West Fraser Timber Co. Ltd.

FIRST QUARTER 2004

Report to Shareholders

West Fraser earned $27 million or $0.71 per share on sales of $541 million for the first quarter of 2004, compared to earnings of $11 million or $0.29 per share on sales of $487 million in the first quarter of 2003. EBITDA[1] was $78 million or 14% of sales compared to $41 million or 8% of sales for the first quarter of 2003. In accordance with new accounting requirements issued by the Canadian Institute of Chartered accountants, sales figures presented for the current and prior periods are shown on a gross basis. Previously sales were presented net of freight and other distribution costs and duties.

Earnings and EBITDA increased despite a much stronger Canadian dollar versus the comparative period in 2003. The Canadian dollar averaged U.S. $0.76 in the first quarter of 2004 compared to U.S. $0.66 in the first quarter of 2003. The impact of the stronger Canadian dollar on first quarter operating earnings compared to the first quarter of 2003 was approximately $40 million. Additionally, an exchange loss on translation of U.S. denominated debt of $2 million was recorded in the first quarter compared to an exchange gain of $16 million in the first quarter of 2003. First quarter earnings also include a $10 million pre-tax, non-cash charge (after-tax $6 million or $0.17 per share) related to the expensing of share options.

OPERATIONAL RESULTS

West Fraser's sawmills generated record lumber production of 702 MMfbm for the first quarter compared to 649 MMfbm in the first quarter of 2003.

EBITDA in the lumber segment for the quarter, after accounting for duties, was $69 million or 21% of sales compared to $25 million or 9% of sales in the first quarter of 2003. Duties charged on account of lumber exports to the United States were $31 million (2003 – $23 million) in the quarter. Lumber prices increased significantly during the quarter buoyed by continued strong housing starts in the United States and Canada. Benchmark SPF 2x4 lumber prices averaged US $367 per Mfbm in the current quarter compared to the previous quarter's average of US $299 per Mfbm and the first quarter 2003 average of US $245 per Mfbm. Southern yellow pine 2x4 prices averaged US $356 per Mfbm in the first quarter of 2004 down from US $403 per Mfbm last quarter but up from US $292 per Mfbm for the same period of 2003. The full impact of the high lumber prices is not reflected in earnings as shipments fell short of production by 91MMfbm due to rail car and truck shortages. The shortages were partially weather related and partially due to increased demand for various commodities. West Fraser continues to work with its suppliers and customers to improve transportation logistics and develop delivery alternatives.

The Huttig, Arkansas sawmill rebuild is nearing completion and the first lumber was produced in early April. Start-up of this facility is progressing well.

The panel operations generated EBITDA of $14 million or 20% of sales in the quarter compared to $9 million or 15% of sales in the comparable quarter of 2003. Plywood prices remain strong with the average benchmark price at $524 per Msf compared to $398 per Msf in the first quarter of 2003. Demand for MDF increased significantly during the quarter although prices have increased only slightly from cyclical lows.

West Fraser's pulp and paper operations generated EBITDA of $9 million or 6% of sales for the quarter compared to $10 million or 6% of sales in the same quarter of last year. The two pulp mills ran well during the quarter and pulp prices continued to show signs of strengthening. Our Kitimat linerboard and kraft paper mill lost approximately ten days of production in early January as a result of mechanical difficulties. Production in February and March, however, was much improved. Linerboard and kraft paper prices remain at cyclical lows. These low prices, the strong Canadian dollar and higher maintenance costs combined for a very difficult quarter.

LUMBER TRADE DISPUTE

Recent NAFTA panel decisions have been positive for West Fraser and other Canadian companies. On April 21 the United States Department of Commerce (USDOC) issued a remand response to an earlier NAFTA ruling regarding company specific challenges made to the antidumping calculation. In accordance with the remand determination, the USDOC concluded that West Fraser's dumping rate would be reduced from 2.18%, as initially calculated, to 1.79%. This is below the de minimus level with the result that West Fraser would be exempted from the antidumping order. If that determination is affirmed by the NAFTA panel and not overturned by an extraordinary challenge, West Fraser would not be required to post further deposits related to the antidumping portion of the trade dispute, and would be eligible for refund of antidumping deposits of U.S. $14 million paid to March 31, 2004.

Another NAFTA panel is scheduled to rule on the question of injury by April 30. If the ruling affirms an earlier WTO decision that Canadian lumber imports have not threatened injury to U.S. producers, it would represent a significant victory for Canadian interests. Assuming a no injury ruling would survive an extraordinary challenge, the U.S. cases would end and all of West Fraser's duty deposits, totaling U.S. $148 million at March 31, 2004, would be eligible for refund.

On behalf of the Board of Directors

Henry H. Ketcham (signed)
Chairman of the Board,
President and Chief Executive Officer
April 27, 2004

[1]Non GAAP measure – EBITDA is defined as operating earnings plus amortization of property, plant and equipment.

The following discussion and analysis should be read in conjunction with the interim financial statements included in this quarterly report and Management's Discussion & Analysis included in the Company's 2003 annual report.

The financial data contained within this interim report has been prepared in accordance with Canadian generally accepted accounting principles. Throughout this report, reference is made to EBITDA (defined as operating earnings plus amortization of property, plant and equipment), which West Fraser 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.

LUMBER

LUMBER	January 1 to March 31 2004	2003
Production – SPF – MMfbm	627	576
Production – SYP – MMfbm	75	73
Shipments – SPF – MMfbm	540	504
Shipments – SYP – MMfbm	71	68
Sales – $millions	329	272
EBITDA – $millions	69	25
EBITDA margin	21%	9%
Operating Earnings – $millions	54	7
Benchmark Price		
– SPF #2 & Better 2 x 4 – (per Mfbm)[1]	US$367	US$245
– SYP #2 West 2 x 4 – (per Mfbm)[1]	US$356	US$292

[1]Source: Random Lengths – price before duties

Lumber EBITDA increased over the comparative quarter by $44 million, despite the stronger Canadian dollar, due to increased shipments and higher sales prices.

Demand for lumber products was high for the first quarter of 2004 as U.S. housing starts continued to be strong with a 10% increase quarter-to-quarter. This demand resulted in a quarter-to-quarter average benchmark sales price increase of US$ 122/Mfbm for SPF and US$ 64/Mfbm for SYP.

Shipments during the first quarter of 2004 were 13% below production resulting in an increase in lumber inventory of 91 MMfbm. The shortfall in shipments was due to rail car and truck shortages. Cold weather and increased demand for various commodities including lumber were the cause of the shortages. Similar transportation issues were experienced in the first quarter of 2003.

Transportation logistics may improve over the balance of the year allowing shipments to approach production for the year as a whole.

Production records continued to be set at several of the Canadian mills resulting in a 9% increase in lumber production over the first quarter of 2003. This is due to continuing capital expenditures on projects that increase lumber recovery and improve productivity. Also, additional shifts were added in some operations to process logs that became available due to the extensive pine-beetle infestation in British Columbia.

The U.S. softwood lumber duties, as shown in the table below, continue to impact West Fraser's financial results. For further detail on this matter see "U.S. Trade Dispute".

Export Duties ($ millions)	Q1	Q2	Q3	Q4	Total
2004 Export Duties	31	—	—	—	31
2003 Export Duties	23	26	31	32	112

PANELS

PANELS	January 1 to March 31 2004	2003
Production – MDF – Mmsf – 3/4″ basis	68	65
Shipments – MDF – Mmsf – 3/4″ basis	76	69
Production – Plywood – Mmsf – 3/8″ basis	61	58
Shipments – Plywood – Mmsf – 3/8″ basis	63	50
Sales – $millions	68	59
EBITDA – $millions	14	9
EBITDA margin	20%	15%
Operating Earnings – $millions	8	3
Benchmark Price		
– MDF (3/4″ basis per Msf)[1]	US$380	US$398
– Plywood (3/8″ basis per Msf)[2]	CAD$524	CAD$398

[1]Source: RISI and West Fraser database
[2]Source: Crow's

Sales, EBITDA and operating earnings were higher in the first quarter of 2004 compared to the first quarter of 2003 due to increased shipment volumes and higher plywood prices, offset by lower MDF prices and the impact of the stronger Canadian dollar.

MDF

Shipment volumes were at a record high in the first quarter of 2004 and 9% higher than the same period last year. Lower list prices for MDF compared to the first quarter of 2003, the stronger Canadian dollar and a mechanical failure at the WestPine plant resulted in reduced earnings.

PLYWOOD

The plywood mill achieved a quarterly earnings record in the first quarter of 2004 due to high plywood prices and shipment volumes. The benchmark plywood price increased by 32% quarter-to-quarter due to continued high housing starts in 2004.

PULP & PAPER

PULP & PAPER	January 1 to March 31 2004	2003
Sales – $millions	156	163
EBITDA – $millions	9	10
EBITDA margin	6%	6%
Operating Loss – $millions	(6)	(4)

The decrease in sales, operating earnings and EBITDA from the first quarter of 2003 were largely the result of the stronger Canadian dollar, and significantly lower kraft paper and linerboard prices. These factors were partially offset by increased shipment volumes and prices for pulp and newsprint.

PULP

PULP	January 1 to March 31 2004	2003
Production – tonnes	130,740	129,911
Shipments – tonnes	128,909	124,488
Benchmark Price – BCTMP (per tonne)[1]	US$ 470	US$ 437

[1]Source: Pulp & Paper Weekly – Cdn Aspen, 85 GE

Production volumes in the first quarter of 2004 were similar to those in the first quarter of 2003 and shipments were higher. Pulp prices increased significantly and operating earnings were higher despite the stronger Canadian dollar. Production costs increased somewhat from the first quarter of 2003 due primarily to increased fibre, chemical and maintenance costs.

LINERBOARD AND KRAFT PAPER

Linerboard and Kraft Paper	January 1 to March 31 2004	2003
Production – tonnes	105,294	99,572
Shipments – tonnes	105,938	108,613
Benchmark Price – linerboard – (per sh. ton)[1]	US$362	US$427

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

Production was 6% higher in the first quarter of 2004 versus the first quarter of 2003. In January 2004 the Kitimat mill was down ten days as a result of an equipment failure. In the first quarter of 2003 the mill's scheduled maintenance shutdown began March 24 and lasted until early April.

Shipment volumes decreased by 2,675 tonnes compared to the first quarter of 2003, which, combined with the lower product prices and the stronger Canadian dollar, resulted in lower overall sales.

NEWSPRINT

Newsprint – (West Fraser's share)	January 1 to March 31 2004	2003
Production – tonnes	34,068	28,495
Shipments – tonnes	33,369	27,935
Benchmark Price – per tonne[1]	US$530	US$477

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

Newsprint production and shipments were higher in the first quarter of 2004 due to 12 days of downtime in the first quarter of 2003. The first quarter 2004 benchmark newsprint price increased by 11% as compared to the first quarter of 2003. The increase in sales volumes and prices were offset by higher net energy costs and the stronger Canadian dollar.

REVENUE AND EARNINGS COMPARISON

Revenue and Earnings ($ millions)	January 1 to March 31 2004	2003
SALES	**$541**	**$487**
Sales by Product		
– Lumber	317	265
– Panels	68	59
– Pulp & Paper	156	163
TOTAL EBITDA	**$ 78**	**$ 41**
EBITDA by Product		
– Lumber	69	25
– Panels	14	9
– Pulp & Paper	9	10

Sales and EBITDA increased from the first quarter of 2003 by $54 million and $37 million respectively, mostly due to increased shipment volumes and sales prices for lumber, plywood, newsprint, and pulp. The increases were offset by lower prices in linerboard, kraft paper and MDF and the significantly stronger Canadian dollar. The Canadian dollar averaged U.S. $0.76 in the first quarter of 2004 compared to U.S.$0.66 in the first quarter of 2003, reducing sales and EBITDA by approximately $40 million.

Included in costs and expenses is share option expense of $10 million related to outstanding share options. Under the terms of West Fraser's share option plan, option holders can elect to receive cash in lieu of purchasing shares. The cash payment equals the difference between the exercise price of the option and the market price of Common shares on the date of exercise. The share option expense for each period varies based on the number of options outstanding, the remaining period until vesting occurs and the difference between market value and the option price.

The translation of the U.S. denominated long-term debt resulted in an exchange loss for the quarter of $2 million compared to an exchange gain of $16 million in the first quarter of 2003. Interest expense was $4 million for the quarter compared to $5 million for the comparative quarter of last year.

Other income of $1 million for the quarter includes foreign exchange on the translation of non-operating items, rental income and a loss on the sale of assets. The $5 million expense for the first quarter of 2003 was due to the foreign exchange translation of non-operating items and the write-off of the costs related to the proposed ANC income trust transaction.

The first quarter 2004 effective income tax rate of 27% reflects a $3 million future income tax adjustment for a 1% reduction of the Alberta income tax rate, substantively enacted as of March 31, 2004.

CHANGE IN ACCOUNTING POLICY AND PRESENTATION

ASSET RETIREMENT OBLIGATIONS

Effective January 1, 2004, West Fraser adopted new accounting requirements for asset retirement obligations, as recommended by the Canadian Institute of Chartered Accountants. Under the new requirements the Company records the fair value of a liability for an asset retirement obligation in the period in which it is incurred. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and amortized over the expected useful life of the asset. This statement changed the Company's accounting for landfill closure costs and reforestation liabilities.

Accordingly, the Company retroactively adjusted the carrying value of liabilities, previously reported on a non-discounted basis, for reforestation and certain landfill closure costs and recorded liabilities and the associated asset for landfill closure costs not previously accrued. The net increase to property, plant and equipment at January 1, 2004 was $0.9 million, the net decrease to liabilities was $11.3 million, the decrease to inventory was $1.9 million and the impact on January 1, 2003 opening retained earnings (net of tax of $3.2 million) was $7.1 million. The cumulative effect of adopting these accounting requirements was not material to the Company's results of operations and the impact was included in costs and expenses in the first quarter of 2004.

PRESENTATION OF SALES

West Fraser has presented freight and other distribution costs and countervailing and antidumping duties as part of costs and expenses in the statement of earnings and reclassified the prior period's presentation accordingly. Previously these expenses were presented as a reduction of gross sales to determine net sales in accordance with industry practice.

CAPITAL REQUIREMENTS AND LIQUIDITY

West Fraser's cash requirements, other than for operating purposes, are primarily for interest, repayment of debt, additions to property, plant and equipment, 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.

In the first quarter of 2004, additions to property, plant and equipment amounted to $23 million (2003 – $18 million). Proceeds from disposal of property, plant and equipment were $0.1 million (2003 – $5 million). No debt repayments were made in the first quarter of 2004 or 2003.

Cash and short-term investments on hand at March 31, 2004 were $222 million compared to $118 million at March 31, 2003 and $266 million at December 31, 2003.

It is expected that cash on hand and funds provided by operations will meet all West Fraser's cash requirements in 2004 for planned additions to property, plant and equipment, debt repayment, interest and dividends.

FOREIGN EXCHANGE

Most of West Fraser'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 West Fraser to additional currency risk. Currently, West Fraser is not hedging its foreign exchange exposure with financial forward or option contracts.

During the first quarter of 2004 the U.S. dollar traded between Cdn $1.27 and Cdn $1.36 with and average of Cdn $1.32 (first quarter 2003 – between $1.47 and $1.57 with an average of $1.51).

U.S. TRADE DISPUTE

In April and May 2002, U.S. trade agencies (the Department of Commerce ("DOC"), and International Trade Commission ("ITC")) completed an investigation into allegations by the U.S. Industry that Canada was subsidizing softwood lumber products and dumping them into the U.S. market thereby threatening to injure the U.S. producers. This resulted in the imposition of cash duty deposits effective May 22, 2002.

The determination in the countervail ("CVD") investigation resulted in a duty deposit rate of 18.79% for shipments from all regions of Canada except the Maritime Provinces. The antidumping ("ADD") investigation reviewed shipments from West Fraser and five other major lumber producers and assigned each a specific ADD rate. All other producers were assigned the weighted average of the six company-specific ADD rates. West Fraser's ADD deposit rate was determined to be 2.18%, while the average rate was 8.47%. Duty deposits must be paid in cash to the U.S. Treasury as shipments cross the border. Final duties are determined through an administrative review process that annually investigates actual shipments from May 2002.

The federal and provincial governments and the Canadian industry all categorically deny the U.S. allegations of subsidy and dumping and have appealed the U.S. decisions under the North American Free Trade Agreement ("NAFTA") and to the World Trade Organization ("WTO").

During 2003, Canadian appeals through WTO and NAFTA resulted in several decisions that favoured Canada's position. Most significant was a NAFTA panel decision on September 5, 2003 that for substantive reasons rejected the threat of injury determination by the ITC. Assuming a no injury ruling would survive an extraordinary challenge, the U.S. cases would end and all of West Fraser's duty deposits, totaling U.S. $148 million to March 31, 2004, would be eligible for refund.

The second significant decision, reached by both NAFTA and WTO, rejected the use of cross-border comparisons by the DOC. These comparisons of U.S. and Canadian timber price differentials are used to calculate the implied subsidies that form the basis of the DOC's calculation of CVD rates. DOC responded to this rejection on January 12, 2004 and revised its CVD deposit rate to 13.23%. A NAFTA panel is considering this revised DOC determination.

On April 21, 2004 the DOC issued a remand response to an earlier NAFTA ruling regarding company specific challenges made to the antidumping calculation. In accordance with the remand determination, the DOC concluded that West Fraser's dumping rate would be reduced from 2.18%, as initially calculated, to 1.79%. This is below the de minimus level with the result that West Fraser would be exempted from the antidumping order. If that ruling is affirmed by the NAFTA panel and not overturned by an extraordinary challenge, West Fraser would not be required to post further deposits related to the antidumping portion of the trade dispute, and would be eligible for refund of antidumping deposits of US $14 million paid to March 31, 2004.

Attempts to find a negotiated settlement continue. The objective is to reach an interim agreement that will ultimately lead to unfettered access to the U.S. market. A negotiated solution could result in changes to provincial timber tenure and policy and pricing regimes, especially in British Columbia. It is not possible to predict how such changes might affect West Fraser or the forest industry in Canada. Neither the final outcome nor the time required to resolve the dispute can be determined at this time.

Consolidated Statements of Earnings and Retained Earnings

January 1 to March 31 *(in millions of Canadian dollars – unaudited)*	2004	2003
EARNINGS		
Sales *(note 1)*	$ 541.1	$ 486.8
Costs and expenses		
Cost of products sold	321.4	326.8
Freight and other distribution costs	82.6	78.1
Countervailing and antidumping duties	31.3	23.3
Amortization of property, plant and equipment	36.4	38.9
Selling, general and administrative	17.6	17.5
Share option expense *(note 3)*	9.9	—
	499.2	484.6
Operating earnings	41.9	2.2
Other		
Interest expense – net	(4.3)	(4.8)
Exchange gain (loss) on long-term debt	(2.0)	16.2
Other income (expense)	0.5	(5.2)
Earnings before income taxes	36.1	8.4
Income tax recovery (expense)	(9.6)	2.5
Earnings	$ 26.5	$ 10.9
Earnings per share *(note 4)*		
Basic	$ 0.72	$ 0.29
Diluted	$ 0.71	$ 0.29
RETAINED EARNINGS		
Balance – beginning of period as previously reported	$ 986.7	$ 964.2
Cumulative effect of change in accounting policy *(note 2)*	7.1	7.1
Balance – beginning of period as restated	993.8	971.3
Earnings	26.5	10.9
	1,020.3	982.2
Common share dividends	(5.2)	(5.2)
Balance – end of period	$1,015.1	$ 977.0

Consolidated Statements of Cash Flows

January 1 to March 31 *(in millions of Canadian dollars – unaudited)*	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings	$ 26.5	$ 10.9
Items not affecting cash		
Amortization of property, plant and equipment	36.4	38.9
Exchange (gain) loss on long-term debt	2.0	(16.2)
Future income taxes	(6.4)	(4.9)
Change in other long-term liabilities	(1.0)	(0.4)
Change in reforestation obligation	9.6	13.7
(Gain) loss on asset sales	0.4	(0.2)
Other	0.5	0.6
	68.0	42.4
Net change in non-cash working capital items	(75.8)	(95.0)
	(7.8)	(52.6)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends	(5.2)	(5.2)
Other	0.5	0.5
	(4.7)	(4.7)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment additions	(22.6)	(17.7)
Proceeds from disposal of property, plant & equipment	0.1	4.6
Change in other assets	(9.3)	(4.3)
	(31.8)	(17.4)
Change in cash	(44.3)	(74.7)
Net cash – beginning of period	265.9	192.9
Net cash – end of period	$ 221.6	$ 118.2
Interest paid	$ 6.3	$ 7.0
Income taxes paid	$ 8.9	$ 29.3

Consolidated Balance Sheets

(in millions of Canadian dollars – unaudited)	As at March 31, 2004	As at December 31, 2003
ASSETS		
Current assets		
Cash and short-term investments	$ 221.6	$ 265.9
Accounts receivable	181.1	158.0
Inventories	398.3	322.3
Prepaid expenses	12.9	9.2
	813.9	755.4
Other assets	73.2	64.3
Property, plant and equipment	1,234.7	1,245.7
Deferred charges	21.3	21.3
	$2,143.1	$2,086.7
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 212.7	$ 186.2
Current portion of reforestation obligation	31.0	30.8
Current portion of long-term debt	13.1	13.0
	256.8	230.0
Long-term debt	288.8	287.0
Reforestation obligation	60.1	50.7
Other liabilities	11.1	8.1
Future income taxes	183.3	189.7
	800.1	765.5
Shareholders' equity *(note 3)*	1,343.0	1,321.2
	$2,143.1	$2,086.7

Number of Common shares outstanding at April 27, 2004 was 36,868,563

First Quarter Segmented Information

(in millions of Canadian dollars – unaudited)	Lumber	Panels	Pulp & Paper	Corporate & Other	Consolidated
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*	$ 68.8	$ 14.0	$ 8.7	$ (13.2)	$ 78.3
Amortization of property, plant and equipment	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	$ 51.3	$ 7.3	$ (7.8)	$ (14.7)	$ 36.1
January 1, 2003 to March 31, 2003					
Sales					
To external customers	$265.4	$ 58.7	$162.7		$486.8
To other segments	7.0				
	$272.4	$ 58.7	$162.7	—	
EBITDA*	$ 24.7	$ 8.9	$ 9.7	$ (2.2)	$ 41.1
Amortization of property, plant and equipment	18.2	6.4	13.7	0.6	38.9
Operating earnings (loss)	6.5	2.5	(4.0)	(2.8)	2.2
Interest income (expense)	(5.3)	(1.3)	(4.5)	6.3	(4.8)
Exchange gain on long-term debt	—	—	—	16.2	16.2
Other income (expense)	2.5	—	—	(7.7)	(5.2)
Earnings (loss) before income taxes	$ 3.7	$ 1.2	$ (8.5)	$ 12.0	$ 8.4

***Non GAAP measure:**

EBITDA is defined as operating earnings plus amortization of property, plant and equipment.

(figures are in millions of dollars except where indicated)

1. BASIS OF PRESENTATION

These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the company's annual report for the year ended December 31, 2003.

The company has presented freight and other distribution costs and countervailing and antidumping duties as part of costs and expenses in the statement of earnings and reclassified the prior period's presentation accordingly. Previously these expenses were presented as a reduction of gross sales to determine net sales in accordance with industry practice.

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

2. CHANGE IN ACCOUNTING POLICY

Asset Retirement Obligations

Effective January 1, 2004, the company adopted new accounting requirements for asset retirement obligations, as recommended by the Canadian Institute of Chartered Accountants. Under the new requirements the company records the fair value of a liability for an asset retirement obligation in the period in which it is incurred. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and amortized over the expected useful life of the asset. This statement changed the company's accounting for landfill closure costs and reforestation liabilities.

Accordingly, the company retroactively adjusted the carrying value of liabilities, previously reported on a non-discounted basis, for reforestation and certain landfill closure costs and recorded liabilities and the associated asset for landfill closure costs not previously accrued. The net increase to property, plant and equipment at January 1, 2004 was $0.9, the net decrease to liabilities was $11.3, the decrease to inventory was $1.9 and the impact on January 1, 2003 opening retained earnings (net of tax of $3.2) was $7.1. The cumulative effect of adopting these accounting requirements was not material to the Company's results of operations and the impact was included in costs and expenses in the first quarter of 2004.

3. SHAREHOLDERS' EQUITY

	March 31, 2004		December 31, 2003	
	Number of Shares Issued	Amount	Number of Shares Issued	Amount
Common	31,482,654	$ 328.2	31,471,508	$ 327.8
Class B common	5,385,206	0.5	5,385,206	0.5
Total Common	36,867,860	328.7	36,856,714	328.3
Retained Earnings		1,015.1		986.7
Change in Accounting for Asset Retirement Obligations		—		7.1
Share Purchase Loans		(0.8)		(0.9)
Shareholders' Equity		$ 1,343.0		$ 1,321.2

During the three months ended March 31, 2004 the company issued 11,146 common shares for cash of $0.4.

Share Option Plan

The company has a fixed share option plan for its directors, officers and employees, under which it may grant up to 3,505,506 share options. The exercise price of a share option is equal to the closing price of the company's common shares on the day preceding the grant date. The options vest at 20% per year from the grant date and expire after 10 years.

Effective July 2003, the share option plan was amended to give share option holders the right to elect to receive a cash payment in lieu of receiving common shares. The cash payment is equal to the difference between the exercise price of the share option and the market price of the company's common shares on the date of exercise.

For the three months ended March 31, 2004, the company recorded a share option expense of $9.9 related to the options outstanding.

4. EARNINGS PER SHARE

Basic earnings per share are calculated based on earnings available to common shareholders, as set out below, using the weighted average number of common shares outstanding. Diluted earnings per share assume the exercise of options using the treasury stock method.

Earnings per share figures reflect the 10% stock dividend issued in March 2003 as if the shares had been outstanding from the beginning of the periods presented.

	January 1 to March 31	
	2004	2003
Earnings available to shareholders	$ 26.5	$ 10.9
Weighted average shares (thousands)		
Weighted average shares – basic	36,827	36,844
Share options – treasury stock method	450	420
Weighted average shares – diluted	37,277	37,264
Earnings per share (dollars)		
Basic earnings per share	$ 0.72	$ 0.29
Diluted earnings per share	$ 0.71	$ 0.29

5. THE FORESTRY REVITALIZATION PLAN

In March 2003, the Government of B.C. ("Crown") enacted the Forestry Revitalization Plan (the Plan) that provides for significant changes to Crown forest policy and to the existing allocation of Crown timber tenures to licensees. The changes prescribed in the Plan include: the elimination of minimum cut control regulations, the elimination of existing timber processing regulations, and the elimination of restrictions limiting the transfer and subdivision of existing licenses. As well, through legislation, licensees, including the company, will be required to return 20% of their replaceable tenure to the Crown. The Crown has acknowledged that licensees will be fairly compensated for the return of tenures and related costs such as roads and bridges

The effect of the timber take-back is a reduction of approximately 832,000 m3 of the company's existing allowable annual cut on replaceable tenures. The effect of the Plan on the company's financial position and results of operations cannot be determined at this time. The company will record the effects of the Plan when the amounts can be estimated.

6. COUNTERVAILING AND ANTIDUMPING DUTIES

On April 25, 2002, the U.S. Department of Commerce (USDOC) issued its final determination in the countervailing and antidumping investigations, which resulted in a countervailing duty rate of 18.79% and an antidumping rate specific to the company of 2.18%, both to be posted by cash deposits.

On May 16, 2002, the United States International Trade Commission (USITC) published its final determination on injury stating that Canadian softwood lumber threatens material injury to the U.S. industry. As a result, cash deposits have been required for shipments at the rates determined by the USDOC effective from May 22, 2002.

The company has incurred countervailing and antidumping duties, accounted for as a reduction of sales, as follows:

	January 1 to March 31	
	2004	2003
Countervailing and antidumping duties	$ 31.3	$ 23.3

The company and other Canadian forest product companies, the Federal Government and Canadian provincial governments (Canadian Interests) categorically deny the U.S. allegations and strongly disagree with the final countervailing and dumping determinations made by the USITC and USDOC. Canadian Interests continue to aggressively defend the Canadian industry in this trade dispute. Canadian Interests have appealed these decisions to NAFTA panels and the WTO. The final amount of countervailing and antidumping duties that may be assessed on Canadian softwood lumber exports to the U.S. cannot be determined at this time and will depend on the results of these appeals. Notwithstanding the cash deposit rates established in the investigations, the final liability for the assessment of countervailing and antidumping duties will not be determined until each annual administrative review process is complete.

An administrative review is currently underway and is expected to be completed by November 2004 and may extend beyond that date if appealed.

West Fraser

First Quarter Operating Highlights

January 1 to March 31		2004	2003
Lumber	Production (Mfbm)	702,237	649,481
	Shipments (Mfbm)	611,598	571,719
Panels			
MDF	Production (Msf – 3/4″)	68,461	65,199
	Shipments (Msf – 3/4″)	75,608	69,183
Plywood	Production (Msf – 3/8″)	60,548	58,243
	Shipments (Msf – 3/8″)	63,131	49,677
Pulp & Paper (tonnes)			
Linerboard and Kraft paper	Production	105,294	99,572
	Shipments	105,938	108,613
Pulp	Production	130,740	129,911
	Shipments	128,909	124,488
Newsprint	Production	34,068	28,495
	Shipments	33,369	27,935

Quarterly Comparisons

January 1 to March 31 *(in millions of Canadian dollars – unaudited)*	2004	2003
Sales		
First	$ 541.1	$ 486.8
Second		484.5
Third		483.9
Fourth		487.9
		$1,943.1
Earnings		
First	$ 26.5	$ 10.9
Second		(5.2)
Third		3.1
Fourth		34.3
		$ 43.1
Diluted Earnings Per Share (in dollars)		
First	$ 0.71	$ 0.29
Second		$ (0.14)
Third		$ 0.09
Fourth		$ 0.92
Annual		$ 1.16

WEST FRASER TIMBER CO. LTD.
1000–1100 Melville Street
Vancouver, British Columbia
Canada V6E 4A6
Tel: (604) 895-2700
Fax: (604) 681-6061

www.westfraser.com

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