



West Fraser Timber Co. Ltd

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NEWS RELEASE

WEST FRASER TIMBER CO. LTD. ("WFT")

Thursday, July 21, 2011

West Fraser Announces Second Quarter Results

Vancouver, B.C. – **West Fraser Timber Co. Ltd.** today reported earnings of \$10 million and a diluted loss per share of \$0.09 on sales of \$720 million in the second quarter of 2011. For the first half of 2011, earnings were \$29 million and diluted earnings per share were \$0.68, on sales of \$1.4 billion.

"Historic low housing starts and economic uncertainty continue to negatively affect lumber and panel prices." said Hank Ketcham, the Company's Chairman, President and CEO. "On a positive note, lumber shipments to Japan are stable while shipments to China are continuing to grow at a steady rate."

These results compare with previous periods as follows:

(\$ million except earnings per share ("EPS"))	2011			2010	
	YTD	Q2	Q1	YTD	Q2
Sales	1,407	720	687	1,460	772
EBITDA ¹	142	62	80	264	157
Operating earnings from continuing operations	57	22	35	166	109
Earnings from continuing operations	31	11	20	105	67
Earnings after discontinued operations	29	10	19	96	67
Basic EPS after discontinued operations (\$)	0.68	0.24	0.44	2.23	1.56
Diluted EPS after discontinued operations (\$)	0.68	(0.09)	0.44	2.16	1.27

¹ Throughout this News Release, reference is made to EBITDA (defined as operating earnings plus amortization). Management of the Company believes that, in addition to earnings, EBITDA is a useful performance indicator and is a useful measure of cash available prior to debt service, capital expenditures and income taxes. However, EBITDA is not a generally accepted earnings measure under International Financial Reporting Standards ("IFRS") and does not have a standardized meaning prescribed by IFRS. Investors are cautioned that EBITDA should not be considered as an alternative to earnings or cash flow as determined in accordance with IFRS. As there is no standardized method of calculating EBITDA, the Company's method of calculating EBITDA may differ from the methods used by other entities and, accordingly, the Company's use of that term may not be directly comparable to similarly titled measures used by other entities.

Operational Results

In the quarter the lumber segment generated an operating loss of \$8 million and EBITDA of \$11 million. Sharp declines in lumber prices combined with higher Canadian log costs and a stronger Canadian dollar were the key factors in the decline in earnings from the previous quarter. SPF shipments to offshore markets increased in the first half of 2011 but North American markets remain weak.

The panels segment, which includes plywood, LVL and MDF, generated an operating loss in the quarter of \$5 million and negative EBITDA of \$1 million. Weak plywood prices and higher log costs adversely affected earnings during the quarter. MDF and LVL operations continue to operate on a curtailed basis.

Pulp and paper operations generated operating earnings of \$21 million and EBITDA of \$38 million. Pulp prices increased in the quarter with the average NBSK benchmark price for the quarter increasing to US\$1,025 per tonne, an increase of 6% from the previous quarter. Despite an eight-day unplanned shutdown at the Slave Lake pulp mill due to forest fires and a 13-day planned maintenance shutdown at the Cariboo pulp mill, total pulp production was marginally higher than in the previous quarter.

Outlook

Without industry production curtailments, lumber prices in the second half of the year are expected to be lower than in the first half of the year as low U.S. housing starts will continue to limit demand. Although the pulp market appears to be slowing, we anticipate that demand will remain at levels that should support reasonable prices for the balance of the year.

Slave Lake Forest Fire

In May a devastating forest fire destroyed a third of the town of Slave Lake, Alberta where the Company operates a veneer plant and a pulp mill. Many of the Company's employees lost their homes and possessions and are trying to rebuild their lives in the aftermath of this disaster. The Company is grateful for the courage they displayed in helping to protect West Fraser's mills and in returning them to full production while at the same time dealing with their own personal tragedies.

The Company

West Fraser is an integrated wood products company producing lumber, wood chips, LVL, MDF, plywood, pulp and newsprint. The Company has operations in western Canada and the southern United States.

Forward-Looking Statements

This news release contains historical information, descriptions of current circumstances and statements about potential future developments. The latter, which are forward-looking statements are included under the heading "Outlook", and are presented to provide reasonable guidance to the reader but their accuracy depends on a number of assumptions and is subject to various risks and uncertainties which are also described under this heading. Actual outcomes

and results will depend on a number of factors. Accordingly, readers should exercise caution in relying upon forward-looking statements and the Company undertakes no obligation to publicly revise them to reflect subsequent events or circumstances, except as required by applicable securities laws.

Conference Call

Investors are invited to listen to the quarterly conference call on Friday, July 22, 2011 at 8:30 a.m. Pacific Time (11:30 a.m. Eastern Time) by dialing 1-877-440-9795 (toll-free North America). The call may also be accessed through West Fraser's website at www.westfraser.com. A presentation summarizing the second quarter results will also be available on the Company's website.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis by West Fraser's management ("MD&A") of the Company's financial performance during the second quarter of 2011 should be read in conjunction with the unaudited condensed consolidated interim financial statements and accompanying notes included in this quarterly report and the 2010 annual MD&A included in the Company's 2010 Annual Report. Dollar amounts are expressed in Canadian currency, unless otherwise indicated.

This MD&A contains historical information, descriptions of current circumstances and statements about potential future developments and anticipated financial results. The latter, which are forward-looking statements, are presented to provide reasonable guidance to the reader but their accuracy depends on a number of assumptions and is subject to various risks and uncertainties. Forward-looking statements are included in the description of expectations relating to the Pulp and Paper Green Transformation Program under the heading "Discussion & Analysis by Product Segment - Pulp & Paper Segment" and under the headings "Discontinued Operations" and "Business Outlook". Actual outcomes and results will depend on a number of factors that could affect the ability of the Company to execute its business plans, including those matters described under "Risks and Uncertainties" in the 2010 annual MD&A, and may differ materially from those anticipated or projected. Accordingly, readers should exercise caution in relying upon forward-looking statements and the Company undertakes no obligation to publicly revise them to reflect subsequent events or circumstances, except as required by applicable securities laws.

Throughout this MD&A reference is made to EBITDA (defined as operating earnings plus amortization). Management believes that, in addition to earnings, EBITDA is a useful performance indicator and is a useful measure of cash available prior to debt service, capital expenditures and income taxes. EBITDA is not a generally accepted earnings measure under International Financial Reporting Standards ("IFRS") and does not have a standardized meaning prescribed by IFRS. Investors are cautioned that EBITDA should not be considered as an alternative to earnings or cash flow, as determined in accordance with IFRS. As there is no standardized method of calculating EBITDA, the Company's method of calculating EBITDA may differ from the methods used by other entities and, accordingly, the Company's use of that term may not be directly comparable to similarly titled measures used by other entities.

This MD&A includes references to benchmark prices over selected periods for products of the type produced by West Fraser. These benchmark prices do not necessarily reflect the prices obtained by West Fraser for those products during such period. The information in this interim MD&A is as at July 21, 2011 unless otherwise indicated.

Production, Shipments and Financial Comparisons

	Q2-11	Q1-11	YTD-11	Q2-10	YTD-10
Production					
Lumber – MMfbm					
SPF	880	879	1,759	860	1,687
SYP	391	382	773	363	637
	1,271	1,261	2,532	1,223	2,324
Plywood – MMsf (3/8” basis)	194	196	390	207	398
MDF – MMsf (3/4” basis)	49	48	97	47	95
LVL – Mcf	415	405	820	594	1,174
BCTMP – Mtonnes	157	154	311	139	295
NBSK – Mtonnes	135	138	273	116	240
Newsprint – Mtonnes	32	31	63	31	64
Linerboard and Kraft Paper – Mtonnes	-	-	-	-	29
Shipments					
Lumber – MMfbm					
SPF	915	765	1,680	842	1,672
SYP	396	347	743	346	616
	1,311	1,112	2,423	1,188	2,288
Plywood – MMsf (3/8” basis)	196	178	374	192	373
MDF – MMsf (3/4” basis)	53	52	105	49	100
LVL – Mcf	412	383	795	580	1,144
BCTMP – Mtonnes	175	153	328	170	312
NBSK – Mtonnes	121	136	257	118	250
Newsprint – Mtonnes	32	30	62	36	70
Linerboard and Kraft Paper – Mtonnes	-	-	-	22	111
Financial Comparisons - \$ millions					
Sales	720	687	1,407	772	1,460
EBITDA	62	80	142	157	264
Amortization	(40)	(45)	(85)	(48)	(98)
Operating earnings	22	35	57	109	166
Interest expense – net	(6)	(5)	(11)	(7)	(15)
Exchange gain (loss) on long-term debt	1	8	9	(15)	(4)
Other income (expense)	-	(4)	(4)	2	(6)
Provision for income taxes	(6)	(14)	(20)	(22)	(36)
Earnings from continuing operations	11	20	31	67	105
Loss from discontinued operations	(1)	(1)	(2)	-	(9)
Earnings	10	19	29	67	96
Cdn. \$1.00 converted to U.S. – average	1.033	1.015	1.024	0.973	0.967

Selected Quarterly Information

Selected Quarterly Information								
(\$ millions, except earnings per share (“EPS”) amounts which are in \$)								
	Q2-11	Q1-11	Q4-10	Q3-10	Q2-10	Q1-10	Q4-09 ²	Q3-09 ²
Sales ¹	720	687	719	707	772	688	570	612
Earnings ¹	11	20	28	49	67	38	8	(100)
Earnings after								
discontinued operations	10	19	43	48	67	29	(20)	(199)
Basic EPS ¹	0.27	0.46	0.65	1.15	1.56	0.89	0.18	(2.34)
Diluted EPS ¹	(0.07)	0.46	0.65	1.15	1.28	0.89	0.18	(2.34)
Basic EPS after								
discontinued operations	0.24	0.44	1.00	1.12	1.56	0.67	(0.47)	(4.64)
Diluted EPS after								
discontinued operations	(0.09)	0.44	1.00	1.12	1.27	0.67	(0.47)	(4.64)

1. From continuing operations.

2. Prepared in accordance with Canadian generally accepted accounting principles in place at December 31, 2009.

Discussion & Analysis

The Company’s operating results in the quarter reflect low lumber and panel prices and a continuing strong Canadian dollar. These negative factors were partially offset by higher NBSK prices and a recovery of long-term equity-based compensation expense.

U.S. housing starts remained very low, with the spring building season negatively affected by continued economic uncertainty and poor weather through much of North America. However, with continuing demand from Asia, specifically China, lumber prices remained above the extreme lows reached in 2009.

NBSK demand remained strong and prices continued to rise in the current quarter after falling in the second half of 2010. The BCTMP market improved in the quarter on lower worldwide supply but there was no price improvement due to impending new supply in China.

The Canadian dollar strengthened further in the quarter, a contributing factor in the operating losses in the lumber and panels segments. The panels segment was also negatively affected by competition from U.S. plywood producers which more readily enter the Canadian market when the Canadian dollar is strong.

Selling, general and administrative expenses were essentially unchanged from the previous quarter and the second quarter of 2010.

The Company recorded a recovery of \$14 million related to long-term equity-based compensation after an expense of \$27 million in the previous quarter. This compares to a \$12 million recovery in the second quarter of 2010. An expense is recorded on the issuance of share options or phantom share units and a further expense or recovery is recorded each quarter based primarily on a Black-Scholes valuation model that considers various factors relating to outstanding options. The most significant of these factors is the change in the market value of the Company’s shares from the beginning to the end of the particular period. In the second quarter of 2011 the market value of the Company’s shares decreased from \$60.43 at the close of

the previous quarter to \$52.57 at the close of the current quarter. The expense or recovery does not necessarily represent the actual amount which will ultimately be paid by the Company.

Interest expense increased only slightly in the current quarter compared to the previous quarter but was down from the same period last year due to lower borrowings and lower interest rates.

The change in value of the Canadian dollar relative to the U.S. dollar during the periods presented resulted in the following foreign exchange gains and losses:

	Q2-11	Q1-11	YTD-11	Q2-10	YTD-10
Included in other income					
Translation gain (loss) on current monetary items	(1)	(4)	(5)	3	(1)
Loss on foreign currency contracts	-	-	-	(1)	-
Gain (loss) on U.S. dollar-denominated long-term debt	1	8	9	(15)	(4)
Translation gain (loss) on foreign operations	(1)	(5)	(6)	10	3

The results of the current quarter include a \$6 million provision for income taxes compared to provisions of \$14 million for the preceding quarter and \$22 million for the second quarter of 2010. Note 12 to the accompanying condensed consolidated interim financial statements provides a reconciliation of the statutory income tax rate to the effective income tax rate.

In the second quarter of 2011 the following significant items were included in earnings from continuing operations:

- a recovery for long-term equity-based compensation of \$14 million (after tax \$14 million or \$0.32 per share); and
- the translation of U.S. dollar-denominated debt which resulted in a foreign exchange gain of \$1 million (after tax \$1 million or \$0.03 per share).

Discussion & Analysis by Product Segment

Lumber Segment

	Q2-11	Q1-11	YTD-11	Q2-10	YTD-10
Sales - \$ millions	438	411	849	464	873
EBITDA - \$ millions	11	56	67	75	142
EBITDA margin - %	3	13	8	16	16
Operating earnings - \$ millions	(8)	33	25	50	89
Benchmark prices (US\$ per Mfbm)					
SPF #2 & Better 2 x 4 ¹	242	296	269	264	267
SYP #2 West 2 x 4 ²	266	308	287	377	350

1. Source: Random Lengths – 2 x 4, #2 & Better – Net FOB mill.

2. Source: Random Lengths – 2 x 4 – Net FOB mill Westside.

Despite sharp declines in SPF and SYP lumber prices and a stronger Canadian dollar compared to the previous quarter, the lumber segment achieved improved sales as a result of increased

product shipments. However, the lower lumber prices and a significant increase in Canadian log costs resulted in a decrease in operating earnings compared to the previous quarter and compared to the second quarter of 2010. Despite the increase in shipments, the U.S.-related export taxes were lower in the current quarter compared to the previous quarter, reflecting the growth of offshore lumber markets and lower SPF prices.

Compared to the first half of the previous year, operating earnings were lower due mainly to lower SYP prices, the effect of the stronger Canadian dollar on SPF sales realizations and higher Canadian log costs. These factors were partially offset by higher shipments for both SPF and SYP in the current quarter.

Benchmark U.S. dollar SPF prices were lower by 18% in the quarter compared to the previous quarter and down 8% compared to the second quarter of 2010. The continued strengthening of the Canadian dollar also negatively affected mill returns in Canada. Benchmark U.S. prices for SYP lumber were 14% lower in the current quarter compared to the previous quarter and down 29% compared to the second quarter of 2010. Lumber prices reflected an increase in production and supply without a corresponding improvement in demand, particularly demand associated with U.S. new home construction which remained flat.

SPF lumber shipments returned to more normal levels in the quarter, representing an improvement of 20% over the previous quarter when winter weather conditions affected truck and railcar availability. SPF shipments to offshore markets continued to increase, quarter over quarter, but not enough to eliminate an oversupplied condition in North America. SYP shipment volumes in the quarter were higher by 14% compared to the previous quarter, also due mostly to the poor weather conditions in the previous quarter.

SPF shipment volumes were 9% higher in the current quarter compared to the second quarter of 2010, including a significant increase in shipments to offshore markets. SYP shipments were up 14% in the current quarter compared to the second quarter of 2010.

SYP production was 2% higher in the current quarter compared to the previous quarter and 8% higher compared to the second quarter of 2010 reflecting the addition of operating shifts in many of the U.S. sawmills. In the current quarter the U.S sawmills operated at approximately 78% of capacity compared to 75% in the previous quarter and 75% in the second quarter of 2010. The Canadian sawmills operated at capacity in the current and previous quarters and at near capacity in the second quarter of 2010.

Unit conversion costs for SPF and SYP in the current quarter were similar to the previous quarter. Also in the quarter, log costs in the U.S. were relatively stable but were up in Canada from the previous quarter.

Compared to the second quarter of 2010, unit conversion costs were similar in Canada. Conversion costs declined marginally in the U.S. operations compared to the second quarter of 2010 due to higher operating rates. Canadian log costs were approximately 12% higher due principally to higher fuel costs which led to higher harvesting and hauling rates.

Average export tax charges under the Softwood Lumber Agreement were 33% lower in the quarter compared to the previous quarter, attributable mostly to lower SPF prices and increased offshore SPF shipments. Charges were 3% higher than in the second quarter of 2010 as

composite prices had increased sufficiently in the second quarter of 2010 that the export tax was reduced to 10% for the month of May and eliminated for the month of June.

The sale of the Terrace sawmill and related Crown timber tenures, previously announced in April, 2011, was completed on July 19, 2011. The sawmill operation had been curtailed since July 2007.

Panels Segment

	Q2-11	Q1-11	YTD-11	Q2-10	YTD-10
Sales - \$ millions	96	91	187	108	208
EBITDA - \$ millions	(1)	4	3	20	31
EBITDA margin - %	n/a	4	2	19	15
Operating earnings - \$ millions	(5)	-	(5)	16	22
Benchmark price					
Plywood (per Msf 3/8" basis) ¹ Cdn\$	303	307	305	377	355
MDF (per Msf 3/4" basis) ² US\$	545	539	542	536	505

1. Source: Crow's Market Report – Delivered Toronto.

2. Source: Resource Information Systems, Inc. – MDF Western U.S. – Net FOB mill.

The Company's panels segment is comprised of its plywood, MDF and LVL operations.

The panels segment continues to produce weak operating results owing mainly to a significant decrease in plywood prices.

Benchmark plywood prices decreased only slightly in the current quarter compared to the previous quarter but were down 20% compared to the second quarter of 2010. Although demand in Canada has remained relatively stable compared to 2010, additional plywood from the U.S. is entering the Canadian market and putting downward pressure on prices. The strong Canadian dollar has permitted U.S. producers to competitively ship plywood into Canada.

In addition to weak plywood prices, the segment's operating earnings have been adversely affected by rising log costs.

Plywood shipments increased by 10% from the previous quarter and increased by 2% compared to the second quarter of 2010.

MDF and LVL results are comparable to prior periods as prices for both products remain low due to low housing starts in the U.S. The MDF plants and the LVL plant continued to operate in the quarter on a curtailed basis at approximately 65% and 50% respectively to more closely match supply with demand.

Pulp & Paper Segment

	Q2-11	Q1-11	YTD-11	Q2-10	YTD-10
Sales - \$ millions	211	209	420	226	429
EBITDA - \$ millions	38	47	85	53	95
EBITDA margin - %	18	22	20	23	22
Operating earnings - \$ millions	21	29	50	36	61
Benchmark price					
NBSK (US\$ per tonne) ¹	1,025	970	998	993	937
Newsprint (US\$ per tonne) ²	640	640	640	564	576

1. Source: Resource Information Systems, Inc. – U.S. list price delivered U.S.

2. Source: Resource Information Systems, Inc. – delivered 48.8 gram newsprint.

The Company's pulp & paper segment is comprised of its NBSK, BCTMP and newsprint businesses.

Operating earnings were lower than the previous quarter largely due to increased fibre and power costs. The U.S.-dollar NBSK benchmark price reached a peak of \$1,035 per tonne in the quarter but the increase was tempered by the stronger Canadian dollar. U.S.-dollar BCTMP prices increased marginally from the previous quarter but the effect of the stronger Canadian dollar kept Canadian dollar price realizations essentially flat. Operating earnings were down from the second quarter of 2010 primarily due to lower BCTMP mill nets and higher fibre and power costs.

Total pulp production was marginally higher than the previous quarter despite a loss of eight days of production at the Slave Lake mill due to a large forest fire near Slave Lake. Although the mill was not directly affected by the fire, the area around the town of Slave Lake was evacuated for an extended period. Pulp production was also reduced as a result of the 13-day annual maintenance shutdown of the Cariboo mill. Disregarding this downtime, all the mills ran very well in the quarter with the Cariboo mill achieving record daily production during the month of June. Production in the current quarter was 15% higher than in the second quarter of 2010 mainly due to a 15-day shutdown of the QRP mill and an 11-day annual maintenance shutdown of the Hinton mill in the second quarter of 2010.

Pulp freight costs were higher than the previous quarter as a result of an increased use of trucks due to reduced railcar availability. Unit production costs were higher in the quarter compared to the previous quarter due to an increase in fibre costs and a net increase in power costs, which was in part attributable to a large net benefit of selling power during the previous quarter when power prices reached high levels. Unit production costs were lower than in the second quarter of 2010 due to less downtime in the current quarter.

Benchmark U.S.-dollar newsprint prices were flat in the quarter from the previous quarter but the effect of the stronger Canadian dollar caused mill nets to be lower. Benchmark U.S.-dollar newsprint prices were higher by approximately 13% compared to the second quarter of 2010, or 7% on a Canadian dollar basis.

In 2009 the Government of Canada confirmed an allocation of credits totalling \$88 million to West Fraser under the Pulp and Paper Green Transformation Program. The Company has received approval under this program for six projects that are expected to significantly reduce

future energy costs and expects approval of two additional projects in the third quarter of 2011. West Fraser expects to utilize its full allocation under the Program with expenditures to date totalling \$38 million including expenditures in the first half of 2011 of \$27 million.

Discontinued Operations

The Eurocan mill was closed in the first quarter of 2010. Total restructuring charges of approximately \$50 million related to the closure of this facility have been recorded to date. We do not anticipate any further closure costs.

As at June 30, 2011 the assets and liabilities associated with the Eurocan business are as follows:

	Q2-11
Current assets	2
Non-current assets	1
Total assets	3
Current liabilities	(6)
Non-current liabilities	(10)
Total liabilities	(16)

In July 2011 an agreement was entered into to sell the remaining assets related to the Eurocan mill. That sale, and the previously-announced sale of the wharf facilities, are expected to close in the second half of the year.

Business Outlook

For a detailed description of West Fraser's business outlook for 2011 see its 2010 annual MD&A under "Business Outlook", which is included in the Company's 2010 Annual Report.

Benchmark prices for both SPF and SYP lumber, although volatile, remain low overall, having weakened dramatically since the end of the first quarter of 2011. Unless demand levels increase or production curtailments occur, prices are likely to remain at depressed levels for the balance of the year. The continuing weak state of the U.S. economy and the current oversupply situation with respect to homes for sale and potential new foreclosures is expected to prolong homebuilder uncertainty and delay pricing improvements for the building products produced by the Company.

Pulp demand, although strong, is reducing somewhat on a general economic slowdown and NBSK prices are trending lower. Impending new supply of BCTMP in China, offset in part by some closures of older mills in China, has kept prices generally flat. Should the economic slowdown continue, prices may come under further downward pressure.

Capital Requirements and Liquidity

Summary of Financial Position (\$ millions, except as otherwise indicated)

	Q2-11	Q4-10	Q2-10
Cash ¹	134	161	94
Current assets	783	789	682
Current liabilities	333	389	344
Ratio of current assets to current liabilities	2.4	2.0	2.0
Net debt	152	148	235
Shareholders' equity	1,537	1,534	1,477
Net debt to capitalization ² - %	9	9	14

1. Cash consists of cash and short-term investments less cheques issued in excess of funds on deposit.

2. Net debt (total debt less net cash) divided by net debt plus shareholders' equity.

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

Selected Cash Flow Items (\$ millions)

	Q2-11	Q1-11	YTD-11	Q2-10	YTD-10
Operating Activities					
Cash provided before operating working capital changes	54	33	87	162	348
Non-cash operating working capital change	61	(89)	(28)	83	(29)
Cash provided (used) in operating activities	115	(56)	59	245	319
Financing Activities					
Debt and operating loans	(11)	(4)	(15)	(123)	(167)
Interest paid	(8)	(2)	(10)	(10)	(12)
Dividends and other	(6)	(6)	(12)	(1)	(6)
Cash used in financing activities	(25)	(12)	(37)	(134)	(185)
Investing Activities					
Additions to capital assets	(49)	(20)	(69)	(27)	(55)
Other – net	14	9	23	-	1
Cash used in investing activities	(35)	(11)	(46)	(27)	(54)
Change in cash from continuing operations	55	(79)	(24)	84	80
Change in cash from discontinued operations	(2)	(1)	(3)	25	24
Change in cash	53	(80)	(27)	109	104

Capital Structure and Debt Ratings

The capital structure of the Company consists of Common share equity and long-term debt. In addition, the Company maintains a committed revolving credit facility that is available to meet additional funding requirements. Additional information on the Company's capital structure can be found in the Company's 2010 Annual Report.

At July 21, 2011, the Common share equity of the Company consisted of 40,059,299 Common shares and 2,781,478 Class B Common shares for a total of 42,840,777 shares issued and outstanding.

In addition, as of July 21, 2011 there were 1,999,067 share purchase options outstanding with exercise prices ranging from \$24.71 to \$51.56 per Common share.

All of West Fraser's debt is secured and, with the exception of current borrowings incurred by its joint venture newsprint mill, ranks equally in right of payment.

The Company is rated by three rating agencies. In April 2011 the Company's Outlook was changed from Stable to Positive by Standard & Poor's and from Negative to Positive by Moody's. The current rating by each of these agencies is as follows:

Debt Ratings

Agency	Rating	Outlook
Dominion Bond Rating Service	BB(high)	Stable
Moody's	Ba1	Positive
Standard & Poor's	BB+	Positive

These ratings are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating agencies.

Risks and Uncertainties

For a review of the risks and uncertainties to which the Company is subject, see the 2010 annual MD&A which is included in the Company's 2010 Annual Report.

Changes In Accounting

Conversion to International Financial Reporting Standards

The Company has adopted IFRS effective January 1, 2011. Prior to the adoption of IFRS the Company prepared its financial statements in accordance with Canada's previous Generally Accepted Accounting Principles for publicly accountable profit-oriented enterprises. For additional information on the conversion to IFRS, see the 2010 annual MD&A which is included in the Company's 2010 Annual Report and the unaudited condensed consolidated interim financial statements accompanying this MD&A.

New Accounting Pronouncements Issued but not yet Applied

The International Accounting Standards Board periodically issues new standards and amendments or interpretations to existing standards. The new pronouncements listed below are those that the Company considers the most significant. They are not intended to be a complete list of new pronouncements that may impact the Company's financial statements.

IFRS 9, Financial Instruments

In November 2009 IFRS 9 was issued which addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive earnings. IFRS 9 is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company has not yet assessed the impact of the standard.

IFRS 10, Consolidated Financial Statements

In May 2011 IFRS 10 was issued which provides a single model to be applied in the control analysis for all investees and supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company has not yet assessed the impact of the standard.

IFRS 11, Joint Arrangements

In May 2011 IFRS 11 was issued which provides guidance for determining if a joint arrangement is a joint venture or joint operation. The standard requires that joint ventures be accounted for by the equity method as opposed to the choice, presently available under IAS 31, of applying the equity method or proportionate consolidation. Joint operations are required to be accounted for using the proportionate consolidation method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company has not yet assessed the impact of the standard.

IFRS 12, Disclosure of Interests in Other Entities

In May 2011 IFRS 12 was issued which sets out the required disclosures for Companies that have adopted IFRS 10 and 11 described above. It requires disclosure of information that helps users to evaluate the nature, risks and financial effects associated with the Company's interests in subsidiaries, associates and joint arrangements. IFRS 12 is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company has not yet assessed the impact of the standard.

IFRS 13, Fair Value Measurement

In May 2011 IFRS 13 was issued which defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. Prior to the introduction of the standard there was no single source of guidance on fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company has not yet assessed the impact of the standard.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

West Fraser's management, including the Chairman, President and Chief Executive Officer and the Executive Vice-President, Finance and Chief Financial Officer acknowledge responsibility for the design of disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR) as those terms are defined in National Instrument 52-109.

There were no changes in internal controls over financial reporting that occurred during the quarter ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, West Fraser's internal control over financial reporting.

Additional Information

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.



West Fraser Timber Co. Ltd.

Condensed Consolidated Balance Sheets

(in millions of Canadian dollars - unaudited)

	As at June 30 2011	As at December 31 2010
Assets		
Current assets		
Cash and short-term investments	\$ 134.7	\$ 163.1
Accounts receivable	276.3	246.0
Inventories (note 4)	352.7	372.4
Prepaid expenses	19.4	7.6
	783.1	789.1
Property, plant, and equipment (note 5)	899.3	924.7
Timber licences	501.5	509.6
Goodwill and other intangibles (note 6)	340.4	345.4
Other assets	30.6	41.5
	\$ 2,554.9	\$ 2,610.3
Liabilities		
Current liabilities		
Cheques issued in excess of funds on deposit	\$ 0.7	\$ 2.4
Operating loans (note 8)	-	8.8
Accounts payable and accrued liabilities	270.0	271.0
Income taxes payable	14.9	58.3
Reforestation obligations	41.0	41.4
Decommissioning obligations	6.4	6.8
Current portion of long-term debt (note 8)	0.3	0.3
	333.3	389.0
Long-term debt (note 8)	290.3	299.5
Other liabilities (note 9)	239.5	225.7
Deferred income taxes	154.5	162.3
	1,017.6	1,076.5
Shareholders' equity		
Share capital	600.7	600.5
Accumulated other comprehensive earnings	(15.7)	(9.6)
Retained earnings	952.3	942.9
	1,537.3	1,533.8
	\$ 2,554.9	\$ 2,610.3

Contingency (note 17)

Number of Common shares and Class B Common shares outstanding at July 21, 2011 was 42,840,777.



West Fraser Timber Co. Ltd.

Condensed Consolidated Statement of Changes in Equity
(in millions of Canadian dollars - unaudited)

	April 1 to June 30		January 1 to June 30	
	2011	2010	2011	2010
Retained earnings				
Balance - beginning of period	\$ 987.1	\$ 865.3	\$ 942.9	\$ 823.3
Actuarial loss on employee future benefits	(39.2)	(57.4)	(7.9)	(43.1)
Earnings for the period	10.3	66.7	29.2	95.6
Dividends	(5.9)	(1.4)	(11.9)	(2.6)
Balance - end of period	\$ 952.3	\$ 873.2	\$ 952.3	\$ 873.2
Accumulated other comprehensive earnings				
Balance - beginning of period	\$ (14.9)	\$ (6.8)	\$ (9.6)	\$ -
Translation gain (loss) of foreign operations	(0.8)	10.0	(6.1)	3.2
Balance - end of period	\$ (15.7)	\$ 3.2	\$ (15.7)	\$ 3.2
Share capital				
Balance - beginning of period	\$ 600.6	\$ 599.8	\$ 600.5	\$ 599.7
Issuance of Common shares	0.1	0.2	0.2	0.3
Balance - end of period	\$ 600.7	\$ 600.0	\$ 600.7	\$ 600.0
Shareholders' equity	\$ 1,537.3	\$ 1,476.4	\$ 1,537.3	\$ 1,476.4



West Fraser Timber Co. Ltd.

Condensed Consolidated Statements of Earnings and Comprehensive Earnings

(in millions of Canadian dollars - unaudited)

	April 1 to June 30		January 1 to June 30	
	2011	2010	2011	2010
Sales	\$ 719.7	\$ 772.2	\$ 1,406.7	\$ 1,460.0
Costs and expenses				
Cost of products sold	509.2	474.9	941.5	890.2
Freight and other distribution costs	123.2	114.4	228.8	224.0
Export taxes	12.3	10.8	27.9	30.0
Amortization	40.4	48.2	85.1	97.6
Selling, general and administration	26.7	26.8	54.1	49.1
Long-term equity-based compensation	(13.7)	(11.8)	12.8	3.0
	698.1	663.3	1,350.2	1,293.9
Operating earnings	21.6	108.9	56.5	166.1
Interest expense - net	(5.4)	(7.6)	(10.2)	(15.2)
Exchange gain (loss) on long-term debt	1.5	(14.7)	9.0	(4.1)
Other income (expense) (note 11)	-	2.0	(3.6)	(5.9)
Earnings from continuing operations before income taxes	17.7	88.6	51.7	140.9
Provision for income taxes (note 12)	(6.3)	(21.6)	(20.4)	(35.9)
Earnings from continuing operations	11.4	67.0	31.3	105.0
Loss from discontinued operations (note 13)	(1.1)	(0.3)	(2.1)	(9.4)
Earnings	\$ 10.3	\$ 66.7	\$ 29.2	\$ 95.6
Actuarial loss on employee future benefits	\$ (52.0)	\$ (80.3)	\$ (10.5)	\$ (60.3)
Income tax on actuarial loss on employee future benefits	12.8	22.9	2.6	17.2
Translation gain (loss) on foreign operations	(0.8)	10.0	(6.1)	3.2
Comprehensive earnings	\$ (29.7)	\$ 19.3	\$ 15.2	\$ 55.7
Earnings per share (dollars) (note 14)				
Basic from continuing operations	\$ 0.27	\$ 1.56	\$ 0.73	\$ 2.45
Diluted from continuing operations	\$ (0.07)	\$ 1.28	\$ 0.73	\$ 2.38
Basic after discontinued operations	\$ 0.24	\$ 1.56	\$ 0.68	\$ 2.23
Diluted after discontinued operations	\$ (0.09)	\$ 1.27	\$ 0.68	\$ 2.16



West Fraser Timber Co. Ltd.

Condensed Consolidated Statements of Cash Flows
(in millions of Canadian dollars - unaudited)

	April 1 to June 30		January 1 to June 30	
	2011	2010	2011	2010
Operating activities				
Earnings from continuing operations	\$ 11.4	\$ 67.0	\$ 31.3	\$ 105.0
Adjustments to reconcile earnings to cash flows from operating activities				
Amortization	40.4	48.2	85.1	97.6
Interest expense - net	5.4	7.6	10.2	15.2
Exchange (gain) loss on long-term debt	(1.5)	14.7	(9.0)	4.1
Provision for income taxes	6.3	21.6	20.4	35.9
Income taxes received (paid)	(6.9)	6.9	(68.2)	69.6
Change in reforestation obligations	(3.6)	(4.8)	7.9	8.4
Other	2.8	0.3	9.2	11.6
	54.3	161.5	86.9	347.4
Changes in non-cash operating working capital				
Accounts receivable	(0.2)	(7.0)	(29.7)	(67.6)
Inventories	125.1	102.3	17.3	33.2
Prepaid expenses	(5.5)	(3.9)	(10.1)	(8.1)
Accounts payable and accrued liabilities	(58.5)	(8.2)	(5.8)	13.9
Subtotal of changes in non-cash operating working capital	60.9	83.2	(28.3)	(28.6)
Cash flows from operating activities	115.2	244.7	58.6	318.8
Financing activities				
Repayment of long-term debt	-	-	(0.3)	(100.3)
Repayment of operating loans	(10.9)	(123.2)	(14.6)	(66.7)
Interest paid	(8.3)	(9.8)	(9.9)	(12.0)
Dividends	(5.9)	(1.4)	(11.9)	(2.6)
Other	-	0.1	-	(3.4)
Cash flows from financing activities	(25.1)	(134.3)	(36.7)	(185.0)
Investing activities				
Additions to capital assets	(48.7)	(26.9)	(68.5)	(55.0)
Proceeds from Green Transformation Program	13.4	-	20.9	-
Proceeds from disposal of capital assets	-	0.1	0.8	0.6
Other	0.8	0.2	1.2	0.2
Cash flows from investing activities	(34.5)	(26.6)	(45.6)	(54.2)
Change in cash from continuing operations	55.6	83.8	(23.7)	79.6
Change in cash from discontinued operations (note 13)	(2.6)	24.8	(3.0)	23.9
Cash - beginning of period	81.0	(14.9)	160.7	(9.8)
Cash - end of period	\$ 134.0	\$ 93.7	\$ 134.0	\$ 93.7
Cash consists of				
Cash and short-term investments			\$ 134.7	\$ 96.6
Cheques issued in excess of funds on deposit			(0.7)	(2.9)
			\$ 134.0	\$ 93.7

West Fraser Timber Co. Ltd.

Notes to Condensed Consolidated Interim Financial Statements

(figures are in millions of dollars except where indicated - unaudited)

1. Nature of operations

The Company is an integrated wood products company producing lumber, wood chips, LVL, MDF, plywood, pulp and newsprint. The Company's executive office is located at 858 Beatty Street, Suite 501, Vancouver, British Columbia. The Company was formed by articles of amalgamation under the *Business Corporations Act* (British Columbia) and is registered in British Columbia, Canada. The Company is listed on the Toronto Stock Exchange under the symbol WFT.

2. Transition to International Financial Reporting Standards ("IFRS")

The Company adopted IFRS effective January 1, 2011. Prior to the adoption of IFRS the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles ("CGAAP"). The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements that are prepared in accordance with IFRS. The Company's transition date is January 1, 2010 (the "Transition Date") and the Company has prepared its opening IFRS balance sheet at that date. The Company will ultimately prepare its opening balance sheet and financial statements for 2010 and 2011 by applying IFRS with an effective date of December 31, 2011 or earlier. Accordingly, the opening balance sheet and annual financial statements for 2010 and 2011 may differ from these financial statements.

3. Basis of presentation and statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board and using the accounting policies the Company expects to adopt in its consolidated financial statements for the year ended December 31, 2011. These policies can be found in Appendix A of the March 31, 2011 quarterly financial statements.

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2010 annual financial statements and the Company's interim financial statements for the quarter ended March 31, 2011, with consideration of the IFRS transition disclosures included in Appendix A of these condensed consolidated interim financial statements.

4. Inventories

Inventories at June 30, 2011 were written down by \$8.6 million (June 30, 2010 - \$6.7 million; December 31, 2010 - \$3.8 million) to reflect net realizable value being lower than cost.

5. Property, plant and equipment

	June 30, 2011	December 31, 2010
Manufacturing plant, equipment & machinery	\$ 789.0	\$ 848.0
Construction-in-progress	40.5	12.8
Roads and bridges	40.0	34.4
Other	29.8	29.5
	\$ 899.3	\$ 924.7

6. Goodwill and other intangible assets

	June 30, 2011	December 31, 2010
Goodwill	\$ 263.7	\$ 263.7
Power purchase agreement	69.5	73.2
Timber deposits	3.0	3.4
Other	4.2	5.1
	\$ 340.4	\$ 345.4

7. Restructuring charges

Restructuring charges relate to the closure of the Eurocan mill and certain indefinitely idled sawmills. A reconciliation of restructuring charges included in accounts payable and accrued liabilities is as follows:

	January 1 to June 30, 2011	January 1 to December 31, 2010
Accrued liability – beginning of period	\$ 4.5	\$ 40.2
Paid during period	(1.9)	(35.1)
Change in accrual	0.3	(0.6)
Accrued liability – end of period	\$ 2.9	\$ 4.5

8. Long-term debt and operating loans

Long-term debt

	June 30, 2011	December 31, 2010
US\$300 million senior notes due October 2014; interest at 5.2%	\$ 289.4	\$ 298.4
Note payable due in instalments to 2020; interest at 5.5%	2.4	2.7
	291.8	301.1
Less:		
Current portion	(0.3)	(0.3)
Deferred financing costs	(1.2)	(1.3)
	\$ 290.3	\$ 299.5

Operating loans

The Company has \$530 million in revolving lines of credit, of which nil (net of deferred financing costs of \$0.4 million) was drawn as at June 30, 2011 (December 31, 2010 - \$8.8 million, net of deferred financing costs of \$6.2 million). Additional deferred financing costs of \$5.0 million are included in other assets at June 30, 2011.

These facilities include a committed revolving line of credit in the amount of \$500 million maturing December 2014, a \$25 million demand line of credit dedicated to letters of credit and a \$5 million demand line of credit dedicated to the newsprint joint venture operations. Interest on the three facilities is payable at floating rates based on Prime, U.S. base, Bankers' Acceptances or LIBOR at the Company's option. As at June 30, 2011, letters of credit in the amount of \$35.4 million have been issued under these facilities.

The \$500 million committed facility and the US\$300 million senior notes are secured by the Company's assets.

9. Other liabilities

	June 30, 2011	December 31, 2010
Post-retirement obligations	\$ 123.2	\$ 118.2
Reforestation obligations	73.2	64.4
Other decommissioning obligations	19.4	19.6
Timber damage deposits	13.3	13.9
Other	10.4	9.6
	\$ 239.5	\$ 225.7

10. Employee future benefits

The Company maintains defined benefit and defined contribution pension plans covering a majority of its employees. The defined benefit plans provide pension benefits based either on length of service or on earnings and length of service. Total pension expense for the defined benefit plans is \$7.3 million for the three months ended June 30, 2011 (three months ended June 30, 2010 - \$6.1 million) and \$15.6 million for the six months ended June 30, 2011 (six months ended June 30, 2010 - \$12.2 million). The Company also provides group life insurance, medical and extended health benefits to certain employee groups.

The status of the defined benefit pension plans and other benefit plans, in aggregate, is as follows:

	June 30, 2011		December 31, 2010	
Projected benefit obligations	\$	(1,005.5)	\$	(983.6)
Fair value of plan assets		905.7		904.1
Deficit	\$	(99.8)	\$	(79.5)
Represented by				
Pension surplus ¹	\$	23.4	\$	38.7
Post-retirement obligations ²		(123.2)		(118.2)
	\$	(99.8)	\$	(79.5)

1. Included in other assets.

2. Included in other liabilities.

The significant assumptions used to determine the period end benefit obligations are as follows:

	June 30, 2011	March 31, 2011	December 31, 2010
Discount rate on obligation	5.50%	5.75%	5.50%
Expected rate of return on plan assets	6.50%	6.50%	6.50%
Rate of increase in future compensation	3.50%	3.50%	3.50%

The change in the discount rate on obligation and the difference between the actual rate of return and the expected rate of return on plan assets generated an actuarial loss of \$52.0 million for the three months ended June 30, 2011 (three months ended June 30, 2010 - \$80.3 million) and \$10.5 million for the six months ended June 30, 2011 (six months ended June 30, 2010 - \$60.3 million) which is included in comprehensive earnings, net of income taxes.

11. Other income (expense)

	April 1 to June 30		January 1 to June 30	
	2011	2010	2011	2010
Foreign exchange gain (loss) - net	\$ (0.9)	\$ 3.2	\$ (5.3)	\$ (0.7)
Loss on derivatives	-	(1.1)	-	(5.1)
Other - net	0.9	(0.1)	1.7	(0.1)
	\$ -	\$ 2.0	\$ (3.6)	\$ (5.9)

12. Income taxes

The Company's effective tax rate on earnings from continuing operations is as follows:

	April 1 to June 30			
	2011		2010	
	Amount	%	Amount	%
Income taxes at statutory rates	\$ (4.7)	(26.5)	\$ (25.2)	(28.5)
Non taxable amounts	3.9	22.0	(2.1)	(2.4)
Rate differentials between jurisdictions and on specified activities	1.9	10.7	(0.2)	(0.2)
Change in valuation allowance	(5.1)	(28.8)	6.0	6.8
Other	(2.3)	(13.0)	(0.1)	(0.1)
Income tax provision	\$ (6.3)	(35.6)	\$ (21.6)	(24.4)

	January 1 to June 30			
	2011		2010	
	Amount	%	Amount	%
Income taxes at statutory rates	\$ (13.7)	(26.5)	\$ (40.1)	(28.5)
Non taxable amounts	(1.2)	(2.4)	(0.6)	(0.4)
Rate differentials between jurisdictions and on specified activities	1.6	3.2	0.2	0.2
Change in valuation allowance	(4.7)	(9.2)	7.2	5.1
Other	(2.4)	(4.6)	(2.6)	(1.9)
Income tax provision	\$ (20.4)	(39.5)	\$ (35.9)	(25.5)

13. Discontinued operation

The Company permanently closed its Eurocan linerboard and kraft paper mill in January 2010. The results of the discontinued operation are as follows:

	April 1 to June 30		January 1 to June 30	
	2011	2010	2011	2010
Sales	\$ 0.1	\$ 13.7	\$ 0.1	\$ 64.8
Operating loss	(1.5)	(1.9)	(2.8)	(13.8)
Other income	-	1.6	-	0.8
Loss before income tax	(1.5)	(0.3)	(2.8)	(13.0)
Income tax recovery	0.4	-	0.7	3.6
Loss	\$ (1.1)	\$ (0.3)	\$ (2.1)	\$ (9.4)
Cash flows from operating activities	\$ (2.4)	\$ 24.8	\$ (2.6)	\$ 23.9
Cash flows from investing activities	(0.2)	-	(0.4)	-
Increase (decrease) in cash	\$ (2.6)	\$ 24.8	\$ (3.0)	\$ 23.9

14. **Earnings per share**

Basic earnings per share is calculated based on earnings available to Common shareholders, as set out below, using the weighted average number of Common shares and Class B common shares outstanding.

Diluted earnings per share is calculated based on earnings available to Common shareholders adjusted to remove the actual share option expense (recovery) charged to earnings and after deducting a notional charge for share option expense assuming the use of the equity settled method, as set out below. The diluted weighted average number of shares is calculated using the treasury stock method. When earnings available to shareholders for diluted earnings per share are greater than earnings available to shareholders for basic earnings per share, the calculation is anti-dilutive, therefore basic and diluted earnings per share are the same.

	April 1 to June 30			
	2011		2010	
	From continuing operations	After discontinued operations	From continuing operations	After discontinued operations
Earnings				
Basic	\$ 11.4	\$ 10.3	\$ 67.0	\$ 66.7
Share option recovery	(14.0)	(14.0)	(11.4)	(11.4)
Equity settled share option adjustment	(0.3)	(0.3)	(0.2)	(0.2)
Diluted	\$ (2.9)	\$ (4.0)	\$ 55.4	\$ 55.1
Weighted average number of shares				
Basic	42,838,619	42,838,619	42,821,150	42,821,150
Share options	534,216	534,216	524,137	524,137
Diluted	43,372,835	43,372,835	43,345,287	43,345,287
Earnings per share (dollars)				
Basic	\$ 0.27	\$ 0.24	\$ 1.56	\$ 1.56
Diluted	\$ (0.07)	\$ (0.09)	\$ 1.28	\$ 1.27

	January 1 to June 30			
	2011		2010	
	From continuing operations	After discontinued operations	From continuing operations	After discontinued operations
Earnings				
Basic	\$ 31.3	\$ 29.2	\$ 105.0	\$ 95.6
Share option expense (recovery)	8.8	8.8	(1.5)	(1.5)
Equity settled share option adjustment	(2.5)	(2.5)	(0.6)	(0.6)
Diluted	\$ 37.6	\$ 35.5	\$ 102.9	\$ 93.5
Weighted average number of shares				
Basic	42,837,381	42,837,381	42,819,441	42,819,441
Share options	555,526	555,526	436,553	436,553
Diluted	43,392,907	43,392,907	43,255,994	43,255,994
Earnings per share (dollars)				
Basic	\$ 0.73	\$ 0.68	\$ 2.45	\$ 2.23
Diluted	\$ 0.73	\$ 0.68	\$ 2.38	\$ 2.16

15. Green transformation program

In 2009 the Government of Canada confirmed an allocation of credits totalling \$88 million to the Company under the Pulp and Paper Green Transformation Program (the "Program"). The Program provides funding for capital projects that improve the energy efficiency or environmental performance of Canadian pulp and paper mills. Credits may be used until the Program end date of March 31, 2012. During the quarter, the Company received \$13.4 million for eligible expenditures (six months ended June 30, 2011 - \$20.9 million; year ended December 31, 2010 - \$1.6 million) under the Program and has incurred a further \$15.0 million of qualifying reimbursable expenditures which are included in accounts receivable.

16. **Segmented information**

	Lumber	Panels	Pulp & paper	Corporate & other	Consolidated
April 1, 2011 to June 30, 2011					
Sales at market prices					
To external customers	\$ 414.3	\$ 94.2	\$ 211.2	\$ -	\$ 719.7
To other segments	23.5	2.2	-	-	
	<u>\$ 437.8</u>	<u>\$ 96.4</u>	<u>\$ 211.2</u>	<u>\$ -</u>	
EBITDA ¹	\$ 11.3	\$ (1.0)	\$ 38.2	\$ 13.5	\$ 62.0
Amortization	(19.1)	(3.8)	(16.9)	(0.6)	(40.4)
Operating earnings	(7.8)	(4.8)	21.3	12.9	21.6
Interest income (expense) - net	(3.2)	(0.8)	(1.6)	0.2	(5.4)
Exchange gain on long-term debt	-	-	-	1.5	1.5
Other income (expense)	(0.9)	-	1.1	(0.2)	-
Earnings from continuing operations before income taxes	<u>\$ (11.9)</u>	<u>\$ (5.6)</u>	<u>\$ 20.8</u>	<u>\$ 14.4</u>	<u>\$ 17.7</u>
April 1, 2010 to June 30, 2010					
Sales at market prices					
To external customers	\$ 440.3	\$ 106.3	\$ 225.6	\$ -	\$ 772.2
To other segments	23.7	2.0	-	-	
	<u>\$ 464.0</u>	<u>\$ 108.3</u>	<u>\$ 225.6</u>	<u>\$ -</u>	
EBITDA ¹	\$ 75.3	\$ 20.1	\$ 52.6	\$ 9.1	\$ 157.1
Amortization	(25.7)	(4.6)	(17.0)	(0.9)	(48.2)
Operating earnings	49.6	15.5	35.6	8.2	108.9
Interest income (expense) - net	(5.0)	(1.0)	(1.9)	0.3	(7.6)
Exchange loss on long-term debt	-	-	-	(14.7)	(14.7)
Other income (expense)	(0.6)	-	3.5	(0.9)	2.0
Earnings from continuing operations before income taxes	<u>\$ 44.0</u>	<u>\$ 14.5</u>	<u>\$ 37.2</u>	<u>\$ (7.1)</u>	<u>\$ 88.6</u>

1. **Non GAAP measure:**

EBITDA is defined as operating earnings plus amortization.

	Lumber	Panels	Pulp & paper	Corporate & other	Consolidated
January 1, 2011 to June 30, 2011					
Sales at market prices					
To external customers	\$ 804.0	\$ 182.8	\$ 419.9	\$ -	\$ 1,406.7
To other segments	45.0	4.5	-	-	
	\$ 849.0	\$ 187.3	\$ 419.9	\$ -	
EBITDA ¹	\$ 66.5	\$ 2.6	\$ 85.1	\$ (12.6)	\$ 141.6
Amortization	(41.4)	(7.7)	(34.7)	(1.3)	(85.1)
Operating earnings	25.1	(5.1)	50.4	(13.9)	56.5
Interest income (expense) - net	(5.8)	(1.6)	(3.0)	0.2	(10.2)
Exchange gain on long-term debt	-	-	-	9.0	9.0
Other income (expense)	(3.4)	(0.2)	(0.7)	0.7	(3.6)
Earnings from continuing operations before income taxes	\$ 15.9	\$ (6.9)	\$ 46.7	\$ (4.0)	\$ 51.7

January 1, 2010 to June 30, 2010

Sales at market prices					
To external customers	\$ 826.7	\$ 204.0	\$ 429.3	\$ -	\$ 1,460.0
To other segments	46.7	3.8	-	-	
	\$ 873.4	\$ 207.8	\$ 429.3	\$ -	
EBITDA ¹	\$ 141.6	\$ 31.3	\$ 94.9	\$ (4.1)	\$ 263.7
Amortization	(52.5)	(9.7)	(33.7)	(1.7)	(97.6)
Operating earnings	89.1	21.6	61.2	(5.8)	166.1
Interest expense - net	(9.6)	(1.8)	(3.8)	-	(15.2)
Exchange loss on long-term debt	-	-	-	(4.1)	(4.1)
Other expense	(2.1)	(0.4)	(2.8)	(0.6)	(5.9)
Earnings from continuing operations before income taxes	\$ 77.4	\$ 19.4	\$ 54.6	\$ (10.5)	\$ 140.9

1. **Non GAAP measure:**

EBITDA is defined as operating earnings plus amortization.

The geographic distribution of external sales is as follows:

	April 1 to June 30		January 1 to June 30	
	2011	2010	2011	2010
United States	\$ 319.2	\$ 395.1	\$ 659.6	\$ 744.2
Canada	172.4	175.6	328.4	346.1
China	150.7	96.6	235.4	148.2
Other Asia	47.1	60.5	121.0	144.7
Other	30.3	44.4	62.3	76.8
	\$ 719.7	\$ 772.2	\$ 1,406.7	\$ 1,460.0

Sales distribution is based on the location of product delivery by the Company.

17. Contingency

On January 18, 2011 the United States requested arbitration with Canada under the Softwood Lumber Agreement (“SLA”) over its concern that the province of British Columbia (“B.C.”) is charging too low a price for certain timber harvested on public lands in the B.C. interior.

The Company believes that Canada and B.C. are complying with their obligations under the SLA and intends to cooperate fully with the B.C. and Canadian governments in defending this claim. The results of the arbitration process are not determinable at this point in time and accordingly no provision has been recorded by the Company.

West Fraser Timber Co. Ltd.

Appendix A to Condensed Consolidated Interim Financial Statements
Transition to IFRS

(figures are in millions of dollars except where indicated - unaudited)

Transition to IFRS

The Company's Transition Date balance sheet was published as part of the March 31, 2011 quarterly financial statements. A line by line reconciliation of the changes from CGAAP was included in the Company's 2010 annual management's discussion and analysis. These reports can be found on the Company's website at www.westfraser.com and on the System for Electronic Document Analysis and Retrieval at www.sedar.com under the Company's profile.

The Company will ultimately prepare its Transition Date balance sheet and financial statements for 2010 and 2011 by applying IFRS with an effective date of December 31, 2011 or earlier. The standard setting body of IFRS has significant ongoing projects that could affect the ultimate differences between CGAAP and IFRS and these changes could have a material effect on the Company's financial statements. Accordingly, the Transition Date balance sheet and reconciliations may differ from those presented.

The following tables and their notes reconcile June 30, 2010 IFRS equity and comprehensive earnings to the CGAAP versions previously published.

Comprehensive Earnings Adjustment on adoption of IFRS

For the three months ended June 30, 2010	Notes	Earnings from continuing operations	Loss from discontinued operations	Earnings	Translation of foreign operations	Actuarial gain (loss)	Comprehensive earnings
Earnings reported under CGAAP		\$ 62.5	\$ 0.8	\$ 63.3	\$ 14.3	\$ -	\$ 77.6
Earnings adjustment							
PPE ¹ amortization	2	3.3	-	3.3	(4.3)	-	(1.0)
Employee future benefits	3	1.0	-	1.0	-	(80.3)	(79.3)
Decommissioning obligations	4	(1.5)	(1.3)	(2.8)	-	-	(2.8)
Share option expense	5	2.2	-	2.2	-	-	2.2
Deferred tax on above items	7	(0.5)	0.2	(0.3)	-	22.9	22.6
Earnings adjustment		4.5	(1.1)	3.4	(4.3)	(57.4)	(58.3)
Earnings reported under IFRS		\$ 67.0	\$ (0.3)	\$ 66.7	\$ 10.0	\$ (57.4)	\$ 19.3

For the six months June 30, 2010	Notes	Earnings from continuing operations	Loss from discontinued operations	Earnings	Translation of foreign operations	Actuarial gain (loss)	Comprehensive earnings
Earnings reported under CGAAP		\$ 96.8	\$ (14.1)	\$ 82.7	\$ 5.0	\$ -	\$ 87.7
Earnings adjustment							
PPE ¹ amortization	2	6.9	-	6.9	(1.9)	-	5.0
Employee future benefits	3	1.8	1.6	3.4	0.1	(60.3)	(56.8)
Decommissioning obligations	4	(2.3)	(0.9)	(3.2)	-	-	(3.2)
Share option expense	5	2.7	-	2.7	-	-	2.7
Restructuring charges	6	-	6.0	6.0	-	-	6.0
Deferred tax on above items	7	(0.9)	(2.0)	(2.9)	-	17.2	14.3
Earnings adjustment		8.2	4.7	12.9	(1.8)	(43.1)	(32.0)
Earnings reported under IFRS		\$ 105.0	\$ (9.4)	\$ 95.6	\$ 3.2	\$ (43.1)	\$ 55.7

1. PPE - property, plant and equipment

Shareholders' Equity Adjustment on adoption of IFRS

	Notes	As at June 30, 2010
Equity reported under CGAAP		\$ 1,703.6
Retained earnings adjustment		
Transition Date retained earnings adjustment	1	(195.2)
Q1 2010 retained earnings adjustment	1	23.8
Q2 2010 employee future benefits - actuarial loss (net of tax)	3	(57.4)
Q2 2010 earnings adjustments (see above)		3.4
Retained earnings adjustment		(225.4)
Cumulative translation adjustment (first half of 2010)	8	(1.8)
Equity reported under IFRS		\$ 1,476.4

Notes to Comprehensive Earnings and Shareholders' Equity Adjustments on Adoption of IFRS

1. Previously published information

A copy of the Company's accounting policies, IFRS 1 exemptions applied and reconciliation of the March 31, 2010 and December 31, 2010 IFRS shareholders' equity and comprehensive earnings can be found in Appendix A and B of the March 31, 2011 quarterly financial statements. This report can be found on the Company's website at www.westfraser.com and on the System for Electronic Document Analysis and Retrieval at www.sedar.com under the Company's profile.

2. Property, plant, and equipment impairment

IFRS requires the assessment of asset impairment to be based on discounted cash flows while CGAAP only requires discounting if the carrying value of assets exceeds the undiscounted cash flows. The assumptions used to estimate cash flows are based on industry sources, including Forest Economic Advisors, LLC and Resource Information Systems, Inc., as well as industry analysts and management estimates. Future cash flows were then discounted using an interest rate of 10% to determine the net present value of future cash flows.

The difference in methodology resulted in asset impairment charges of \$94.8 being charged through Transition Date retained earnings. Depreciation expense under IFRS was reduced by \$3.3 million for the three months ended June 30, 2010 and \$6.9 million for the six months ended June 30, 2010 due to the impairments.

3. Employee future benefits

The significant differences between CGAAP and IFRS are as follows:

- i. The Company elected to recognize the January 1, 2010 cumulative deferred actuarial gains and losses in opening retained earnings for the Company's defined benefit pension plans under IFRS 1.
- ii. Under CGAAP the Company used an October 31st measurement date, while IFRS requires a December 31st measurement date.
- iii. The Company has chosen to adjust actuarial gains and losses after the Transition Date to retained earnings via comprehensive earnings. Under CGAAP these amounts are deferred and amortized over the average remaining service period of the affected employees within certain limits.

The differences in methodology resulted in a reduction of deferred pension costs of \$106.3 million and an increase in post retirement obligations of \$0.5 million on the Transition Date. Under IFRS, employee future benefit expense was reduced by \$1.0 million for the three months ended June 30, 2010 and by \$3.4 million for the six months ended June 30, 2010. A charge of \$57.4 million (net of tax of \$22.9 million) for the three months ended June 30, 2010 and \$43.1

million (net of tax of \$17.2 million) for the six months ended June 30, 2010 was recorded in comprehensive earnings for actuarial gains and losses.

4. Reforestation and decommissioning obligations

Under CGAAP decommissioning obligations are discounted at the risk free rate in effect at the time the liability was recorded. IFRS requires asset retirement obligations to be discounted at each balance sheet date based on the discount rate in effect at that date.

The differences in methodology resulted in an increase to reforestation and other decommissioning obligations of \$15.2 million and an increase in property, plant and equipment of \$1.8 million on the Transition Date. The remediation liability adjustment increased expenses by \$2.8 million for the three months ended June 30, 2010 and \$3.2 million for the six months ended June 30, 2010.

5. Share option liability

The determination of fair value of the Company's share option liability under CGAAP is based on the intrinsic value method which uses the balance sheet date share price to calculate the liability. IFRS requires the use of a share option valuation model to fair value the share option liability.

The differences in methodology resulted in an increase to the liability of \$16.6 million on the Transition Date. The share option expense was decreased by \$2.2 million for the three months ended June 30, 2010 and by \$2.7 million for the six months ended June 30, 2010.

6. Restructuring charges

Under CGAAP the company was required to record certain restructuring charges related to discontinued operations in the first quarter of 2010. IFRS required these charges to be recorded in the fourth quarter of 2009 upon the announcement of the mill closure.

The difference in methodology resulted in an increase to accounts payable and accrued liabilities of \$6.0 million on the Transition Date. The restructuring charge adjustment for the six months ended June 30, 2010 was a \$6.0 million decrease in expenses.

7. Deferred income taxes

The deferred income tax adjustments reflect the change in temporary differences resulting from the effect of the IFRS adjustments described in these notes. The Transition Date adjustments resulted in a decrease in deferred taxes of \$42.4 million. The deferred tax expense increase for the three months ended June 30, 2010 was \$0.3 million and for the six months ended June 30, 2010 was \$2.9 million.

8. Cumulative translation adjustment

The Company elected to set the cumulative translation balance, which was included in accumulated other comprehensive earnings, to zero at January 1, 2010 by absorbing the \$59.8

million into opening retained earnings. The foreign currency translation of IFRS adjustments to the Company's U.S. operations decreased the cumulative translation gain by \$4.3 million for the three months ended June 30, 2010 and \$1.8 million for the six months ended June 30, 2010.

9. Cash flow statement

The cash flow statement presented under IFRS includes interest paid as part of cash flows from financing activities, interest received as part of cash flows from investing activities and expenditures on major planned maintenance shutdowns as cash flows from investing activities. Previously these items were included in cash flows from operating activities.

West Fraser shares trade on the Toronto Stock Exchange under the symbol: "WFT".

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