

West Fraser Timber Co. Ltd.

Second Quarter 2001



Report to Shareholders

West Fraser earned \$55 million or \$1.40 per share on a diluted basis, in the quarter ended June 30 2001. This compares to earnings of \$43 million or \$1.37 per share in the corresponding period of 2000. Sales during the quarter were \$416 million compared to \$402 million in 2000. For the first half of 2001, earnings were \$71 million or \$1.90 per share on a diluted basis, on sales of \$791 million. This compares to earnings of \$85 million or \$2.71 per share on a diluted basis on sales of \$796 million in the corresponding period of 2000. West Fraser earned \$42 million or \$1.36 per share on a diluted basis from continuing operations for the quarter compared to \$37 million or \$1.21 per share for the corresponding period of 2000. For the first half of 2001, earnings from continuing operations were \$60 million or \$1.94 per share compared to \$83 million or \$2.72 per share for the first half of 2000.

On April 24 West Fraser completed the previously-announced purchase of a sawmill and associated timber rights located at Chasm, British Columbia. A major rebuild of the sawmill was commenced in June which is intended to increase the annual capacity of the mill to 200 MMfbm and to convert the mill to a random length mill from a stud mill. The rebuild is expected to be completed in the fourth quarter at a cost of approximately \$44 million.

West Fraser's Uruguay timber holdings were sold on June 29 for proceeds of \$72 million resulting in an after-tax gain of \$33 million. The gain has been included as part of discontinued operations.

The sale of the retail operations, operated through Revy Home Centres Inc., was completed on July 13 for \$220 million (subject to working capital adjustments). The associated real estate will be sold in the future. An after-tax loss of \$21 million on the sale of the retail business and on the future sale of real estate has been included in discontinued operations. In accordance with accounting requirements for discontinued operations the comparative periods presented have been restated to segregate the results of discontinued operations.

EBITDA from continuing operations was \$107 million for the quarter compared to \$98 million in the second quarter of 2000 and \$72 million in the first quarter of 2001. The EBITDA margin was 26% compared to 24% in the second quarter of 2000 and 19% in the first quarter of 2001.

The softwood lumber dispute with the United States continues to create uncertainty amongst producers and consumers. This has contributed to wider than usual price fluctuations in the lumber markets. West Fraser's shipments of lumber to the United States have been consistent with past seasonal trends after incorporating recent sawmill acquisitions.

The lumber division generated EBITDA of \$61 million compared to \$39 million in the second quarter of 2000 and \$29 million in the first quarter of 2001. The increase in EBITDA from the second quarter of last year is primarily due to increased lumber prices. The average western SPF 2x4 price increased to US \$296 for the second quarter of 2001 compared to US \$276 for the second quarter of 2000 and US \$194 for the first quarter of 2001. West Fraser has announced inventory related shutdowns of two weeks at the majority of its saw-

mills over the summer months which, when combined with planned major capital projects at our Chasm and Williams Lake mills, will remove 140 MMfbm from production.


The panel division generated EBITDA of \$17 million compared to \$13 million in the second quarter of 2000 and \$11 million in the first quarter of 2001. Production curtailments by several MDF competitors due to energy constraints as well as new product development by our MDF business combined to produce some price increases in the quarter. Quarterly production and shipment records were achieved in our MDF operations and a shipment record was achieved by our plywood operation. Plywood prices increased by approximately 7% from the first quarter of 2001 due to stronger seasonal demand.

EBITDA from pulp and paper operations was \$33 million for the quarter compared to \$47 million in the second quarter of 2000 and \$33 million for the first quarter of 2001. Production of pulp was below the second quarter of 2000 levels by 6,700 tonnes due to curtailments taken by the Alberta operation during periods of peak power prices. Pulp prices continued to decline during the quarter although production remained fully sold. Prices at our Kitimat linerboard and kraft paper facility remained stable during the quarter despite weakening fundamentals. Newsprint price increases – up an average 16% from the 2nd quarter of 2000 – partially offset the decline in EBITDA caused by the decline in the price of pulp. Manufacturing costs continue to be negatively affected by high natural gas prices, although recent price declines will benefit future periods.

West Fraser's low-cost operations will continue to give us a competitive advantage in these weak commodity markets. The debt to capital ratio of 35% at the quarter end reflects our consistent profitability as well as the proceeds from the sale of the Uruguay operations, but does not yet reflect the proceeds from the sale of retail operations and associated real estate. We continue to position ourselves for responsible growth in the areas of our core competencies.

Finally, on behalf of the Board of Directors, I would like to thank each of the Revy employees for their contribution to the success and growth of Revy. West Fraser's history with retail operations began in 1967 with the acquisition of three small building supply stores in the interior of British Columbia. Over the next 34 years Revy was built into one of Canada's largest, fastest growing and most respected home improvement chains.

On behalf of the Board of Directors



Henry H. Ketcham
Chairman of the Board,
President and Chief Executive Officer
July 23, 2001

Management's Discussion and Analysis

The following discussion and analysis should be read in conjunction with the interim financial statements included in this quarterly report.

LUMBER

West Fraser's lumber division achieved a quarterly production record of 563 MMfbm (year-to-date 1,111 MMfbm) compared to 445 MMfbm (year-to-date 898 MMfbm) in the second quarter of 2000. The increase is due to the addition of the two sawmills in the southern United States on December 15, 2000, which contributed 75 MMfbm for the quarter (year-to-date 143 MMfbm) and to the addition of the sawmill at Chasm, British Columbia on April 24, 2001.

EBIDTA for the quarter was \$60.7 million (24% of sales) compared to \$39.3 million (18% of sales) for the second quarter of 2000. EBITDA for the first half was \$89.7 million (19% of sales) compared to \$107.8 million (24% of sales) for the first half of 2000. The increase for the quarter was due to a weaker Canadian dollar, lower unit production costs, and higher lumber prices. The second quarter average price for western SPF 2x4 was US \$296/Mfbm compared to US \$276/Mfbm for the second quarter of 2000. The year-to-date EBITDA decrease was due to lower average lumber prices in the first half of 2001 compared to the first half of 2000, offset by lower production costs per unit and a weaker Canadian dollar in 2001 compared to the first half of 2000.

PANELS

MDF production for the second quarter of 2001 was a record 64 MMsf versus 60 MMsf for the comparative period last year. On a year-to-date basis, production increased to 125 MMsf from 115 MMsf. Plywood production was consistent with the prior period on both a quarter and year-to-date comparison basis.

EBIDTA for the quarter was \$16.8 million (30% of sales) compared to \$13.4 million (27% of sales) for the second quarter of 2000. EBITDA for the first half was \$28.2 million (26% of sales) compared to \$29.7 million (28% of sales) for the first half of 2000.

PULP & PAPER

West Fraser produced 223,379 tonnes of pulp and paper for the quarter compared to 228,921 tonnes for the second quarter of 2000. The production decrease was due to planned curtailment of approximately 6,700 tonnes at the Slave Lake Pulp mill to avoid high power prices. The year-to-date production was 456,265 tonnes versus 461,897 for the first half of 2000. Production of pulp and newsprint were similar in the first half of 2001 compared to the first half of 2000 while production of linerboard and kraft paper was 5,700 tonnes lower.

EBIDTA for the quarter was \$33.0 million (26% of sales) compared to \$47.3 million (31% of sales) for the second quarter of 2000. EBITDA for the first half was \$65.7 million (26% of sales) compared to \$81.9 million (29% of sales) for the first half of 2000.

The EBIDTA decreased on a quarterly and year-to-date basis due to weakening pulp and paper demand which led to declining transaction prices. Manufacturing costs were negatively affected by natural gas price increases at all facilities. Factors positively influencing results were higher newsprint prices for 2001 compared to 2000, and the power purchase agreement which effectively fixed the power cost for the Slave Lake and Alberta Newsprint mills.

EARNINGS AND REVENUE COMPARISON

Consolidated net sales for the second quarter were \$416 million (2000 – \$402 million) and for the first half were \$791 million (2000 – \$796 million).

CONSOLIDATED NET SALES		
	(change from)	
	Quarter Two 2000	First Half 2000
Lumber	INCREASE 14%	INCREASE 5%
Panels	INCREASE 13%	INCREASE 4%
Pulp & Paper	DECREASE 17%	DECREASE 12%

EBITDA for the second quarter were \$107 million (2000 – \$98 million) and for the first half were \$179 million (2000 – \$215 million).

EBITDA		
	(change from)	
	Quarter Two 2000	First Half 2000
Lumber	INCREASE 54%	DECREASE 17%
Panels	INCREASE 25%	DECREASE 5%
Pulp & Paper	DECREASE 30%	DECREASE 20%

Operating earnings for the second quarter were \$78 million (2000 – \$71 million) and for the first half were \$117 million (2000 – \$215 million).

OPERATING EARNINGS		
	(change from)	
	Quarter Two 2000	First Half 2000
Lumber	INCREASE 59%	DECREASE 25%
Panels	INCREASE 40%	DECREASE 9%
Pulp & Paper	DECREASE 42%	DECREASE 29%

Management's Discussion and Analysis

The increase in net sales for the second quarter of 2001 compared to the same period in 2000 was primarily due to increased sales in the lumber division offset by a decrease in sales from the pulp & paper division. For the first half overall sales were consistent with the first half of 2000 although sales varied by segment as indicated above. Shipments of lumber were higher in 2001 compared to 2000 due to the addition of the two mills in the southern United States in December of 2000 and due to the addition of the Chasm, British Columbia mill in April of 2001. In addition shipments in the second quarter of the year are traditionally higher due to seasonal factors. The decrease in pulp and paper sales over the same periods was due to a variety of factors. The most significant factors were shipment declines in pulp and linerboard and kraft paper for the half, combined with weakening prices for pulp, partially offset by stronger newsprint prices.

The lumber division's EBITDA increase of \$21 million quarter to quarter was offset by a \$14 million decrease in pulp & paper. On a year-to-date basis, EBITDA decreased by \$36 million due primarily to a \$16 million decrease in pulp and paper EBITDA and an \$18 million decrease in lumber EBITDA as compared to the first half of 2000.

Financing expense for the for the first half of 2001 was \$22.6 million versus \$19.4 million for the first half of 2000. Financing expense for the quarter was \$7.6 million compared to \$11.8 million for the second quarter of 2000. The decline in expense for the quarter is due primarily from the effects of the long-term debt repayment on the amortization of deferred foreign exchange.

OTHER

The power purchase agreements which the company entered into in 2000 and which became effective January 1, 2001 have provided the company's Alberta operations with competitive electricity prices. West Fraser's Alberta operations were further able to mitigate volatile prices by shifting loads to reduce the use of electricity during the highest cost periods.

On April 24, 2001, the company acquired a sawmill located at Chasm, British Columbia, including 695,000 M3 of annual timber harvesting rights for a net purchase price of \$29.8 million. The planned conversion of the mill to a random length mill with a capacity of 200 MMfbm commenced in the second quarter of 2001.

On July 13, 2001, the company completed the previously announced sale of its retail operations for \$220 million, subject to working capital adjustments. The sale of the majority of the related real estate is expected to be completed in the next 12 months. This sale has been accounted for as a discontinued operation per the CICA requirements and comparative periods presented have segregated the discontinued operation.

On June 29, 2001 the company completed the sale of its Uruguay timber plantations for proceeds of \$72.2 million. The net gain on the sale of \$33.3 million has been included in discontinued operations.

A significant portion of West Fraser's net sales are to customers at prices which, 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 rates. During the second quarter of 2001 the U.S. dollar traded between Cdn \$1.58 and Cdn \$1.52 with an average of Cdn \$1.54 (second quarter 2000 – between Cdn \$1.51 and Cdn \$1.45 with an average of Cdn \$1.48). On a year-to-date basis the rates fluctuated between Cdn \$1.58 and Cdn \$1.49 for 2001 and Cdn \$1.51 and Cdn \$1.43 for 2000, with averages of Cdn \$1.53 and Cdn \$1.47 respectively.

Consolidated Statements of Earnings and Retained Earnings

(in millions of Canadian dollars – unaudited)

	April 1 to June 30		January 1 to June 30	
	2001	2000	2001	2000
EARNINGS				
Net Sales	\$416.1	\$402.3	\$791.2	\$796.2
Cost of products sold	288.9	287.4	575.8	548.7
Amortization of capital assets	29.5	26.5	62.1	58.5
Selling, general and administrative	19.8	17.0	36.1	32.2
Operating earnings	77.9	71.4	117.2	156.8
Financing expense	(7.6)	(11.8)	(22.6)	(19.4)
Other income (expense)	(3.4)	2.3	1.7	2.2
Earnings from continuing operations before income taxes	66.9	61.9	96.3	139.6
Income taxes	25.1	25.3	36.6	57.1
Net earnings from continuing operations	41.8	36.6	59.7	82.5
Net earnings from discontinued operations (note 3)	13.2	6.2	11.5	2.3
Net earnings	\$ 55.0	\$ 42.8	\$ 71.2	\$ 84.8
Net earnings per share (in dollars) (note 4)				
Basic from continuing operations	\$ 1.36	\$ 1.21	\$ 1.94	\$ 2.72
Basic after discontinued operations	\$ 1.40	\$ 1.39	\$ 1.90	\$ 2.76
Diluted from continuing operations	\$ 1.36	\$ 1.21	\$ 1.94	\$ 2.72
Diluted after discontinued operations	\$ 1.40	\$ 1.37	\$ 1.90	\$ 2.71
RETAINED EARNINGS				
Balance – beginning of period	\$794.2	\$707.8	\$782.8	\$681.5
Change in accounting for future income taxes	–	–	–	(13.1)
Net earnings	794.2	707.8	782.8	668.4
	55.0	42.8	71.2	84.8
Convertible obligation	849.2	750.6	854.0	753.2
Cancellation of shares	(12.0)	(0.5)	(12.6)	(1.1)
Dividends	–	–	–	2.2
	(4.5)	(4.2)	(8.7)	(8.4)
Balance – end of period	\$832.7	\$745.9	\$832.7	\$745.9

Consolidated Statements of Cash Flows

(in millions of Canadian dollars – unaudited)

	April 1 to June 30		January 1 to June 30	
	2001	2000	2001	2000
CASH FLOWS				
Cash Flows from Operating Activities				
Net earnings from continuing operations	\$ 41.8	\$ 36.6	\$ 59.7	\$ 82.5
Amortization of capital assets	29.5	26.5	62.1	58.5
Amortization of deferred foreign exchange loss	1.4	3.0	5.5	3.7
Future income taxes	(1.9)	0.5	(0.3)	1.0
Change in reforestation obligation	(5.5)	(2.7)	7.7	7.8
Other	(1.7)	(1.6)	–	(1.4)
	63.6	62.3	134.7	152.1
Net change in non-cash working capital items	36.9	38.7	(72.5)	(137.1)
Total Operating Activities	100.5	101.0	62.2	15.0
Cash Flows from Financing Activities				
Proceeds from long-term debt	45.0	–	76.4	–
Repayment of long-term debt	(112.8)	(37.4)	(112.8)	(37.4)
Dividends	(5.2)	(4.3)	(9.4)	(8.5)
Other	0.7	0.1	0.5	0.1
Total Financing Activities	(72.3)	(41.6)	(45.3)	(45.8)
Cash Flows from Investing Activities				
Capital asset additions	(22.5)	(17.3)	(32.0)	(32.5)
Proceeds from disposal of capital assets	0.7	2.1	1.2	2.3
Acquisition	(29.8)	–	(29.8)	–
Decrease (increase) in other assets	(9.2)	0.4	(8.0)	(0.3)
Total Investing Activities	(60.8)	(14.8)	(68.6)	(30.5)
Increase (decrease) in cash from continuing operations	(32.6)	44.6	(51.7)	(61.3)
Increase (decrease) in cash from discontinued operations	99.3	8.4	95.5	(28.4)
Net cash – beginning of period	(118.5)	(87.4)	(95.6)	55.3
Net Cash – end of period	\$ (51.8)	\$ (34.4)	\$ (51.8)	\$ (34.4)
Interest Paid	\$ 9.9	\$ 10.5	\$ 25.3	\$ 24.2
Income Taxes Paid	\$ 22.7	\$ 43.2	\$ 44.0	\$ 135.5

Consolidated Balance Sheets

(in millions of Canadian dollars – unaudited)

	As at June 30, 2001	As at December 31, 2000
ASSETS		
Accounts receivable	\$ 218.3	\$ 182.4
Inventories	347.8	334.9
Prepaid expenses	15.4	6.4
Discontinued – Current Assets	254.4	234.0
	<u>835.9</u>	<u>757.7</u>
Other assets	91.2	78.6
Capital assets	1,266.9	1,272.6
Deferred charges	34.1	36.4
Discontinued – Long Term Assets	267.5	308.2
	<u>\$2,495.6</u>	<u>\$2,453.5</u>
LIABILITIES		
Bank indebtedness	\$ 51.8	\$ 95.6
Accounts payable	257.1	245.0
Current portion of long-term debt	38.9	37.5
Discontinued – Current Liabilities	127.1	65.2
	<u>474.9</u>	<u>443.3</u>
Long-term debt	536.1	570.6
Reforestation obligation	77.2	63.8
Future income taxes	244.9	245.2
Discontinued – Long Term Liabilities	5.0	3.3
SHAREHOLDERS' EQUITY		
Convertible obligation	–	19.5
Share capital	324.8	324.3
Contributed surplus	–	0.7
Retained earnings	832.7	782.8
	<u>\$2,495.6</u>	<u>\$2,453.5</u>

Quarterly Comparisons – Continuing Operations

January 1 to December 31

	2001	2000
Sales (in millions of dollars)		
First	\$ 375.1	\$ 393.9
Second	416.1	402.3
Third	–	340.9
Fourth	–	367.7
	<u>–</u>	<u>\$1,504.8</u>
Net Earnings (in millions of dollars)		
First	\$ 17.9	\$ 45.9
Second	41.8	36.6
Third	–	20.1
Fourth	–	19.2
	<u>–</u>	<u>\$ 121.8</u>
Diluted Earnings Per Share (in dollars)		
First	\$ 0.58	\$ 1.52
Second	\$ 1.36	\$ 1.21
Third	–	\$ 0.65
Fourth	–	\$ 0.62
Annual	–	\$ 3.99

Number of common shares outstanding at June 30, 2001 was 30,361,488.

Second Quarter Segmented Information

(in millions of Canadian dollars – unaudited)

	Lumber	Panels	Pulp & Paper	Corporate & Other	Consolidated
April 1, 2001 to June 30, 2001					
Net sales at market prices					
To external customers	\$ 233.8	\$ 56.6	\$ 125.7		\$ 416.1
To other segments	16.3				
	<u>\$ 250.1</u>	<u>\$ 56.6</u>	<u>\$ 125.7</u>		
EBITDA	\$ 60.6	\$ 16.8	\$ 33.0	\$ (3.0)	\$ 107.4
Amortization of capital assets	10.6	5.7	13.2	–	29.5
Operating income (loss)	50.0	11.1	19.8	(3.0)	77.9
Financing expense	4.0	1.7	5.6	(3.7)	7.6
Other	(1.3)	0.1	2.9	1.7	3.4
Earnings (loss) before income taxes	<u>\$ 47.3</u>	<u>\$ 9.3</u>	<u>\$ 11.3</u>	<u>\$ (1.0)</u>	<u>\$ 66.9</u>
April 1, 2000 to June 30, 2000					
Net sales at market prices					
To external customers	\$ 201.4	\$ 50.1	\$ 150.8		\$ 402.3
To other segments	17.5				
	<u>\$ 218.9</u>	<u>\$ 50.1</u>	<u>\$ 150.8</u>		
EBITDA	\$ 39.3	\$ 13.4	\$ 47.3	\$ (2.1)	\$ 97.9
Amortization of capital assets	7.8	5.5	13.2	–	26.5
Operating income (loss)	31.5	7.9	34.1	(2.1)	71.4
Financing expense	3.3	1.9	5.6	1.0	11.8
Other	(1.5)	–	(0.1)	(0.7)	(2.3)
Earnings (loss) before income taxes	<u>\$ 29.7</u>	<u>\$ 6.0</u>	<u>\$ 28.6</u>	<u>\$ (2.4)</u>	<u>\$ 61.9</u>

First Half Segmented Information

(in millions of Canadian dollars – unaudited)

	Lumber	Panels	Pulp & Paper	Corporate & Other	Consolidated
January 1, 2001 to June 30, 2001					
Net sales at market prices					
To external customers	\$ 430.8	\$ 109.6	\$ 250.8		\$ 791.2
To other segments	32.5				
	<u>\$ 463.3</u>	<u>\$ 109.6</u>	<u>\$ 250.8</u>		
EBITDA	\$ 89.7	\$ 28.2	\$ 65.7	\$ (4.3)	\$ 179.3
Amortization of capital assets	24.3	11.9	25.9	–	62.1
Operating income (loss)	65.4	16.3	39.8	(4.3)	117.2
Financing expense	8.5	3.6	10.5	–	22.6
Other	(1.0)	–	0.3	(1.0)	(1.7)
Earnings (loss) before income taxes	<u>\$ 57.9</u>	<u>\$ 12.7</u>	<u>\$ 29.0</u>	<u>\$ (3.3)</u>	<u>\$ 96.3</u>
January 1, 2000 to June 30, 2000					
Net sales at market prices					
To external customers	\$ 405.1	\$ 105.7	\$ 285.4		\$ 796.2
To other segments	35.0				
	<u>\$ 440.1</u>	<u>\$ 105.7</u>	<u>\$ 285.4</u>		
EBITDA	\$ 107.8	\$ 29.7	\$ 81.9	\$ (4.1)	\$ 215.3
Amortization of capital assets	20.6	11.7	26.2	–	58.5
Operating income (loss)	87.2	18.0	55.7	(4.1)	156.8
Financing expense	6.6	4.0	11.5	(2.7)	19.4
Other	(1.6)	–	0.1	(0.7)	(2.2)
Earnings (loss) before income taxes	<u>\$ 82.2</u>	<u>\$ 14.0</u>	<u>\$ 44.1</u>	<u>\$ (0.7)</u>	<u>\$ 139.6</u>

Operating Highlights Second Quarter and Year to Date

(unaudited)

		April 1 to June 30		January 1 to June 30	
		2001	2000	2001	2000
Lumber	Production (Mfbm)	562,945	444,498	1,110,518	898,428
	Shipments (Mfbm)	513,070	473,667	1,011,711	866,166
Panels					
	MDF				
	Production (Msf- $\frac{3}{4}$ "	64,015	59,575	125,258	114,745
	Shipments (Msf- $\frac{3}{4}$ "	68,122	59,764	134,232	119,047
Plywood					
	Production (Msf- $\frac{3}{8}$ "	63,384	62,368	127,573	126,855
	Shipments (Msf- $\frac{3}{8}$ "	66,585	54,923	128,226	119,248
Pulp & Paper (tonnes)					
Linerboard and Kraft Paper					
	Production	108,584	108,693	216,483	222,253
	Shipments	106,064	102,078	199,989	212,507
BCTMP					
	Production	83,285	90,021	177,522	178,013
	Shipments	90,429	94,643	166,002	180,551
Newsprint					
	Production	31,510	30,207	62,260	61,631
	Shipments	28,676	29,843	58,150	61,041

Notes to Interim Financial Statements

January 1 to June 30, 2001 and 2000 (figures in tables are in millions of dollars except where indicated)

1. BASIS OF PRESENTATION

These interim consolidated financial statements follow the same accounting policies and methods of their application as the December 31 consolidated annual financial statements.

2. ACQUISITION

Effective April 24, 2001, the company acquired a sawmill and associated timber rights located at Chasm, British Columbia.

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

Net assets acquired at fair values:

Non-cash working capital	\$ 5.4
Capital assets	30.2
Reforestation obligation assumed	(5.8)
Cash consideration	<u>\$29.8</u>

3. DISCONTINUED OPERATIONS

Retail Home Improvement

On April 30, 2001 (the "Measurement Date") the company adopted a formal plan to dispose of its retail home improvement operations and the majority of related real estate. On May 14, 2001 the company entered into an agreement to sell substantially all of its retail home improvement operations for proceeds of \$220 million subject to final determination of working capital. This transaction was completed on July 13, 2001. The remainder of the retail home improvement operations will be sold or closed by the end of the third quarter. The majority of the real estate is expected to be sold over the next 12 months.

The estimated loss from discontinued operations is based on management's best estimates. These include the proceeds to be realized on the sale of the real estate and other retained assets, closure and other costs related to the disposition of retail sales operations owned and not yet disposed of, and other actual and contingent liabilities and possible claims. Changes to these estimates will be recognized as a gain or loss from discontinued operations in the period in which such changes are determined.

Convertible Obligation

On July 13, 2001 the company acquired 1,500,000 common shares of Revy Home Centres Inc. from the former shareholders of Lansing Buildall for \$32.1 million. The amount necessary to accrete the obligation to the purchase price has been charged to retained earnings. The obligation, previously recorded in equity, was settled for cash and has therefore been included in accounts payable at June 30, 2001.

Uruguay Timber Plantations

On June 29, 2001 the company completed the sale of its Uruguay timber plantations and related assets and liabilities for net proceeds of \$72.2 million. The resulting gain on sale of \$33.3 million has been accounted for as discontinued operations. The company expects to take advantage of capital losses available to eliminate taxes on the sale. The timber plantations had not yet reached commercial harvest and, accordingly, had no significant sales or earnings prior to the date of sale.

Discontinued Operations

	April 1 to June 30		January 1 to June 30	
	2001	2000	2001	2000
Retail Sales to Measurement Date	\$ 64.4	\$231.8	\$218.8	\$389.2
Earnings (loss) before income tax	1.4	11.9	(1.7)	4.4
Income tax recovery (expense)	(0.6)	(5.7)	0.8	(2.1)
Net income (loss) from operations to Measurement Date	0.8	6.2	(0.9)	2.3
Loss on disposal of retail operations (a)	(20.9)	-	(20.9)	-
Net loss of discontinued retail operations	(20.1)	6.2	(21.8)	2.3
Gain on sale of Uruguay timber plantations	33.3	-	33.3	-
Net earnings from discontinued operations	\$ 13.2	\$ 6.2	\$ 11.5	\$ 2.3

- (a) The net loss includes the loss on the sale of the retail operations together with transaction and other costs, and the estimated net loss on the disposition of real estate, store closure costs, and other contingent liabilities and potential claims. Also included in the net loss is the estimated earnings from the discontinued operations between the measurement date and estimated date of disposal. The net loss on disposal includes tax recoveries of \$3.0 million.

4. EARNINGS PER COMMON SHARE

Basic earnings per common share are calculated based on net earnings available to common shareholders, as set out below, using the weighted average number of common shares outstanding. Diluted earnings per share assume the settlement of the convertible obligation for common shares and exercise of options, if dilutive, at the beginning of the year or on their dates of issue, if later.

(millions of dollars except for number of shares and per share amounts)

2001

Net earnings from continuing operations
 Deferred payment on purchase of preferred shares
 Basic earnings from continuing operations
 Discontinued operations
 Convertible obligation
 Basic earnings after discontinued operations
 Weighted average number of common shares (thousands)
 Basic earnings per share from continuing operations
 Basic earnings per share after discontinued operations

	April 1 to June 30, 2001	January 1 to June 30, 2001
	\$ 41.8	\$ 59.7
	(0.4)	(0.9)
	41.4	58.8
	13.2	11.5
	(12.0)	(12.6)
	\$ 42.6	\$ 57.7
	30,357	30,353
	\$ 1.36	\$ 1.94
	\$ 1.40	\$ 1.90

The assumed settlement of the convertible obligation and exercise of stock options is not dilutive for the above periods.

2000

Basic and diluted earnings from continuing operations
 Diluted earnings after discontinued operations
 Convertible obligation
 Basic earnings after discontinued operations
 Weighted average number of common shares (thousands)
 Basic earnings per share from continuing operations
 Basic earnings per share after discontinued operations
 Diluted earnings per share from continuing operations
 Diluted earnings per share after discontinued operations

	April 1 to June 30, 2000	January 1 to June 30, 2000
	\$ 36.6	\$ 82.5
	42.8	84.8
	(0.5)	(1.1)
	\$ 42.3	\$ 83.7
	30,334	30,333
	\$ 1.21	\$ 2.72
	\$ 1.39	\$ 2.76
	\$ 1.21	\$ 2.72
	\$ 1.37	\$ 2.71

5. CONTINGENT LIABILITY

On April 2, 2001 petitions for the imposition of antidumping and countervailing duties on Softwood Lumber from Canada were filed with the U.S. Department of Commerce and the U.S. International Trade Commission by the Coalition for Fair Lumber Imports Executive Committee, the United Brotherhood of Carpenters and Joiners of America, and the Paper, Allied-Industrial, Chemical and Energy Workers International Union. Petitioners allege antidumping duties ranging between 22.5% and 72.9%, and countervailing duties of at least 39.9% should be imposed on imports of certain softwood lumber from Canada. In response to the petitions, the International Trade Commission has instituted a preliminary injury investigation and the Department of Commerce initiated antidumping and countervailing duty investigations on April 23, 2001. The amount of antidumping and/or countervailing duties, if any, that may be assessed on imports of softwood lumber from Canadian exporters, including the Company, and the period to which they may apply, cannot be determined at this time and will depend on factual and legal determinations yet to be made by the Department of Commerce and the International Trade Commission and any reviewing courts, NAFTA panels or WTO panels to which those determinations are appealed.

West Fraser is an integrated forest products company with manufacturing operations in British Columbia, Alberta and the southern United States producing dimension lumber and related solid wood products, fibreboard, pulp, linerboard, kraft paper and newsprint.



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