



WEST FRASER TIMBER CO. LTD.

Second Quarter 2002

Report to Shareholders

West Fraser earned \$71 million or \$2.10 per share on sales of \$420 million in the second quarter of 2002 compared to earnings of \$78 million or \$1.97 per share on sales of \$416 million in the second quarter of 2001. The earnings for the quarter include a reversal of duties of \$17 million or \$0.50 per share related to the lumber trade dispute. For the first half of 2002, earnings were \$98 million or \$2.88 per share, on sales of \$800 million. This compares to earnings of \$74 million or \$1.79 per share, on sales of \$791 million in the first half of 2001.

EBITDA¹ was \$117 million or 28% of sales for the quarter compared to \$107 million or 26% of sales in 2001. For the first half of 2002 EBITDA was \$203 million or 25% of sales compared to \$179 million or 23% of sales for the first half of 2001.

TRADE DISPUTE

The most serious issue facing West Fraser is the continuing softwood lumber trade dispute with the United States. Effective May 22 an onerous countervailing duty rate of 18.79% and a company specific antidumping duty rate of 2.18% was imposed. Also effective May 22, as a result of a US ruling, all accruals prior to May 22, 2002 were reversed into income. The amount of the reversal in the quarter was \$17 million after-tax. The amount accrued after May 22 and recorded as a reduction to net sales was \$14 million or \$9 million after-tax. West Fraser continues to push for a fair settlement in this dispute but, lacking such settlement, we believe appeals to NAFTA and WTO will ultimately be successful. The impact of the duties will make the balance of the year more challenging for our lumber business.

OPERATIONAL RESULTS

Strong earnings from the lumber division for the quarter were the result of record production combined with strict cost control. Lumber EBITDA for the quarter, including the duty reversal was \$87 million or 34% of sales. Prior to the duty reversal EBITDA would have been \$60 million or 23% of sales.

In June, Premier Gordon Campbell officially opened our state-of-the-art sawmill located at Chasm, British Columbia. The Chasm mill is one of the most modern and efficient mills in the industry. It employs 350 people including woodland contractors and is designed to produce 200 MMfbm of lumber per year.

The panel division generated record operating results for the quarter as a result of generally increasing prices and continuing efficiency and cost improvements in the plants.

The Company's pulp and paper operations performed well under adverse market conditions. However, the Kitimat operations suffered three days of downtime due to a major mud slide that ruptured the natural gas line supplying the mill. Prices for virtually all of West Fraser's pulp and paper products were at or near cyclical lows for the quarter.

OUTLOOK

Recent pulp, linerboard and kraft paper price increases appear to have been accepted by the market while newsprint prices will likely increase in the third quarter. Uncertainty caused by the ongoing US softwood lumber trade dispute and questions as to the sustainability of the U.S. economic recovery continue to make it difficult to predict the direction of building product prices. West Fraser's low-cost operations and strong balance sheet enable us to approach the current uncertainties with continued confidence.

On behalf of the Board of Directors



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

July 18, 2002

¹ EBITDA 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 included in this quarterly report.

LUMBER

A quarterly production record was reached by West Fraser's lumber division in the second quarter of 2002 at 614 MMfbm with the comparative period of 2001 at 563 MMfbm. Year-to-date production was at 1,146 MMfbm compared to 1,111 MMfbm for the same period of 2001. The increase is due in part to the Chasm sawmill which produced 41MMfbm in the second quarter of 2002 (19 MMfbm for second quarter of 2001). Shipments for the second quarter, also setting a record, were 568 MMfbm compared to 513 MMfbm in the second quarter of 2001. The year-to-date shipments were 1,046 MMfbm compared to 1,012 MMfbm for the first six months of 2001.

EBITDA for the quarter was \$86.9 million (34% of sales) compared to \$60.6 million (25% of sales) for the second quarter of 2001. EBITDA for the first half of the year was \$141.2 million (29% of sales) compared to \$89.7 (20% of sales) for the first half of 2001. The increase for the quarter and much of the increase in the first half of the year was due to a before tax \$26.7 million duty reversal in the second quarter. The reversal related to a ruling on injury by the United States International Trade Commission ("USITC"). The \$26.7 million includes \$23.0 million reversed for duties accrued in 2001 and \$3.7 million reversed for duties accrued in the first quarter of 2002. Duties accrued and recorded as a reduction of sales for post May 21, 2002 US shipments totalled \$13.9 million. The net effect on earnings of the duty for the second quarter of 2002 was a net addition of \$12.8 million before tax (year-to-date net of \$11.1 million). In addition, lower lumber prices in the second quarter of 2002 compared to the second quarter of 2001 reduced sales. For the quarter the benchmark western SPF 2x4 price averaged US \$263/Mfbm compared to US \$296/Mfbm in 2001 (first half 2002 the benchmark price was US \$265/Mfbm compared to US \$245/Mfbm for the first half of 2001).

For further information on the trade dispute see the section entitled "Trade Dispute" and note 7 to the interim financial statements.

PANELS

MDF production for the second quarter of 2002 was 62 MMsf versus 64 MMsf for the comparative period last year. Plywood production was 61 MMsf compared to 63 MMsf in the second quarter of 2001. On a year-to-date comparison basis, 2002 versus 2001, MDF had production of 120 MMsf versus 125 MMsf and plywood of 121 MMsf versus 128 MMsf.

EBITDA for the quarter was \$19.1 million (34% of sales) compared to \$16.8 million (30% of sales) for the second quarter of 2001. EBITDA for the first half of 2002 was \$36.3 million (32% of sales) compared to \$28.2 million (26% of sales) for the first half of 2001. The increase for the quarter and first half was due primarily to higher sales prices.

PULP & PAPER

West Fraser produced 229,196 tonnes of pulp and paper in the second quarter of 2002 compared to 223,379 in the second quarter of 2001. The year-to-date production was 457,892 tonnes in 2002 compared to 456,265 tonnes in 2001. Shipments for the quarter were 229,011 tonnes in 2002 compared to 225,169 tonnes in 2001. Year-to-date shipments were 443,740 tonnes for 2002 compared to 424,141 for the first half of 2001.

EBITDA for the quarter was \$12.2 million (11% of sales) compared to \$33.0 million (26% of sales) for the second quarter of 2001. Year-to-date EBITDA was \$28.6 million (13% of sales) for 2002 and \$65.7 million (26% of sales) for 2001. Second quarter product prices for pulp and paper grades produced by West Fraser declined significantly compared to the second quarter of 2001. In addition, West Fraser's Alberta operations had significant power cost increases over the quarter and first half of 2001 as power costs were much less volatile in the current period compared to last year, which reduced the profitability of the power purchase agreements held through those operations.

Management's Discussion and Analysis (continued)

EARNINGS AND REVENUE COMPARISON

Consolidated net sales for the second quarter were \$420.2 million (2001 – \$416.1 million) and for the first half were \$799.6 million (2001 – \$791.2 million).

NET SALES (change from – \$ Millions)		
	Quarter Two 2001	First Half 2001
Lumber	Increase \$17.8 (8%)	Increase \$33.4 (7%)
Panels	Decrease \$0.5 (1%)	Increase \$3.4 (3%)
Pulp & Paper	Decrease \$13.2 (11%)	Decrease \$28.4 (11%)

EBITDA for the second quarter was \$116.9 million (2001 – \$107.4 million) and for the first half was \$202.9 million (2001 – \$179.3 million).

EBITDA (change from – \$ Millions)		
	Quarter Two 2001	First Half 2001
Lumber	Increase \$26.3 (43%)	Increase \$51.5 (57%)
Panels	Increase \$2.3 (14%)	Increase \$8.1 (29%)
Pulp & Paper	Decrease \$20.8 (63%)	Decrease \$37.1 (56%)

The increase in net sales and EBITDA for the first half and second quarter of 2002 compared to 2001 was attributable to the lumber duty reversal as discussed above and due to generally increased sales prices realized for building products, partially offset by decreased sales prices from the pulp & paper products produced.

The foreign exchange gain on long-term debt of \$23.2 million for the second quarter of 2002 (\$22.8 million year-to-date) is due to the strengthening of the Canadian dollar compared to the U.S. dollar during the period.

Other expense is comprised of a number of non-operating items, of which the most significant is foreign exchange translation relating to the US sawmill division.

The 2002 effective income tax rate for the quarter of 27% (29% for the year) reflects the fact that the gain on the U.S. dollar denominated debt is considered capital in nature and therefore has not been tax-effected.

TRADE DISPUTE

On March 21, 2002 and further adjusted on April 25, 2002 the US Department of Commerce (“USDOC”) issued its final determination in the countervailing duty (“CVD”) and antidumping duty (“ADD”) investigations. The final CVD rate was established at 18.79%, compared to the preliminary rate of 19.31%. The final ADD rate for West Fraser was 2.18%, down from the preliminary rate of 5.94%. The USDOC assigned an average ADD rate of 8.43% for companies not specifically investigated compared to a 12.58% rate under the preliminary determination.

On May 16, 2002, the United States International Trade Commission published its final determination on injury stating that Canadian softwood lumber threatens material injury to the U.S. industry. As a result, cash deposits are required effective for shipments from May 22, 2002 and all prior liabilities accrued have been reversed and recorded in second quarter results. The following table shows the effect on earnings before taxes for 2002:

(\$ Millions)	Q1 2002	Q2 2002	First Half 2002
Export duties			
Reversal – 2001	\$ 2.0	\$23.0	\$25.0
(Accrual) reversal –			
January 1 to May 21, 2002	(3.7)	3.7	–
(Accrual) – May 22 to			
June 30, 2002	–	(13.9)	(13.9)
	\$ (1.7)	\$12.8	\$11.1

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 second quarter of 2002 the U.S. dollar traded between Cdn \$1.50 and Cdn \$1.60 with an average of Cdn \$1.55 (second quarter 2001 – between Cdn \$1.52 and Cdn \$1.58 with an average of Cdn \$1.54). On a year-to-date basis the rates fluctuated between Cdn \$1.50 and Cdn \$1.62 with an average of Cdn \$1.57 (year-to-date 2001 – between Cdn \$1.49 and Cdn \$1.58 with an average of Cdn \$1.53).

Consolidated Statements of Earnings and Retained Earnings

(in millions of Canadian dollars – unaudited)

	April 1 to June 30		January 1 to June 30	
	2002	2001 (Restated – Note 2)	2002	2001 (Restated – Note 2)
EARNINGS				
Net Sales	\$ 420.2	\$ 416.1	\$ 799.6	\$ 791.2
Cost of products sold	308.7	288.9	585.9	575.8
Amortization of capital assets	31.4	29.5	66.3	62.1
Selling, general and administrative	17.6	19.8	35.8	36.1
Reversal of prior year export duties	(23.0)	—	(25.0)	—
Operating earnings	85.5	77.9	136.6	117.2
Interest expense	(9.0)	(6.2)	(18.7)	(17.1)
Exchange gain (loss) on long-term debt	23.2	21.7	22.8	(3.2)
Other income (expense)	(2.7)	(3.4)	(2.8)	1.7
Earnings from continuing operations before income taxes	97.0	90.0	137.9	98.6
Income taxes	26.0	25.2	40.3	36.6
Earnings from continuing operations	71.0	64.8	97.6	62.0
Earnings from discontinued operations (note 3)	—	13.2	—	11.5
Earnings	\$ 71.0	\$ 78.0	\$ 97.6	\$ 73.5
Earnings per common share (in dollars) (note 5)				
Basic from continuing operations	\$ 2.12	\$ 1.93	\$ 2.91	\$ 1.83
Basic after discontinued operations	\$ 2.12	\$ 1.97	\$ 2.91	\$ 1.80
Diluted from continuing operations	\$ 2.10	\$ 1.92	\$ 2.88	\$ 1.82
Diluted after discontinued operations	\$ 2.10	\$ 1.97	\$ 2.88	\$ 1.79
RETAINED EARNINGS				
Balance – beginning of period	\$ 867.4	\$ 752.0	\$ 878.6	\$ 782.8
Change in accounting for foreign exchange (note 2)	—	—	(33.0)	(21.4)
Earnings	867.4	752.0	845.6	761.4
	71.0	78.0	97.6	73.5
	938.4	830.0	943.2	834.9
Convertible obligation	—	(12.0)	—	(12.6)
Preferred share payment	—	(0.2)	(0.2)	(0.2)
Dividends	(4.7)	(4.2)	(9.3)	(8.5)
Balance – end of period	\$ 933.7	\$ 813.6	\$ 933.7	\$ 813.6

Consolidated Statements of Cash Flows

(in millions of Canadian dollars – unaudited)

	April 1 to June 30		January 1 to June 30	
	2002	2001 <i>(Restated – Note 2)</i>	2002	2001 <i>(Restated – Note 2)</i>
Cash Flows From Operating Activities				
Earnings from continuing operations	\$ 71.0	\$ 64.8	\$ 97.6	\$ 62.0
Amortization of capital assets	31.4	29.5	66.3	62.1
Exchange (gain) loss on long-term debt	(23.2)	(21.7)	(22.8)	3.2
Future income taxes	—	(1.9)	(0.1)	(0.3)
Other long-term liabilities	(23.2)	(0.1)	(21.5)	5.4
Reforestation obligation	(3.9)	(3.5)	5.1	6.7
Other	(0.9)	(0.3)	(1.0)	0.1
	51.2	66.8	123.6	139.2
Net change in non-cash working capital items	47.3	32.0	(75.7)	(77.0)
	98.5	98.8	47.9	62.2
Cash Flows From Financing Activities				
Proceeds from long-term debt	—	45.0	—	76.4
Repayment of long-term debt	(37.9)	(112.8)	(37.9)	(112.8)
Dividends	(4.7)	(4.2)	(9.3)	(8.5)
Other	0.9	(0.2)	2.1	(0.4)
	(41.7)	(72.2)	(45.1)	(45.3)
Cash Flows From Investing Activities				
Capital asset additions	(31.0)	(22.5)	(52.8)	(32.0)
Proceeds from disposal of capital assets	3.4	0.7	3.9	1.2
Acquisition	—	(29.8)	—	(29.8)
Change in other assets	1.2	(9.1)	(2.9)	(8.0)
	(26.4)	(60.7)	(51.8)	(68.6)
Change in cash from continuing operations	30.4	(34.1)	(49.0)	(51.7)
Change in cash from discontinued operations	20.6	100.8	46.8	95.5
Net Cash – beginning of period	216.9	(118.5)	270.1	(95.6)
Net Cash – end of period	\$ 267.9	\$ (51.8)	\$ 267.9	\$ (51.8)
Interest Paid	\$ 7.4	\$ 9.9	\$ 22.2	\$ 25.3
Income Taxes Paid	\$ 5.9	\$ 22.7	\$ 52.1	\$ 44.0

Consolidated Balance Sheets

(in millions of Canadian dollars – unaudited)

	As at June 30, 2002	As at Dec. 31, 2001 <i>(Restated – Note 2)</i>
ASSETS		
Cash and short-term investments	\$ 267.9	\$ 270.1
Accounts receivable	162.7	169.6
Inventories	338.4	305.6
Prepaid expenses	17.2	7.8
Discontinued operations – current assets	1.0	5.9
	787.2	759.0
Other assets	89.9	86.5
Capital assets	1,273.2	1,290.7
Deferred charges	16.9	16.3
Discontinued operations – long-term assets	113.6	167.0
	\$2,280.8	\$2,319.5
LIABILITIES		
Accounts payable and accrued liabilities	\$ 148.3	\$ 188.8
Current portion of reforestation obligation	28.1	28.1
Current portion of long-term debt	208.5	238.9
Discontinued operations – current liabilities	3.4	15.4
	388.3	471.2
Long-term debt	329.4	359.6
Reforestation obligation	69.2	64.1
Other liabilities	15.0	36.5
Future income taxes	213.1	213.2
Discontinued operations – long-term liabilities	4.9	4.5
SHAREHOLDERS' EQUITY		
Share capital	327.2	324.8
Retained earnings	933.7	845.6
	\$2,280.8	\$2,319.5

Quarterly Comparisons – Continuing Operations

January 1 to December 31

(in millions of Canadian dollars – unaudited)

	2002	2001 <i>(Restated – Note 2)</i>
Sales		
First	\$ 379.4	\$ 375.1
Second	420.2	416.1
Third		407.4
Fourth		363.7
		\$1,562.3
Earnings		
First	\$ 26.6	\$ (2.8)
Second	71.0	64.8
Third		30.9
Fourth		4.4
		\$ 97.3
Diluted Earnings Per Share (in dollars)		
First	\$ 0.78	\$ (0.10)
Second	2.10	1.92
Third		0.91
Fourth		0.12
Annual		\$ 2.85

Number of common shares outstanding at June 30, 2002 was 33,472,031

Second Quarter Segmented Information

(in millions of Canadian dollars – unaudited)

	Lumber	Panels	Pulp & Paper	Corporate & Other	Consolidated
April 1, 2002 to June 30, 2002					
Net sales at market prices					
To external customers	\$251.6	\$ 56.1	\$112.5		\$420.2
To other segments	7.8				
	\$259.4	\$ 56.1	\$112.5	—	
EBITDA	\$ 86.9	\$ 19.1	\$ 12.2	\$ (1.3)	\$116.9
Amortization of capital assets	11.8	5.6	13.7	0.3	31.4
Operating earnings (loss)	75.1	13.5	(1.5)	(1.6)	85.5
Interest expense	5.8	2.3	4.7	(3.8)	9.0
Exchange gain on long-term debt	—	—	—	(23.2)	(23.2)
Other	(0.1)	—	(0.1)	2.9	2.7
Earnings (loss) before income taxes	\$ 69.4	\$ 11.2	\$ (6.1)	\$ 22.5	\$ 97.0
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	7.7				
	\$241.5	\$ 56.6	\$125.7	—	
EBITDA	\$ 60.6	\$ 16.8	\$ 33.0	\$ (3.0)	\$107.4
Amortization of capital assets	10.6	5.7	13.2	—	29.5
Operating earnings (loss)	50.0	11.1	19.8	(3.0)	77.9
Interest expense	4.0	1.7	5.6	(5.1)	6.2
Exchange gain on long-term debt	—	—	—	(21.7)	(21.7)
Other	(1.3)	0.1	2.9	1.7	3.4
Earnings before income taxes	\$ 47.3	\$ 9.3	\$ 11.3	\$ 22.1	\$ 90.0

First Half Segmented Information

(in millions of Canadian dollars – unaudited)

	Lumber	Panels	Pulp & Paper	Corporate & Other	Consolidated
January 1, 2002 to June 30, 2002					
Net sales at market prices					
To external customers	\$464.2	\$113.0	\$222.4		\$799.6
To other segments	15.5				
	\$479.7	\$113.0	\$222.4	—	
EBITDA	\$141.2	\$ 36.3	\$ 28.6	\$ (3.2)	\$202.9
Amortization of capital assets	26.2	12.0	27.4	0.7	66.3
Operating earnings (loss)	115.0	24.3	1.2	(3.9)	136.6
Interest expense	9.9	4.0	8.9	(4.1)	18.7
Exchange gain on long-term debt	—	—	—	(22.8)	(22.8)
Other	—	—	(0.1)	2.9	2.8
Earnings (loss) before income taxes	\$105.1	\$ 20.3	\$ (7.6)	\$ 20.1	\$137.9
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	15.5				
	\$446.3	\$109.6	\$250.8	—	
EBITDA	\$ 89.7	\$ 28.2	\$ 65.7	\$ (4.3)	\$179.3
Amortization of capital assets	24.3	11.9	25.9	—	62.1
Operating earnings (loss)	65.4	16.3	39.8	(4.3)	117.2
Interest expense	8.5	3.6	10.5	(5.5)	17.1
Exchange loss on long-term debt	—	—	—	3.2	3.2
Other	(1.0)	—	0.3	(1.0)	(1.7)
Earnings (loss) before income taxes	\$ 57.9	\$ 12.7	\$ 29.0	\$ (1.0)	\$ 98.6

Second Quarter & Year-to-Date Operating Highlights

		April 1 to June 30		January 1 to June 30	
		2002	2001	2002	2001
Lumber	Production (Mfbm)	614,078	562,872	1,145,899	1,110,518
	Shipments (Mfbm)	568,242	513,070	1,046,172	1,011,711
Panels					
	MDF				
	Production (Msf – 3/4")	62,187	64,015	119,726	125,258
	Shipments (Msf – 3/4")	66,934	68,122	129,881	134,232
Plywood	Production (Msf – 3/8")	61,034	63,384	121,207	127,573
	Shipments (Msf – 3/8")	54,823	66,585	113,570	128,226
Pulp & Paper (tonnes)					
	Linerboard and Kraft Paper				
	Production	105,159	108,584	208,248	216,483
	Shipments	98,411	106,064	187,012	199,989
BCTMP	Production	92,357	83,285	186,924	177,522
	Shipments	96,753	90,429	192,049	166,002
Newsprint	Production	31,680	31,510	62,720	62,260
	Shipments	33,847	28,676	64,679	58,150

Notes to Interim Financial Statements

(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:

	April 1 to June 30		January 1 to June 30	
	2002	2001	2002	2001
Earnings as previously reported	\$ —	\$ 55.0	\$ —	\$ 71.2
Earnings as restated	\$ —	\$ 78.0	\$ —	\$ 73.5
Opening retained earnings as previously reported	\$ 867.4	\$ 794.2	\$ 878.6	\$ 782.8
Opening retained earnings as restated	\$ 867.4	\$ 752.0	\$ 845.6	\$ 761.4

Notes to Interim Financial Statements (continued)

(figures are in millions of dollars except where indicated)

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:

	April 1 to June 30		January 1 to June 30	
	2002	2001	2002	2001
Earnings (loss) before income tax to Measurement Date	\$ —	\$ 1.4	\$ —	\$ (1.7)
Income tax recovery (expense)	—	(0.6)	—	0.8
Earnings (loss) from operations to Measurement Date	—	0.8	—	(0.9)
Loss on disposal of retail operations	—	(20.9)	—	(20.9)
Earnings (loss) from discontinued retail operations	—	(20.1)	—	(21.8)
Timber plantations	—	33.3	—	33.3
Earnings (loss) from discontinued operations	\$ —	\$ 13.2	\$ —	\$ 11.5

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. The assumed settlement of the convertible obligation is not dilutive for the April 1 to June 30, 2001 period.

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

	April 1 to June 30			
	2002		2001	
	From continuing	After discontinued	From continuing	After discontinued
Earnings	\$ 71.0	\$ 71.0	\$ 64.8	\$ 78.0
Preferred share payments	—	—	(0.4)	(0.4)
Convertible obligation accretion	—	—	—	(12.0)
Available to shareholders	\$ 71.0	\$ 71.0	\$ 64.4	\$ 65.6
Weighted average shares (thousands)				
Weighted average shares – basic	33,464	33,464	33,393	33,393
Stock options – treasury stock method	414	414	123	123
Weighted average shares – diluted	33,878	33,878	33,516	33,516
Earnings per share (dollars)				
Basic earnings per share	\$ 2.12	\$ 2.12	\$ 1.93	\$ 1.97
Diluted earnings per share	\$ 2.10	\$ 2.10	\$ 1.92	\$ 1.97

January 1 to June 30

	2002		2001	
	From continuing	After discontinued	From continuing	After discontinued
Earnings	\$ 97.6	\$ 97.6	\$ 62.0	\$ 73.5
Preferred share payments	(0.2)	(0.2)	(0.8)	(0.8)
Convertible obligation accretion	—	—	—	(12.6)
Available to shareholders	\$ 97.4	\$ 97.4	\$ 61.2	\$ 60.1
Weighted average shares (thousands)				
Weighted average shares – basic	33,441	33,441	33,391	33,391
Stock options – treasury stock method	377	377	118	118
Weighted average shares – diluted	33,818	33,818	33,509	33,509
Earnings per share (dollars)				
Basic earnings per share	\$ 2.91	\$ 2.91	\$ 1.83	\$ 1.80
Diluted earnings per share	\$ 2.88	\$ 2.88	\$ 1.82	\$ 1.79

6. STOCK BASED COMPENSATION

During the six months ended June 30, 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 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 net income would have been reduced by \$0.3 million. The total fair value of the options issued during the six months ended June 30, 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 and further adjusted 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 countervailing investigation resulted in a duty rate of 18.79% to be posted by cash deposits. The USDOC's final determination in the antidumping investigation resulted in a company specific duty rate of 2.18% also 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 will be required for shipments at the rates determined by the USDOC effective from May 22, 2002. All bonds posted prior to May 22, 2002 will be refunded.

The company has accrued \$13.9 million for the period from May 22, 2002 to June 30, 2002 representing the combined final countervailing and anti-dumping duties of 20.97%.

The Company had accrued \$20.9 million for the period from August 17, 2001 to December 15, 2001 representing the preliminary countervailing duty rate of 19.34%, and \$7.8 million for the period from November 6, 2001 to May 6, 2002, representing the preliminary anti-dumping duty rate of 2.26%. The Company reversed \$2.0 million during the three months ended March 31, 2002 and a further \$26.7 million during the three months ended June 30, 2002, representing the balance of the combined accrual. The reversal of the current year accrual has been recorded as a credit to sales. Of the current quarter reversal, \$23.0 related to fiscal 2001 sales and \$3.7 million related to the first quarter ended March 31, 2002 sales. Any further adjustments resulting from a change in the countervailing and anti-dumping duty rates will be made prospectively.

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 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 may appeal the decision of these administrative agencies to the appropriate courts, 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 final cash deposit rates established in the investigations, the final liability for the assessment of countervailing and anti-dumping duties will not be determined until each annual administrative review process is complete.

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.



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