



Second Quarter 2005

 West Fraser Timber Co. Ltd.



West Fraser's 2005 results include the results of operations from the Weldwood acquisition that closed on December 31, 2004 which are not reflected in reporting periods before 2005.

West Fraser earned \$38 million or \$0.88 per share on sales of \$953 million in the second quarter of 2005 compared to earnings of \$67 million or \$1.79 per share on sales of \$607 million in the second quarter of 2004. For the first half of 2005, earnings were \$81 million or \$1.87 per share, on sales of \$1,855 million. This compares to earnings of \$93 million or \$2.50 per share, on sales of \$1,148 million for the first half of 2004.

EBITDA¹ was \$137 million or 14% of sales for the quarter compared to EBITDA of \$146 million or 24% of sales in the second quarter of 2004. For the first half of 2005 EBITDA was \$279 million or 15% of sales compared to \$224 million or 20% of sales for the first half of 2004.

Operational Results

EBITDA in the lumber division for the quarter was \$108 million or 18% of sales compared to \$107 million or 28% of sales in the second quarter of 2004. Lumber duties expensed in the quarter were \$43 million (2004 - \$42 million). Benchmark SPF 2X4 lumber prices averaged US \$361 per Mfbm in the current quarter compared to the previous quarter's average of US \$398 per Mfbm and the second quarter 2004 average of US \$437 per Mfbm.

The greater availability of rail cars during the quarter led to improved shipping levels compared to the first quarter of this year and the comparative quarter of last year. West Fraser continues to use ocean vessels to deliver lumber to the U.S. east coast in order to provide greater reliability to its customers.

The construction of the previously-announced \$100 million sawmill in Quesnel, B.C. began in April and completion is expected in the summer of 2006. A third shift was implemented at the Houston, B.C. sawmill on July 18 which is expected to add 100 MMfbm to annual lumber capacity.

Panel operations generated EBITDA of \$17 million or 13% of sales in the quarter compared to \$25 million or 32% of sales in the comparable quarter of 2004. A quarterly production record for MDF was established during the quarter. MDF mill net realizations improved during the quarter from both the first quarter of 2005 and the second quarter of 2004. The benchmark plywood price averaged \$358 per Msf for the second quarter compared to an average of \$439 per Msf for the first quarter of the year and \$590 per Msf for the second quarter of 2004.

West Fraser's pulp and paper operations recorded EBITDA of \$15 million or 6% of sales for the quarter compared to EBITDA of \$24 million or 14% of sales in the same quarter of last year. The Kitimat linerboard and kraft paper mill, the Hinton NBSK mill and the Quesnel joint venture NBSK mill completed annual maintenance shutdowns in the second quarter. As a result of the shutdowns, production of linerboard and kraftpaper was reduced by approximately 21,000 tonnes and production of NBSK was reduced by approximately 22,000 tonnes. The Alberta newsprint mill ran well and remained profitable despite poor newsprint markets. Benchmark prices for NBSK have remained flat while newsprint and linerboard have improved from the second quarter of 2004. The strengthening of the Canadian dollar has effectively offset any improvements in U.S. dollar pricing.

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.

Port of Vancouver Truckers Dispute

On June 27, 2005, private truckers delivering containers to the Port of Vancouver withdrew services. As West Fraser ships a significant amount of its export products using containers its shipments and revenues may be adversely affected for the duration of the suspension of services. Wherever possible, West Fraser is using alternate means for delivering products to customers and to date no orders have been cancelled as a result of the ongoing disruption. However if the dispute continues, some customers may be forced to source products elsewhere.

Lumber Trade Dispute

On June 9, 2005, a North American Free Trade Agreement (“NAFTA”) panel ordered the U.S. Department of Commerce (“USDOC”) to revoke the anti-dumping order against the Company. In making its ruling the NAFTA panel rejected U.S. claims that West Fraser was not entitled to a refund of its antidumping duty deposits. Specifically, the NAFTA panel held that, “the Order was never valid as to West Fraser.”

In response to a July 11, 2005 DOC remand determination which did not revoke the antidumping order against the Company, on July 21, a NAFTA panel affirmed its prior instruction that the anti-dumping order against WestFraser must be revoked.

Canada continues to be successful in its litigation process under the 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.

On behalf of the Board of Directors,



Henry H. Ketcham

Chairman of the Board,
President & Chief Executive Officer
July 25, 2005

Management's Discussion & Analysis

The following discussion and analysis should be read in conjunction with the unaudited consolidated interim financial statements included in this quarterly report and the Management's Discussion & Analysis included in the Company's 2004 annual report. Additional information relating to the Company, including the Company's AIF is available on SEDAR at www.sedar.com.

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

	April 1 to June 30		January 1 to June 30	
	2005	2004	2005	2004
Financial Highlights				
Sales – \$ millions	952.8	606.5	1,855.2	1,147.6
Operating Earnings – \$ millions	77.3	111.0	156.7	152.9
Amortization – \$ millions	59.9	34.6	122.6	71.0
EBITDA – \$ millions	137.2	145.6	279.3	223.9
EBITDA – % of Sales	14	24	15	20
Earnings – \$ millions	38.0	66.9	80.9	93.4
Diluted Earnings per Share – \$	0.88	1.79	1.87	2.50
Average U.S. / Canadian exchange rate – \$	1.244	1.359	1.235	1.338
Operating Highlights				
Lumber (Mfbm)				
Production	1,104,598	711,668	2,163,428	1,413,905
Shipments	1,122,508	611,521	2,049,842	1,223,119
Panels				
MDF (Msf – 3/4")				
Production	74,664	71,163	146,328	139,624
Shipments	74,810	72,267	146,472	147,875
Plywood (Msf – 3/8")				
Production	184,999	66,580	363,231	127,128
Shipments	194,186	71,064	347,730	134,195
LVL (cf)				
Production	819,307	–	1,633,296	–
Shipments	795,319	–	1,616,471	–
Pulp & Paper (tonnes)				
Linerboard & Kraft Paper				
Production	100,907	104,714	220,120	210,008
Shipments	126,065	95,322	228,678	201,260
NBSK				
Production	129,419	–	280,282	–
Shipments	125,571	–	281,120	–
BCTMP				
Production	138,424	130,682	268,221	261,422
Shipments	125,157	127,634	272,894	256,543
Newsprint				
Production	34,174	34,287	67,401	68,355
Shipments	33,592	33,777	66,280	67,146

Selected Quarterly Information
(\$ millions, except earnings (EPS) amounts)

	June 2005	March 2005	December 2004	September 2004	June 2004	March 2004	December 2003	September 2003
Sale	952.8	902.4	552.4	700.0	606.5	541.1	466.9	483.9
Earnings	38.0	42.9	40.6	78.0	66.9	26.5	34.3	3.1
Basic EPS	0.89	1.00	1.10	2.12	1.82	0.72	0.93	0.09
Diluted EPS	0.88	0.99	0.94	1.95	1.79	0.71	0.92	0.09

West Fraser acquired Weldwood of Canada Limited (“Weldwood”) on December 31, 2004 (see “Weldwood Acquisition”). The inclusion of Weldwood’s operations from January 1, 2005 had a significant effect on West Fraser’s 2005 results due to increased shipment volumes of lumber, plywood, LVL and pulp.

Second quarter and first-half EBITDA as a percentage of sales were lower than the comparative periods of 2004 due primarily to lower SPF lumber and plywood prices. A stronger Canadian dollar in 2005 largely offset 2005 U.S. dollar price increases for the other products sold by the Company. First half 2005 EBITDA was further reduced compared to the first half of 2004 by \$17.1 million (1% of sales) 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 acquisition.

As most of the Company’s products are sold in U.S. dollars, any significant change to the Canadian-U.S. dollar exchange rate has a material effect on sales and earnings for the period. The Company’s U.S. denominated debt provides a partial hedge against these fluctuations. From December 31, 2004, the movement in the exchange rate resulted in a loss of \$9.9 million, \$6.7 million of which was expensed in the second quarter due to the translation of U.S. dollar denominated debt (\$5.0 million loss for the first half of 2004, \$3.0 million of which was expensed in the second quarter of 2004).

Administration expense increased by \$14.9 million from the second quarter of 2004 and by \$27.3 million from the first half of 2004 primarily due to the addition of the Weldwood operations.

The share option expense was a recovery of \$4.5 million for the quarter compared to an expense of \$6.3 million for the comparative quarter of 2004. Year-to-date the expense was \$3.1 million compared to \$16.2 million for the first half of 2004. The option expense is calculated based on the average share price for the last day of the period and the options vested and outstanding.

The financing of the Weldwood acquisition resulted in an increase in interest expense of \$11.5 million from the comparative quarter of last year and of \$19.6 million from the first half of last year. Included in second quarter results was an expense of \$2.6 million of previously deferred costs related to debt that was paid before the due date (see the MD&A section titled “Capital Requirements and Liquidity”).

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 at least 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.

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 harmonizing various business and

Management's Discussion & Analysis

accounting systems, a process that will extend through the first half of 2006.

In February 2005, the Burns Lake Native Development Corporation ("BLNDC"), a shareholder in the Company's Babine 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 Canadian Commissioner of Competition. At this time, there is no certainty as to either the outcome of the application or the timing of a final determination.

Lumber

	April 1 to June 30		January 1 to June 30	
	2005	2004	2005	2004
Production - SPF - MMfbm	1,005	636	1,970	1,263
Production - SYP - MMfbm	100	76	193	151
Shipments - SPF - MMfbm	1,031	539	1,876	1,079
Shipments - SYP - MMfbm	92	73	174	144
Sales - \$ millions	587	377	1,103	706
EBITDA - \$ millions	108	107	210	176
EBITDA margin - %	18	28	19	25
Operating Earnings - \$ millions	81	93	155	147
Benchmark Price - SPF #2 & Better 2 x 4 - (US\$ per Mfbm) ¹	361	437	379	402
- SYP #2 West 2 x 4 - (US\$ per Mfbm) ¹	433	394	413	375

¹Source: Random Lengths-price before duties.

Production and shipments increased over the same periods 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 second quarter and first half of 2005, as the Huttig sawmill was being rebuilt during the first quarter of 2004.

Lumber EBITDA as a percentage of sales decreased from the second quarter of 2004 and from the first half of 2004 primarily as a result of lower SPF lumber prices.

The U.S. softwood lumber duties continued to adversely affect the Company's financial results. The duties described in the following table represent duties expensed in the periods indicated.

Export Duties (\$ millions)	Q1	Q2	Q3	Q4	Total
2005 Export Duties	41	43	-	-	84
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.

SPF lumber prices declined in the second quarter of 2005 despite the continued strong demand in the North American housing market. Prices are expected to remain relatively flat through the third quarter.

The Quesnel, B.C. sawmill construction commenced in the second quarter and is on schedule to be completed in the summer of 2006. Construction costs are estimated at \$100 million. The mill will have three-lines and an annual capacity of 500 MMfbm on a two-shift basis. Effective July 18, 2005, a third shift has been added to the Houston sawmill. Capital expenditures of approximately \$7 million will be incurred related to this expansion and the resulting capacity addition is expected to be 100 MMfbm per annum.



During the quarter, the Company disposed of roads, bridges and planning assets for a gain on disposal of \$3.3 million in the Terrace region related to the B.C. legislated timber take-back.

Panels

	April 1 to June 30		January 1 to June 30	
	2005	2004	2005	2004
Production – MDF – Msf – 3/4" basis	74,664	71,163	146,328	139,624
Shipments – MDF – Msf – 3/4" basis	74,810	72,267	146,472	147,875
Production – Plywood – Msf – 3/8" basis	184,999	66,580	363,231	127,128
Shipments – Plywood – Msf – 3/8" basis	194,186	71,064	347,730	134,195
Production – LVL – cf	819,307	–	1,633,296	–
Shipments – LVL – cf	795,319	–	1,616,471	–
Sales – \$ millions	136	78	268	146
EBITDA – \$ millions	17	25	39	39
EBITDA margin – %	13	32	15	27
Operating Earnings – \$ millions	9	19	21	27
Benchmark Price – MDF (3/4" basis per Msf) ¹ – US\$	463	410	457	390
– Plywood (3/8" basis per Msf) ² – Cdn\$	358	590	398	557

¹Source: RISI and West Fraser database.

²Source: Crow's.

EBITDA as a percentage of sales decreased from the second quarter and first half of 2004 due primarily to lower plywood prices and higher 2005 plywood costs per unit. The 2004 plywood costs per unit were favourably impacted by a downward revision to the Company's silviculture and crown dues accruals. MDF and LVL operations both had a positive influence on panel EBITDA with higher Canadian dollar prices achieved by the MDF division and strong EBITDA contributions by the LVL operation.

MDF

Both MDF plants operated well resulting in a quarterly production record being achieved. Second quarter MDF costs per unit were lower at both mills due in part to increased production volumes. Mill nets were higher than the comparable periods in 2004 due to improved prices on certain grades.

Plywood

Production and shipments more than doubled in the second quarter and first half of 2005 compared to the same periods in 2004 due to the addition of the two Weldwood plywood plants to the Company's operations.

Plywood prices declined in the second quarter and first half of 2005 from the second quarter and first half of 2004. Prices are expected to modestly decline during the remainder of 2005.

Laminated Veneer Lumber

The Company's LVL operation operated well through the quarter. Demand for LVL was strong and favourable market conditions are expected to continue through the year resulting in stable prices.

Management's Discussion & Analysis

Pulp & Paper

	April 1 to June 30		January 1 to June 30	
	2005	2004	2005	2004
Sales – \$ millions	258	164	533	320
EBITDA – \$ millions	15	24	44	33
EBITDA margin – %	6	14	8	10
Operating Earnings – \$ millions	(9)	10	(3)	3

Sales were higher than the corresponding periods in 2004 largely due to the acquisition of Weldwood's NBSK business.

EBITDA as a percentage of sales for the second quarter and first half of 2005 were lower than the comparative periods of 2004 primarily due to lower BCTMP Canadian dollar prices in 2005. Selling prices for West Fraser's pulp and paper products in US dollars, with the exception of BCTMP, increased over the comparative period of 2004 offsetting the impact of the stronger Canadian dollar. BCTMP markets face oversupply due to new capacity, putting pressure on prices. The improved performance of the linerboard and kraft paper plant partially offset the decline in EBITDA margin for the first half of 2005.

Pulp

	April 1 to June 30		January 1 to June 30	
	2005	2004	2005	2004
Production – BCTMP – tonnes	138,424	130,682	268,221	261,422
Shipments – BCTMP – tonnes	125,157	127,634	272,894	256,543
Production – NBSK – tonnes	129,419	–	280,282	–
Shipments – NBSK – tonnes	125,571	–	281,120	–
Benchmark Price – NBSK – US\$ per tonne ¹	653	660	662	630

¹Source: Pulp & Paper Weekly – NBSK U.S. List Price.

The annual maintenance shutdowns for the Quesnel and Hinton NBSK mills were completed this quarter, which reduced production by approximately 22,000 tonnes. The BCTMP mills ran well with a quarterly production record being achieved.

The price outlook for the balance of the year is uncertain as paper demand remains weak and new pulp capacity will further increase supply.

Linerboard and Kraft Paper

	April 1 to June 30		January 1 to June 30	
	2005	2004	2005	2004
Production – tonnes	100,907	104,714	220,120	210,008
Shipments – tonnes	126,065	95,322	228,678	201,260
Benchmark Price – US\$ linerboard (per short ton) ¹	440	412	445	387

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

Planned maintenance shutdowns at the linerboard and kraft paper mill occurred in the second quarter of 2005 and 2004 making the results comparative quarter-to-quarter. The 2005 shutdown reduced production by approximately 21,000 tonnes.

Linerboard prices were higher in the current quarter and first half of 2005 than in the corresponding quarter and first half of 2004, while kraft paper markets marginally improved over the same period. U.S. box demand declined during the second quarter of 2005 which has led to an oversupply of linerboard. The oversupply is expected to cause a price decrease in the third quarter.

Newsprint

	April 1 to June 30		January 1 to June 30	
	2005	2004	2005	2004
Production – tonnes	31,174	34,287	67,401	68,355
Shipments – tonnes	33,592	33,777	66,280	67,146
Benchmark Price – US\$ per tonne ¹	605	552	593	541

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

Although North American newsprint prices have increased from early 2004, the net effect of these increases was reduced by the stronger Canadian dollar. North American newsprint consumption continues to decline. However, given the quality of Alberta Newsprint Company's products 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

	June 30	December 31
	2005	2004
Current Assets – \$ millions	950.1	1,209.8
Current Liabilities – \$ millions	560.6	806.0
Ratio of current assets to current liabilities	1.7	1.5
Net Debt– \$ millions	756.4	602.1
Shareholders' Equity – \$ millions	1,850.6	1,781.5
Net Debt to Capitalization – % ¹	29	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, 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 June 30, 2005 were \$44.4 million, down \$305.2 million from December 31, 2004.

Cash from operating activities in the second quarter was \$161.1 million, comprised of cash generated of \$91.0 million before the change in non-cash working capital items and cash generated of \$70.1 million related to non-cash working capital items. Cash used in operating activities for the first half of the year was \$25.8 million, comprised of cash generated of \$203.8 million before the change in non-cash working capital items and cash used of \$229.6 million related to non-cash working capital items.

Cash used in investing activities was \$63.2 million in the second quarter of 2005 and \$101.0 million in the first half



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of 2005. The majority of cash was used to fund the acquisition of property, plant, equipment and timber, partially offset by proceeds received from asset sales.

Cash used in financing activities of \$106.5 million in the second quarter was for repayment of term loans of \$100.6 million and dividends of \$6.0 million. First half financing activities used an additional \$71.9 million to pay an operating loan of \$66.0 million and the first quarter dividend payments of \$6.0 million.

On June 16, 2005, the Company increased its revolving credit facility from \$350 million to \$500 million, extended the term to maturity to five years and repaid the \$100 million that remained outstanding under its three year term loan.

Capital Structure

The Company issued 4,111 Common shares for \$0.2 million during the six month ended June 30, 2005. The shares issued and outstanding at June 30, 2005 are presented in the table below.

	June 30 2005
Common	37,363,655
Class B Common	5,385,206
Total Common	42,748,861

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 exposes the Company to additional currency risk. Currently, the Company is not hedging its foreign exchange exposure with financial forward or option contracts.

The U.S. dollar averaged Cdn \$1.244 in the quarter compared to Cdn \$1.359 in the second quarter of 2004. The first half of the year averaged Cdn \$1.235 compared to Cdn \$1.338 in the first half of 2004.

Port of Vancouver Truckers Dispute

On June 27, 2005, private truckers delivering containers to the Port of Vancouver withdrew services. As the Company ships a significant amount of its products through the Port of Vancouver, its shipments and revenues may be adversely affected for the duration of the suspension of services. Wherever possible, the Company is using alternative means for delivering products to customers and to date no orders have been cancelled as a result of the ongoing disruption. However if the dispute continues, some customers may be forced to source products elsewhere.

U.S. Trade Dispute Update

On February 24, 2005, the countervailing duty ("CVD") deposit rate was reduced to 16.37% due to a ministerial error recalculation. Also on January 17, 2005, West Fraser's antidumping duty ("ADD") deposit rate was reduced to 0.91% due to a ministerial error recalculation.

On June 9, 2005, West Fraser achieved a significant victory in the long-running softwood lumber dispute when a NAFTA ("North American Free Trade Agreement") panel ordered the U.S. Department of Commerce ("USDOC") to revoke the anti-dumping order against the Company. In making its ruling, the NAFTA panel rejected U.S. claims that West Fraser was not entitled to a refund of its antidumping duty deposits. Specifically, the NAFTA panel held that, "the

Order was never valid as to West Fraser."

On July 11, 2005, the USDOC issued a remand determination related to the initial period of investigation in which the USDOC adopted a completely new methodology resulting in a 3.21% dumping margin for West Fraser. Because that recalculated margin was above *de minimis*, the USDOC did not revoke the antidumping order against the Company. On July 21, 2005, the NAFTA panel ruled that this attempt by the USDOC to recalculate West Fraser's margin was invalid and that the antidumping order against West Fraser must be revoked.

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 ("WTO"). 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>	April 1 to June 30		January 1 to June 30	
	2005	2004	2005	2004
EARNINGS				
Sales	\$ 952.8	\$ 606.5	\$ 1,855.2	\$ 1,147.6
Costs and expenses				
Cost of products sold	606.3	316.2	1,161.3	637.6
Freight and other distribution costs	137.0	77.4	263.9	160.0
Countervailing and antidumping duties	42.8	41.9	83.6	73.2
Amortization	59.9	34.6	122.6	71.0
Selling, general and administration	34.0	19.1	64.0	36.7
Share option expense	(4.5)	6.3	3.1	16.2
	875.5	495.5	1,698.5	994.7
Operating earnings	77.3	111.0	156.7	152.9
Other				
Interest expense – net	(15.5)	(4.0)	(27.9)	(8.3)
Exchange loss on long-term debt	(6.7)	(3.0)	(9.9)	(5.0)
Other income	5.1	1.0	8.6	1.5
Earnings before income taxes and non-controlling interest	60.2	105.0	127.5	141.1
Income tax expense	(21.5)	(38.1)	(45.4)	(47.7)
Earnings before non-controlling interest	38.7	66.9	82.1	93.4
Non-controlling interest	(0.7)	–	(1.2)	–
Earnings	\$ 38.0	\$ 66.9	\$ 80.9	\$ 93.4
Earnings per share (note 6)				
Basic	\$ 0.89	\$ 1.82	\$ 1.89	\$ 2.54
Diluted	\$ 0.88	\$ 1.79	\$ 1.87	\$ 2.50
RETAINED EARNINGS				
Balance – beginning of period	\$ 1,185.1	\$ 1,015.1	\$ 1,185.1	\$ 993.8
Earnings	38.0	66.9	80.9	93.4
	1,223.1	1,082.0	1,266.0	1,087.2
Common share dividends	(6.0)	(5.1)	(12.0)	(10.3)
Balance – end of period	\$ 1,217.1	\$ 1,076.9	\$ 1,254.0	\$ 1,076.9

Consolidated Statements of Cash Flows

<i>(in millions of Canadian dollars – unaudited)</i>	April 1 to June 30		January 1 to June 30	
	2005	2004	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES				
Earnings	\$ 38.0	\$ 66.9	\$ 80.9	\$ 93.4
Items not affecting cash				
Amortization	59.9	34.6	122.6	71.0
Exchange loss on long-term debt	6.7	3.0	9.9	5.0
Change in reforestation obligation	(6.6)	(7.7)	5.7	1.9
Change in other long-term liabilities	0.3	0.2	1.2	(0.8)
Change in deferred charges	(0.1)	(0.4)	2.2	(0.4)
Future income taxes	(5.5)	(3.0)	(17.6)	(9.4)
(Gain) loss on sale of property, plant, equipment & timber	(2.9)	(0.7)	(3.5)	(0.3)
Other	1.2	0.7	2.4	1.2
	91.0	93.6	203.8	161.6
Net change in non-cash working capital items	70.1	53.1	(229.6)	(22.7)
	161.1	146.7	(25.8)	138.9
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long-term debt	(100.6)	(13.3)	(100.6)	(13.3)
Repayment of operating loans	–	–	(66.0)	–
Dividends	(6.0)	(5.1)	(12.0)	(10.3)
Issuance of Common shares <i>(note 5)</i>	0.1	0.1	0.2	0.5
Other	–	–	–	0.1
	(106.5)	(18.3)	(178.4)	(23.0)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant, equipment & timber	(67.1)	(36.6)	(102.3)	(59.2)
Proceeds from disposal of property, plant, equipment & timber	4.9	3.3	6.7	3.4
(Increase) decrease in other assets	(1.0)	(3.4)	(5.4)	(12.7)
	(63.2)	(36.7)	(101.0)	(68.5)
Change in cash and short-term investments	(8.6)	91.7	(305.2)	47.4
Cash and short-term investments – beginning of period	53.0	221.6	349.6	265.9
Cash and short-term investments – end of period	\$ 44.4	\$ 313.3	\$ 44.4	\$ 313.3
Interest paid	\$ 18.1	\$ 4.8	\$ 25.4	\$ 11.1
Income taxes paid	\$ 54.8	\$ 8.1	\$ 225.4	\$ 17.0

Consolidated Balance Sheets

	As at June 30, 2005	As at December 31, 2004
<i>(in millions of Canadian dollars – unaudited)</i>		
ASSETS		
Current assets		
Cash and short-term investments	\$ 44.4	\$ 349.6
Accounts receivable	315.0	296.2
Income tax receivable	16.3	–
Inventories	529.5	541.2
Prepaid expenses	44.9	22.8
	<u>950.1</u>	<u>1,209.8</u>
Property, plant, equipment & timber	2,326.0	2,337.0
Deferred charges	34.1	36.3
Goodwill	276.7	276.7
Other assets	67.5	67.6
	<u>\$ 3,654.4</u>	<u>\$ 3,927.4</u>
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities		
Bank operating loans	\$ –	\$ 66.0
Accounts payable and accrued liabilities	355.5	392.1
Income tax payable	–	147.3
Current portion of reforestation obligation	50.8	50.4
Current portion of long-term debt	154.3	150.2
	<u>560.6</u>	<u>806.0</u>
Long-term debt	646.5	735.5
Reforestation obligation	77.9	70.6
Other liabilities	120.0	118.6
Future income taxes	392.0	409.6
Non-controlling interest	6.8	5.6
	<u>1,803.8</u>	<u>2,145.9</u>
Shareholders' equity (note 5)	1,850.6	1,781.5
	<u>\$ 3,654.4</u>	<u>\$ 3,927.4</u>

Number of Common shares outstanding at July 22, 2005 was 42,749,790



Second Quarter Segmented Information

<i>(in millions of Canadian dollars – unaudited)</i>	Lumber	Panels	Pulp & Paper	Corporate & Other	Consolidated
April 1, 2005 to June 30, 2005					
Sales					
To external customers	\$ 560.3	\$ 134.2	\$ 258.3	\$ –	\$ 952.8
To other segments	26.5	1.7	–	–	–
	<u>\$ 586.8</u>	<u>\$ 135.9</u>	<u>\$ 258.3</u>	<u>\$ –</u>	
EBITDA ¹	\$ 107.6	\$ 17.4	\$ 14.6	\$ (2.4)	\$ 137.2
Amortization	26.8	8.9	23.4	0.8	59.9
Operating earnings (loss)	80.8	8.5	(8.8)	(3.2)	77.3
Interest expense	(9.2)	(3.1)	(2.2)	(1.0)	(15.5)
Exchange loss on long-term debt	–	–	–	(6.7)	(6.7)
Other income (expense)	2.7	(0.6)	0.5	2.5	5.1
Earnings (loss) before income taxes & non-controlling interest	<u>\$ 74.3</u>	<u>\$ 4.8</u>	<u>\$ (10.5)</u>	<u>\$ (8.4)</u>	<u>\$ 60.2</u>
April 1, 2004 to June 30, 2004					
Sales					
To external customers	\$ 364.5	\$ 77.6	\$ 164.4	\$ –	\$ 606.5
To other segments	12.6	–	–	–	–
	<u>\$ 377.1</u>	<u>\$ 77.6</u>	<u>\$ 164.4</u>	<u>\$ –</u>	
EBITDA ¹	\$ 107.4	\$ 25.0	\$ 23.8	\$ (10.6)	\$ 145.6
Amortization	14.1	5.8	14.3	0.4	34.6
Operating earnings (loss)	93.3	19.2	9.5	(11.0)	111.0
Interest expense	(2.4)	(0.3)	(1.3)	–	(4.0)
Exchange loss on long-term debt	–	–	–	(3.0)	(3.0)
Other income (expense)	(0.9)	–	(0.4)	2.3	1.0
Earnings (loss) before income taxes & non-controlling interest	<u>\$ 90.0</u>	<u>\$ 18.9</u>	<u>\$ 7.8</u>	<u>\$ (11.7)</u>	<u>\$ 105.0</u>

First Half Segmented Information

<i>(in millions of Canadian dollars – unaudited)</i>	Lumber	Panels	Pulp & Paper	Corporate & Other	Consolidated
January 1, 2005 to June 30, 2005					
Sales					
To external customers	\$ 1,058.0	\$ 264.2	\$ 533.0	\$ –	\$ 1,855.2
To other segments	44.7	3.7	–	–	–
	<u>\$ 1,102.7</u>	<u>\$ 267.9</u>	<u>\$ 533.0</u>	<u>\$ –</u>	
EBITDA ¹	\$ 210.3	\$ 38.9	\$ 44.1	\$ (14.0)	\$ 279.3
Amortization	55.6	18.2	47.2	1.6	122.6
Operating earnings (loss)	154.7	20.7	(3.1)	(15.6)	156.7
Interest expense	(16.0)	(6.3)	(5.9)	0.3	(27.9)
Exchange loss on long-term debt	–	–	–	(9.9)	(9.9)
Other income (expense)	4.4	0.1	1.0	3.1	8.6
Earnings (loss) before income taxes & non-controlling interest	<u>\$ 143.1</u>	<u>\$ 14.5</u>	<u>\$ (8.0)</u>	<u>\$ (22.1)</u>	<u>\$ 127.5</u>
January 1, 2004 to June 30, 2004					
Sales					
To external customers	\$ 681.7	\$ 146.0	\$ 319.9	\$ –	\$ 1,147.6
To other segments	24.6	–	–	–	–
	<u>\$ 706.3</u>	<u>\$ 146.0</u>	<u>\$ 319.9</u>	<u>\$ –</u>	
EBITDA ¹	\$ 176.2	\$ 39.0	\$ 32.5	\$ (23.8)	\$ 223.9
Amortization	28.8	12.2	29.1	0.9	71.0
Operating earnings (loss)	147.4	26.8	3.4	(24.7)	152.9
Interest expense	(4.7)	(0.6)	(2.6)	(0.4)	(8.3)
Exchange loss on long-term debt	–	–	–	(5.0)	(5.0)
Other income (expense)	(1.4)	–	(0.8)	3.7	1.5
Earnings (loss) before income taxes & non-controlling interest	<u>\$ 141.3</u>	<u>\$ 26.2</u>	<u>\$ –</u>	<u>\$ (26.4)</u>	<u>\$ 141.1</u>

¹Non 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 described 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. To date, the average pulp price has been below the levels that would trigger additional consideration. 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. For the period ended June 30, 2005, \$1.7 million (\$0.9 million in the three months ended June 30, 2005) was paid related to the estimated severance and other costs. 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. Bank Indebtedness

The Company has approximately \$531 million in revolving lines of credit available that bear interest at floating rates based on prime, US base, bankers acceptances or LIBOR at the Company's option.

5. Shareholders' Equity

	June 30, 2005		December 31, 2004	
	Number of Shares Issued	Amount	Number of Shares Issued	Amount
Common	37,363,655	\$ 596.7	37,359,544	\$ 596.5
Class B common	5,385,206	0.5	5,385,206	0.5
Total Common	<u>42,748,861</u>	597.2	42,744,750	597.0
Retained Earnings		1,254.0		1,185.1
Share Purchase Loans		(0.6)		(0.6)
Shareholders' Equity		<u>\$ 1,850.6</u>		<u>\$ 1,781.5</u>



Common Shares

For the three months ended June 30, 2005, the Company issued 2,156 Common shares for cash of \$0.1 million (six months ended June 30, 2005 issued 4,111 Common shares for cash of \$0.2 million).

6. 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.

	April 1 to June 30		January 1 to June 30	
	2005	2004	2005	2004
Earnings available to shareholders	\$ 38.0	\$ 66.9	\$ 80.9	\$ 93.4
Weighted average shares (thousands)				
Weighted average shares – basic	42,723	36,834	42,722	36,831
Share options – treasury stock method	538	523	587	483
Weighted average shares – diluted	43,261	37,357	43,309	37,314
Earnings per share (dollars)				
Basic earnings per share	\$ 0.89	\$ 1.82	\$ 1.89	\$ 2.54
Diluted earnings per share	\$ 0.88	\$ 1.79	\$ 1.87	\$ 2.50

7. Employee future benefits

The total benefit cost of the Company's defined benefit pension plans was \$6.8 million for the quarter (\$14.8 million for the six months ended June 30, 2005).

8. 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. In response to a July 11, 2005 DOC remand determination which did not revoke the antidumping order against the Company, on July 21, a NAFTA panel affirmed its prior instruction that the anti-dumping order against West Fraser must be revoked.

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 June 30, 2005, the total amount on deposit from May 22, 2002 related to CVD and ADD was US\$279.9 million and US\$33.6 million respectively. This amount does not include the amounts on deposit from Weldwood prior to the acquisition by the Company (see note 3).

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.

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.



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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.