u>	<u>\$ —</u>	
EBITDA ⁽¹⁾	\$ 152.5	\$ 62.3	\$ 103.8	\$ (8.1)	\$ 310.5
Amortization of property, plant and equipment	48.1	23.1	51.8	0.3	123.3
Operating earnings (loss)	104.4	39.2	52.0	(8.4)	187.2
Interest expense (income)	16.0	6.9	20.1	(9.5)	33.5
Exchange loss on long-term debt	—	—	—	26.6	26.6
Other	0.5	(0.1)	—	(5.1)	(4.7)
Earnings from continuing operations before income taxes	\$ 87.9	\$ 32.4	\$ 31.9	\$ (20.4)	\$ 131.8
Total capital employed ⁽²⁾	\$ 741.6	\$ 233.6	\$ 700.2	\$ 411.9	\$ 2,087.3
Identifiable assets	\$ 807.3	\$ 257.4	\$ 765.3	\$ 489.6	\$ 2,319.6
Capital expenditures and acquisitions	\$ 104.3	\$ 8.6	\$ 29.0	\$ 0.9	\$ 142.8
Sales by geographic area					
Net sales to external customers					
USA	\$ 567.1	\$ 75.2	\$ 190.1	\$ —	\$ 832.4
Canada	240.4	129.7	48.8	—	418.9
Europe	—	—	63.7	—	63.7
Far East	44.3	9.1	141.1	—	194.5
Other	—	—	52.8	—	52.8
	<u>\$ 851.8</u>	<u>\$ 214.0</u>	<u>\$ 496.5</u>	<u>\$ —</u>	<u>\$ 1,562.3</u>

(1) EBITDA is defined as operating earnings plus amortization.

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

21. CONTINGENCY

On April 25, 2002, the U.S. Department of Commerce (USDOC) issued its final determination in the countervailing and antidumping investigations. The USDOC's final determination in the investigation resulted in a countervailing duty rate of 18.79% and an antidumping rate specific to the company of 2.18%, both to be posted by cash deposits.

On May 16, 2002, the United States International Trade Commission (USITC) published its final determination on injury stating that Canadian softwood lumber threatens material injury to the U.S. industry. As a result, cash deposits have been required for shipments at the rates determined by the USDOC effective from May 22, 2002. All bonds posted before May 22, 2002 have been returned and cancelled. The company has reversed \$25.0 million related to preliminary duties charged in 2001.



The company has incurred countervailing and antidumping duties of \$67.4 million, accounted for as a reduction of sales, for the period from May 22, 2002 to December 31, 2002.

The company and other Canadian forest product companies, the Federal Government and Canadian provincial governments (Canadian Interests) categorically deny the U.S. allegations and strongly disagree with the final countervailing and dumping determinations made by the USITC and USDOC. Canadian Interests continue to aggressively defend the Canadian industry in this trade dispute. Canadian Interests have appealed these decisions to NAFTA panels and the WTO. The final amount of countervailing and antidumping duties that may be assessed on Canadian softwood lumber exports to the U.S. cannot be determined at this time and will depend on the results of these appeals. Notwithstanding the cash deposit rates established in the investigations, the final liability for the assessment of countervailing and antidumping duties will not be determined until each annual administrative review process is complete.

An administrative review is currently expected to begin sometime after May 31, 2003 and will be completed by approximately November 2004. The completion could extend beyond 2004 with the finalization of any appeals.

ENVIRONMENTAL POLICY

West Fraser Timber Co. Ltd. is committed to responsible stewardship of the environment. A philosophy of continual improvement of our forest practices and manufacturing procedures has been adopted to optimize the use of resources and minimize or eliminate the impact of our operations on the environment.

West Fraser recognizes that environmental excellence is an integral aspect of long-term business success. Our Company and its employees are committed to the following:

- Complying with all applicable environmental laws and regulations, and with other requirements to which the organization subscribes.
- Preventing pollution and continuing to improve our environmental performance by setting and reviewing environmental objectives and targets.
- Conducting periodic environmental audits.
- Providing training for employees and contractors to ensure environmentally responsible work practices.
- Communicating our environmental performance to employees, customers, shareholders, local communities and other stakeholders.
- Reviewing, on a regular basis, this policy to ensure that it reflects the Company's ongoing commitment to environmental stewardship.

INTERNAL AUDITS

West Fraser has programs for internal environmental audits of its woodland and manufacturing operations.

During 2002, forest practices audits were conducted at the woodland operations of Alberta Plywood and the Smithers and Chasm sawmills. Environmental audits were conducted at the manufacturing operations of Quesnel River Pulp, Slave Lake Pulp, Ranger Board and the sawmills at Chasm, Blue Ridge, Williams Lake and Quesnel. No significant issues were identified.

CERTIFICATION

There is increasing demand in the marketplace for forest companies to obtain independent verification that their manufacturing and forest practices meet an acceptable standard of environmental performance. This has resulted in the development of a number of certification standards. West Fraser has achieved certification under several different environmental standards at its various mills and woodlands.

In 2002, West Fraser consolidated the separate ISO 14001 registrations of its B.C. and Alberta woodlands operations into a single registration. As part of this process, all woodlands operations were successfully audited by KPMG Quality Registrar Inc. The ISO standard ensures that there is rigorous, independent assurance that a company's management systems carefully consider and take measures to minimize or eliminate the environmental impact of its activities and that the company continually strives to improve its performance.

The Quesnel River Pulp mill also maintained an ISO 14001 registration for its manufacturing operations.

The timberlands supplying most of the logs to West Fraser's sawmills at Joyce and Huttig have been independently verified to meet the requirements of the Sustainable Forestry Initiative ("SFI") of the American Forest & Paper Association. The SFI is a comprehensive set of performance measures that integrates the perpetual growing and harvesting of trees with the protection of wildlife and plants and soil and water quality.

Teachers' Tour



West Fraser appreciates the opportunity to share information and demonstrate how its practices in the field are being conducted. (Pictured: The Smithers sawmill and the Northern Forest Products Association host a woods tour for the teachers of the Bulkley Valley.)



FORESTCARE certification was maintained at Blue Ridge Lumber, Ranger Board, Slave Lake Pulp, Alberta Newsprint Company and Alberta Plywood and their associated woodlands. The Alberta Forest Products Association, along with community stakeholder groups, created FORESTCARE as a forest industry stewardship program. This certification ensures that industry continually improves environmental performance and maintains a cooperative relationship with community stakeholders.

The Ranger Board and WestPine manufacturing operations maintained the Green Cross certification of Scientific Certification Systems in 2002. The certification verifies that their medium density fibreboard products are made from 100% recycled wood fibre with at least 50% post-industrial recycled content. In addition, in 2002, Ranger Board achieved Environmentally Preferred Product certification from the Composite Panel Association, which is similar to the Green Cross certification.

EFFLUENT QUALITY

The Kitimat mill continues to work with federal and provincial regulators and local stakeholders to address issues related to the effect of its effluent on the taste of the eulachon fish that use the Kitimat River estuary for spawning during a brief period each year.

AIR QUALITY INITIATIVES

The mills in Quesnel and Williams Lake continue to participate in the local community airshed management program.

The Smithers sawmill is considering alternative solutions that would enable it to discontinue using its beehive burner, including transporting wood waste to various energy systems in the northwest. Initiatives completed through to 2002 have resulted in a 50% reduction in burner operating time.

NON-COMPLIANCES, CHARGES AND SPILLS

Slave Lake Pulp received a \$7,500 administrative penalty from Alberta's Ministry of Environment with respect to a toxicity test failure in December 2001. The test failure resulted from elevated biochemical oxygen demand within the effluent treatment system. Studies indicated that there was no environmental impact on the Slave River.

Slave Lake Pulp was charged with three offences regarding the interpretation of bioassay test results. At issue was a mill practice of conducting tests on duplicate samples but not reporting and taking subsequent action when one test result passed and the other indicated a failure. Procedures at Slave Lake have been changed and the charges are being defended.

In December 2002, the Kitimat mill experienced an overflow of a chemical pulp residual into a nearby stream. The mill's ability to retain the material that overflowed was affected by heavy rainfall. The incident is under investigation by regulatory agencies.

The Huttig sawmill log yard pond discharge had a total suspended solids exceedance due to the formation of silt within the lagoon through the action of wind-generated waves. Measures have been taken to address the erosion of the pond berm.

When the Huttig operations were purchased in 2000 the sewage lagoon discharge was identified as an issue because it had exceeded permit levels on several previous occasions. The former owner agreed to correct the problem by installing a filtration system to treat the discharge. The filtration system became operational in January 2002 but further permit violations occurred. The former owner continues to be responsible to rectify the problem.

Tree Planting



Large photo: In 2002, the Smithers sawmill woods department invited 60 Beavers, Cubs, Scouts, Ventures and cadets from the Christian Reformed Cadet Group to plant 3,120 pine, spruce and balsam seedlings near Smithers.

Left to right: Lee Bouvier and Brett Roulston

Inset photo: Bare root stock nursery

REFORESTATION 101 – WEST FRASER’S BRITISH COLUMBIA WOODLANDS



PLANNING A NEW FOREST

Before a mature forest is harvested, the site is evaluated. A professional forester makes up a plan to reforest the area after harvest, subject to government approval. West Fraser then accrues the entire estimated cost of the reforestation activities.



FINAL SURVEY

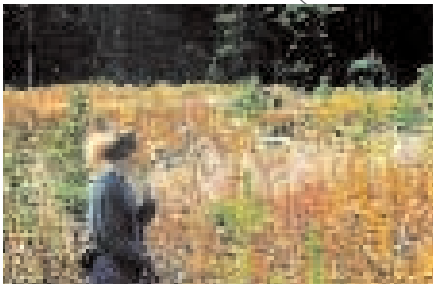
After about 15 years, a final survey of the growing trees is conducted. The young stand must be shown to be above the competition, healthy and growing well. Once that standard has been met, the stand of trees may be left free to grow.



GETTING THE JOB DONE

On some sites, the conditions permit waiting for the cones left after harvesting to provide the tree seed. The sun and warm soil open the cones and the seeds germinate. On other sites, it is more appropriate to plant seedlings immediately after harvesting.

The seedlings are grown in nurseries and planted by hand. The species planted are selected to match the mix of trees found on the site.



TENDING THE YOUNG FOREST

After the seedlings are established, the site is visited to ensure that the young trees are growing well. If brush grows taller than the trees, then it may be cut down. If there are too many young trees, they are thinned to reduce competition.



PREPARATION

Young trees may be left standing to help reforestation if there are enough of them on the site prior to harvest.



	2002	2001	2000 ¹	1999 ¹	1998 ¹	1997 ¹
Earnings (\$ millions)						
Net sales	1,632.2	1,562.3	1,504.8	1,415.7	1,175.2	1,322.9
Cost of products sold	1,243.8	1,181.3	1,077.3	965.6	923.5	997.2
Amortization	135.4	123.3	124.0	113.1	115.2	118.3
Selling, general and administrative	69.1	70.5	60.4	52.5	46.7	52.5
Recovery of prior year export duties	(25.0)	—	—	—	—	—
Operating earnings	208.9	187.2	243.1	284.5	89.8	154.9
Financing expense	27.1	60.1	35.2	44.6	68.5	57.9
Other	(3.4)	(4.7)	13.4	(0.2)	12.3	(4.5)
Income taxes	56.2	34.5	72.6	99.9	12.6	39.5
Earnings from continuing operations	129.0	97.3	121.9	140.2	(3.6)	62.0
Earnings from discontinued operations	8.5	17.6	9.6	7.2	9.2	7.5
Earnings	137.5	114.9	131.5	147.4	5.6	69.5
Cash provided from operations (\$ millions)	169.8	259.7	153.8	360.1	121.2	205.4
Property, plant & equipment expenditures & acquisitions (\$ millions)	123.4	142.8	176.0	123.8	78.7	113.0
Financial position (\$ millions)						
Working capital	481.1	297.1	154.3	242.1	203.7	264.0
Net capital assets	1,316.9	1,331.1	1,272.6	1,148.7	1,146.8	1,192.2
Others assets & deferred charges	105.4	102.8	115.0	36.6	103.2	56.3
Net discontinued assets	—	112.8	473.7	388.9	343.8	317.5
Net assets	1,903.4	1,843.8	2,015.6	1,816.3	1,797.5	1,830.0
Long-term debt	337.7	359.6	570.6	589.9	718.4	761.7
Other liabilities & future income taxes	273.9	313.8	317.7	200.1	181.5	175.2
Shareholders' equity	1,291.8	1,170.4	1,127.3	1,026.3	897.6	893.1
Non-current liabilities & equity	1,903.4	1,843.8	2,015.6	1,816.3	1,797.5	1,830.0
Per common share (dollars)						
Diluted EPS ²	4.07	3.00	3.76	4.38	0.05	2.10
Diluted EPS from continuing operations ²	3.82	2.85	3.63	4.31	(0.19)	1.86
Common shareholders' equity ²	38.58	35.05	33.19	30.25	26.51	26.45
Price range ² — high	45.00	34.95	35.00	36.36	37.27	42.73
— low	28.90	23.18	19.09	26.36	17.32	27.86
— close	35.00	34.95	24.32	34.09	27.05	32.27
Cash dividends declared ²	0.56	0.51	0.51	0.49	0.49	0.45
Shares outstanding at year end ('000s)	33,483	30,360	30,345	30,331	29,070	28,977
Ratios						
Return on capital employed	7.5%	7.7%	8.2%	9.8%	3.0%	6.1%
EBITDA margin	21.1%	19.9%	24.4%	28.1%	17.4%	20.7%
Return on common shareholder's equity	11.1%	8.7%	11.6%	14.4%	0.2%	7.5%
Net debt to capitalization	11.3%	21.9%	38.4%	35.7%	46.5%	45.6%
Number of employees at year end	4,044	3,810	3,845	3,443	3,002	3,199
Production						
Lumber (MMfbm)	2,347	2,012	1,713	1,638	1,513	1,544
Linerboard (Mtonnes)	306	304	318	331	311	310
Kraft paper (Mtonnes)	105	102	111	103	104	102
Pulp (Mtonnes)	397	361	363	337	288	300
Newsprint (Mtonnes)	128	120	123	124	123	125
MDF (3/4" MMsf)	249	250	240	215	181	161
Plywood (3/8" MMsf)	235	248	246	37	—	—

¹ Does not reflect the change in accounting policy for foreign exchange translation. See note 2 of the audited consolidated financial statements.
² Reflects the 10% stock dividend issued March 15, 2002 as if the changes had been outstanding from the beginning of the years presented.

DIRECTORS

Henry H. Ketcham	Chairman of the Board, President and Chief Executive Officer
Clark S. Binkley	Senior Vice-President, Hancock Natural Resource Group, Inc. (timberland investment)
J. Duncan Gibson	Investor
Larry S. Hughes	Partner, Lang Michener (lawyers)
William H. Ketcham	Managing Partner, Serafin Partners LLP (investment partnership)
William P. Ketcham	President, Henry H. Ketcham Lumber Co. Inc. (private investment)
C. Calvert Knudsen	Retired Chairman and Chief Executive Officer, MacMillan Bloedel Ltd. (forest products)
Harald H. Ludwig	President, Macluan Capital Corporation (diversified manufacturing)
Brian F. MacNeill	Chairman, Petro-Canada Inc. (energy, exploration, development, refining and marketing)
F. David Radler	President and Chief Operating Officer, Hollinger Inc. (newspaper publishing and printing)

OFFICERS

Henry H. Ketcham	Chairman of the Board, President and Chief Executive Officer
D. Wayne Clogg	Vice-President, Woodlands
Rodger M. Hutchinson	Vice-President, Corporate Controller
William H. LeGrow	Vice-President, Transportation and Energy
Gerald J. Miller	Group Vice-President, Pulp and Paper and Vice-President, Administration
Edward R. Seraphim	Vice-President, Pulp and Paper Sales
Martti Solin	Vice-President, Finance and Chief Financial Officer
Zoltan F. Szucs	Vice-President, Panelboards
Ernest M. Thony	Vice-President, Lumber Sales
Gary W. Townsend	Group Vice-President, Lumber Operations
Larry S. Hughes	Secretary, Partner, Lang Michener (lawyers)

SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

The Annual General Meeting of the shareholders of the Company will be held in Quesnel, British Columbia, April 15, 2003, at 11:30am.

AUDITORS

PricewaterhouseCoopers LLP
Vancouver, British Columbia

LEGAL COUNSEL

Lang Michener
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

33,483,229 shares, as at December 31, 2002

INVESTOR CONTACTS

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Vice-President, Finance and Chief Financial Officer

Sam Ketcham
Director of Corporate Planning

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MDF

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Fax: (780) 413-8910

PLYWOOD

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Fax: (780) 462-9863

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RANGER BOARD

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Fax: (780) 648-6397

WESTPINE MDF

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Fax: (250) 991-7115

ALBERTA PLYWOOD

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Fax: (780) 462-9863

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

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

SLAVE LAKE PULP

P.O. Box 1790
Slave Lake, Alberta
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Fax: (780) 849-7725

ALBERTA

NEWSPRINT COMPANY

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

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

BCTMP means bleached chemi-thermo-mechanical 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 various lengths

EBITDA means operating earnings plus amortization

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

FMA means a forest management agreement granted by the Alberta government entitling 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 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 1.0 million board feet

MSF is a unit of measure for MDF and plywood equal to 1,000 square feet, on a 3/4 inch basis for MDF and on a 3/8 inch basis for plywood, and **MMSf** means 1.0 million square feet.

NET DEBT TO CAPITALIZATION means net debt (total debt less cash and short-term investments) divided by net debt plus shareholders equity.

NBSK means northern bleached softwood kraft pulp

RETURN ON CAPITAL EMPLOYED means earnings before after-tax financing divided by average assets less current non-interest bearing liabilities.

RETURN ON COMMON SHAREHOLDERS' EQUITY means earnings available to common shareholders divided by average common share capital plus average retained earnings.

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 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

TMP means thermo-mechanical pulp

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



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