West Fraser Timber Co. Ltd.

THIRD QUARTER 2003

Report to Shareholders

West Fraser earned $3 million or $0.09 per share on sales of $382 million in the third quarter of 2003 compared to earnings of $4 million or $0.12 per share on sales of $428 million in the third quarter of 2002. Third quarter earnings include an $8.5 million pre-tax, non-cash charge (after-tax $5.5 million or $0.15 per share) related to the expensing of previously issued share options as detailed below.

For the first nine months of 2003, earnings were $9 million or $0.24 per share, on sales of $1,147 million. This compares to earnings of $102 million or $2.74 per share, on sales of $1,227 million for the first nine months of 2002. The significant reduction in earnings is mainly attributable to a strengthening Canadian dollar, the strike at the Kitimat mill and softwood lumber duties.

EBITDA[1] was $43 million or 11% of sales for the quarter compared to $71 million or 17% of sales for the third quarter of 2002. For the first nine months of 2003 EBITDA was $84 million or 7% of sales compared to $274 million or 22% of sales for the first nine months of 2002.

OPERATIONAL RESULTS

EBITDA in the lumber division for the quarter, after accounting for duties, was $37 million, or 15% of sales, compared to $31 million or 12% of sales in the third quarter of 2002. EBITDA for the quarter was reduced by $31 million (2002 – $29 million) due to duties charged on account of lumber exports to the United States. Lumber prices increased significantly throughout the quarter due to hot, dry weather and the ensuing forest fires that resulted in curtailments of logging in southern B.C. and in parts of the western United States as well as some suspensions of lumber manufacturing. Housing starts in both Canada and the United States continued strong throughout the quarter. Benchmark 2x4 lumber prices began the quarter at US $294 per Mfbm, increased to a high of US $372 and averaged US $319 for the quarter. This compares to the average lumber price of US $255 for the third quarter of 2002 and US $247 for last quarter. The full impact of the increase in prices is not reflected in the third quarter results as most of July and August shipments were contracted at lower prices. The fires in B.C. had no material effect on any of West Fraser's sawmill operations. The strike at the Kitimat linerboard and kraft paper mill resulted in the temporary closure of the Terrace sawmill and a significant reduction in chip revenues for certain other operations.

Panel operations generated EBITDA of $12 million or 24% of sales in the quarter compared to $19 million or 35% of sales in the comparable quarter of 2002. The average 3/8" benchmark plywood price increased in the quarter to $468 per Msf (2002 – $408 per Msf) due to strong housing starts and low inventories. Medium Density Fibreboard ("MDF") mill net realizations remained weak due to increased offshore supply of furniture and mouldings and a less attractive product mix relative to the third quarter of 2002. However, the MDF operations showed better results compared to the first half of 2003.

West Fraser's pulp and paper operations generated EBITDA of $2 million or 2% of sales for the quarter compared to $23 million or 18% of sales in the same quarter of last year. Results were affected by the Kitimat strike. West Fraser's pulp mills performed well, even though prices declined during the quarter. Alberta Newsprint continued its solid contribution to earnings despite a five-day maintenance shutdown in September.

The rising Canadian dollar, which averaged US $0.72 for the quarter compared to US $0.64 for the third quarter of 2002, reduced overall quarterly operating earnings by approximately $39 million from the third quarter of 2002.

LUMBER TRADE DISPUTE

Attempts to find a negotiated resolution to the trade dispute have stalled. In July, US and Canadian government representatives presented their respective industries with a proposed settlement which was ultimately rejected by the US Coalition.

The dispute is the subject of various proceedings under NAFTA and before the World Trade Organization ("WTO"). Three NAFTA decisions were issued during the quarter although final decisions on several key issues are not expected until late 2004. To date NAFTA and WTO decisions have provided strong support for the Canadian position.

KITIMAT LINERBOARD AND KRAFT PAPER MILL

On September 8 the Company and C.E.P. Local 298 reached an agreement to settle the strike that had idled the mill since May 28. The settlement agreement was based on the pattern settlement for the B.C. industry. The mill started up well and was fully operational on September 22. The strike's impact on third quarter operating earnings was approximately $20 million.

EXPENSING OF SHARE OPTIONS

During the quarter the Company amended its share option plan to include a cash payment alternative whereby option holders, rather than exercising the option, may elect to surrender vested options for a cash payment equal to the amount by which the current market price of the Company's shares exceeds the option exercise price. The cash alternative reduces potential dilution arising from the exercise of options, provides the Company with a tax deduction for cash payments and offers greater flexibility to option holders. For accounting purposes this amendment means that outstanding share options are required to be recorded as compensation expense and a corresponding liability based on the intrinsic value of the outstanding options. This expense, which is a non-cash charge, relates to all non-exercised options granted since 1994 and is not expected to be significant in future periods.

OUTLOOK

Lumber demand has begun to reflect the seasonal slowing of business activity resulting in lower lumber prices compared to prices realized in September. Interest rates and the health of the US economy will dictate the future direction of building product prices. The pulp market has recently shown some price improvement. However, a sustained price increase is not likely unless there is significant improvement in paper demand in North America and Europe.

While industry conditions and the strength of the Canadian dollar may pose challenges in the near term, West Fraser's efficient operations and a strong balance sheet allow the Company to face these challenges with confidence.

On behalf of the Board of Directors

Henry H. Ketcham(signed)
Chairman of the Board,
President and Chief Executive Officer
October 16, 2003

[1]EBITDA is defined as operating earnings plus amortization

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 production for the quarter was 647 MMfbm compared to 596 MMfbm in 2002. Year-to-date production was 1,952 MMfbm compared to 1,742 MMfbm for the same period in 2002. Lumber shipments were 690 MMfbm for the quarter compared to 630 MMfbm for the comparative quarter of last year and year-to-date shipments were 1,951 MMfbm compared to 1,677 MMfbm in 2002. The production and shipment increases were due to the start-up of the Chasm sawmill in March of 2002 as well as increased production efficiencies at most other mills.

EBITDA for the quarter was $36.9 million (15% of sales) compared to $30.7 million (12% of sales) for the third quarter of 2002. EBITDA for the first nine months of the year was $58.1 million (9% of sales) compared to $171.9 million (24% of sales) for the first nine months of 2002. The quarter to quarter increase in EBITDA is due primarily to higher lumber prices, partially offset by the strengthening Canadian dollar compared to the US dollar. The year-to-date decrease in EBITDA was due primarily to a $62.5 million increase in duty charges year-to-date, lower lumber prices and the strengthening Canadian dollar.

The third quarter average benchmark price for western SPF 2x4 #2 & Btr was US $319/Mfbm compared to US $255/Mfbm for the third quarter of 2002 (first nine months of 2003 at US $265/Mfbm compared to the first nine months of 2002 at US $278/Mfbm). The southern yellow pine average benchmark 2x4 price was US $338/Mfbm for the quarter compared to US $296/Mfbm in the third quarter of 2002 (first nine months of 2003 at US $307/Mfbm compared to the first nine months of 2002 at US $310/Mfbm).

PANELS

MDF production for the third quarter of 2003 was a record level of 71 MMsf versus 63 MMsf for the comparative period last year. Production for the first nine months of the year was 194 MMsf compared to 183 MMsf for the first nine months of 2002. Shipments for the quarter were 69 MMsf compared to 63 MMsf in the third quarter of 2002 and year-to-date shipments were 199 MMsf compared to 193 MMsf for the same period of last year.

The Plywood division had record production of 65 MMsf in the third quarter of 2003 compared to 57 MMsf in the third quarter of 2002 and shipments were 66 MMsf compared to 64 MMsf in the third quarter of 2002. Plywood production for the first nine months of the year was 187 MMsf compared to 178 MMsf for 2002 and shipments were 185 MMsf compared to 177 MMsf for 2002.

EBITDA for the quarter was $12.4 million (24% of sales) compared to $19.4 million (35% of sales) for the third quarter of 2002. EBITDA for the first nine months of the year was $25.9 million (17% of sales) compared to $55.7 million (33% of sales) for the first nine months of 2002. The decrease for the quarter and the first nine months of the year was primarily due to lower MDF prices combined with the strengthening Canadian dollar compared to the US dollar and higher natural gas costs. The decrease was partially offset by higher plywood prices on both a quarter-to-quarter and year-to-date comparison basis.

PULP & PAPER

West Fraser's pulp and paper production for the quarter was 171,409 tonnes compared to 212,304 tonnes for the third quarter of 2002. Included in the overall production was record quarterly pulp production of 131,093 tonnes. Production for the first nine months of the year was 648,648 tonnes compared to 670,196 for the first nine months of 2002. Shipments for the quarter were 182,294 tonnes in 2003 compared to 229,360 tonnes in 2002. Year-to-date shipments were 694,757 tonnes compared to 673,100 tonnes for the same period of 2002. Production and shipments for the third quarter of 2003 and the first nine months of 2003 were adversely affected by the strike at the Kitimat linerboard and kraft paper mill that commenced on May 28, 2003 and ended on September 8, 2003. The decrease was partially offset by the increase in production and shipments from the November 2002 acquisition of the additional 50% of QRP.

EBITDA for the quarter was $2.2 million (2% of sales) compared to $22.5 million (18% of sales) for the third quarter of 2002. EBITDA for the first nine months of the year was $11.2 million (3% of sales) compared to $51.1 million (15% of sales) for the first nine months of 2002. The third quarter and first nine months of the year EBITDA decrease was due primarily to the Kitimat strike, higher natural gas costs and the strengthening Canadian dollar. The decrease was partially offset by increased pulp and paper prices on both a quarter-to-quarter and year-to-date comparison basis.

EARNINGS AND REVENUE COMPARISON

Consolidated net sales for the third quarter were $382.3 million (2002 – $427.8 million) and for the first nine months were $1,146.7 million (2002 – $1,227.4 million).

NET SALES (change from – $ Millions)

	Quarter Three 2002		
Lumber	Decrease	$ 3.2	1%
Panels	Decrease	$ 3.6	6%
Pulp & Paper	Decrease	$38.7	30%
	First Nine Months 2002		
Lumber	Decrease	$50.9	7%
Panels	Decrease	$19.7	12%
Pulp & Paper	Decrease	$10.1	3%

EBITDA for the third quarter was $42.5 million (2002 – $70.9 million) and for the first nine months was $83.6 million (2002 – $273.8 million).

EBITDA (change from – $ Millions)

	Quarter Three 2002		
Lumber	Increase	$ 6.2	20%
Panels	Decrease	$ 7.0	36%
Pulp & Paper	Decrease	$ 20.3	90%
	First Nine Months 2002		
Lumber	Decrease	$113.8	66%
Panels	Decrease	$ 29.8	54%
Pulp & Paper	Decrease	$ 39.9	78%

The main factors affecting divisional sales and divisional EBITDA changes have been explained previously in this report. The strengthening Canadian dollar and higher natural gas prices negatively impacted earnings of all divisions. The estimated impact on third quarter EBITDA of the strengthening Canadian dollar is a decrease of $39 million from the third quarter of 2002 and the estimated impact for the first nine months of 2003 compared to the first nine months of 2002 is a decrease of $88 million. Higher natural gas prices reduced EBITDA by an estimated $0.7 million from the third quarter of 2002 and by $9.6 million from the first nine months of 2002.

During the quarter the company expensed $8.5 million related to issued and outstanding share options as detailed below and in note 5 of the accompanying financial statements. The after-tax impact of the charge was $5.5 million or $0.15 per share. The future share option expense is dependent on the future market price of the company's common shares, on the amortization of the value of the unvested options and on new share options granted. In future periods, the share option expense will be included in selling, general and administrative expense.

The translation of long-term debt resulted in an exchange loss of $0.3 million for the quarter and an exchange gain of $33.6 for the year-to-date, compared to a quarterly loss of $18.7 million and a year-to-date gain of $4.1 million in 2002. Interest decreased for the quarter and the first nine months of the year due primarily to long-term debt repayments totaling $16.8 million in 2003 and $235.7 million in 2002.

Other income for the quarter of $1.8 million relates primarily to a gain on the sale of assets. The year-to-date other expense of $2.3 million is due primarily to a foreign exchange loss on non-operating items and the write-off of costs related to the potential sale of the company's interest in Alberta Newsprint Company to an income trust, which were partially off-set by a gain on the sale of real estate and assets.

SHARE OPTION PLAN AMENDMENT

Effective July 2003, the company implemented an amendment to its share option plan providing the share option holder the right to elect to receive a cash payment 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, in lieu of receiving common shares. The reasons for implementing the cash payment election were that the revised plan: makes the program more transparent while improving corporate governance, as the company will recognize a liability and compensation expense for all share options issued and outstanding; will reduce the dilution arising from the exercise of options; provides the company with a tax deduction for cash payments; and creates certain administrative advantages for option holders.

If the liability for outstanding share options had been recorded at December 31, 2002, the current year-to-date after tax expense would have been $1.1 million instead of the $5.5 million recorded.

CAPITAL REQUIREMENTS AND LIQUIDITY

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

Cash provided from operations for the quarter was $129.8 million compared to $110.6 million in the third quarter of 2002. Year-to-date cash provided by operations was $127.8 million compared to cash provided from operations of $158.5 million in 2002. Cash was used for the repayment of long-term debt of $16.8 million, dividends of $15.4 million and capital expenditures of $56.5 million in the first nine months of 2003. The comparative expenditures for 2002 were $235.7 million for long-term debt, $14.1 million for dividends and $85.5 million for capital expenditures. The cash position at September 30, 2003 was $231.7 million compared to $182.7 million at September 30, 2002.

U.S. TRADE DISPUTE

Reference is made to note 7 to the September 30, 2003 financial statements for background information on the dispute.

A negotiated settlement is an option to resolve this trade dispute. Such a solution could result in changes to provincial timber tenure policies and pricing regimes and may include a temporary export tax or quota or other restrictions. It is not possible to predict how such changes might affect West Fraser and other companies operating in British Columbia or elsewhere in Canada. Neither the final outcome nor the time required to resolve the dispute can be determined at this time.

The following table shows the impact of the current US duties on West Fraser's financial results:

Export Duties ($ millions)

	Q1 2003	Q2 2003	Q3 2003	Year-to-date 2003
(Accrual) – May 22, 2002 to Sept. 30, 2003	$(23.3)	$(26.3)	$(30.7)	$(80.3)
	Q1 2002	**Q2 2002**	**Q3 2002**	**Year-to-date 2003**
(Accrual) – May 22, 2002 to Sept. 30, 2003	$ —	$(13.9)	$(28.9)	$(42.8)
(Accrual) reversal – Jan. 1 to May 21, 2002	(3.7)	3.7	—	—
Reversal – 2001	2.0	23.0	—	25.0
Total	$ (1.7)	$ 12.8	$(28.9)	$(17.8)

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 US dollar prices. This results in sensitivity to changes in the US-Canadian dollar exchange rates. During the third quarter of 2003 the US dollar traded between Cdn $1.33 and Cdn $1.42 with an average of Cdn $1.38 (third quarter 2002 – between Cdn $1.51 and Cdn $1.60 with an average of Cdn $1.56). On a year-to-date basis the rates fluctuated between Cdn $1.33 and Cdn $1.58 with an average of Cdn $1.43 (year-to-date 2002 – between Cdn $1.50 and Cdn $1.62 with an average of Cdn $ 1.57).

West Fraser

Consolidated Statements of Earnings and Retained Earnings

(in millions of Canadian dollars – unaudited)	July 1 to September 30 2003	July 1 to September 30 2002	January 1 to September 30 2003	January 1 to September 30 2002
EARNINGS				
Net Sales	$382.3	$427.8	$1,146.7	$1,227.4
Costs and expenses				
Cost of products sold	317.5	341.8	1,008.2	927.7
Amortization of property, plant and equipment	34.5	33.5	106.4	99.8
Selling, general and administrative	13.8	15.1	46.4	50.9
Share option expense *(note 5)*	8.5	—	8.5	—
Recovery of prior year export duties	—	—	—	(25.0)
	374.3	390.4	1,169.5	1,053.4
Operating earnings	8.0	37.4	(22.8)	174.0
Other				
Interest expense	(4.4)	(9.0)	(13.0)	(27.7)
Exchange gain (loss) on long-term debt	(0.3)	(18.7)	33.6	4.1
Other income (expense)	1.8	7.0	(2.3)	4.2
Earnings before income taxes	5.1	16.7	(4.5)	154.6
Income tax expense (recovery)	2.0	12.4	(13.3)	52.7
Earnings	$ 3.1	$ 4.3	$ 8.8	$ 101.9
Earnings per share *(note 4)*				
Basic	$ 0.09	$ 0.12	$ 0.24	$ 2.76
Diluted	$ 0.09	$ 0.12	$ 0.24	$ 2.74
RETAINED EARNINGS				
Balance – beginning of period	$959.6	$933.7	$ 964.2	$ 845.6
Earnings	3.1	4.3	8.8	101.9
	962.7	938.0	973.0	947.5
Preferred share payment	—	—	—	(0.2)
Common share dividends	(5.1)	(4.8)	(15.4)	(14.1)
Balance – end of period	$957.6	$933.2	$ 957.6	$ 933.2

Consolidated Statements of Cash Flows

(in millions of Canadian dollars – unaudited)	July 1 to September 30 2003	July 1 to September 30 2002	January 1 to September 30 2003	January 1 to September 30 2002
CASH FLOWS FROM OPERATING ACTIVITIES				
Earnings	$ 3.1	$ 4.3	$ 8.8	$101.9
Items not affecting cash				
Amortization of property, plant and equipment	34.5	33.5	106.4	99.8
Exchange (gain) loss on long-term debt	0.3	18.7	(33.6)	(4.1)
Future income taxes	(6.9)	(2.0)	(14.9)	(2.1)
Change in other long-term liabilities	0.9	0.3	0.9	(21.2)
Change in reforestation obligation	(7.6)	(10.0)	2.3	(4.9)
Other	(1.0)	(0.8)	(1.5)	(1.8)
	23.3	44.0	68.4	167.6
Net change in non-cash working capital items	106.5	66.6	59.4	(9.1)
	129.8	110.6	127.8	158.5
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long-term debt	—	(197.8)	(16.8)	(235.7)
Dividends	(5.1)	(4.8)	(15.4)	(14.1)
Other	0.1	0.4	0.6	2.5
	(5.0)	(202.2)	(31.6)	(247.3)
CASH FLOWS FROM INVESTING ACTIVITIES				
Property, plant and equipment additions	(18.1)	(32.7)	(56.5)	(85.5)
Proceeds from disposal of property, plant & equipment	3.5	2.4	13.2	6.3
Acquisition *(note 2)*	—	—	(6.2)	—
Change in other assets	(1.3)	3.0	(7.9)	0.1
	(15.9)	(27.3)	(57.4)	(79.1)
Change in cash from continuing operations	108.9	(118.9)	38.8	(167.9)
Change in cash from discontinued operations	—	33.7	—	80.5
Net cash – beginning of period	122.8	267.9	192.9	270.1
Net cash – end of period	$231.7	$182.7	$231.7	$182.7
Interest paid	$ 6.7	$ 14.4	$ 19.3	$ 36.6
Income taxes paid	$ 10.1	$ 7.8	$ 48.6	$ 59.9

Consolidated Balance Sheets

(in millions of Canadian dollars – unaudited)	As at September 30, 2003	As at December 31, 2002
ASSETS		
Current assets		
Cash and short-term investments	$ 231.7	$ 192.9
Accounts receivable	168.4	174.0
Inventories	259.1	319.4
Prepaid expenses	17.5	7.0
	676.7	693.3
Other assets	94.0	85.2
Property, plant and equipment	1,262.0	1,316.9
Deferred charges	20.0	20.2
	$2,052.7	$2,115.6
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 166.9	$ 163.1
Current portion of reforestation obligation	31.8	29.5
Current portion of long-term debt	13.5	19.7
	212.2	212.3
Long-term debt	293.6	337.7
Reforestation obligation	59.0	57.8
Other liabilities	15.3	14.4
Future income taxes	186.8	201.7
	$ 766.9	$ 823.9
SHAREHOLDERS' EQUITY		
Share capital	$ 328.2	$ 327.5
Retained earnings	957.6	964.2
	$1,285.8	$1,291.7
	$2,052.7	$2,115.6

Number of common shares outstanding at September 30, 2003 was 36,853,297

Third Quarter Segmented Information

(in millions of Canadian dollars – unaudited)	Lumber	Panels	Pulp & Paper	Corporate & Other	Consolidated
July 1, 2003 to September 30, 2003					
Net sales at market prices					
To external customers	$240.1	$ 52.4	$ 89.8		$382.3
To other segments	5.1				
	$245.2	$ 52.4	$ 89.8	—	
EBITDA[1]	$ 36.9	$ 12.4	$ 2.2	$ (9.0)	$ 42.5
Amortization of property, plant and equipment	14.1	5.9	14.0	0.5	34.5
Operating earnings (loss)	22.8	6.5	(11.8)	(9.5)	8.0
Interest expense	(1.4)	(0.4)	(1.4)	(1.2)	(4.4)
Exchange loss on long-term debt	—	—	—	(0.3)	(0.3)
Other income	0.8	—	—	1.0	1.8
Earnings (loss) before income taxes	$ 22.2	$ 6.1	$ (13.2)	$ (10.0)	$ 5.1
July 1, 2002 to September 30, 2002					
Net sales at market prices					
To external customers	$243.3	$ 56.0	$128.5		$427.8
To other segments	6.3				
	$249.6	$ 56.0	$128.5	—	
EBITDA[1]	$ 30.7	$ 19.4	$ 22.5	$ (1.7)	$ 70.9
Amortization of property, plant and equipment	13.7	5.6	13.8	0.4	33.5
Operating earnings (loss)	17.0	13.8	8.7	(2.1)	37.4
Interest income (expense)	(5.3)	(2.3)	(4.8)	3.4	(9.0)
Exchange loss on long-term debt	—	—	—	(18.7)	(18.7)
Other income	1.3	—	—	5.7	7.0
Earnings (loss) before income taxes	$ 13.0	$ 11.5	$ 3.9	$ (11.7)	$ 16.7

First Nine Months Segmented Information

(in millions of Canadian dollars – unaudited)	Lumber	Panels	Pulp & Paper	Corporate & Other	Consolidated
January 1, 2003 to September 30, 2003					
Net sales at market prices					
To external customers	$656.6	$149.3	$340.8		$1,146.7
To other segments	19.2				
	$675.8	$149.3	$340.8	—	
EBITDA[1]	$ 58.1	$ 25.9	$ 11.2	$ (11.6)	$ 83.6
Amortization of property, plant and equipment	44.6	18.2	41.9	1.7	106.4
Operating earnings (loss)	13.5	7.7	(30.7)	(13.3)	(22.8)
Interest expense	(6.2)	(1.4)	(4.7)	(0.7)	(13.0)
Exchange gain on long-term debt	—	—	—	33.6	33.6
Other income (expense)	7.3	—	—	(9.6)	(2.3)
Earnings (loss) before income taxes	$ 14.6	$ 6.3	$ (35.4)	$ 10.0	$ (4.5)
January 1, 2002 to September 30, 2002					
Net sales at market prices					
To external customers	$707.5	$169.0	$350.9		$1,227.4
To other segments	21.8				
	$729.3	$169.0	$350.9	—	
EBITDA[1]	$171.9	$ 55.7	$ 51.1	$ (4.9)	$ 273.8
Amortization of property, plant and equipment	39.9	17.6	41.2	1.1	99.8
Operating earnings (loss)	132.0	38.1	9.9	(6.0)	174.0
Interest income (expense)	(15.2)	(6.3)	(13.7)	7.5	(27.7)
Exchange gain on long-term debt	—	—	—	4.1	4.1
Other income	1.3	—	0.1	2.8	4.2
Earnings (loss) before income taxes	$118.1	$ 31.8	$ (3.7)	$ 8.4	$ 154.6

[1]*EBITDA is defined as operating earnings plus amortization*

Notes to Interim Financial Statements

January 1 to September 30, 2003 and 2002
(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, 2002.

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 May 30, 2003, the company acquired timber rights and a non-operating sawmill in Smithers, 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 asset acquired:	
Property, plant and equipment	$ 7,408
Reforestation obligation assumed	(1,250)
Cash consideration	$ 6,158

3. SHARE CAPITAL

The following table summarizes the common shares issued during the period:

	July 1 to September 30		January 1 to September 30	
	2003	2002	2003	2002
Pursuant to 10% stock dividend	—	—	3,349,452	3,038,698
Pursuant to cash payments	4,547	7,708	20,616	80,953
Total issued	4,547	7,708	3,370,068	3,119,651

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 as if the shares had been outstanding from the beginning of the periods presented.

	July 1 to September 30		January 1 to September 30	
	2003	2002	2003	2002
Earnings	$ 3.1	$ 4.3	$ 8.8	$ 101.9
Preferred share payments	—	—	—	(0.2)
Available to shareholders	$ 3.1	$ 4.3	$ 8.8	$ 101.7
Weighted average shares (thousands)				
Weighted average shares – basic	36,850	36,826	36,847	36,796
Share options – treasury stock method	—	331	218	384
Weighted average shares – diluted	36,850	37,157	37,065	37,180
Earnings per share (dollars)				
Basic earnings per share	$ 0.09	$ 0.12	$ 0.24	$ 2.76
Diluted earnings per share	$ 0.09	$ 0.12	$ 0.24	$ 2.74

5. STOCK-BASED COMPENSATION

Effective July 2003, the company implemented an amendment to its share option plan providing the share option holder 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.

The modification to the share option plan was accounted for prospectively and for the nine months ended September 30, 2003 the company recorded a liability and a compensation expense of $8.5 million related to all options outstanding since 1994.

Prior to the amendment, the company disclosed pro-forma of net earnings attributable to common shareholders as if share options had been recognized as compensation expense estimated on the date of grant using the Black-Scholes option-pricing model. As share based compensation is now reflected in the Statement of Earnings, the pro-forma disclosures are no longer required.

6. THE FORESTRY REVITALIZATION PLAN

In March 2003, the Government of B.C. ("Crown") introduced 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 Plan states that approximately half of this volume will be redistributed to open up opportunities for woodlots, community forests and First Nations and the other half will be available for public auction. 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 expected to result in a reduction of approximately 832,000 m^3 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 at the time the amounts can be estimated.

7. CONTINGENT LIABILITY

On April 25, 2002, the U.S. Department of Commerce ("USDOC") issued its final determination in the countervailing and antidumping investigations. The USDOC's final determination in the countervailing investigation resulted in a duty rate of 18.79% 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. All bonds posted before May 22, 2002 have been returned and cancelled. In 2002, the company reversed $25.0 million related to preliminary duties charged in 2001.

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

	July 1 to September 30		January 1 to September 30	
	2003	2002	2003	2002
Countervailing and antidumping duties	$30.7	$28.9	$80.3	$42.8

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 will be completed by approximately November 2004. The completion could extend beyond 2004 with the finalization of any appeals.

Third Quarter Operating Highlights

		July 1 to September 30		January 1 to September 30	
		2003	2002	2003	2002
Lumber	Production (Mfbm)	647,019	595,692	1,952,336	1,741,591
	Shipments (Mfbm)	689,984	630,332	1,951,223	1,676,504
Panels					
MDF	Production (Msf – 3/4″)	70,510	63,426	193,754	183,152
	Shipments (Msf – 3/4″)	69,316	62,740	198,773	192,621
Plywood	Production (Msf – 3/8″)	64,900	57,049	187,024	178,256
	Shipments (Msf – 3/8″)	65,584	63,718	184,820	177,288
Pulp & Paper (tonnes)					
Linerboard and	Production	8,375	86,008	164,677	294,256
Kraft paper	Shipments	28,824	106,249	216,286	293,261
Pulp	Production	131,093	92,985	389,526	279,909
	Shipments	121,673	89,249	384,975	281,298
Newsprint	Production	31,941	33,311	94,445	96,031
	Shipments	31,797	33,862	93,496	98,541

Quarterly Comparisons

January 1 to December 31 *(in millions of Canadian dollars – unaudited)*	2003	2002
Sales		
First	$385.4	$ 379.4
Second	379.0	420.2
Third	382.3	427.8
Fourth		404.8
		$1,632.2
Earnings		
First	$ 10.9	$ 26.6
Second	(5.2)	71.0
Third	3.1	4.3
Fourth		27.1
		$ 129.0
Diluted Earnings Per Share *(in dollars)*		
First	$ 0.29	$ 0.71
Second	$ (0.14)	$ 1.90
Third	$ 0.09	$ 0.12
Fourth		$ 0.74
Annual		$ 3.47

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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.