



WEST FRASER TIMBER CO. LTD.

First Quarter 2002

Report to Shareholders

West Fraser earned \$26.6 million or \$0.78 per share on a diluted basis, in the first quarter of 2002 compared to earnings previously reported of \$16.2 million or \$0.45 per share, on a diluted basis, for the same quarter of 2001. Sales during the period were \$381 million compared to \$375 million in 2001.

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 and as explained in note 2 to the interim statements. As a result, first quarter earnings of 2001 were restated to a loss of \$4.5 million and opening retained earnings for 2002 were reduced by \$33.0 million.

EBITDA¹ was \$86 million for the quarter, compared to \$72 million for the first quarter of 2001. The EBITDA margin for the quarter was 23% compared to 19% in the first quarter of 2001.

TRADE DISPUTE

On March 21, 2002, the U.S. Department of Commerce issued its final determination in the antidumping duty ("ADD") and countervailing duty ("CVD") investigations. The combined duty rate for West Fraser of 21.6% consists of a company specific rate of 2.26% for ADD and an industry specific rate of 19.34% for CVD.

The net effect of the ADD on the first quarter results was \$1.7 million before tax. This was comprised of \$3.7 million in ADD for the quarter at 2.26% that was partly offset by a reversal of the ADD accrual for the period to December 31, 2001 to reflect a reduction from the preliminary rate of 5.94%.

OPERATIONAL RESULTS

Lumber EBITDA for the quarter was \$54 million compared to \$29 million during the same quarter last year. The EBITDA margin was 25%, compared to 15% for the first quarter of 2001. The average benchmark western SPF 2x4 price increased to U.S. \$267 in the first quarter compared to U.S. \$194 for the first quarter of 2001. Shipments for the quarter declined by 21 MMfbm due to market uncertainty and a shortage of rail cars.

The construction of the Chasm sawmill was completed and the mill began producing lumber in early March, achieving 75% of its design capacity by the end of the month.

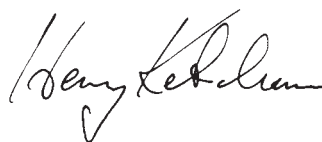
The panel division generated EBITDA of \$17 million compared to \$11 million for the first quarter a year ago. This represented a margin of 30% this year compared to 22% a year ago.

Pulp and paper results reflected significantly lower pulp and newsprint prices, unsatisfactory operating results at the Kitimat papermill and higher energy costs in the Alberta pulp and newsprint mills that last year benefited from the sale of electricity at record high prices. Pulp and paper generated EBITDA of \$16 million in the quarter compared to \$33 million for the same quarter last year. EBITDA margins declined to 15% from 26% in the first quarter last year.

OUTLOOK

The continued uncertainty caused by the softwood lumber dispute and the sustainability of the U.S. led economic recovery make it difficult to predict the direction of building product prices.

On behalf of the Board of Directors



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

April 23, 2002

¹EBITDA is defined as operating earnings plus depreciation and amortization

Management's Discussion and Analysis

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

LUMBER

West Fraser's lumber division produced 532 MMfbm in the quarter compared to 548 MMfbm in the first quarter of 2001. Shipments for the first quarter in the lumber division decreased by 4% from 499 MMfbm in 2001 to 478 MMfbm in 2002. The decline in shipments and shortfall from production was due to market uncertainties caused by the softwood lumber dispute and a general shortage of rail cars. The Chasm sawmill, which has been completely rebuilt into a state-of-art dimension mill, produced its first lumber in early March and was achieving 75% of design capacity by the end of the month.

EBITDA for the quarter was \$54.3 million (25% of sales) compared to \$29.1 million (15% of sales) for the first quarter of 2001. The increase for the quarter was due primarily to higher lumber prices which were offset somewhat by lower chip revenues. The first quarter average price for benchmark western SPF 2x4 was US \$267/Mfbm compared to US \$194/Mfbm for the first quarter of 2001. During the quarter, net antidumping duties accrued were \$1.7 million consisting of \$3.7 million relating to the quarter and a reversal of \$2.0 million related to the 2001 accrual. The reversal was made to reflect the decrease in the West Fraser specific antidumping rate to 2.26% from 5.94%. For further information on the trade dispute see the section entitled "U.S. Trade Dispute" and note 7 to the interim financial statements.

PANELS

MDF production for the first quarter of 2002 was 58 MMsf versus 61 MMsf for the comparative period last year. Plywood production was 60 MMsf compared to 64 MMsf in the first quarter of 2001.

EBITDA for the quarter was \$17.2 million (30% of sales) compared to \$11.4 million (22% of sales) for the first quarter of 2001. The increase for the quarter was primarily due to higher mill nets. Increases in building product prices in general have lifted plywood prices whereas a significant portion of the MDF price increases have resulted from specialty product development.

PULP & PAPER

West Fraser produced 228,696 tonnes of pulp and paper for the quarter compared to 232,886 tonnes for the first quarter of 2001. Shipments for the quarter were 214,729 tonnes in 2002 compared to 198,972 tonnes in 2001. The increase in shipments was primarily attributable to BCTMP which increased by 19,700 tonnes over 2001 year to date levels.

EBITDA for the quarter was \$16.4 million (15% of sales) compared to \$32.7 million (26% of sales) for the first quarter of 2001. Product prices for pulp and paper produced by West Fraser all declined by a significant amount over those experienced in the first quarter of 2001. In addition, our Alberta operations had significant net power cost increases over the 1st quarter of 2001 as power costs were much less volatile in the current period compared to last year, reducing the profitability of the power purchase agreements owned by those operations.

EARNINGS AND REVENUE COMPARISON

Consolidated net sales for the first quarter were \$381.4 million (2001 - \$375.1 million)

CONSOLIDATED NET SALES (change from First Quarter 2001)

Lumber	INCREASE	\$17.6 million	9%
Panels	INCREASE	\$ 3.9 million	7%
Pulp & Paper	DECREASE	\$15.2 million	12%

EBITDA for the first quarter was \$86.0 million (2001 - \$71.9 million)

EBITDA (change from First Quarter 2001)

Lumber	INCREASE	\$25.2 million	87%
Panels	INCREASE	\$ 5.8 million	51%
Pulp & Paper	DECREASE	\$16.3 million	50%

The increase in net sales and EBITDA for the first quarter of 2002 compared to 2001 was primarily due to increased sales prices realized for building products offset by decreased sales prices from the pulp & paper products produced. Other factors have been discussed above.

Management's Discussion and Analysis *(continued)*

The exchange loss on long-term debt of \$0.4 million for the quarter is due to the weaker Canadian dollar versus the U.S. dollar between the beginning and end of the period. In the comparative period the loss of \$24.9 million was due to a greater change in the Canadian dollar versus the U.S. dollar at the period end. The immediate recognition of the loss or gain on exchange was due to a change in accounting policy explained further in note 2 to the interim financial statements.

U.S. TRADE DISPUTE

On March 21, 2002 the US Department of Commerce ("USDOC") issued its final determinations both in the countervailing duty ("CVD") and antidumping duty ("ADD") cases. The final CVD rate was established as 19.34%, compared to the preliminary rate of 19.31%. The final ADD rate for West Fraser was 2.26% down from the preliminary rate of 5.94%. The USDOC assigned an average ADD rate of 9.67% for companies not specifically investigated compared to a 12.58% rate under the preliminary determination. The USDOC determination also established that CVD will not apply to the period prior to August 17, 2001.

US trade law does not permit the DOC to assess duties if certain determinations are not made within 120 days. Accordingly, no CVD was accrued during the period. The US International Trade Commission ("USITC") final determination on both the CVD and ADD cases are expected in mid May 2002.

FOREIGN EXCHANGE

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 first quarter of 2002 the U.S. dollar traded between Cdn. \$1.57 and Cdn. \$1.62 with an average of Cdn. \$1.59 (first quarter 2001 – between Cdn. \$1.49 and Cdn. \$1.58 with an average of Cdn. \$1.53).

Consolidated Statements of Earnings and Retained Earnings

January 1 to March 31 (in millions of Canadian dollars – unaudited)

	2002	2001 <i>(Restated – Note 2)</i>
EARNINGS		
Net Sales	\$ 381.4	\$ 375.1
Cost of products sold	277.2	286.9
Amortization of capital assets	34.9	32.6
Selling, general and administrative	18.2	16.3
Operating earnings	51.1	39.3
Interest expense	(9.7)	(10.9)
Exchange loss on long-term debt	(0.4)	(24.9)
Other income (expense)	(0.1)	5.1
Earnings from continuing operations before income taxes	40.9	8.6
Income taxes	14.3	11.4
Earnings from continuing operations	26.6	(2.8)
Earnings from discontinued operations (note 3)	—	(1.7)
Earnings	\$ 26.6	\$ (4.5)
Earnings per common share (in dollars) (note 4)		
Basic from continuing operations	\$ 0.79	\$ (0.10)
Basic after discontinued operations	\$ 0.79	\$ (0.17)
Diluted from continuing operations	\$ 0.78	\$ (0.10)
Diluted after discontinued operations	\$ 0.78	\$ (0.17)
RETAINED EARNINGS		
Balance – beginning of period	\$ 878.6	\$ 782.8
Change in accounting for foreign exchange (note 2)	(33.0)	(21.4)
	845.6	761.4
Earnings	26.6	(4.5)
	872.2	756.9
Convertible obligation	—	(0.6)
Preferred share payment	(0.2)	—
Dividends	(4.6)	(4.3)
Balance – end of period	\$ 867.4	\$ 752.0

Consolidated Statements of Cash Flows

January 1 to March 31 (in millions of Canadian dollars – unaudited)

	2002	2001 <i>(Restated – Note 2)</i>
Cash Flows From Operating Activities		
Earnings from continuing operations	\$ 26.6	\$ (2.8)
Amortization of capital assets	34.9	32.6
Exchange loss on long-term debt	0.4	24.9
Future income taxes	(0.1)	1.6
Other long-term liabilities	1.7	5.5
Reforestation obligation	9.0	10.2
Other	(0.1)	0.4
	72.4	72.4
Net change in non-cash working capital items	(123.0)	(109.0)
	(50.6)	(36.6)
Cash Flows from Financing Activities		
Proceeds from long-term debt	—	31.4
Dividends	(4.6)	(4.3)
Other	1.2	(0.2)
	(3.4)	26.9
Cash Flows from Investing Activities		
Capital asset additions	(21.8)	(9.5)
Proceeds from disposal of capital assets	0.5	0.5
Change in other assets	(4.1)	1.1
	(25.4)	(7.9)
Change in cash from continuing operations	(79.4)	(17.6)
Change in cash from discontinued operations	26.2	(5.3)
Net Cash – beginning of period	270.1	(95.6)
Net Cash – end of period	\$ 216.9	\$ (118.5)
Interest Paid	\$ 14.8	\$ 15.4
Income Taxes Paid	\$ 46.2	\$ 21.3

Consolidated Balance Sheets

(in millions of Canadian dollars – unaudited)

	As at Mar. 31, 2002	As at Dec. 31, 2001 <i>(Restated – Note 2)</i>
ASSETS		
Cash and short-term Investments	\$ 216.9	\$ 270.1
Accounts receivable	161.6	169.6
Inventories	403.7	305.6
Prepaid expenses	14.4	7.8
Discontinued operations – current assets	1.6	5.9
	798.2	759.0
Other assets	90.7	86.5
Capital assets	1,277.0	1,290.7
Deferred charges	16.5	16.3
Discontinued operations – long-term assets	145.0	167.0
	\$ 2,327.4	\$ 2,319.5
LIABILITIES		
Accounts payable and accrued liabilities	\$ 162.5	\$ 188.8
Current portion of reforestation obligation	28.1	28.1
Current portion of long-term debt	239.1	238.9
Discontinued operations – current liabilities	14.9	15.4
	444.6	471.2
Long-term debt	359.8	359.6
Reforestation obligation	73.1	64.1
Other liabilities	38.3	36.5
Future income taxes	213.1	213.2
Discontinued operations – long-term liabilities	4.9	4.5
SHAREHOLDERS' EQUITY		
Share capital	326.2	324.8
Retained earnings	867.4	845.6
	\$ 2,327.4	\$ 2,319.5

First Quarter Segmented Information

January 1 to March 31, 2002 (in millions of Canadian dollars – unaudited)

	Lumber	Panels	Pulp & Paper	Corporate & Other	Consolidated
January 1, 2002 to March 31, 2002					
Net sales at market prices					
To external customers	\$214.6	\$ 56.9	\$109.9		\$381.4
To other segments	7.7				
	\$222.3	\$ 56.9	\$109.9	—	
EBITDA	\$ 54.3	\$ 17.2	\$ 16.4	\$ (1.9)	\$ 86.0
Amortization of capital assets	14.4	6.4	13.7	0.4	34.9
Operating earnings	39.9	10.8	2.7	(2.3)	51.1
Interest expense	4.1	1.7	4.2	(0.3)	9.7
Exchange loss on long-term debt	—	—	—	0.4	0.4
Other	0.1	—	—	—	0.1
Earnings before income taxes	\$ 35.7	\$ 9.1	\$ (1.5)	\$ (2.4)	\$ 40.9
January 1, 2001 to March 31, 2001					
Net sales at market prices					
To external customers	\$197.0	\$ 53.0	\$125.1		\$375.1
To other segments	7.8				
	\$204.8	\$ 53.0	\$125.1	—	
EBITDA	\$ 29.1	\$ 11.4	\$ 32.7	\$ (1.3)	\$ 71.9
Amortization of capital assets	13.7	6.2	12.7	—	32.6
Operating earnings	15.4	5.2	20.0	(1.3)	39.3
Interest expense	4.5	1.9	4.9	(0.4)	10.9
Exchange loss on long-term debt	—	—	—	24.9	24.9
Other	0.3	(0.1)	(2.6)	(2.7)	(5.1)
Earnings before income taxes	\$ 10.6	\$ 3.4	\$ 17.7	\$ (23.1)	\$ 8.6

Notes To Interim Financial Statements

January 1 to March 31, 2002 and 2001 (figures are in millions of dollars except where indicated)

1. BASIS OF PRESENTATION

These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the company's annual report for the year ended December 31, 2001.

These interim consolidated financial statements follow the same accounting policies and methods of their application as the December 31 consolidated annual financial statements except as disclosed in note 2.

2. CHANGE IN ACCOUNTING POLICY

Foreign Exchange

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, exchange gains and losses were deferred and amortized over the life of the debt. Under the new method, gains and losses must be recognized in the current period. The company has adopted the new recommendation retroactively and has restated prior periods' financial statements. The effect of adopting the new recommendations on the prior period's financial statements is as follows:

Notes To Interim Financial Statements *(continued)*

January 1 to March 31, 2002 and 2001 (figures are in millions of dollars except where indicated)

2. CHANGE IN ACCOUNTING POLICY

Foreign Exchange *(continued)*

		January 1 to March 31	January 1 to December 31
	2002	2001	2001
Earnings as previously reported	\$ —	\$ 16.2	\$ 126.5
Earnings as restated	—	(4.5)	114.9
Opening retained earnings as previously reported	878.6	782.8	782.8
Opening retained earnings - restated	845.6	761.4	761.4

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 \$184.7 million. The majority of the real estate is expected to be sold in 2002.

The 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 other 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.

Non-current assets of discontinued operations principally comprise capital assets. Retail sales up to the date of disposal were \$433.8 million.

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. Accordingly, the present value was recorded in shareholder's equity as a convertible obligation. On July 13, 2001, the company acquired these shares for \$32.1 million, which resulted in a charge of \$12.6 million to retained earnings.

Timber Plantations

On June 29, 2001 the company sold its timber plantations for net proceeds of \$72.2 million. The resulting gain on sale of \$33.3 million has been accounted for as discontinued operations. Capital losses are available to eliminate taxes on the sale.

Discontinued Operations

The results of discontinued operations are as follows:

		January 1 to March 31	January 1 to December 31
	2002	2001	2001
Earnings (loss) before income tax to Measurement Date	\$ —	\$ (3.1)	\$ (1.7)
Income tax recovery (expense)	—	1.4	0.8
Earnings (loss) from operations to Measurement Date	—	(1.7)	(0.9)
Loss on disposal of retail operations	—	—	(14.8)
Earnings (loss) from discontinued retail operations	—	—	(15.7)
Timber plantations	—	—	33.3
Earnings (loss) from discontinued operations	\$ —	\$ (1.7)	\$ 17.6

4. SHARE CAPITAL

The company issued 3,038,698 common shares effective March 15, 2002 pursuant to a 10% stock dividend.

5. EARNINGS PER SHARE

Basic earnings per share are calculated based on 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 periods presented.

Notes To Interim Financial Statements *(continued)*

January 1 to March 31, 2002 and 2001 (figures are in millions of dollars except where indicated)

5. EARNINGS PER SHARE *(continued)*

	January 1 to March 31			
	From continuing	2002 After discontinued	From continuing	2001 After discontinued
Earnings				
Earnings	\$ 26.6	\$ 26.6	\$ (2.8)	\$ (4.5)
Preferred share payments	(0.2)	(0.2)	(0.4)	(0.4)
Convertible obligation accretion	—	—	—	(0.6)
Available to shareholders	26.4	26.4	(3.2)	(5.5)
Weighted average shares (thousands)				
Weighted average shares – basic	33,418	33,418	33,383	33,383
Stock options – treasury stock method	342	342	98	98
Weighted average shares – diluted	33,760	33,760	33,481	33,481
Earnings per share (dollars)				
Basic earnings per share	\$ 0.79	\$ 0.79	\$ (0.10)	\$ (0.17)
Diluted earnings per share	\$ 0.78	\$ 0.78	\$ (0.10)	\$ (0.17)

6. STOCK BASED COMPENSATION

During the three months ended March 31, 2002, the company issued 297,000 stock options to employees at \$36.82 per share. These options vest at 20% per year and expire after 10 years. No compensation expense has been recognized for these options. Had compensation cost 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 net income would have been reduced by \$0.1 million, with no change in either basic or diluted earnings per share. The total fair value of the options issued during the three months ended March 31, 2002 was \$4.7 million. The company has not calculated the fair value of the stock options issued prior to January 1, 2002.

7. CONTINGENT LIABILITY

On March 21, 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 countervailing investigation resulted in a duty rate of 19.34% to be posted by cash deposits from the effective date of a final order (estimated to be May 20, 2002 and discussed below). The USDOC's final determination in the antidumping investigation resulted in a company specific duty rate of 2.26%. The revised antidumping rate is effective from April 2, 2002 and, until the effective date of a final order, can be posted by bonds. After the final order, the company will have to post cash deposits.

The United States International Trade Commission ("USITC") has 45 days from the USDOC's final determination to issue its final determination on injury. If the USITC finds injury or threat of injury, a final order will be issued within 7 days of its final determination. A finding of no injury will end both the countervail and antidumping cases.

The final amount and effective date 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 determinations yet to be made by the USITC and any reviewing courts, NAFTA or WTO panels to which those determinations may be appealed. Any adjustments resulting from a change in the countervailing and antidumping duty rates will be made prospectively.

For accounting purposes, the company has accrued \$20.9 million for the period from August 17, 2001 to December 15, 2001 representing the preliminary countervailing duty rate determined by the USDOC of 19.31%. The company has accrued \$5.9 million for exports during the period from November 6, 2001 to March 31, 2002 representing the antidumping duty rate determined by the USDOC of 2.26%. For the three months ended March 31, 2002, the company accrued \$3.7 million for exports at the revised rate of 2.26% and reduced the accrual made in 2001 by \$2.0 million to reflect the reduction from the preliminary rate of 5.94%.

The company and other Canadian forest product companies, the Federal Government and Canadian provincial governments ("Canadian Interests") categorically deny the US allegations and strongly disagree with the preliminary countervailing and dumping determinations made by the USITC and USDOC. Canadian Interests continue to defend the Canadian industry in this trade dispute. Depending on the outcome of the final phase of the investigation, Canadian Interests may appeal these determinations to the appropriate courts, NAFTA panels and the WTO. Notwithstanding the preliminary rates established in the investigations, the final liability for the assessment of countervailing and dumping duties will not be determined until each annual administrative review process is complete.

First Quarter Operating Highlights

January 1 to March 31

		2002	2001
Lumber	Production (Mfbm)	531,821	547,646
	Shipments (Mfbm)	477,930	498,641
Panels			
MDF	Production (Msf – 3/4")	57,539	61,243
	Shipments (Msf – 3/4")	62,947	66,110
Plywood	Production (Msf – 3/8")	60,173	64,189
	Shipments (Msf – 3/8")	58,747	61,641
Pulp & Paper (tonnes)			
Linerboard and Kraft Paper	Production	103,089	107,899
	Shipments	88,601	93,925
BCTMP	Production	94,567	94,237
	Shipments	95,296	75,573
Newsprint	Production	31,040	30,750
	Shipments	30,832	29,474

Quarterly Comparisons – Continuing Operations

January 1 to December 31 (in millions of Canadian dollars – unaudited)

	2002	2001 (Restated – Note 2)
Sales		
First	\$ 381.4	\$375.1
Second	—	416.1
Third	—	407.4
Fourth	—	363.7
	—	\$ 1,562.3
Earnings		
First	\$ 26.6	\$ (2.8)
Second	—	64.9
Third	—	30.8
Fourth	—	4.4
	—	\$ 97.3
Diluted Earnings Per Share (in dollars)		
First	\$ 0.78	\$ 0.10
Second	—	\$ 1.92
Third	—	\$ 0.91
Fourth	—	\$ 0.12
Annual	—	\$ 2.85

Number of common shares outstanding at March 31, 2002 was 33,443,420.

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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