



NEWS RELEASE

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

Monday, October 24, 2011

West Fraser Announces Third Quarter Results

Vancouver, B.C. – **West Fraser Timber Co. Ltd.** today reported earnings for the third quarter of 2011 from continuing operations of \$6 million or basic earnings per share of \$0.14 on sales of \$705 million. In the quarter the Company completed the sale of its Eurocan deep-sea wharf which contributed to earnings after discontinued operations of \$37 million or \$0.87 per share. After adjusting for certain non-operational items, adjusted earnings from continuing operations were \$3 million or \$0.06 per share. For the first nine months of 2011, similarly adjusted earnings from continuing operations were \$37 million or \$0.87 per share on sales of \$2.1 billion.

These results compare with previous periods as follows:

(\$ million except earnings per share ("EPS"))	2011			2010	
	YTD	Q3	Q2	YTD	Q3
Sales	2,112	705	720	2,167	707
EBITDA ¹	208	66	62	379	115
Operating earnings	80	23	22	232	66
Earnings from continuing operations	37	6	11	154	49
Basic EPS from continuing operations (\$)	0.87	0.14	0.27	3.60	1.15
Adjusted earnings (loss) from continuing operations ²	37	3	(4)	160	47
Adjusted EPS from continuing operations ²	0.87	0.06	(0.09)	3.75	1.08
Earnings after discontinued operations	66	37	10	143	48
Basic EPS after discontinued operations (\$)	1.56	0.87	0.24	3.35	1.12
Diluted EPS after discontinued operations (\$)	1.26	0.44	(0.09)	3.35	1.12

1. In 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. Reference is also made to Adjusted earnings (loss) from continuing operations (calculated as set out in the table described in footnote 2 and Adjusted EPS (collectively, with EBITDA, "these measures"). None of these measures is a generally accepted earnings measure under International Financial Reporting Standards ("IFRS") and none have a standardized meaning prescribed by IFRS. Investors are cautioned that these measures should not be considered as an alternative to earnings, earnings per share or cash flow, as determined in accordance with IFRS. As there is no standardized method of calculating any of these measures, our method of calculating each of them may differ from the methods used by other entities and, accordingly, our use of any of these measures may not be directly comparable to similarly titled measures used by other entities.

2. Refer to the table titled "Earnings Adjustments for Certain Non-Operational Items" in Management's Discussion and Analysis of the third quarter 2011 results for details of adjustments.

“Political and economic turmoil has increased global risk and uncertainty and may further delay the recovery of our key U.S. housing market.” said Hank Ketcham, the Company’s Chairman, President and CEO. “We plan on completing our previously-announced capital program and will continue to focus on cost control which will enable us to take full advantage of the eventual market recovery.”

Operational Results

In the quarter the lumber segment generated an operating loss of \$15 million and EBITDA of \$6 million reflecting continuing weak demand as U.S. new home construction remains at or near historically low levels. Lumber shipments to Asia were slightly lower than in the previous quarter but continue to be stronger than comparative periods of 2010.

The panels segment, which includes plywood, LVL and MDF, generated an operating loss in the quarter of \$2 million and EBITDA of \$2 million. The slight improvement in panel results compared to the previous quarter reflected increases in plywood and MDF prices. MDF and LVL operations continue to operate on a curtailed basis.

Our pulp and paper operations generated operating earnings of \$20 million and EBITDA of \$36 million in the quarter. The decline in earnings from the previous quarter was due to lower NBSK prices and rising chemical, maintenance and electricity costs, offset in-part by increased revenue from our power purchase agreement. Pulp production was similar to the previous quarter as a planned shutdown at our Quesnel pulp mill and power-related production curtailments in some of our Alberta mills offset the previous quarter’s production loss at the Slave Lake pulp mill related to the Slave Lake forest fire and at the Cariboo pulp mill for the planned maintenance shutdown.

Outlook

Lumber prices are expected to remain at or fall below current levels as low U.S. housing starts will continue to limit demand. The pulp market continues to weaken due to growing worldwide inventories.

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 Tuesday, October 25, 2011 at 9:00 a.m. Pacific Time (12:00 p.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 third 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 third 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 our 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 or information 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 (a) expectations concerning the proposed sale of the industrial site under the heading "Discussion & Analysis of Non-Operational Items", (b) the description of expectations relating to improved profitability of our Fraser Lake and Chetwynd sawmills in relation to their green energy projects under the heading "Discussion & Analysis by Product Segment – Lumber Segment", (c) 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 (d) under the heading "Business Outlook". Actual outcomes and results will depend on a number of factors that could affect our ability to execute our 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 we undertake 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). We believe 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. Reference is also made to Adjusted earnings (loss) from continuing operations (calculated as set out in the table titled "Earnings Adjustments for Certain Non-Operational Items") and Adjusted EPS (collectively, with EBITDA, "these measures"). None of these measures is a generally accepted earnings measure under International Financial Reporting Standards ("IFRS") and none have a standardized meaning prescribed by IFRS. Investors are cautioned that these measures should not be considered as an alternative to earnings, earnings per share or cash flow, as determined in accordance with IFRS. As there is no standardized method of calculating any of these measures, our method of calculating each of them may differ from the methods used by other entities and, accordingly, our use of any of these measures 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 October 24, 2011 unless otherwise indicated.

Production, Shipments and Financial Comparisons

	Q3-11	Q2-11	YTD-11	Q3-10	YTD-10
Production					
Lumber – MMfbm					
SPF	848	880	2,607	827	2,514
SYP	371	391	1,144	373	1,010
	1,219	1,271	3,751	1,200	3,524
Plywood – MMsf (3/8” basis)	199	194	589	203	601
MDF – MMsf (3/4” basis)	47	49	144	52	147
LVL – Mcf	388	415	1,208	362	1,536
BCTMP – Mtonnes	157	157	468	160	455
NBSK – Mtonnes	136	135	409	143	384
Newsprint – Mtonnes	30	32	93	34	98
Linerboard and Kraft Paper – Mtonnes	-	-	-	-	29
Shipments					
Lumber – MMfbm					
SPF	880	915	2,560	837	2,509
SYP	388	396	1,131	382	998
	1,268	1,311	3,691	1,219	3,507
Plywood – MMsf (3/8” basis)	206	196	579	218	591
MDF – MMsf (3/4” basis)	45	53	150	46	146
LVL – Mcf	436	412	1,230	363	1,507
BCTMP – Mtonnes	154	175	483	131	443
NBSK – Mtonnes	129	121	386	120	370
Newsprint – Mtonnes	31	32	93	33	104
Linerboard and Kraft Paper – Mtonnes	-	-	-	8	120
Financial Comparisons - \$ millions					
Sales	705	720	2,112	707	2,167
EBITDA	66	62	208	115	379
Amortization	(43)	(40)	(128)	(49)	(147)
Operating earnings	23	22	80	66	232
Interest expense – net	(5)	(6)	(16)	(7)	(22)
Exchange gain (loss) on long-term debt	(25)	1	(16)	11	7
Other income (expense)	17	-	13	1	(5)
Provision for income taxes	(4)	(6)	(24)	(22)	(58)
Earnings from continuing operations	6	11	37	49	154
Earnings (loss) from discontinued operations	31	(1)	29	(1)	(11)
Earnings	37	10	66	48	143
Cdn. \$1.00 converted to U.S. – average	1.020	1.033	1.023	0.962	0.965

Selected Quarterly Information

(\$ millions except earnings per share (“EPS”) amounts which are in \$)

	Q3-11	Q2-11	Q1-11	Q4-10	Q3-10	Q2-10	Q1-10	Q4-09 ²
Sales ¹	705	720	687	719	707	772	688	570
Earnings ¹	6	11	20	28	49	67	38	8
Earnings after discontinued operations	37	10	19	43	48	67	29	(20)
Basic EPS ¹	0.14	0.27	0.46	0.65	1.15	1.56	0.89	0.18
Diluted EPS ¹	(0.29)	(0.07)	0.46	0.65	1.15	1.28	0.89	0.18
Basic EPS after discontinued operations	0.87	0.24	0.44	1.00	1.12	1.56	0.67	(0.47)
Diluted EPS after discontinued operations	0.44	(0.09)	0.44	1.00	1.12	1.27	0.67	(0.47)

1. From continuing operations.

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

Earnings Adjustments for Certain Non-Operational Items

(\$ millions except EPS amounts which are in \$)

	Q3-11	Q2-11	YTD-11	Q3-10	YTD-10
Earnings from continuing operations	6	11	37	49	154
Adjustments to earnings from continuing operations					
After tax (gain) loss on:					
Long-term equity-based compensation	(19)	(14)	(8)	7	9
U.S. dollar-denominated long-term debt	22	(1)	14	(9)	(6)
Sale of Terrace sawmill	(6)	-	(6)	-	-
Derivative contracts	-	-	-	-	3
Net effect of above items	(3)	(15)	-	(2)	6
Adjusted earnings (loss) from continuing operations	3	(4)	37	47	160
Adjusted EPS from continuing operations¹	0.06	(0.09)	0.87	1.08	3.75

1. Calculated using the basic weighted average number of shares outstanding during the period.

Discussion & Analysis of Non-Operational Items

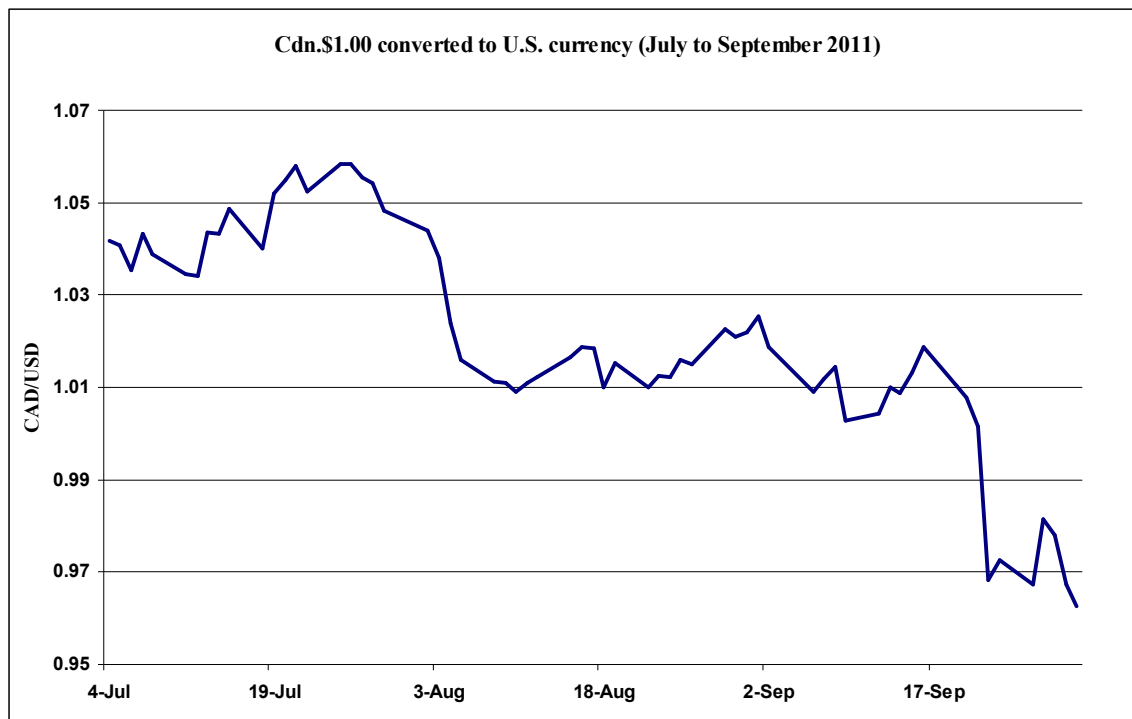
In the current quarter we generated earnings from continuing operations of \$6 million compared to \$11 million in the previous quarter and \$49 million in the third quarter of 2010. For a description of our operational results see “Discussion & Analysis by Product Segment” which follows this section. Our results include several significant non-operational items some of which are identified in the table immediately above this section. After taking into account the adjustments, we generated adjusted earnings from continuing operations of \$3 million in the current quarter compared to an adjusted loss of \$4 million in the previous quarter and adjusted earnings of \$47 million in the third quarter of 2010.

In the current quarter a recovery of \$20 million was recorded related to long-term equity-based compensation compared to a recovery of \$14 million in the previous quarter. This compares to a \$9 million expense in the third 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 valuation models that consider various factors relating to outstanding options and phantom share units. 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 third quarter of 2011 the market value of the Company's shares decreased from \$52.57 per share at the close of the previous quarter to \$39.85 per share 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.

In the current quarter we completed the sale of the Terrace sawmill and related Crown timber tenures and recorded an \$8 million gain which is included in other income.

During the quarter the deep-sea terminal and certain related assets that had been part of the Eurocan mill were sold for proceeds of \$40 million resulting in a gain of \$39 million which has been included in discontinued operations. We have entered into an agreement to sell the Eurocan industrial site and expect that sale to be completed before the end of 2011.

Interest expense was essentially unchanged from the previous quarter, reflecting ongoing low borrowings but was lower than in the same period last year due to higher net borrowings and higher borrowing rates during the 2010 period.



The change in the value of the Canadian dollar relative to the value of the U.S. dollar resulted in the revaluation of certain U.S. dollar-denominated liabilities and assets. A loss on U.S.

dollar-denominated long-term debt for the quarter is shown in the table “Earnings Adjustments for Certain Non-Operational Items”. Included in other income is a translation gain on current monetary items of \$12 million, compared to a loss of \$1 million in the previous quarter and a loss of \$3 million in the same period of 2010.

The results of the current quarter include a \$4 million provision for income taxes compared to provisions of \$6 million for the previous quarter and \$22 million for the third 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.

The funded position of our defined benefit pension plans and other post-retirement plans, whether surplus or deficit, is estimated at the end of each quarter. The funded position, as shown in note 10 of the accompanying condensed consolidated interim financial statements, is determined by subtracting plan assets from plan obligations, and making adjustments for minimum funding requirements, if any. The plan obligations are estimated by discounting the estimated future cash flows required to discharge them using a discount rate based on current market yields on high quality, corporate bond rates. The plan assets are estimated based on their market value at the end of the prior month rolled forward a month with estimated cash flows and index returns for each asset class. The decrease in the discount rate from the beginning of the period, combined with asset returns being lower than those anticipated during the period, resulted in an increase in our net liabilities accrued on our balance sheet at September 30, 2011 of \$108 million compared to June 30, 2011 (net increase of \$119 million compared to December 31, 2010). The decrease in funded position for the quarter was charged to comprehensive earnings, net of taxes of \$26 million (\$29 million year-to-date).

Discussion & Analysis by Product Segment

Lumber Segment

	Q3-11	Q2-11	YTD-11	Q3-10	YTD-10
Sales - \$ millions	429	438	1,278	423	1,297
EBITDA - \$ millions	6	11	73	50	191
EBITDA margin - %	1	3	6	12	15
Operating earnings - \$ millions	(15)	(8)	10	24	113
Benchmark prices					
SPF #2 & Better 2 x 4 ¹ (US\$ per Mfbm)	246	242	261	222	251
SYP #2 West 2 x 4 ² (US\$ per Mfbm)	262	266	277	248	315
SPF #2 & Better 2 x 4 (Cdn.\$ per Mfbm) ³	241	234	255	231	260
SYP #2 West 2 x 4 (Cdn.\$ per Mfbm) ³	257	258	271	258	326

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

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

3. Calculated by applying the average Canadian/U.S. dollar exchange rate for the period to the US\$ benchmark price.

The lumber segment’s operating earnings for the current quarter reflect continuing weak demand as U.S. new home construction remains at or near historically low levels. In addition, compared to the previous year, results were adversely affected by rising log costs related to our Canadian lumber operations. During the current quarter several of our U.S. sawmills took downtime or reduced hours of operations in response to weakening markets which resulted in a decline in SYP-lumber production for the quarter compared to the previous quarter. Aside from these

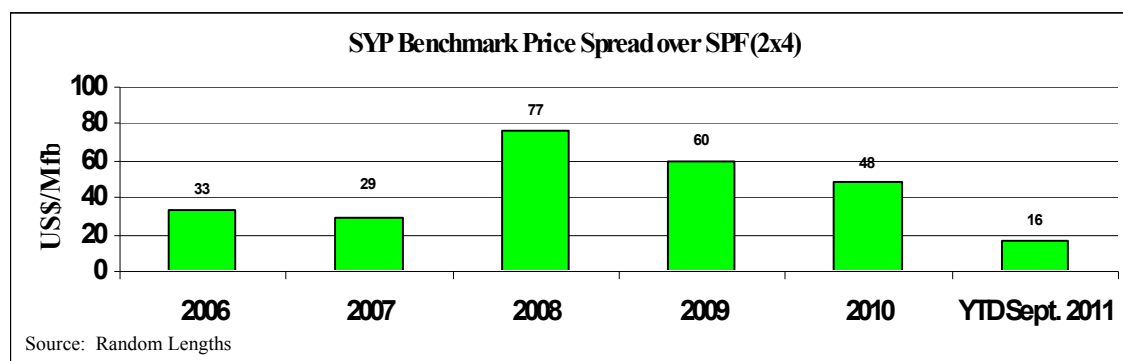
planned curtailments and some isolated weather-related log shortages, operations ran consistently.

Sales for the current quarter declined slightly from the previous quarter due largely to reduced shipments and a decline in SYP lumber prices. Shipments in the previous quarter were elevated due to weather-related backlogs occurring late in the first quarter and shipments on a year-to-date basis are ahead of the previous year's pace. The variance in operating earnings between the two quarters also reflects increased electricity costs in the current quarter associated with the Canadian operations. Canadian log costs were slightly higher in the current quarter reflecting increased operating and purchase log costs. U.S. log costs trended lower during the quarter.

Although the operating environment for the lumber segment was substantially similar for the second and third quarters of 2011, there were significant variances between the current quarter and the same quarter of 2010 and on a year-to-date basis between 2011 and 2010. A collapse of the U.S. lumber market in 2009 resulted in significant North American production curtailments. This in turn reduced demand for logs and those services which are ancillary to logging and log delivery. At various times during the first half of 2010 both SPF and SYP lumber benchmark prices spiked while log costs remained relatively low. West Fraser's lumber segment generated \$142 million of EBITDA in the first half of 2010, a margin of 16%. Even in the third quarter of 2010, as average benchmark lumber prices fell sharply, the segment achieved an EBITDA margin of 12%.

In contrast, there have been no similar price spikes in 2011 but the lumber segment has experienced increases in some of its key cost items, particularly Canadian logs. In the current quarter the lumber segment generated EBITDA of \$6 million which represented a 1% margin while for the first nine months of 2011 the segment has generated EBITDA of \$73 million representing a margin of 6%. Canadian unit log costs in the current quarter were 17% greater than in the third quarter of 2010 and for the first nine months of 2011 Canadian unit log costs have increased by 13% compared to the same period of 2010. A combination of longer haul distances, more competition for purchase logs in B.C. and a general shortage of equipment operators and truck drivers has contributed to the log cost increases. Fuel costs also added to lumber transportation costs in the 2011 periods compared with the same periods of 2010.

The bulk of our U.S. sawmills were purchased in 2007 and were not as technologically advanced as most of our Canadian sawmills. Although we are in the midst of a major capital improvement program which includes upgrades at various U.S. sawmills, the U.S. operations continue to face significant challenges in terms of costs, efficiency and, critically, markets. The table below shows the average spread of the SYP benchmark price over the SPF benchmark price. The traditional margin has eroded and we believe that this is attributable, at least in part, to increased sales of SPF lumber to China. SYP lumber does not have a comparably robust source of demand outside of its traditional markets and as a result SYP-lumber producers are currently more reliant on U.S. housing than SPF-lumber producers. This reliance, and the continuing weakness of SYP-lumber markets, are reflected in the reduced operating rate of our U.S. operations which was 74% of capacity in the current quarter, down from 78% in the previous quarter and 75% in the third quarter of 2010.



Two of our green energy projects were selected by B.C. Hydro as part of its Phase II biomass power call. The projects are expected to generate 180 GWh of power generated from wood biomass, or enough energy to power over 16,000 homes annually. These facilities are to be constructed adjacent to each of our sawmills located in Fraser Lake and Chetwynd, B.C. The projects are scheduled to be commissioned in the first half of 2014. The electricity generated will be sold to B.C. Hydro under 20-year contracts at pre-determined prices and the projects are expected to improve the profitability of both mills.

In August, 2011 the United States filed a petition setting out the particulars of its claim of a breach of the Softwood Lumber Agreement by the B.C. government in relation to the application or alleged amendment of its timber pricing policy. A reply by Canada is scheduled for November 2011. We, along with other industry participants and associations, continue to work with and support representatives of the Canadian government in this dispute. We are currently unable, based on available information, to reasonably estimate the likelihood or effect of an adverse determination of this dispute.

Panels Segment

	Q3-11	Q2-11	YTD-11	Q3-10	YTD-10
Sales - \$ millions	97	96	284	107	315
EBITDA - \$ millions	2	(1)	4	20	51
EBITDA margin - %	2	n/a	1	19	16
Operating earnings - \$ millions	(2)	(5)	(7)	15	37
Benchmark prices					
Plywood (Cdn.\$ per Msf 3/8" basis) ¹	310	303	306	327	345
MDF (US\$ per Msf 3/4" basis) ²	551	545	545	563	532
MDF (Cdn.\$ per Msf 3/4" basis) ³	540	528	533	585	551

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

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

3. Calculated by applying the average Canadian/U.S. dollar exchange rate for the period to the U.S. benchmark price.

The panels segment is comprised of our plywood, MDF and LVL operations.

Lower product prices for plywood and MDF resulted in lower operating earnings compared to 2010. Plywood and LVL results have also been adversely affected by increased log costs compared to 2010.

Demand in Canada has remained relatively stable compared to 2010. The strong Canadian dollar appears to have made it economic for U.S. producers to ship plywood into Canada and this has put downward pressure on plywood prices. This is expected to continue as long as the Canadian dollar remains at current or stronger levels or the U.S. housing market recovers.

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

	Q3-11	Q2-11	YTD-11	Q3-10	YTD-10
Sales - \$ millions	206	211	626	204	633
EBITDA - \$ millions	36	38	122	59	154
EBITDA margin - %	18	18	19	29	24
Operating earnings - \$ millions	20	21	70	41	102
Benchmark price					
NBSK (US\$ per tonne) ¹	993	1,025	996	1,000	958
Newsprint (US\$ per tonne) ²	640	640	640	635	595
NBSK (Cdn.\$ per tonne) ³	974	992	974	1,040	993
Newsprint (Cdn.\$ per tonne) ³	627	620	626	660	617

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

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

3. Calculated by applying the average Canadian/U.S. dollar exchange rate for the period to the U.S. benchmark price.

The pulp & paper segment is comprised of our NBSK, BCTMP and newsprint businesses.

Operating earnings were similar to the previous quarter, with decreased NBSK prices and higher maintenance costs being offset by increased revenue from our power purchase agreement (the “PPA”). The slightly weaker Canadian dollar in the quarter also provided a partial offset to the lower NBSK prices. Operating earnings were down from the third quarter of 2010 primarily due to lower mill nets for all pulp products which we manufacture offset only partially by increased PPA revenue in the current quarter.

Total pulp production was similar to the previous quarter. Production in the current quarter was reduced as a result of a maintenance shutdown at the QRP mill and some curtailments related to high Alberta electricity prices. Production in the previous quarter was affected by the loss of eight operating days at the Slave Lake pulp mill due to a large forest fire near Slave Lake, Alberta and a major maintenance shutdown of the Cariboo pulp mill. Production in the current quarter was lower than in the third quarter of 2010 when record production was achieved. A scheduled maintenance shutdown of the Hinton pulp mill began in early October 2011. The loss of production related to this shutdown is currently estimated at 25,000 MT.

Benchmark U.S.-dollar newsprint prices were flat in the quarter compared to the previous quarter but the somewhat weaker Canadian dollar provided a small benefit. For the first nine months of 2011 U.S.-dollar newsprint prices were approximately 8% higher than in the comparable period of 2010 but the stronger Canadian dollar in 2011 offset most of this increase.

Newsprint production was lower in the quarter compared to the previous quarter, largely due to curtailments during periods of high electricity prices. The large gain achieved from selling electricity during those periods more than offset the effect of lower production.

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 “GT Program”). The Company has received approval for seven projects under this program that are expected to significantly reduce future energy costs. West Fraser expects to utilize its full allocation under the GT Program and expenditures up to the end of September 2011 totalled \$57 million.

Business Outlook

For a detailed description of our business outlook for 2011 see our 2010 annual MD&A under “Business Outlook”, which is included in our 2010 Annual Report.

In the short term we see no signs of a sustained resolution of the U.S. housing depression. As a result we do not expect a material improvement in prices for our solid wood products over the balance of 2011 and into 2012. We also see in the short term increasing global pulp inventories which is putting downward pressure on prices. However, on a longer-term basis we do expect that U.S. housing, along with the U.S. economy, will recover.

In the first nine months of 2011, excluding GT Program expenditures, we have invested a total of \$83 million in our operations and we expect to invest a similar amount in the fourth quarter of 2011. With respect to the GT Program, we plan to complete the investment of \$88 million in our pulp mills for approved projects by the end of the first quarter of 2012 and to receive final reimbursement under the GT Program by the end of June 2012. These investments, along with additional non-GT Program capital improvements, are expected to result in lower costs, improved efficiency and overall improved competitiveness of our operations.

Capital Requirements and Liquidity

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

	Q3-11	Q4-10	Q3-10
Cash ¹	208	161	213
Current assets	867	789	781
Current liabilities	352	389	385
Ratio of current assets to current liabilities	2.5	2.0	2.0
Net debt	102	148	113
Shareholders' equity	1,504	1,534	1,516
Net debt to capitalization ² - %	6	9	7

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 and deferred financing costs) 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)

	Q3-11	Q2-11	YTD-11	Q3-10	YTD-10
Operating Activities					
Cash provided before operating working capital changes	57	54	144	91	439
Non-cash operating working capital change	20	61	(8)	26	(3)
Cash provided from operating activities	77	115	136	117	436
Financing Activities					
Debt and operating loans	-	(11)	(15)	7	(160)
Interest paid	(1)	(8)	(11)	(2)	(14)
Dividends and other	(6)	(6)	(18)	(3)	(9)
Cash provided (used) in financing activities	(7)	(25)	(44)	2	(183)
Investing Activities					
Additions to capital assets	(55)	(49)	(124)	(15)	(70)
Other – net	20	14	43	4	5
Cash used in investing activities	(35)	(35)	(81)	(11)	(65)
Change in cash from continuing operations	35	55	11	108	188
Change in cash from discontinued operations	39	(2)	36	11	35
Change in cash	74	53	47	119	223

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 October 24, 2011, the Common share equity of the Company consisted of 40,062,564 Common shares and 2,781,478 Class B Common shares for a total of 42,844,042 shares issued and outstanding.

In addition, as of October 24, 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.

During the quarter, the Company extended its revolving committed credit facility to take advantage of easing market conditions and reduced pricing. The facility now matures September 30, 2016.

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

<u>Agency</u>	<u>Rating</u>	<u>Outlook</u>
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 we are subject, see our 2010 annual MD&A which is included in our 2010 Annual Report.

Changes In Accounting

Conversion to International Financial Reporting Standards

We adopted IFRS effective January 1, 2011. Prior to the adoption of IFRS we prepared our 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 our 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 we consider the most significant. They are not intended to be a complete list of new pronouncements that may affect our 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. We do not expect this standard to have a significant effect on our financial statements.

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. We have not yet completed our assessment of 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. We have not yet completed our assessment of 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 a 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. We have 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. We have not yet assessed the impact of the standard.

IAS 19 Amendment, Employee Benefits

In August 2011 IAS 19 was amended. The amendment will result in significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The amendment is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. We have not yet assessed the impact of the amendment.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

West Fraser's management, including the Chairman, President and Chief Executive Officer and the 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 September 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 West Fraser, including our 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 September 30 2011	As at December 31 2010
Assets		
Current assets		
Cash and short-term investments	\$ 210.1	\$ 163.1
Accounts receivable	282.6	246.0
Inventories (note 4)	360.0	372.4
Prepaid expenses	13.8	7.6
	866.5	789.1
Property, plant, and equipment (note 5)	912.9	924.7
Timber licences	497.4	509.6
Goodwill and other intangibles (note 6)	338.6	345.4
Other assets	28.3	41.5
	\$ 2,643.7	\$ 2,610.3
Liabilities		
Current liabilities		
Cheques issued in excess of funds on deposit	\$ 2.1	\$ 2.4
Operating loans (note 8)	-	8.8
Accounts payable and accrued liabilities	293.6	271.0
Income taxes payable	12.6	58.3
Reforestation obligations	41.0	41.4
Decommissioning obligations	2.2	6.8
Current portion of long-term debt (note 8)	0.3	0.3
	351.8	389.0
Long-term debt (note 8)	315.6	299.5
Other liabilities (note 9)	339.1	225.7
Deferred income taxes	133.1	162.3
	1,139.6	1,076.5
Shareholders' equity		
Share capital	600.8	600.5
Accumulated other comprehensive earnings	1.3	(9.6)
Retained earnings	902.0	942.9
	1,504.1	1,533.8
	\$ 2,643.7	\$ 2,610.3

Contingency (note 17)

Number of Common shares and Class B Common shares outstanding at October 24, 2011 was 42,844,042.



West Fraser Timber Co. Ltd.

Condensed Consolidated Statement of Changes in Equity

(in millions of Canadian dollars - unaudited)

	July 1 to September 30		January 1 to September 30	
	2011	2010	2011	2010
Retained earnings				
Balance - beginning of period	\$ 952.3	\$ 873.2	\$ 942.9	\$ 823.3
Actuarial gain (loss) on employee future benefits (note 10)	(81.7)	1.0	(89.6)	(42.1)
Earnings for the period	37.4	47.8	66.6	143.4
Dividends	(6.0)	(2.5)	(17.9)	(5.1)
Balance - end of period	\$ 902.0	\$ 919.5	\$ 902.0	\$ 919.5
Accumulated other comprehensive earnings				
Balance - beginning of period	\$ (15.7)	\$ 3.2	\$ (9.6)	\$ -
Translation gain (loss) on foreign operations	17.0	(6.7)	10.9	(3.5)
Balance - end of period	\$ 1.3	\$ (3.5)	\$ 1.3	\$ (3.5)
Share capital				
Balance - beginning of period	\$ 600.7	\$ 600.0	\$ 600.5	\$ 599.7
Issuance of Common shares	0.1	0.1	0.3	0.4
Balance - end of period	\$ 600.8	\$ 600.1	\$ 600.8	\$ 600.1
Shareholders' equity	\$ 1,504.1	\$ 1,516.1	\$ 1,504.1	\$ 1,516.1



West Fraser Timber Co. Ltd.

Condensed Consolidated Statements of Earnings and Comprehensive Earnings
(in millions of Canadian dollars - unaudited)

	July 1 to September 30		January 1 to September 30	
	2011	2010	2011	2010
Sales	\$ 705.4	\$ 706.8	\$ 2,112.1	\$ 2,166.8
Costs and expenses				
Cost of products sold	499.4	436.1	1,440.9	1,326.3
Freight and other distribution costs	120.3	104.9	349.1	328.9
Export taxes	14.9	13.0	42.8	43.0
Amortization	42.6	49.2	127.7	146.8
Selling, general and administration	24.4	29.3	78.5	78.4
Long-term equity-based compensation	(19.6)	9.1	(6.8)	12.1
	682.0	641.6	2,032.2	1,935.5
Operating earnings	23.4	65.2	79.9	231.3
Interest expense - net	(5.2)	(6.5)	(15.4)	(21.7)
Exchange gain (loss) on long-term debt	(25.0)	10.7	(16.0)	6.6
Other income (expense) (note 11)	16.4	1.2	12.8	(4.7)
Earnings from continuing operations before income taxes	9.6	70.6	61.3	211.5
Provision for income taxes (note 12)	(3.5)	(21.6)	(23.9)	(57.5)
Earnings from continuing operations	6.1	49.0	37.4	154.0
Earnings (loss) from discontinued operations (note 13)	31.3	(1.2)	29.2	(10.6)
Earnings	\$ 37.4	\$ 47.8	\$ 66.6	\$ 143.4
Actuarial gain (loss) on employee future benefits (note 10)	\$ (108.1)	1.4	\$ (118.6)	\$ (58.9)
Income tax on actuarial gain (loss) on employee future benefits	26.4	(0.4)	29.0	16.8
Translation gain (loss) on foreign operations	17.0	(6.7)	10.9	(3.5)
Comprehensive earnings	\$ (27.3)	\$ 42.1	\$ (12.1)	\$ 97.8
Earnings per share (dollars) (note 14)				
Basic from continuing operations	\$ 0.14	\$ 1.15	\$ 0.87	\$ 3.60
Diluted from continuing operations	\$ (0.29)	\$ 1.15	\$ 0.58	\$ 3.60
Basic after discontinued operations	\$ 0.87	\$ 1.12	\$ 1.56	\$ 3.35
Diluted after discontinued operations	\$ 0.44	\$ 1.12	\$ 1.26	\$ 3.35



West Fraser Timber Co. Ltd.

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

	July 1 to September 30		January 1 to September 30	
	2011	2010	2011	2010
Operating activities				
Earnings from continuing operations	\$ 6.1	\$ 49.0	\$ 37.4	\$ 154.0
Adjustments to reconcile earnings to cash flows from operating activities				
Amortization	42.6	49.2	127.7	146.8
Interest expense - net	5.2	6.5	15.4	21.7
Exchange (gain) loss on long-term debt	25.0	(10.7)	16.0	(6.6)
Provision for income taxes	3.5	21.6	23.9	57.5
Income taxes received (paid)	(6.9)	(2.0)	(75.1)	67.6
Change in reforestation obligations	(5.6)	(5.7)	2.3	2.7
Other	(13.3)	(16.7)	(4.1)	(5.1)
	56.6	91.2	143.5	438.6
Changes in non-cash operating working capital				
Accounts receivable	6.0	25.2	(23.7)	(42.4)
Inventories	(0.9)	(16.9)	16.4	16.3
Prepaid expenses	4.7	5.3	(5.4)	(2.8)
Accounts payable and accrued liabilities	10.6	12.4	4.8	26.3
Subtotal of changes in non-cash operating working capital	20.4	26.0	(7.9)	(2.6)
Cash flows from operating activities	77.0	117.2	135.6	436.0
Financing activities				
Repayment of long-term debt	-	-	(0.3)	(100.3)
Proceeds from (repayment of) operating loans	(0.3)	6.5	(14.9)	(60.2)
Interest paid	(0.9)	(1.8)	(10.8)	(13.8)
Dividends	(6.0)	(2.5)	(17.9)	(5.1)
Other	0.3	-	0.3	(3.4)
Cash flows from financing activities	(6.9)	2.2	(43.6)	(182.8)
Investing activities				
Additions to capital assets	(55.2)	(15.5)	(123.7)	(70.5)
Proceeds from Green Transformation Program	10.6	1.4	31.5	1.4
Proceeds from disposal of capital assets	9.1	2.7	9.9	3.3
Other	0.6	0.3	1.8	0.5
Cash flows from investing activities	(34.9)	(11.1)	(80.5)	(65.3)
Change in cash from continuing operations	35.2	108.3	11.5	187.9
Change in cash from discontinued operations (note 13)	38.8	10.9	35.8	34.8
Cash - beginning of period	134.0	93.7	160.7	(9.8)
Cash - end of period	\$ 208.0	\$ 212.9	\$ 208.0	\$ 212.9
Cash consists of				
Cash and short-term investments			\$ 210.1	\$ 221.5
Cheques issued in excess of funds on deposit			(2.1)	(8.6)
			\$ 208.0	\$ 212.9

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 periods ended March 31, 2011 and June 30, 2011, with consideration of the IFRS transition disclosures included in Appendix A of these condensed consolidated interim financial statements.

4. **Inventories**

Inventories at September 30, 2011 were written down by \$10.7 million (June 30, 2011 - \$8.6 million; December 31, 2010 - \$3.8 million; September 30, 2010 - \$8.5 million) to reflect net realizable value being lower than cost.

5. Property, plant and equipment

	September 30, 2011	December 31, 2010
Manufacturing plant, equipment & machinery	\$ 782.6	\$ 848.0
Construction-in-progress	68.2	12.8
Roads and bridges	32.8	34.4
Other	29.3	29.5
	\$ 912.9	\$ 924.7

6. Goodwill and other intangibles

	September 30, 2011	December 31, 2010
Goodwill	\$ 263.7	\$ 263.7
Power purchase agreement	67.7	73.2
Other	7.2	8.5
	\$ 338.6	\$ 345.4

7. Restructuring charges

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

	January 1 to September 30, 2011	January 1 to December 31, 2010
Accrued liability – beginning of period	\$ 4.5	\$ 40.2
Paid during period	(2.9)	(35.1)
Change in accrual	0.8	(0.6)
Accrued liability – end of period	\$ 2.4	\$ 4.5

8. Long-term debt and operating loans

Long-term debt

	September 30, 2011	December 31, 2010
US\$300 million senior notes due October 2014; interest at 5.2%	\$ 314.5	\$ 298.4
Note payable due in installments to 2020; interest at 5.5%	2.5	2.7
	317.0	301.1
Less:		
Current portion	(0.3)	(0.3)
Deferred financing costs	(1.1)	(1.3)
	\$ 315.6	\$ 299.5

Operating loans

The Company has \$530 million in revolving lines of credit, of which nil was drawn as at September 30, 2011 (December 31, 2010 - \$8.8 million, net of deferred financing costs of \$6.2 million). Deferred financing costs of \$6.0 million are included in other assets at September 30, 2011.

In September 2011 the Company and participating banks amended the \$500 million revolving credit facility to extend its maturity until September 30, 2016. In addition to this facility the Company has a \$25 million demand line of credit dedicated to letters of credit and a \$5 million demand line of credit dedicated to a jointly-owned newsprint operation. 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 September 30, 2011, letters of credit in the amount of \$35.3 million have been issued under these facilities.

The \$500 million committed facility, the \$25 million demand facility and the US\$300 million senior notes are secured by the Company's assets.

9. Other liabilities

	September 30, 2011	December 31, 2010
Post-retirement obligations (note 10)	\$ 217.9	\$ 118.2
Reforestation obligations	67.8	64.4
Other decommissioning obligations	29.9	19.6
Timber damage deposits	12.6	13.9
Other	10.9	9.6
	\$ 339.1	\$ 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 \$7.9 million for the three months ended September 30, 2011 (three months ended September 30, 2010 - \$6.1 million) and \$23.5 million for the nine months ended September 30, 2011 (nine months ended September 30, 2010 - \$18.3 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:

	September 30, 2011		December 31, 2010	
Projected benefit obligations	\$	(1,047.4)	\$	(983.6)
Fair value of plan assets		849.6		904.1
Deficit	\$	(197.8)	\$	(79.5)
Represented by				
Pension surplus ¹	\$	20.1	\$	38.7
Post-retirement obligations ²		(217.9)		(118.2)
	\$	(197.8)	\$	(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:

	September 30, 2011	June 30, 2011	December 31, 2010
Discount rate on obligation	5.25%	5.50%	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 obligations and the difference between the actual rate of return and the expected rate of return on plan assets generated an actuarial gain (loss) on employee future benefits, included in comprehensive earnings, as follows:

	July 1 to September 30		January 1 to September 30	
	2011	2010	2011	2010
Actuarial gain (loss) on employee future benefits	\$ (108.1)	\$ 1.4	\$ (118.6)	\$ (58.9)
Income tax on actuarial gain (loss) on employee future benefits	26.4	(0.4)	29.0	16.8
	\$ (81.7)	\$ 1.0	\$ (89.6)	\$ (42.1)

11. Other income (expense)

	July 1 to September 30		January 1 to September 30	
	2011	2010	2011	2010
Foreign exchange gain (loss) - net	\$ 11.7	\$ (3.2)	\$ 6.4	\$ (3.9)
Gain on asset sales	8.5	2.8	8.6	2.7
Gain (loss) on derivatives	-	0.4	-	(4.7)
Other - net	(3.8)	1.2	(2.2)	1.2
	\$ 16.4	\$ 1.2	\$ 12.8	\$ (4.7)

12. **Provision for income taxes**

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

	July 1 to September 30			
	2011		2010	
	Amount	%	Amount	%
Income taxes at statutory rates	\$ (2.6)	(26.5)	\$ (20.2)	(28.5)
Non taxable amounts	1.5	15.4	1.8	2.5
Rate differentials between jurisdictions and on specified activities	3.3	34.1	1.9	2.7
Change in valuation allowance	(6.3)	(65.4)	(4.5)	(6.4)
Other	0.6	6.1	(0.6)	(0.8)
Provision for income taxes	\$ (3.5)	(36.3)	\$ (21.6)	(30.5)

	January 1 to September 30			
	2011		2010	
	Amount	%	Amount	%
Income taxes at statutory rates	\$ (16.3)	(26.5)	\$ (60.3)	(28.5)
Non taxable amounts	0.3	0.5	1.2	0.6
Rate differentials between jurisdictions and on specified activities	4.9	8.0	2.1	1.0
Change in valuation allowance	(11.0)	(18.0)	2.7	1.3
Other	(1.8)	(3.0)	(3.2)	(1.5)
Provision for income taxes	\$ (23.9)	(39.0)	\$ (57.5)	(27.1)

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:

	July 1 to September 30		January 1 to September 30	
	2011	2010	2011	2010
Sales	\$ -	\$ 5.7	\$ 0.1	\$ 70.5
Operating loss	(2.2)	(1.4)	(5.0)	(15.2)
Other income	39.5	0.1	39.5	0.9
Earnings (loss) before income tax	37.3	(1.3)	34.5	(14.3)
Income tax recovery (provision)	(6.0)	0.1	(5.3)	3.7
Earnings (loss)	\$ 31.3	\$ (1.2)	\$ 29.2	\$ (10.6)
Cash flows from operating activities	\$ (1.0)	\$ 10.8	\$ (3.6)	\$ 34.7
Cash flows from investing activities	39.8	0.1	39.4	0.1
Increase in cash	\$ 38.8	\$ 10.9	\$ 35.8	\$ 34.8

In the third quarter of 2011, the Company sold the wharf and related assets associated with the Eurocan linerboard and kraft paper mill for proceeds of \$40.0 million, resulting in a gain of \$39.0 million.

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 common shareholders for diluted earnings per share are greater than earnings available to common shareholders for basic earnings per share, the calculation is anti-dilutive and diluted earnings per share are deemed to be the same as basic earnings per share.

	July 1 to September 30			
	2011		2010	
	From continuing operations	After discontinued operations	From continuing operations	After discontinued operations
Earnings				
Basic	\$ 6.1	\$ 37.4	\$ 49.0	\$ 47.8
Share option expense (recovery)	(18.3)	(18.3)	8.3	8.3
Equity settled share option adjustment	(0.3)	(0.3)	(0.2)	(0.2)
Diluted	\$ (12.5)	\$ 18.8	\$ 57.1	\$ 55.9
Weighted average number of shares				
Basic	42,841,390	42,841,390	42,824,410	42,824,410
Share options	327,531	327,531	319,966	319,966
Diluted	43,168,921	43,168,921	43,144,376	43,144,376
Earnings per share (dollars)				
Basic	\$ 0.14	\$ 0.87	\$ 1.15	\$ 1.12
Diluted	\$ (0.29)	\$ 0.44	\$ 1.15	\$ 1.12

	January 1 to September 30			
	2011		2010	
	From continuing operations	After discontinued operations	From continuing operations	After discontinued operations
Earnings				
Basic	\$ 37.4	\$ 66.6	\$ 154.0	\$ 143.4
Share option expense (recovery)	(9.4)	(9.4)	6.8	6.8
Equity settled share option adjustment	(2.8)	(2.8)	(0.8)	(0.8)
Diluted	\$ 25.2	\$ 54.4	\$ 160.0	\$ 149.4
Weighted average number of shares				
Basic	42,838,717	42,838,717	42,821,098	42,821,098
Share options	480,445	480,445	404,589	404,589
Diluted	43,319,162	43,319,162	43,225,687	43,225,687
Earnings per share (dollars)				
Basic	\$ 0.87	\$ 1.56	\$ 3.60	\$ 3.35
Diluted	\$ 0.58	\$ 1.26	\$ 3.60	\$ 3.35

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 "GT Program"). The GT 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. For the nine months ended September 30, 2011, the Company received \$31.5 million under the Program (year ended December 31, 2010 - \$1.6 million). At September 30, 2011, \$23.9 million is included in accounts receivable related to expenditures under the GT Program.

16. **Segmented information**

	Lumber	Panels	Pulp & paper	Corporate & other	Consolidated
July 1, 2011 to September 30, 2011					
Sales at market prices					
To external customers	\$ 404.6	\$ 94.5	\$ 206.3	\$ -	\$ 705.4
To other segments	24.7	2.1	-	-	
	<u>\$ 429.3</u>	<u>\$ 96.6</u>	<u>\$ 206.3</u>	<u>\$ -</u>	
EBITDA ¹	\$ 6.3	\$ 1.6	\$ 36.4	\$ 21.7	\$ 66.0
Amortization	(21.4)	(3.9)	(16.7)	(0.6)	(42.6)
Operating earnings	(15.1)	(2.3)	19.7	21.1	23.4
Interest expense - net	(2.7)	(0.9)	(1.6)	-	(5.2)
Exchange loss on long-term debt	-	-	-	(25.0)	(25.0)
Other income (expense)	11.2	0.3	9.5	(4.6)	16.4
Earnings from continuing operations before income taxes	<u>\$ (6.6)</u>	<u>\$ (2.9)</u>	<u>\$ 27.6</u>	<u>\$ (8.5)</u>	<u>\$ 9.6</u>
July 1, 2010 to September 30, 2010					
Sales at market prices					
To external customers	\$ 397.9	\$ 105.2	\$ 203.7	\$ -	\$ 706.8
To other segments	25.3	2.1	-	-	
	<u>\$ 423.2</u>	<u>\$ 107.3</u>	<u>\$ 203.7</u>	<u>\$ -</u>	
EBITDA ¹	\$ 49.6	\$ 19.9	\$ 59.2	\$ (14.3)	\$ 114.4
Amortization	(25.7)	(4.7)	(18.2)	(0.6)	(49.2)
Operating earnings	23.9	15.2	41.0	(14.9)	65.2
Interest expense - net	(4.0)	(0.6)	(1.8)	(0.1)	(6.5)
Exchange gain on long-term debt	-	-	-	10.7	10.7
Other income (expense)	2.3	(0.3)	(2.4)	1.6	1.2
Earnings from continuing operations before income taxes	<u>\$ 22.2</u>	<u>\$ 14.3</u>	<u>\$ 36.8</u>	<u>\$ (2.7)</u>	<u>\$ 70.6</u>

	Lumber	Panels	Pulp & paper	Corporate & other	Consolidated
January 1, 2011 to September 30, 2011					
Sales at market prices					
To external customers	\$ 1,208.6	\$ 277.3	\$ 626.2	\$ -	\$ 2,112.1
To other segments	69.7	6.6	-	-	
	\$ 1,278.3	\$ 283.9	\$ 626.2	\$ -	
EBITDA ¹	\$ 72.8	\$ 4.2	\$ 121.5	\$ 9.1	\$ 207.6
Amortization	(62.8)	(11.6)	(51.4)	(1.9)	(127.7)
Operating earnings	10.0	(7.4)	70.1	7.2	79.9
Interest income (expense) - net	(8.5)	(2.5)	(4.6)	0.2	(15.4)
Exchange loss on long-term debt	-	-	-	(16.0)	(16.0)
Other income (expense)	7.8	0.1	8.8	(3.9)	12.8
Earnings from continuing operations before income taxes	\$ 9.3	\$ (9.8)	\$ 74.3	\$ (12.5)	\$ 61.3

January 1, 2010 to September 30, 2010

Sales at market prices					
To external customers	\$ 1,224.6	\$ 309.2	\$ 633.0	\$ -	\$ 2,166.8
To other segments	72.0	5.9	-	-	
	\$ 1,296.6	\$ 315.1	\$ 633.0	\$ -	
EBITDA ¹	\$ 191.2	\$ 51.2	\$ 154.1	\$ (18.4)	\$ 378.1
Amortization	(78.2)	(14.4)	(51.9)	(2.3)	(146.8)
Operating earnings	113.0	36.8	102.2	(20.7)	231.3
Interest expense - net	(13.6)	(2.4)	(5.6)	(0.1)	(21.7)
Exchange gain on long-term debt	-	-	-	6.6	6.6
Other income (expense)	0.2	(0.7)	(5.2)	1.0	(4.7)
Earnings from continuing operations before income taxes	\$ 99.6	\$ 33.7	\$ 91.4	\$ (13.2)	\$ 211.5

1. **Non GAAP measure:**

EBITDA is defined as operating earnings plus amortization.

The geographic distribution of external sales is as follows:

	July 1 to September 30		January 1 to September 30	
	2011	2010	2011	2010
United States	\$ 326.0	\$ 338.3	\$ 985.6	\$ 1,082.5
Canada	166.3	191.2	494.7	537.3
China	124.7	74.1	360.1	222.3
Other Asia	55.4	93.7	176.4	238.4
Other	33.0	9.5	95.3	86.3
	\$ 705.4	\$ 706.8	\$ 2,112.1	\$ 2,166.8

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

17. Contingency

On January 18, 2011 the United States initiated an arbitration with Canada under the Softwood Lumber Agreement (“SLA”) over its concern that the province of British Columbia (“B.C.”) has misapplied or altered its timber pricing rules and as a result has charged too low a price for certain timber harvested on public lands in the B.C. interior. In August 2011 the United States filed a detailed statement of claim with the arbitration panel. Canada is expected to deliver its initial response to the United States claim in November 2011. A hearing before the arbitration panel is expected to take place in February 2012 with a final decision expected in the second half of 2012.

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 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 September 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 September 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		\$ 46.4	\$ (1.6)	\$ 44.8	\$ (9.1)	\$ -	\$ 35.7
Earnings adjustment							
PPE ¹ amortization	2	3.4	-	3.4	2.4	-	5.8
Employee future benefits	3	0.9	-	0.9	-	1.4	2.3
Decommissioning obligations	4	(1.1)	0.5	(0.6)	-	-	(0.6)
Share option expense	5	(0.6)	-	(0.6)	-	-	(0.6)
Deferred tax on above items	7	-	(0.1)	(0.1)	-	(0.4)	(0.5)
Earnings adjustment		2.6	0.4	3.0	2.4	1.0	6.4
Earnings reported under IFRS		\$ 49.0	\$ (1.2)	\$ 47.8	\$ (6.7)	\$ 1.0	\$ 42.1

For the nine months ended September 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		\$ 143.2	\$ (15.7)	\$ 127.5	\$ (4.1)	\$ -	\$ 123.4
Earnings adjustment							
PPE ¹ amortization	2	10.3	-	10.3	0.5	-	10.8
Employee future benefits	3	2.7	1.6	4.3	0.1	(58.9)	(54.5)
Decommissioning obligations	4	(3.4)	(0.4)	(3.8)	-	-	(3.8)
Share option expense	5	2.1	-	2.1	-	-	2.1
Restructuring charges	6	-	6.0	6.0	-	-	6.0
Deferred tax on above items	7	(0.9)	(2.1)	(3.0)	-	16.8	13.8
Earnings adjustment		10.8	5.1	15.9	0.6	(42.1)	(25.6)
Earnings reported under IFRS		\$ 154.0	\$ (10.6)	\$ 143.4	\$ (3.5)	\$ (42.1)	\$ 97.8

1. PPE - property, plant and equipment

Shareholders' Equity Adjustment on adoption of IFRS

	Notes	As at September 30, 2010
Equity reported under CGAAP		\$ 1,736.9
Retained earnings adjustment		
Transition Date retained earnings adjustment	1	(195.2)
Q1 2010 retained earnings adjustment	1	23.8
Q2 2010 retained earnings adjustment	1	(54.0)
Q3 2010 employee future benefits - actuarial gain (net of tax)	3	1.0
Q3 2010 earnings adjustments (see above)		3.0
Retained earnings adjustment		(221.4)
Cumulative translation adjustment (first nine months of 2010)	8	0.6
Equity reported under IFRS		\$ 1,516.1

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 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. Equity and comprehensive earnings reconciliations for the periods ended March 31, 2010 and June 30, 2010 can be found in the appendixes of the associated quarterly reports of 2011. 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.

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 million being charged through Transition Date retained earnings. Depreciation expense under IFRS was reduced by \$3.4 million for the three months ended September 30, 2010 and \$10.3 million for the nine months ended September 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 31 measurement date, while IFRS requires a December 31 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 \$0.9 million for the three months ended September 30, 2010 and by \$4.3 million for the nine months ended September 30, 2010.

A charge of \$1.0 million (net of tax of \$0.4 million) for the three months ended September 30, 2010 and \$42.1 million (net of tax of \$16.8 million) for the nine months ended September 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 \$0.6 million for the three months ended September 30, 2010 and \$3.8 million for the nine months ended September 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 increased by \$0.6 million for the three months ended September 30, 2010 and decreased by \$2.1 million for the nine months ended September 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 nine months ended September 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 September 30, 2010 was \$0.1 million and for the nine months ended September 30, 2010 was \$3.0 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 loss by \$2.4 million for the three months ended September 30, 2010 and \$0.6 million for the nine months ended September 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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