



First Quarter 2005



West Fraser Timber Co. Ltd.



Pictured on the cover are West Fraser employees **Debbie Telford**, Lumber Sales Representative, Quesnel, B.C., and **Alvin Koberinski**, Charge Hand, Weigh Scales, Northstar Lumber, Quesnel, B.C.

West Fraser's 2005 first quarter results include the Weldwood acquisition, which is not reflected in any previous reporting period.

For the first quarter of 2005, West Fraser earned \$43 million or \$0.99 per share on sales of \$902 million. This compares to earnings of \$41 million or \$0.94 per share on sales of \$552 million in the fourth quarter of 2004 and \$27 million or \$0.71 per share on sales of \$541 million in the first quarter of last year.

EBITDA¹ was \$142 million or 16% of sales for the first quarter compared to \$74 million or 13% of sales for the fourth quarter of 2004 and \$78 million or 14% of sales for the comparable period last year.

All finished product inventories acquired as part of the Weldwood transaction were required to be valued at their fair values for accounting purposes. Had these inventories been valued at cost, the Company estimates an increase in EBITDA of \$17 million and earnings of \$11 million or \$0.26 per share.

Operational Results

Lumber EBITDA for the quarter was \$103 million or 20% of sales compared to \$69 million or 21% of sales in the same period last year. Sustained high prices driven by record levels of new home construction in the United States contributed to solid earnings.

Lumber results were adversely affected by the continuing shortage of rail transportation. During the quarter, customer shipments were approximately 88% of production resulting in an increase of lumber inventories.

Benchmark 2X4 lumber prices averaged US \$398 per Mfbm for the quarter compared to the fourth quarter 2004 average of US \$336 per Mfbm and US \$367 per Mfbm in the first quarter of last year. Southern Yellow Pine 2X4 prices averaged US \$393 per Mfbm for the quarter compared to US \$395 per Mfbm for the fourth quarter of 2004 and US \$356 per Mfbm for the first quarter of 2004.

All sawmills operated well during the quarter. At the end of April 2005, West Fraser will proceed with the previously-announced construction of a \$100 million sawmill in Quesnel, B.C. to replace its existing facility. The new three-line mill, which will have an annual capacity of 500 Mmfbm on a two-shift basis, will be built along side the existing mill to ensure uninterrupted production during the 15-month construction period. Production is expected to begin in the summer of 2006 when the existing mill will be permanently closed.

In the first quarter, the panel operations, reflecting the addition of the two Weldwood plywood plants, generated EBITDA of \$22 million or 16% of sales compared to \$14 million or 20% of sales in the comparable quarter of 2004. Plywood prices declined substantially from the fourth quarter of 2004 and were weaker than in the first quarter of 2004. Plywood shipments were also affected by rail car shortages.

While MDF prices were higher compared to the same quarter in 2004, demand declined early in the period before showing some improvement. The Company experienced strong demand for laminated veneer lumber (LVL), a new engineered wood product acquired as part of the Weldwood transaction.

In the first quarter, the Company's pulp and paper operations recorded EBITDA of \$30 million or 11% of sales for the quarter compared to \$9 million or 6% of sales for the comparable period last year. All of the pulp mills, including the two NBSK pulp mills acquired as part of the Weldwood transaction, operated well during the quarter.

The Kitimat linerboard and kraft paper mill continued to operate well and established a production record for the fourth consecutive quarter. Production and shipments at Alberta Newsprint remained stable. Prices for pulp, newsprint and linerboard all improved over the comparable period of last year, although much of the gain was offset by the stronger Canadian dollar.

¹Throughout the Report to Shareholders, reference is made to EBITDA (defined as operating earnings plus amortization of property, plant, equipment and timber), which the Company considers to be a key performance indicator. EBITDA is not a generally accepted earnings measure and should not be considered as an alternative to earnings or cash flows as determined in accordance with Canadian generally accepted accounting principles. As there is no standardized method of calculating EBITDA, the Company's use of the term may not be directly comparable with similarly titled measures used by other companies.

In the second quarter of 2005, the Kitimat linerboard and kraft paper mill, and the Hinton and Cariboo kraft pulp mills will take annual maintenance shutdowns resulting in approximately 13 days of downtime in each of the three operations. Shutdowns will affect the results of these operations for the second quarter.

Integration Activities On Track

West Fraser's integration activities are well underway. Key personnel and organizational changes have been implemented, and the centralization of North American lumber sales and information technology functions in Quesnel, B.C. is in progress. A detailed systems integration process, which will continue into 2006, is underway to ensure the establishment of common technology platforms that will drive company-wide cost savings and efficiencies. The Company expects that target synergies will be realized.

Lumber Trade Dispute

As a result of reductions in December 2004 and early in 2005, West Fraser now has a countervailing duty ("CVD") deposit rate of 16.37% and an antidumping duty ("ADD") deposit rate of 0.91%.

Canada continues to be successful in its litigation process under the North American Free Trade Agreement ("NAFTA") and the World Trade Organization. A key decision is expected this summer on the Extraordinary Challenge Committee review of the NAFTA determination that U.S. producers are not injured by Canadian imports. A positive determination in this proceeding could result in the U.S. withdrawal of the CVD and ADD cases, and in the refund of cash deposits, with interest. However, legal procedures may still be available to the U.S. to delay this outcome.

Safety

On April 8, 2005, a long-term employee was fatally injured at the Williams Lake plywood plant. The Company is deeply saddened by this loss. Safety is a core value of West Fraser, and the Company will continue to strive to improve its safety practices and performance.

On behalf of the Board of Directors,



Henry H. Ketcham

Chairman of the Board,
President & Chief Executive Officer
April 26, 2005

Management's Discussion & Analysis

The following discussion and analysis should be read in conjunction with the unaudited interim financial statements included in this quarterly report and the Management's Discussion & Analysis included in the Company's 2004 annual report.

The information contained in this report 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 uncertainties associated with the effect of general economic conditions on demand for the Company's products, foreign exchange rate fluctuations, adjustments related to the Weldwood acquisition, trade sanctions, the availability of fibre and changes in stumpage fees, competition, operational curtailments and transportation limitations, natural disasters, insect infestation, the effects of forestry, land use, environmental and other government regulations, First Nations claims, and the ability of the Company to execute its business plans. Accordingly, actual results, performance and achievements of the Company may differ materially from those projected.

Throughout this report, reference is made to EBITDA (defined as operating earnings plus amortization of property, plant, equipment and timber), which the Company considers to be a key performance indicator. EBITDA is not a generally accepted earnings measure and should not be considered as an alternative to earnings or cash flows as determined in accordance with Canadian generally accepted accounting principles. As there is no standardized method of calculating EBITDA, the Company's use of the term may not be directly comparable with similarly titled measures used by other companies.

Corporate Overview and Highlights

	January 1 to March 31	
	2005	2004
Financial Highlights		
Sales – \$ millions	902.4	541.1
Operating Earnings – \$ millions	79.4	41.9
Operating Earnings – % of sales	9	8
Amortization – \$ millions	62.7	36.4
EBITDA – \$ millions	142.1	78.3
EBITDA margin – %	16	14
Earnings – \$ millions	42.9	26.5
Diluted Earnings per Share – \$	0.99	0.71
Average U.S. / Canadian exchange rate	1.226	1.318
Operating Highlights		
Lumber		
Production (Mfbm)	1,058,830	702,237
Shipments (Mfbm)	927,334	611,598
Panels		
MDF		
Production (Msf – 3/4")	71,664	68,461
Shipments (Msf – 3/4")	71,662	75,608
Plywood		
Production (Msf – 3/8")	178,232	60,548
Shipments (Msf – 3/8")	153,544	63,131
LVL		
Production (cf)	813,989	–
Shipments (cf)	821,152	–
Pulp & Paper (tonnes)		
Linerboard & Kraft Paper		
Production	119,213	105,294
Shipments	102,613	105,938
NBSK		
Production	150,863	–
Shipments	155,549	–
BCTMP		
Production	129,797	130,740
Shipments	147,737	128,909
Newsprint		
Production	33,227	34,068
Shipments	32,688	33,369

Management's Discussion & Analysis

Changes in Key Factors

% Increase: First Quarter 2005 over First Quarter 2004

Sales	67
EBITDA	81
Operating Earnings	89
Earnings	62
Earnings Per Share	39

West Fraser acquired Weldwood of Canada Limited ("Weldwood") on December 31, 2004 (see "Weldwood Acquisition"). As a result, the inclusion of Weldwood's operations from January 1, 2005 had a major impact on West Fraser's first quarter results.

Operating earnings and EBITDA were reduced by approximately \$17.1 million and earnings were reduced by approximately \$11.3 million or \$0.26 per share, as the Company was required to value the acquired finished product inventories at fair value. This was a one-time adjustment as a result of the Weldwood transaction.

A strong Canadian dollar relative to the same period in 2004 partially offset the benefits of higher product prices.

As most of the Company's products are sold in U.S. dollars, any significant changes to the Canadian-U.S. dollar exchange rate has a material impact on sales and therefore on earnings for the period. The Company's U.S. denominated debt provides a partial hedge against these fluctuations. From December 31, 2004, the weakening Canadian dollar resulted in an exchange loss of \$3.2 million on first quarter earnings from the translation of U.S. denominated debt (\$2.0 million loss for the first quarter of 2004).

Administration expense increased by \$12.4 million from the first quarter of 2004 primarily due to the addition of the Weldwood operations. Administration expense represented 3.3% of sales for both the first quarter of 2005 and 2004.

The share option expense for the period was \$7.6 million compared to \$9.9 million for the first quarter of 2004. The option expense is calculated on the basis of the average share price for the last day of the period, which was \$50.81 for the first quarter of 2005.

Interest expense increased by \$8.1 million from the comparative quarter of last year as a result of increased debt levels, and lower cash and short-term investment levels due to the Weldwood acquisition.

The non-controlling interest represents the minority shareholder's interest in the Burns Lake, Decker Lake and Seehta sawmills.

Weldwood Acquisition

On December 31, 2004, the Company completed the acquisition of Weldwood. The purchase price, excluding acquired cash, but including estimated transaction and restructuring costs of \$25.1 million, was \$1,123.9 million. The purchase price is subject to adjustments.

West Fraser established an \$80 million annual synergy target. It is estimated that full synergies will be achieved by the end of 2007, with one-third realized by the end of 2005. Major synergies are expected to be realized by applying best practices, increasing lumber output, rationalizing log supplies, as well as eliminating duplicate functions where appropriate. Management expects the year-end target to be fully attainable.

The Company has revised its organizational structure and reporting responsibilities, and has to a large extent completed the restructuring framework. A significant effort is being directed to harmonize various business and accounting systems, a process that will extend through 2005.

In February 2005, the Burns Lake Native Development Corporation (“BLNDC”), a shareholder in the Company’s Burns Lake and Decker Lake operations, filed an application to have the Competition Tribunal vary or cancel the Company’s obligation to sell these operations as required under a Consent Agreement between the Company and the Competition Commissioner. At this time, there is no certainty as to either the outcome of the application or the timing of a final determination.

Lumber

	January 1 to March 31	
	2005	2004
Production – SPF – MMfbm	965	627
Production – SYP – MMfbm	93	75
Shipments – SPF – MMfbm	845	540
Shipments – SYP – MMfbm	82	71
Sales – \$ millions	516	329
EBITDA – \$ millions	103	69
EBITDA margin – %	20	21
Operating Earnings – \$ millions	74	54
Benchmark Price – SPF #2 & Better 2 x 4 – (US\$ per Mfbm) ¹	398	367
– SYP #2 West 2 x 4 – (US\$ per Mfbm) ¹	393	356

¹Source: Random Lengths-price before duties.

Production and shipments increased by 51% over the same period in 2004 due primarily to the addition of four wholly-owned sawmills and three partially-owned sawmills acquired as part of the Weldwood transaction. In addition, the U.S. lumber operations increased both production and shipments in the first quarter of 2005, as the Huttig sawmill was being re-built in the first quarter of 2004.

Lumber EBITDA as a percentage of sales remained stable at 20% from the first quarter of 2005 to the comparable period in 2004. The shortage of railcars continued to affect the lumber operations. During the first quarter of 2005, customer shipments were approximately 88% of production resulting in increased lumber inventories.

The U.S. softwood lumber duties continued to impact the Company’s financial results. The duties in the following table represent duties expensed in the periods indicated.

Export Duties (\$ millions)	Q1	Q2	Q3	Q4	Total
2005 Export Duties	41	–	–	–	41
2004 Export Duties	31	42	52	31	156
2003 Export Duties	23	26	31	32	112
2002 Export Duties ¹	2	(13)	29	24	42

¹After 2001 reversals.

Log inventory volumes at many of the sawmills were lower in the first quarter compared to the same period in 2004 mainly due to unseasonably warm weather, which impaired log deliveries in certain areas. As a result, log inventories at some mills are below desired levels, which could lead to log shortages in a few operations.

Product prices remained high during the quarter as a result of continued strong demand in the North American housing market and supply constraints caused by lingering transportation difficulties. Prices are expected to decline modestly in the second and third quarter of 2005.

Management's Discussion & Analysis

At the end of April 2005, West Fraser will proceed with the previously-announced construction of a \$100 million sawmill in Quesnel, B.C. to replace the existing facility. The new three-line mill, which will have an annual capacity of 500 Mmfbm on a two-shift basis, will be built along side the existing mill to ensure uninterrupted production during the 15-month construction period. Production is expected to begin in the summer of 2006. Upon completion of the project, the existing mill will be permanently closed.

Panels

	January 1 to March 31	
	2005	2004
Production – MDF – Msf – 3/4" basis	71,664	68,461
Shipments – MDF – Msf – 3/4" basis	71,662	75,608
Production – Plywood – Msf – 3/8" basis	178,232	60,548
Shipments – Plywood – Msf – 3/8" basis	153,544	63,131
Production – LVL – cf	813,989	–
Shipments – LVL – cf	821,152	–
Sales – \$ millions	130	68
EBITDA – \$ millions	22	14
EBITDA margin – %	16	20
Operating Earnings – \$ millions	12	8
Benchmark Price – MDF (3/4" basis per Msf) ¹ – US\$	457	380
– Plywood (3/8" basis per Msf) ² – Cdn\$	439	524

¹Source: RISI and West Fraser database.

²Source: Crow's.

MDF

Both MDF plants operated well during the quarter. While MDF prices were higher compared to the same quarter in 2004, demand declined early in the period before showing improvement. Modest price increases are expected in the second quarter of 2005, partially as a result of increased demand for specific products.

Plywood

Production and shipments more than doubled in the first quarter of 2005 compared to the same period in 2004 due to the addition of the two Weldwood plywood plants to the Company's operations. However, plywood operations also experienced transportation delays resulting in a 25,000 Msf increase in inventory volumes from December 31, 2004.

Product prices declined in the first quarter of 2005 from the first quarter of 2004, reducing the profitability on a per unit basis, although total operating earnings were higher due to the additional capacity. Prices are expected to modestly decline during the remainder of 2005.

Laminated Veneer Lumber

The Company's laminated veneer lumber ("LVL") operation, which also provides veneer to the Company's plywood mills, operated well through the quarter. Demand for LVL was very strong. Favourable market conditions are expected to continue through the year.

Pulp & Paper

	January 1 to March 31	
	2005	2004
Sales - \$ millions	275	156
EBITDA - \$ millions	30	9
EBITDA margin - %	11	6
Operating Earnings - \$ millions	6	(6)

Sales, EBITDA and operating earnings were higher than the corresponding quarter in 2004 largely due to the acquisition of Weldwood's northern bleached softwood kraft ("NBSK") pulp business. The improved operations of the Kitimat linerboard and kraft paper mill and marginally higher linerboard prices also contributed to improved results.

Pulp

	January 1 to March 31	
	2005	2004
Production - BCTMP - tonnes	129,797	130,740
Shipments - BCTMP - tonnes	147,737	128,909
Production - NBSK - tonnes	150,863	-
Shipments - NBSK - tonnes	155,549	-
Benchmark Price - BCTMP - US\$ per tonne ¹	510	470
- NBSK - US\$ per tonne ²	670	600

¹Source: Pulp & Paper Weekly - Cdn Aspen, 85 GE.

²Source: Pulp & Paper Weekly - U.S. Northern Cdn NBSK List Price.

The pulp mills operated at near capacity in the quarter and contributed positively to operating earnings and EBITDA. The improved pulp market supported higher shipment volumes for BCTMP and NBSK. Although U.S. dollar prices for BCTMP were higher in the first quarter of 2005 compared to the same period last year, the stronger Canadian dollar largely offset the increase.

The outlook for the balance of the year is uncertain due to expected seasonal price and order volume declines. In addition, higher production from southern hardwood producers may put pressure on the supply-demand balance.

The sales and marketing activities of NBSK have been fully integrated into West Fraser's pulp sales organization. Both NBSK mills have their scheduled annual maintenance shutdowns of approximately 13 days in the second quarter.

Linerboard and Kraft Paper

	January 1 to March 31	
	2005	2004
Production - tonnes	119,213	105,294
Shipments - tonnes	102,613	105,938
Benchmark Price - US\$ linerboard (per short ton) ¹	450	362

¹Source: Pulp & Paper Weekly - Unbleached Linerboard Kraft, East.

For the fourth consecutive quarter, a production record was established at the Kitimat linerboard and kraft paper mill. Progress continues in all key operating and financial areas. A 12-day planned maintenance shutdown in May will reduce production in the second quarter.

Management's Discussion & Analysis

Linerboard prices were higher than in the corresponding quarter in 2004, while kraft paper markets remained poor as a result of sluggish demand for multi-wall sacks. Any significant improvement will require a further strengthening of the U.S. economy. The kraft paper markets did not show any improvement in the quarter and are not expected to improve in the second quarter.

Newsprint

	January 1 to March 31	
West Fraser's Share	2005	2004
Production – tonnes	33,227	34,068
Shipments – tonnes	32,688	33,369
Benchmark Price – US\$ per tonne ¹	580	530

¹Pulp & Paper Weekly – U.S. West Coast Price.

Although North American newsprint prices have increased from early 2004, the full impact of these increases was reduced by the stronger Canadian dollar. North American newsprint consumption continues to decline. However, given the quality of ANC's production and customer service, the mill has consistently operated at capacity and remains a solid contributor to earnings.

Change in Accounting Policy

Variable Interest Entities

Effective January 1, 2005, the Company adopted the new accounting guideline for consolidation of variable interest entities ("VIE") per CICA Accounting Guideline 15. This guideline requires the consolidation of certain entities that are subject to control on a basis other than the ownership of voting interests. Accordingly, the Company began consolidating one of its joint-venture interests that was previously proportionately consolidated. There was no impact on earnings or equity from applying the guideline. The change in accounting policy was applied prospectively with no restatement of prior periods.

Capital Requirements and Liquidity

Summary of Financial Position

	March 31 2005	December 31 2004
Current Assets – \$ millions	1,063.0	1,209.8
Current Liabilities – \$ millions	593.2	806.0
Ratio of current assets to current liabilities	1.8	1.5
Net Debt – \$ millions	841.4	602.1
Shareholders' Equity – \$ millions	1,818.5	1,781.5
Net Debt to Capitalization – % ¹	31	25

¹Net debt (total debt less cash and short-term investments) divided by net debt plus shareholders' equity.

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

Cash and short-term investments on hand at March 31, 2005 were \$53.0 million, down \$296.6 million from December 31, 2004.

Cash used in operating activities in the first quarter was \$186.9 million comprised of cash generated of \$112.8 million before the change in non-cash working capital items and a use of \$299.7 million of cash related to non-cash working capital items. Of this, the build-up of seasonal log inventories accounted for \$83.5 million, an increase in finished goods inventories was \$37.6 million, an increase in receivables was \$30.3 million and \$136.0 million was a reduction of income taxes payable.

Financing activities used \$71.9 million of cash primarily to pay bank operating loans of \$66.0 million and for dividend payments of \$6.0 million.

Investing activities used \$37.8 million of cash primarily to purchase property, plant, equipment and timber of \$35.2 million.

Foreign Exchange

Most of the Company'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 earnings sensitivity to changes in the U.S.-Canadian dollar exchange rate. Also, payment terms for offshore sales may be up to 180 days and exchange rate fluctuations in the period between purchase and payment may expose the Company to additional currency risk. Currently, the Company is not hedging its foreign exchange exposure with financial forward or option contracts.

In the first quarter the U.S. dollar averaged Cdn \$1.226 compared to Cdn \$1.318 in the first quarter of 2004.

U.S. Trade Dispute Update

The countervailing duty ("CVD") deposit rate was reduced to 17.18% effective December 20, 2004 as a result of the final determination in the first administrative review. On February 24, 2005, this rate was further reduced to 16.37% due to a ministerial error recalculation. Also effective December 20, 2004, West Fraser's antidumping duty ("ADD") deposit rate was reduced to 0.92% and subsequently to 0.91% on January 17, 2005 due to a ministerial error recalculation.

Attempts to reach an early negotiated solution have gained some momentum in recent months. The Canadian government has tabled a framework document to stimulate the process. However, early indications reflect a considerable discrepancy in the expectations of both sides.

Canada continues to be successful in its litigation process under the North American Free Trade Agreement ("NAFTA") and the World Trade Organization. A key decision is expected this summer on the Extraordinary Challenge Committee review of the NAFTA determination that U.S. producers are not injured by Canadian imports. A positive determination in this proceeding could result in the U.S. withdrawal of the CVD and ADD cases, and in the refund of cash deposits, with interest. However, legal procedures may still be available to the U.S. to delay this outcome.

In addition to the Canadian strategy of litigation and negotiation, trade retaliation has recently been added to the defence of this case. Canada is strategically imposing duties on certain U.S. imports.

Consolidated Statements of Earnings and Retained Earnings

<i>(in millions of Canadian dollars – unaudited)</i>	January 1 to March 31	
	2005	2004
EARNINGS		
Sales	\$ 902.4	\$ 541.1
Costs and expenses		
Cost of products sold	555.0	321.4
Freight and other distribution costs	126.9	82.6
Countervailing and antidumping duties	40.8	31.3
Amortization	62.7	36.4
Selling, general and administration	30.0	17.6
Share option expense	7.6	9.9
	<u>823.0</u>	<u>499.2</u>
Operating earnings	79.4	41.9
Other		
Interest expense – net	(12.4)	(4.3)
Exchange loss on long-term debt	(3.2)	(2.0)
Other income	3.5	0.5
	<u>67.3</u>	<u>36.1</u>
Earnings before income taxes and non-controlling interest	67.3	36.1
Income tax expense	(23.9)	(9.6)
	<u>43.4</u>	<u>26.5</u>
Earnings before non-controlling interest	43.4	26.5
Non-controlling interest	(0.5)	–
	<u>42.9</u>	<u>26.5</u>
Earnings	\$ 42.9	\$ 26.5
Earnings per share (note 5)		
Basic	\$ 1.00	\$ 0.72
Diluted	\$ 0.99	\$ 0.71
RETAINED EARNINGS		
Balance – beginning of period	\$ 1,185.1	\$ 993.8
Earnings	42.9	26.5
	<u>1,228.0</u>	<u>1,020.3</u>
Common share dividends	(6.0)	(5.2)
Balance – end of period	\$ 1,222.0	\$ 1,015.1

Consolidated Statements of Cash Flows

	January 1 to March 31	
<i>(in millions of Canadian dollars – unaudited)</i>	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings	\$ 42.9	\$ 26.5
Items not affecting cash		
Amortization	62.7	36.4
Exchange loss on long-term debt	3.2	2.0
Change in reforestation obligation	12.3	9.6
Change in other long-term liabilities	0.9	(1.0)
Change in deferred charges	2.3	–
Future income taxes	(12.0)	(6.4)
(Gain) loss on sale of property, plant, equipment & timber	(0.6)	0.4
Other	1.2	0.5
	<u>112.8</u>	<u>68.0</u>
Net change in non-cash working capital items	(299.7)	(75.8)
	<u>(186.9)</u>	<u>(7.8)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of operating loans	(66.0)	–
Dividends	(6.0)	(5.2)
Issuance of Common shares <i>(note 4)</i>	0.1	0.4
Other	–	0.1
	<u>(71.9)</u>	<u>(4.7)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant, equipment & timber	(35.2)	(22.6)
Proceeds from disposal of property, plant, equipment & timber	1.8	0.1
(Increase) decrease in other assets	(4.4)	(9.3)
	<u>(37.8)</u>	<u>(31.8)</u>
Change in cash and short-term investments	(296.6)	(44.3)
Cash and short-term investments – beginning of period	349.6	265.9
Cash and short-term investments – end of period	<u>\$ 53.0</u>	<u>\$ 221.6</u>
Interest paid	<u>\$ 7.3</u>	<u>\$ 6.3</u>
Income taxes paid	<u>\$ 170.6</u>	<u>\$ 8.9</u>

Consolidated Balance Sheets

<i>(in millions of Canadian dollars – unaudited)</i>	As at March 31, 2005	As at December 31, 2004
ASSETS		
Current assets		
Cash and short-term investments	\$ 53.0	\$ 349.6
Accounts receivable	326.6	296.2
Inventories	671.7	541.2
Prepaid expenses	11.7	22.8
	1,063.0	1,209.8
Property, plant, equipment & timber	2,320.7	2,337.0
Deferred charges	34.0	36.3
Goodwill	276.7	276.7
Other assets	67.1	67.6
	\$ 3,761.5	\$ 3,927.4
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities		
Bank operating loans	\$ —	\$ 66.0
Accounts payable and accrued liabilities	378.8	392.1
Income tax payable	11.2	147.3
Current portion of reforestation obligation	50.8	50.4
Current portion of long-term debt	152.4	150.2
	593.2	806.0
Long-term debt	742.0	735.5
Reforestation obligation	84.5	70.6
Other liabilities	119.5	118.6
Future income taxes	397.5	409.6
Non-controlling interest	6.3	5.6
	1,943.0	2,145.9
Shareholders' equity (note 4)	1,818.5	1,781.5
	\$ 3,761.5	\$ 3,927.4

Number of Common shares outstanding at April 20, 2005 was 42,747,282

First Quarter Segmented Information

<i>(in millions of Canadian dollars – unaudited)</i>	Lumber	Panels	Pulp & Paper	Corporate & Other	Consolidated
January 1, 2005 to March 31, 2005					
Sales					
To external customers	\$ 497.7	\$ 130.0	\$ 274.7		\$ 902.4
To other segments	18.2	2.0			
	\$ 515.9	\$ 132.0	\$ 274.7	–	
EBITDA ¹	\$ 102.7	\$ 21.5	\$ 29.5	\$ (11.6)	\$ 142.1
Amortization	28.8	9.3	23.8	0.8	62.7
Operating earnings (loss)	73.9	12.2	5.7	(12.4)	79.4
Interest expense	(6.8)	(3.2)	(3.7)	1.3	(12.4)
Exchange loss on long-term debt	–	–	–	(3.2)	(3.2)
Other income	1.7	0.7	0.5	0.6	3.5
Earnings (loss) before income taxes & non-controlling interest	\$ 68.8	\$ 9.7	\$ 2.5	\$ (13.7)	\$ 67.3
January 1, 2004 to March 31, 2004					
Sales					
To external customers	\$ 317.2	\$ 68.4	\$ 155.5		\$ 541.1
To other segments	12.0				
	\$ 329.2	\$ 68.4	\$ 155.5	–	
EBITDA ¹	\$ 68.8	\$ 14.0	\$ 8.7	\$ (13.2)	\$ 78.3
Amortization	14.7	6.4	14.8	0.5	36.4
Operating earnings (loss)	54.1	7.6	(6.1)	(13.7)	41.9
Interest expense	(2.3)	(0.3)	(1.3)	(0.4)	(4.3)
Exchange loss on long-term debt	–	–	–	(2.0)	(2.0)
Other income (expense)	(0.5)	–	(0.4)	1.4	0.5
Earnings (loss) before income taxes & non-controlling interest	\$ 51.3	\$ 7.3	\$ (7.8)	\$ (14.7)	\$ 36.1

¹ Non GAAP measure:

EBITDA is defined as operating earnings plus amortization.

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, 2004.

These interim consolidated financial statements follow the same accounting policies and methods of their application as the December 31, 2004 consolidated annual financial statements except as disclosed in note 2.

2. Change in accounting policy

Variable Interest Entities

Effective January 1, 2005, the Company adopted the new accounting guideline for consolidation of variable interest entities ("VIE") per CICA accounting Guideline 15. This guideline requires the consolidation of certain entities that are subject to control on a basis other than the ownership of voting interest. Accordingly, the Company began consolidating one of its joint-venture interests that was previously proportionately consolidated. The effect on assets was an increase of \$7.0 million and the effect on liabilities was an increase of \$5.4 million. There was no impact on earnings or equity from applying this VIE guideline. The change in accounting policy was applied prospectively with no restatement of prior periods.

3. Acquisition

On December 31, 2004, the Company acquired the only issued share of Weldwood of Canada Limited ("Weldwood") for net cash consideration of \$1,123.9 million. The terms of the transaction also provide that the seller is entitled to the net after-tax value of any refunds of softwood lumber duties paid by Weldwood before December 31, 2004 and to further cash consideration, not to exceed \$50.0 million in aggregate, if the average market price of NBSK pulp per tonne exceeds the greater of US\$710 and Cdn \$950 during any quarter ending on or before June 30, 2007. Weldwood was amalgamated with West Fraser Mills Ltd., the Company's principal operating subsidiary, effective January 1, 2005.

The business acquired consists of four wholly-owned sawmills (one containing a wood treating facility), three partly-owned sawmills (one containing a wood treating facility), two plywood plants, one laminated veneer lumber facility, one wholly-owned and one partially-owned NBSK pulp mill, and 5.2 million cubic meters of allowable annual cut. These facilities are located at various locations in British Columbia and Alberta.

The acquisition has been accounted for using the purchase method, whereby the purchase consideration was allocated to the estimated fair values of the assets acquired and liabilities assumed at the effective date of the purchase. The Company has not yet finalized the allocation of the purchase cost for the acquisition. The preliminary allocation of the purchase cost is based on management's best estimate and information available at the time of preparing these consolidated financial statements and any changes may be material.

Net assets acquired	\$ 1,430.4
Less: Cash acquired	(306.5)
Net non-cash assets acquired	<u>\$ 1,123.9</u>
Preliminary allocation:	
Current assets	\$ 352.3
Current liabilities	(219.8)
Property, plant and equipment	690.6
Timber	432.3
Goodwill	276.7
Other assets – net	1.7
Reforestation obligation	(50.5)
Employee future benefits	(108.6)
Future income taxes	(245.2)
Non-controlling interest	(5.6)
Net cash consideration	<u>\$ 1,123.9</u>

The allocation above includes costs related to the acquisition of \$6.6 million and estimated severance and other costs associated with the integration of Weldwood of \$18.5 million of which \$0.8 million was incurred to March 31, 2005. Actual amounts incurred in relation to these activities may differ from these estimates and any such differences will be factored into the final allocation.

Any payments required pursuant to pulp price movements described above will result in additional goodwill being recorded. Goodwill is not deductible for tax purposes.

The Company entered into a consent agreement on December 7, 2004 with the Canadian Commissioner of Competition which requires the Company, among other things, to divest a 90% interest in two sawmills and their related timber harvesting rights acquired in this transaction. The assets and liabilities related to these operations are included in the preliminary allocation above.

4. Shareholders' equity

	March 31, 2005		December 31, 2004	
	Number of Shares Issued	Amount	Number of Shares Issued	Amount
Common	37,361,499	\$ 596.6	37,359,544	\$ 596.5
Class B common	5,385,206	0.5	5,385,206	0.5
Total Common	<u>42,746,705</u>	597.1	42,744,750	597.0
Retained Earnings		1,222.0		1,185.1
Share Purchase Loans		(0.6)		(0.6)
Shareholders' Equity		<u>\$ 1,818.5</u>		<u>\$ 1,781.5</u>

Common Shares

For the three months ended March 31, 2005, the Company issued 1,955 Common shares for cash of \$0.1 million (three months ended March 31, 2004 issued 11,146 common shares for cash of \$0.4 million).

5. Earnings per share

Basic earnings per share is 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 exercise of options using the treasury stock method.

	January 1 to March 31	
	2005	2004
Earnings available to shareholders	\$ 42.9	\$ 26.5
Weighted average shares (thousands)		
Weighted average shares – basic	42,721	36,827
Share options – treasury stock method	611	450
Weighted average shares – diluted	43,332	37,277
Earnings per share (dollars)		
Basic earnings per share	\$ 1.00	\$ 0.72
Diluted earnings per share	\$ 0.99	\$ 0.71

6. Employee future benefits

The total benefit cost of the Company's defined benefit pension plans was \$8.0 million for the quarter.

7. Contingencies

a) Countervailing and Antidumping Duties

In 2002, the U.S. Department of Commerce ("USDOC") issued its final determination in the countervailing and antidumping investigations, which resulted in a countervailing duty ("CVD") rate of 18.79% and an antidumping duty ("ADD") rate specific to the Company of 2.18%, both to be posted by cash deposits effective from May 22, 2002.

On April 21, 2004 the USDOC issued a response to an earlier NAFTA ruling regarding specific challenges made to the ADD rate calculation. The USDOC concluded that West Fraser's ADD rate would be reduced from 2.18% to 1.79% representing *de minimus* level, with the result that West Fraser would be exempted from the ADD order. This determination has been affirmed by the DOC, but the Company has filed an appeal to NAFTA as the DOC findings also concluded that ADD deposits would not be refunded. While this appeal is ongoing, the DOC affirmative finding is not implemented resulting in the Company continuing to post ADD deposits. A decision on the refund issue is expected imminently.

On September 10, 2004, the U.S. International Trade Commission ("ITC") issued, in response to a NAFTA remand decision, a determination finding that the U.S. lumber industry was not threatened with material injury by reason of lumber imports from Canada. This determination should have resulted in revocation of the CVD and ADD orders by the USDOC and return of the duty deposits. Instead, on November 24, 2004 the U.S. government launched an Extraordinary Challenge of the legality of the decision of the NAFTA panel. A decision on that review is expected in 2005.

Effective December 20, 2004 the Company's CVD and ADD deposit rates were reduced to 17.18% and 0.92%, respectively, as a result of the final determination in the first Administrative Review. These deposits were further reduced due to a ministerial error and recalculated to 16.37% for CVD on February 24, 2005 and to 0.91% for ADD on January 17, 2005.

The Company has recorded an expense for CVD and ADD equal to the amount paid as cash deposits throughout applicable periods. A refund of deposits will be recorded as income in the period received. As at March 31, 2005, the total amount on deposit from May 22, 2002 related to CVD and ADD was US\$247.1 million and US\$31.6 million, respectively.

The Company and other Canadian forest products companies, the Canadian federal and provincial governments (collectively the “Canadian Interests”) categorically deny the U.S. allegations and strongly disagree with the final countervailing and dumping determinations made by the ITC and the USDOC. The 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 CVD and ADD 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. If Canada wins the threat of injury case, which is currently under review with an Extraordinary Challenge Committee, the U.S. cases will be terminated, deposits will cease and the deposits paid to date will be refunded.

b) The Forestry Revitalization Plan (“FRP”)

In 2003, the Government of B.C. (“Crown”) enacted the FRP that provides for significant changes to Crown forest policy and to the existing allocation of Crown timber tenures to licensees. Licensees, including the Company, will be required to return 20% of their replaceable tenures and related assets such as roads and bridges. The effect of the timber take-back is a reduction of approximately 1,266,000 cubic meters of the Company’s existing allowable annual cut on replaceable tenures. The effect of the FRP on the Company’s financial position and results of operations cannot be determined and will be recorded when the amounts can reasonably be determined.

Quarterly Comparisons

January 1 to December 31

(in millions of Canadian dollars – unaudited)

	2005		2004
Sales			
First	\$ 902.4	\$	541.1
Second			606.5
Third			700.0
Fourth			552.4
		\$	2,400.0
Earnings			
First	\$ 42.9	\$	26.5
Second			66.9
Third			78.0
Fourth			40.6
		\$	212.0
Diluted Earnings Per Share (in dollars)			
First	\$ 0.99	\$	0.71
Second		\$	1.79
Third		\$	1.95
Fourth		\$	0.94
Annual		\$	5.36

West Fraser is an integrated forest products company producing lumber, wood chips,
LVL, MDF, plywood, pulp, linerboard, kraft paper and newsprint.
The Company has operations in British Columbia, Alberta and the southern United States.

Effective June 1, 2005, West Fraser's Vancouver corporate office,
and all functions and services offered through the Company's
Vancouver-based office will relocate to:

#501-858 Beatty Street
Vancouver, British Columbia
V6B 1C1 Canada

The corporate main phone and fax numbers remain unchanged.



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