West Fraser Timber Co. Ltd.

Third Quarter 2001

Report to Shareholders

Strong Earnings in Difficult Environment

For the three-month period ended September 30, 2001, West Fraser earned $46 million or $1.50 per share on a diluted basis compared to $24 million or $0.76 per share on a diluted basis in the same quarter in 2000. Sales during the quarter were $407 million compared to $341 million in 2000. For the nine months in 2001 West Fraser earned $117 million or $3.39 per share on a diluted basis compared to $109 million or $3.47 per share on a diluted basis in the first nine months of 2000. Sales from continuing operations for the first nine months of 2001 were $1,199 million compared to $1,137 million for the first nine months of 2000.

The results include an accrual of $8.7 million on account of the preliminary countervailing duty of 19.31% for the period from August 17 to September 30 imposed by the U.S. Department of Commerce ("DOC"). The final amount of countervailing duties that may be assessed on Canadian lumber exports to the United States will depend on determinations yet to be made by the U.S. government and by any reviewing courts or NAFTA or WTO panels.

The results were also affected by a reduction in income tax expense of $17 million relating to a decrease in future income tax liabilities due to a reduction in enacted income tax rates, mainly in British Columbia.

Earnings for the quarter, before the countervail duty accrual and income tax adjustments noted above, were $35 million or $1.12 per share on a diluted basis and for the nine-month period were $106 million or $3.02 per share on a diluted basis, respectively.

EBITDA was $85 million for the quarter compared to $72 million in the third quarter of 2000. The EBITDA margin for the quarter as well as for the same period of last year was 21%.

U.S. Trade Dispute

In addition to major economic and geopolitical events, the softwood lumber dispute with the United States is having a significant impact on lumber operations. The potential countervail duty on sales to the United States, if confirmed, represents a significant additional cost of lumber sales.

The DOC also continues its investigation of alleged dumping of lumber in the United States. West Fraser was selected as one of six "respondents" whose selling activities are being scrutinized by the DOC. The DOC's preliminary decision in the antidumping case is expected on October 30, 2001. West Fraser, along with the rest of the Canadian lumber industry, believes that the dumping allegations are unfounded. However, because of the complex and sometimes uncertain nature of the anti-dumping investigation, there can be no assurance that West Fraser will not be adversely affected.

Divisional Results

West Fraser's Canadian sawmills took two weeks downtime in the quarter. In addition, the newly acquired Chasm mill was down for the entire quarter for a rebuild and is due to start up at the end of the year. The Williams Lake mill had extended downtime due to a capital improvement project. The custom-cut specialty mill in Prince Rupert has been shut down for an indefinite period. Due to present market conditions the Canadian mills will take a further two-week shutdown in October.

Despite the production curtailments taken in the quarter, the uncertain markets, and the accrual for countervailing duty, the lumber division generated $50 million of EBITDA during the quarter compared to $22 million during the same quarter last year. The EBITDA margin was 21% compared to 12% for the third quarter of 2000. The average benchmark western SPF 2x4 price increased to US $287 for the third quarter of 2001 compared to US $223 for the third quarter of 2000.

The results for the panel division continue to improve with strong operating performance and stable product pricing together with increased sales of specialty products. This segment generated EBITDA of $17 million during the quarter compared to $10 million in 2000 representing a margin of 32% and 22% respectively.

Pulp and paper markets remained depressed during the quarter. In the current economic climate it is difficult to see any near-term improvement.

The results for the pulp and paper segment reflect poor product pricing and lower than expected production from the Kitimat linerboard and kraft paper operations. In addition, the price of electricity sold from time to time into the open markets by the Alberta-based operations was significantly lower in this quarter compared to earlier periods. The Alberta newsprint mill was shut down for 15 days during the quarter to complete a major capital project. The project is expected to improve newsprint quality and to increase annual capacity to 260,000 tonnes on a 100% basis. The Kitimat mill will take its scheduled maintenance shutdown of 14 days in October, which will negatively impact the fourth quarter's results.

The EBITDA from pulp and paper operations was $20 million for the quarter compared to $42 million in 2000 representing a margin of 16% and 31% respectively.

Outlook

While the immediate future is clouded by external events that could have a negative affect on our business, West Fraser's low-cost position, proven operating performance, dedicated workforce and very strong balance sheet should allow us to emerge from these difficult times as a stronger company.

On behalf of the Board of Directors

Henry Ketcham

Henry H. Ketcham
Chairman of the Board,
President and Chief Executive Officer
October 18, 2001

Management's Discussion and Analysis

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

LUMBER

West Fraser's lumber division produced 445 MMfbm in the quarter (year-to-date 1,555 MMfbm) compared to 391 MMfbm (year-to-date 1,289 MMfbm) in the third quarter of 2000. The increase is due to the addition of the two sawmills in the southern United States on December 15, 2000, which contributed 72 MMfbm for the quarter (year-to-date 215 MMfbm). During the quarter production curtailments combined with the sawmill rebuild project at the Chasm mill and the Williams Lake mill capital improvement project removed 110 million board feet from production. In the third quarter of 2000 production curtailments removed 50 million board feet from production.

EBIDTA for the quarter was $49.8 million (21% of sales) compared to $21.6 million (12% of sales) for the third quarter of 2000. EBITDA for the first nine months was $139.5 million (20% of sales) compared to $129.4 million (21% of sales) for the first nine months of 2000. The increase for the quarter was due to a weaker Canadian dollar, lower unit production costs, and higher lumber prices net of the duty accrual. In addition, shipments increased by 112 MMfbm over the third quarter of 2000 due primarily to the addition of the two US sawmills. The third quarter average price for western SPF 2x4 was US $287/Mfbm compared to US $223/Mfbm for the third quarter of 2000. For the nine-month period the benchmark western SPF 2x4 price averaged US $259/Mfbm compared to an average of US $277/Mfbm for the same period in 2000. The year-to-date EBITDA increase was due primarily to increased shipments, lower unit production costs and a weaker Cdn dollar, offset by average lower selling prices for lumber.

The results include an accrual of $8.7 million on account of the preliminary countervailing duty of 19.31% for the period from August 17 to September 30 imposed by the U.S. Department of Commerce.

PANELS

MDF production for the third quarter of 2001 was 63 MMsf versus 63 MMsf for the comparative period last year. On a year-to-date basis, production increased to 188 MMsf from 177 MMsf. Plywood production was relatively consistent with the prior period on both a quarter and year-to-date comparison basis.

EBIDTA for the quarter was $17.0 million (32% of sales) compared to $10.2 million (22% of sales) for the third quarter of 2000. EBITDA for the first nine months was $45.2 million (28% of sales) compared to $39.9 million (26% of sales) for the first nine months of 2000. The increase for the quarter and year-to-date was primarily due to higher mill nets achieved by the MDF division due to the development of niche markets and specialization by the two mills.

PULP & PAPER

West Fraser produced 221,330 tonnes of pulp and paper for the quarter compared to 217,212 tonnes for the third quarter of 2000. The year-to-date production was 677,595 tonnes compared to 679,109 tonnes for the first nine months of 2000. The Kitimat mill maintenance shutdown will take place in the fourth quarter of this year whereas in 2000 it took place in the third quarter resulting in a production increase of 15,761 tonnes of linerboard and kraft paper. The Alberta newsprint mill was shutdown for 15 days during the quarter to complete a capital project which will improve newsprint quality and expand capacity (100% basis) by 10,000 tonnes.

EBIDTA for the quarter was $20.2 million (16% of sales) compared to $42.3 million (31% of sales) for the third quarter of 2000. EBITDA for the first nine months was $85.9 million (23% of sales) compared to $124.2 million (29% of sales) for the first nine months of 2000. The EBIDTA decreased on a quarterly and year-to-date basis due to weakening pulp and paper demand which led to declining transaction prices offset by lower unit production costs in the pulp and paper operations and the positive effect of the weaker Canadian dollar.

EARNINGS AND REVENUE COMPARISON

Consolidated net sales for the third quarter were $407 million (2000 – $341 million) and for the first nine months were $1,199 million (2000 – $1,137 million).

CONSOLIDATED NET SALES	(change from)	
	Quarter Three 2000	First Nine Months 2000
Lumber	INCREASE 35%	INCREASE 14%
Panels	INCREASE 14%	INCREASE 7%
Pulp & Paper	DECREASE 10%	DECREASE 12%

EBITDA for the third quarter were $85 million (2000 – $72 million) and for the first nine months were $264 million (2000 – $287 million).

EBITDA	(change from)	
	Quarter Three 2000	First Nine Months 2000
Lumber	INCREASE 131%	INCREASE 8%
Panels	INCREASE 67%	INCREASE 13%
Pulp & Paper	DECREASE 52%	DECREASE 31%

Management's Discussion and Analysis

The increase in net sales for the third quarter and for the first nine months of 2001 compared to the same periods in 2000 was primarily due to increased sales in the lumber division offset by a decrease in sales from the pulp & paper division. Shipments of lumber were higher in 2001 compared to 2000 mostly due to the addition of the two mills in the southern United States in December of 2000. The decrease in pulp and paper sales over the same periods was due to lower pulp and paper prices.

The lumber division's EBITDA increase of $28 million quarter-to-quarter and the panel division's increase of $7 million was partially offset by a $22 million decrease in pulp & paper. On a year-to-date basis, EBITDA decreased by $23 million due primarily to a $38 million decrease in pulp and paper EBITDA offset by the increases in the other segments.

Financing expense for the quarter was $13 million compared to $11 million for the third quarter of 2000. Financing expense for the first nine months of 2001 was $35 million versus $30 million for the first nine months of 2000. The increase in expense for the quarter and year-to-date is due primarily to the increased amortization of deferred foreign exchange loss on the long-term debt. The deferred foreign exchange loss on the balance sheet has increased due to further weakening of the Canadian dollar.

Income tax expense was reduced by $17 million relating primarily to a decrease in future income tax liabilities due to a reduction in enacted income tax rates, mainly in British Columbia. Excluding this adjustment, the effective tax rate for the third quarter of 2001 was 38%, compared to 42% in the corresponding period of 2000. On a year-to-date basis, excluding the reduction mentioned above, the effective tax rate was 38% compared to 41% in the corresponding period of 2000.

U.S. TRADE DISPUTE

As explained in note 5 to the interim financial statements, included with this report, the Company has accrued $8.7 million on account of the preliminary contervailing duty of 19.31% imposed by the U.S. Department of Commerce ("DOC") for the period of August 17 to September 30. The DOC has also alleged that certain conditions existed which may result in duties on sales of softwood lumber applying retroactively for the period May 20 to August 16. As well as the countervail action the DOC continues its investigation of alleged dumping of lumber in the United States. West Fraser has not accrued any amount in its financial statements for potential retroactive countervail or for any potential dumping duty because management believes the likelihood of the outcome is not determinable at this time. The Company estimates the following financial statement impact for every 1% increase or decrease in the countervailing duty or anti-dumping rate:

	May 19 to Aug 16	Aug 17 to Sept 30
Net sales to U.S.	$0.88 million	$0.37 million
Net earnings	$0.54 million	$0.23 million
Diluted earnings per share	$0.018	$0.008

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 third quarter of 2001 the U.S. dollar traded between Cdn $1.58 and Cdn $1.51 with an average of Cdn $1.55 (third quarter 2000 – between Cdn $1.51 and Cdn $1.46 with an average of Cdn $1.48). On a year-to-date basis the rates fluctuated between Cdn $1.58 and Cdn $1.49 for 2001 and Cdn $1.51 and Cdn $1.43 for 2000, with averages of Cdn $1.54 and Cdn $1.47 respectively.

Consolidated Statements of Earnings and Retained Earnings

(in millions of Canadian dollars – unaudited)

	July 1 to September 30		January 1 to September 30	
	2001	2000	**2001**	2000
EARNINGS				
Net Sales	**$407.4**	$340.8	**$1,198.6**	$1,137.0
Cost of products sold	**305.5**	254.3	**881.3**	803.0
Amortization of capital assets	**30.8**	34.1	**92.9**	92.6
Selling, general and administrative	**16.9**	14.8	**53.0**	47.0
Operating earnings	**54.2**	37.6	**171.4**	194.4
Financing expense	**(12.8)**	(10.6)	**(35.4)**	(30.0)
Other income	**5.5**	7.8	**7.2**	10.0
Earnings from continuing operations before income taxes	**46.9**	34.8	**143.2**	174.4
Income taxes	**0.9**	14.7	**37.5**	71.8
Net earnings from continuing operations	**46.0**	20.1	**105.7**	102.6
Net earnings from discontinued operations (note 3)	**–**	4.2	**11.5**	6.5
Net earnings	**$ 46.0**	$ 24.3	**$ 117.2**	$ 109.1
Net earnings per share *(in dollars)* (note 4)				
Basic from continuing operations	**$ 1.50**	$ 0.65	**$ 3.44**	$ 3.37
Basic after discontinued operations	**$ 1.50**	$ 0.77	**$ 3.41**	$ 3.54
Diluted from continuing operations	**$ 1.50**	$ 0.65	**$ 3.43**	$ 3.37
Diluted after discontinued operations	**$ 1.50**	$ 0.76	**$ 3.39**	$ 3.47
RETAINED EARNINGS				
Balance – beginning of period	**$832.7**	$745.9	**$ 782.8**	$ 681.5
Change in accounting for future income taxes	**–**	–	**–**	(13.1)
	832.7	745.9	**782.8**	668.4
Net earnings	**46.0**	24.3	**117.2**	109.1
	878.7	770.2	**900.0**	777.5
Convertible obligation	**–**	(0.6)	**(12.6)**	(1.7)
Cancellation of shares	**–**	–	**–**	2.2
Dividends	**(4.6)**	(4.3)	**(13.3)**	(12.7)
Balance – end of period	**$874.1**	$765.3	**$ 874.1**	$ 765.3

Consolidated Statements of Cash Flows

(in millions of Canadian dollars – unaudited)

	July 1 to September 30		January 1 to September 30	
	2001	2000	**2001**	2000
CASH FLOWS				
Cash Flows from Operating Activities				
Net earnings from continuing operations	**$ 46.0**	$ 20.1	**$105.7**	$102.6
Amortization of capital assets	**30.8**	34.1	**92.9**	92.6
Amortization of deferred foreign exchange loss	**4.0**	1.9	**9.5**	5.6
Future income taxes	**(13.3)**	–	**(13.6)**	1.0
Change in reforestation obligation	**(11.4)**	(12.8)	**(3.7)**	(5.0)
Other	**0.2**	(3.7)	**0.2**	(5.1)
	56.3	39.6	**191.0**	191.7
Net change in non-cash working capital items	**92.9**	32.5	**20.4**	(104.6)
Total Operating Activities	**149.2**	72.1	**211.4**	87.1
Cash Flows from Financing Activities				
Proceeds from long-term debt	**–**	–	**76.4**	–
Repayment of long-term debt	**–**	–	**(112.8)**	(37.4)
Dividends	**(4.7)**	(4.5)	**(14.1)**	(13.0)
Other	**0.1**	0.2	**0.6**	0.3
Total Financing Activities	**(4.6)**	(4.3)	**(49.9)**	(50.1)
Cash Flows from Investing Activities				
Capital asset additions	**(40.5)**	(16.2)	**(72.5)**	(48.7)
Proceeds from disposal of capital assets	**0.7**	1.3	**1.9**	3.6
Acquisition	**–**	–	**(29.9)**	–
Decrease (increase) in other assets	**3.8**	(55.3)	**(4.1)**	(55.6)
Total Investing Activities	**(36.0)**	(70.2)	**(104.6)**	(100.7)
Increase (decrease) in cash from continuing operations	**108.6**	(2.4)	**56.9**	(63.7)
Increase (decrease) in cash from discontinued operations	**188.8**	21.0	**284.3**	(7.4)
Net cash – beginning of period	**(51.8)**	(34.4)	**(95.6)**	55.3
Net cash – end of period	**$245.6**	$ (15.8)	**$245.6**	$ (15.8)
Interest Paid	**$ 14.3**	$ 13.6	**$ 39.6**	$ 37.8
Income Taxes Paid	**$ 26.2**	$ 6.1	**$ 70.2**	$141.6

Consolidated Balance Sheets

(in millions of Canadian dollars – unaudited)

	As at September 30, 2001	As at December 31, 2000
ASSETS		
Cash and short-term investments	$ 245.6	$ –
Accounts receivable	173.8	182.4
Inventories	337.1	334.9
Prepaid expenses	10.9	6.4
Discontinued – Current Assets	13.7	234.0
	781.1	757.7
Other assets	86.9	78.6
Capital assets	1,277.5	1,272.6
Deferred charges	49.2	36.4
Discontinued – Long Term Assets	192.3	308.2
	$2,387.0	$2,453.5
LIABILITIES		
Bank indebtedness	$ –	$ 95.6
Accounts payable	256.2	245.0
Current portion of long-term debt	236.7	37.5
Discontinued – Current Liabilities	33.2	65.2
	526.1	443.3
Long-term debt	357.6	570.6
Reforestation obligation	67.7	63.8
Future income taxes	231.6	245.2
Discontinued – Long Term Liabilities	5.0	3.3
SHAREHOLDERS' EQUITY		
Convertible obligation	–	19.5
Share capital	324.9	324.3
Contributed surplus	–	0.7
Retained earnings	874.1	782.8
	$2,387.0	$2,453.5

Quarterly Comparisons – Continuing Operations

January 1 to December 31

	2001	2000
Sales *(in millions of dollars)*		
First	$ 375.1	$ 393.9
Second	416.1	402.3
Third	407.4	340.9
Fourth	–	367.7
	–	$1,504.8
Net Earnings *(in millions of dollars)*		
First	$ 17.9	$ 45.9
Second	41.8	36.6
Third	46.0	20.1
Fourth	–	19.2
	–	$ 121.8
Diluted Earnings Per Share *(in dollars)*		
First	$ 0.58	$ 1.52
Second	$ 1.36	$ 1.21
Third	$ 1.50	$ 0.65
Fourth	–	$ 0.62
Annual	–	$ 3.99

Number of common shares outstanding at September 30, 2001 was 30,362,491.

Third Quarter Segmented Information

(in millions of Canadian dollars – unaudited)

	Lumber	Panels	Pulp & Paper	Corporate & Other	Consolidated
July 1, 2001 to September 30, 2001					
Net sales at market prices					
To external customers	**$230.7**	**$ 53.7**	**$123.0**		**$407.4**
To other segments	**5.0**				
	$235.7	**$ 53.7**	**$123.0**	**–**	
EBITDA	**$ 49.8**	**$ 17.0**	**$ 20.2**	**$ (2.0)**	**$ 85.0**
Amortization of capital assets	**12.6**	**5.5**	**12.5**	**0.2**	**30.8**
Operating income (loss)	**37.2**	**11.5**	**7.7**	**(2.2)**	**54.2**
Financing expense	**4.1**	**0.3**	**5.3**	**3.1**	**12.8**
Other	**0.9**	**(0.1)**	**0.2**	**(6.5)**	**(5.5)**
Earnings (loss) before income taxes	**$ 32.2**	**$ 11.3**	**$ 2.2**	**$ 1.2**	**$ 46.9**
July 1, 2000 to September 30, 2000					
Net sales at market prices					
To external customers	$156.6	$ 46.9	$137.3		$340.8
To other segments	17.5				
	$174.1	$ 46.9	$137.3	–	
EBITDA	$ 21.6	$ 10.2	$ 42.3	$ (2.4)	$ 71.7
Amortization of capital assets	16.0	5.6	12.4	0.1	34.1
Operating income (loss)	5.6	4.6	29.9	(2.5)	37.6
Financing expense	2.3	2.0	5.4	0.9	10.6
Other	(5.1)	–	(0.5)	(2.2)	(7.8)
Earnings (loss) before income taxes	$ 8.4	$ 2.6	$ 25.0	$ (1.2)	$ 34.8

First Nine Months Segmented Information

(in millions of Canadian dollars – unaudited)

	Lumber	Panels	Pulp & Paper	Corporate & Other	Consolidated
January 1, 2001 to September 30, 2001					
Net sales at market prices					
To external customers	**$661.5**	**$163.3**	**$373.8**		**$1,198.6**
To other segments	**37.5**				
	$699.0	**$163.3**	**$373.8**	**–**	
EBITDA	**$139.5**	**$ 45.2**	**$ 85.9**	**$ (6.3)**	**$ 264.3**
Amortization of capital assets	**36.9**	**17.4**	**38.4**	**0.2**	**92.9**
Operating income (loss)	**102.6**	**27.8**	**47.5**	**(6.5)**	**171.4**
Financing expense	**12.6**	**3.9**	**15.8**	**3.1**	**35.4**
Other	**(0.1)**	**(0.1)**	**0.5**	**(7.5)**	**(7.2)**
Earnings (loss) before income taxes	**$ 90.1**	**$ 24.0**	**$ 31.2**	**$ (2.1)**	**$ 143.2**
January 1, 2000 to September 30, 2000					
Net sales at market prices					
To external customers	$561.7	$152.6	$422.7		$1,137.0
To other segments	52.5				
	$614.2	$152.6	$422.7	–	
EBITDA	$129.4	$ 39.9	$124.2	$ (6.5)	$ 287.0
Amortization of capital assets	36.6	17.3	38.6	0.1	92.6
Operating income (loss)	92.8	22.6	85.6	(6.6)	194.4
Financing expense	8.9	6.0	16.9	(1.8)	30.0
Other	(6.7)	–	(0.4)	(2.9)	(10.0)
Earnings (loss) before income taxes	$ 90.6	$ 16.6	$ 69.1	$ (1.9)	$ 174.4

Operating Highlights Third Quarter and Year to Date

(unaudited)

		July 1 to September 30		January 1 to September 30	
		2001	2000	**2001**	2000
Lumber	Production (Mfbm)	**444,629**	390,622	**1,555,147**	1,289,050
	Shipments (Mfbm)	**509,059**	397,164	**1,520,770**	1,263,330
Panels					
MDF	Production (Msf-¾″)	**63,086**	62,631	**188,344**	177,376
	Shipments (Msf-¾″)	**60,090**	55,742	**194,322**	174,789
Plywood	Production (Msf-⅜″)	**60,631**	56,970	**188,204**	183,825
	Shipments (Msf-⅜″)	**63,203**	64,179	**191,429**	183,427
Pulp & Paper (tonnes)					
Linerboard and Kraft Paper	Production	**107,163**	91,402	**323,646**	313,655
	Shipments	**113,632**	82,733	**313,621**	295,240
BCTMP	Production	**88,987**	94,979	**266,509**	272,992
	Shipments	**92,906**	88,194	**258,908**	268,745
Newsprint	Production	**25,180**	30,831	**87,440**	92,462
	Shipments	**24,705**	30,602	**82,855**	91,643

Notes to Interim Financial Statements

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

1. BASIS OF PRESENTATION

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

2. ACQUISITION

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

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

Net assets acquired at fair values:	
Non-cash working capital	**$ 5.4**
Capital assets	**30.3**
Reforestation obligation assumed	**(5.8)**
Cash consideration	**$29.9**

3. DISCONTINUED OPERATIONS

Retail Home Improvement

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

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

Convertible Obligation

On July 13, 2001 the company acquired 1,500,000 common shares of Revy Home Centres Inc. from the former shareholders of Lansing Buildall for $32.1 million. The amount necessary to accrete the obligation to the purchase price has been charged to retained earnings.

Uruguay Timber Plantations

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

Discontinued Operations

	July 1 to Sept 30		January 1 to Sept 30	
	2001	2000	**2001**	2000
Retail Sales to Measurement Date	**$ –**	$227.7	**$218.8**	$616.9
Earnings (loss) before income tax	**–**	7.9	**(1.7)**	12.3
Income tax recovery (expense)	**–**	(3.7)	**0.8**	(5.8)
Net income (loss) from operations to Measurement Date	**–**	4.2	**(0.9)**	6.5
Loss on disposal of retail operations (a)	**–**	–	**(20.9)**	–
Net loss of discontinued retail operations	**–**	4.2	**(21.8)**	6.5
Gain on sale of Uruguay timber plantations	**–**	–	**33.3**	–
Net earnings from discontinued operations	**$ –**	$ 4.2	**$ 11.5**	$ 6.5

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

4. EARNINGS PER COMMON SHARE

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

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

2001	July 1 to Sept 30, 2001	January 1 to Sept 30, 2001
Net earnings from continuing operations	$ 46.0	$ 105.7
Deferred payment on purchase of preferred shares	(0.4)	(1.3)
Basic and diluted earnings from continuing operations	45.6	104.4
Discontinued operations	–	11.5
Convertible obligation	–	(12.6)
Basic earnings after discontinued operations	$ 45.6	$ 103.3
Weighted average number of common shares (thousands)	30,361	30,355
Basic earnings per share from continuing operations	$ 1.50	$ 3.44
Basic earnings per share after discontinued operations	$ 1.50	$ 3.41
Diluted earnings per share from continuing operations	$ 1.50	$ 3.43
Diluted earnings per share after discontinued operations	$ 1.50	$ 3.39

2000	July 1 to Sept 30, 2000	January 1 to Sept 30, 2000
Net earnings from continuing operations	$ 20.1	$ 102.6
Deferred payment on purchase of preferred shares	(0.3)	(0.3)
Basic and diluted earnings from continuing operations	19.8	102.3
Discontinued operations	4.2	6.5
Convertible obligation	(0.6)	(1.7)
Basic earnings after discontinued operations	$ 23.4	$ 107.1
Weighted average number of common shares (thousands)	30,338	30,336
Basic earnings per share from continuing operations	$ 0.65	$ 3.37
Basic earnings per share after discontinued operations	$ 0.77	$ 3.54
Diluted earnings per share from continuing operations	$ 0.65	$ 3.37
Diluted earnings per share after discontinued operations	$ 0.76	$ 3.47

5. CONTINGENT LIABILITY

On April 2, 2001, petitions for the imposition of antidumping and countervailing duties on Softwood Lumber from Canada were filed with the U.S. Department of Commerce ("USDOC") and the U.S. International Trade Commission ("USITC"), by certain U.S. industry and trade groups (the "Petitioners").

In response to the petitions, the USITC conducted a preliminary injury investigation and on May 16, 2001, they determined that there was a reasonable indication that the lumber industry in the United States was threatened with material injury by reason of softwood lumber imports from Canada.

On August 9, 2001, the USDOC issued its preliminary determination on the countervailing duty and imposed a preliminary duty rate of 19.31% to be posted by cash deposits or bonds on the sales of softwood lumber to the U.S. after August 16, 2001. The USDOC also made a preliminary determination that certain circumstances existed which may result in duties on sales of softwood lumber applying retroactively to May 19, 2001 ("Critical Circumstances").

The USDOC's antidumping investigation is continuing. Petitioners have also alleged Critical Circumstances exist with respect to the anti-dumping case. The USDOC's preliminary determination on the antidumping case is scheduled to be released on or before October 30, 2001.

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

The final amount and effective date of countervailing duties that may be assessed on Canadian softwood lumber exports to the U.S., (which could be retroactive to May 19, 2001), cannot be determined at this time and will depend on determinations yet to be made by the USDOC and USITC and any reviewing courts, NAFTA or WTO panels to which those determinations may be appealed.

For accounting purposes, the Company has accrued $8.7 million in its financial statements for the period from August 17, 2001 to September 30, 2001 representing the preliminary countervailing duty rate determined by the USDOC of 19.31%. The Company has not accrued any duty for the period from May 19, 2001 to August 16, 2001 (estimated to be $20.3 million based on sales of $125.4 million), as management believes that the likelihood of Critical Circumstances is not determinable at this time. Any adjustments to the financial statements resulting from a change in the final countervailing duty rate, Critical Circumstances or imposition of an anti-dumping rate will be made prospectively.

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

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