West Fraser Timber Co. Ltd.

Second Quarter **2008**

West Fraser Timber Co. Ltd. reported earnings of $3 million or $0.08 per share on sales of $823 million in the second quarter of 2008 and a loss of $65 million or $1.53 per share, on sales of $1.6 billion for the first half of 2008.

These results compare with previous periods as follows:

($ million except earnings per share ("EPS"))	**YTD-08**	**Q2-08**	Q1-08	YTD-07	Q2-07
Sales	**1,595**	**823**	772	1,707	948
EBITDA[1]	**40**	**71**	(31)	69	28
Operating earnings (loss)	**(98)**	**5**	(103)	(58)	(37)
Earnings (loss)	**(65)**	**3**	(68)	(19)	(14)
EPS ($)	**(1.53)**	**0.08**	(1.60)	(0.45)	(0.33)

Operational Results

The Company's lumber operations produced EBITDA for the quarter of $39 million, compared to EBITDA of negative $72 million for the first quarter of 2008, reflecting an increase in lumber prices in the current quarter and the net effect of adjustments to the carrying values of log and lumber inventories during the first half of 2008. The average benchmark price of SPF and SYP lumber increased by $30 per Mfbm and $12 per Mfbm, respectively. The net effect on operating earnings resulting from period-end valuations of log and lumber inventories was positive $47 million for the current quarter compared to negative $29 million for the previous quarter. As a result, the Company's results are more meaningful if the first and second quarters are considered together.

In response to declining markets, West Fraser has implemented lumber production curtailments totalling approximately 435 MMfbm of Canadian production and 335 MMfbm of U.S. production, both on an annualized basis.

Panel operations, which include plywood, MDF and LVL, generated EBITDA for the quarter of $7 million compared to $6 million in the previous quarter reflecting a continuing weakness in North American new home construction.

Pulp and paper operations generated EBITDA of $24 million compared to $32 million in the previous quarter largely the result of scheduled maintenance shutdowns at the Cariboo and Kitimat facilities in the second quarter.

1. Throughout this Report, reference is made to EBITDA (defined as operating earnings plus amortization and restructuring charge). Management of the Company believes that, in addition to earnings, EBITDA is a useful performance indicator and is a useful complementary measure of cash available prior to debt service, capital expenditures and income taxes. However, EBITDA is not a generally accepted earnings measure under Canadian generally accepted accounting principles ("GAAP") and does not have a standardized meaning prescribed by Canadian GAAP. Investors are cautioned that EBITDA should not be considered as an alternative to earnings or cash flow as determined in accordance with Canadian GAAP. 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.

Outlook

Although North American lumber prices have recovered somewhat from recent depressed levels, demand continues to be extremely weak. Most analysts believe that a recovery of U.S. housing construction will not occur until 2009 at the earliest.

Forward Looking Statements

This report 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. 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 in the 2007 annual Management's Discussion & Analysis under "Risk and Uncertainties" 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.

On behalf of the Board of Directors,

Henry H. Ketcham
Chairman of the Board
President & Chief Executive Officer
July 30, 2008

This discussion and analysis by West Fraser's management ("MD&A") of West Fraser's financial performance during the second quarter of 2008 should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes included in this quarterly report and the 2007 annual MD&A included in the Company's 2007 Annual Report. Dollar amounts are expressed in Canadian currency, unless otherwise indicated.

This interim 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. 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 in the 2007 annual MD&A under "Risks and Uncertainties", 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.

Throughout this interim MD&A, 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 complementary measure of cash available prior to debt service, capital expenditures and income taxes. However, EBITDA is not a generally accepted earnings measure under Canadian generally accepted accounting principles ("GAAP") and does not have a standardized meaning prescribed by Canadian GAAP. Investors are cautioned that EBITDA should not be considered as an alternative to earnings or cash flow as determined in accordance with Canadian GAAP. 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.

The information in this interim MD&A is as at July 30, 2008, unless otherwise indicated.

Matters Affecting Comparisons

This interim MD&A for the second quarter of 2008 (the "current quarter") includes certain comparisons to the first quarter of 2008 (the "previous quarter") and to the second quarter of 2007. In addition, results for each of the six-month periods ended June 30 of 2008 and 2007, respectively, are also compared. The following material development should be taken into consideration when considering these comparisons.

U.S. Acquisition

On March 31, 2007, the Company acquired 13 sawmills in the southern United States (the "U.S. Acquisition"). West Fraser's first quarter 2007 earnings do not include the results of those operations although they are reflected in later reporting periods.

Production, Shipments and Financial Comparisons

	Q2–08	Q1–08	**YTD–08**	Q2–07	YTD–07
Production					
Lumber – MMfbm					
SPF	**867**	861	**1,728**	902	1,804
SYP	**409**	456	**865**	491	583
	1,276	1,317	**2,593**	1,393	2,387
Plywood – MMsf (3/8" basis)	**207**	198	**405**	197	383
MDF – MMsf (3/4" basis)	**58**	61	**119**	69	137
LVL – Mcf	**274**	326	**600**	629	1,379
BCTMP – Mtonnes	**148**	150	**298**	143	282
NBSK – Mtonnes	**109**	121	**230**	97	215
Linerboard and Kraft Paper – Mtonnes	**95**	116	**211**	89	194
Newsprint – Mtonnes	**31**	32	**63**	31	63
Shipments					
Lumber – MMfbm					
SPF	**875**	844	**1,719**	971	1,836
SYP	**434**	435	**869**	541	632
	1,309	1,279	**2,588**	1,512	2,468
Plywood – MMsf (3/8" basis)	**209**	193	**402**	227	384
MDF – MMsf (3/4" basis)	**60**	61	**121**	77	152
LVL – Mcf	**334**	344	**678**	561	1,268
BCTMP – Mtonnes	**162**	158	**320**	169	308
NBSK – Mtonnes	**135**	111	**246**	97	216
Linerboard and Kraft Paper – Mtonnes	**94**	118	**212**	97	206
Newsprint – Mtonnes	**31**	32	**63**	30	61
Financial Comparisons – $ millions					
Sales	**823**	772	**1,595**	948	1,707
EBITDA	**71**	(31)	**40**	28	69
Amortization	**(66)**	(72)	**(138)**	(65)	(127)
Operating earnings	**5**	(103)	**(98)**	(37)	(58)
Interest expense – net	**(9)**	(10)	**(19)**	(10)	(12)
Exchange gain (loss) on long-term debt	**2**	(10)	**(8)**	27	30
Other income (expense)	**3**	8	**11**	(15)	(3)
Income tax recovery	**2**	47	**49**	21	24
Earnings	**3**	(68)	**(65)**	(14)	(19)
Cdn. $1.00 converted to U.S. – average	**0.990**	0.995	**0.993**	0.911	0.881

Selected Quarterly Information ($ millions, except earnings per share ("EPS") amounts which are in $)

	Q2–08	Q1–08	Q4–07	Q3–07	Q2–07	Q1–07	Q4–06	Q3–06
Sales	**823**	772	782	827	948	759	727	809
Earnings	**3**	(68)	(3)	(12)	(14)	(5)	296	(8)
Basic EPS	**0.08**	(1.60)	(0.07)	(0.28)	(0.33)	(0.12)	6.93	(0.19)
Diluted EPS	**0.08**	(1.60)	(0.07)	(0.28)	(0.33)	(0.12)	6.87	(0.19)

Discussion & Analysis

The Company's results for the current quarter represented a significant improvement from the results for the previous quarter. However, much of the improvement resulted from inventory value adjustments recorded in the previous quarter which were magnified by seasonally-high Canadian log inventories. The previous quarter's results included a net loss from log and lumber inventory write-downs of $29 million while the current quarter's results benefited by a net positive adjustment of $47 million. The Company's results are therefore more meaningful if the first and second quarters are considered together.

Both spruce/pine/fir ("SPF") and southern yellow pine ("SYP") lumber prices improved during the current quarter while pulp and paper prices remained at relatively constant levels. The U.S. housing and credit crisis has maintained demand for lumber at very low levels. The results of the panels segment reflect a decline in Canadian plywood demand and prices while the pulp & paper segment showed improvement over comparative periods of 2007. All Canadian operations continued to be adversely affected by a strong Canadian dollar (relative to the U.S. dollar).

First Half Comparisons

The decline in operating earnings for the first half of 2008 compared to the same period in 2007 reflected a sharp decline in lumber prices in early 2008 as well as a significantly stronger Canadian dollar during 2008. As well, the first quarter of 2007 did not include the results of operations acquired as part of the U.S. Acquisition on March 31, 2007. Because of the severe downturn in lumber markets, these operations have suffered losses since they were acquired.

Results for the first half of 2007 included a $10 million one-time gain (included in "Other income (expense)") related to the termination of certain pulp supply contracts in connection with the U.S. Acquisition.

Other Particulars

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:

	Q2–08	Q1–08	**YTD–08**	Q2–07	YTD–07
Exchange gain (loss) on long-term debt	**2**	(10)	**(8)**	27	30
Other[1]	**(1)**	5	**4**	(16)	(20)
Foreign exchange translation gain (loss) on investments in self-sustaining foreign operations	**(3)**	15	**12**	(41)	(59)

1. Represents the translation of other foreign currency-denominated items (included in other income (expense)).

The results for the current quarter include a $2 million recovery of income taxes compared to recoveries of $47 million for the preceding quarter and $21 million for the second quarter of 2007. The first half of 2008 tax recovery includes $6 million related to substantially-enacted tax-rate reductions. Note 11 to the accompanying unaudited interim consolidated financial statements provides a reconciliation of the statutory income tax rate to the effective income tax rate.

The Company recorded $7 million in scientific research and experimental development tax credits relating to product development and other projects completed in previous years, mostly relating to pulp operations. This reduced operating costs in the current quarter.

Discussion & Analysis by Product Segment

Lumber Segment

	Q2–08	Q1–08	**YTD–08**	Q2–07	YTD–07
Sales – $ millions	**423**	379	**802**	564	926
EBITDA – $ millions	**39**	(72)	**(33)**	4	(10)
EBITDA margin – %	**9**	—	—	1	—
Operating earnings – $ millions	**8**	(108)	**(100)**	(26)	(66)
Benchmark price (US$ per Mfbm)					
SPF #2 & Better 2 x 4[1]	**233**	203	**218**	259	257
SYP #2 West 2 x 4[2]	**307**	295	**301**	283	273

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

In the current quarter, the Company's lumber operations benefited from the reduced opening carrying value of log and lumber inventories and by modest price increases. The benchmark prices for SYP and SPF lumber improved and prices for wider-dimension SYP lumber also strengthened during the quarter.

Inventories are valued at the end of each quarter at the lower of cost and net realizable value which, in the case of log and lumber inventories, is based on prevailing lumber prices. Canadian log inventories build in the first quarter of the year because spring conditions in western Canada substantially limit log harvesting opportunities in the second quarter. At the end of the first quarter of 2008, lumber prices were very low and significant write-downs from cost resulted. The result of improving lumber prices and the written-down opening log and lumber inventory values was a significant improvement in earnings for the current quarter compared to the previous quarter. Because the adverse effect of the log and lumber inventory write-down is reflected in the previous quarter's results and the benefit is reflected in the current quarter's results, the lumber segment's financial performance is better understood by considering the two quarters together.

First Half Comparisons

The lumber segment's results were weaker during the first half of 2008 compared to the same period in 2007 as a result of lower average prices in 2008. The Canadian dollar was stronger against the U.S. dollar in the later period which adversely affected the Company's Canadian lumber earnings. Finally, the U.S. Acquisition occurred at the end of the first quarter of 2007 and so the results of the first half of 2007 did not include losses from the expanded U.S. operations for the entire period.

Production

In response to poor lumber markets and prevailing log costs, West Fraser has temporarily curtailed production at some of its operations. These curtailments currently represent, on an annualized basis, approximately 435 MMfbm of Canadian lumber production and 335 MMfbm of U.S. lumber production. The Company continues to review its operating strategy which depends on the availability of logs at prices that reflect current weak lumber markets.

Shipments

Rail service disruptions caused by Canadian winter conditions reduced lumber shipments in the previous quarter. Improved weather and slower overall demand for rail service enabled the Company to increase shipments in the current quarter. Shipments declined significantly compared to the same quarter in 2007 as a result of production curtailments implemented in the first half of 2008.

Panels Segment

	Q2–08	Q1–08	**YTD–08**	Q2–07	YTD–07
Sales – $ millions	**109**	107	**216**	127	246
EBITDA – $ millions	**7**	6	**13**	12	28
EBITDA margin – %	**6**	6	**6**	9	11
Operating earnings – $ millions	**(3)**	(3)	**(6)**	3	7
Benchmark price					
Plywood (per Msf 3/8" basis)[1] Cdn$	**337**	344	**341**	357	368
MDF (per Msf 3/4" basis)[2] US$	**537**	512	**525**	463	457

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.

Plywood production improved from the first half of 2007 and from the same quarter of 2007 because of improved productivity. Most of the Company's plywood production is sold in Canada. Canadian new home construction is softening which has contributed to a decline in plywood demand and prices.

Despite production curtailments and plant closures, MDF markets in North America and Asia remained weak. The Ranger Board facility continues to operate on a reduced shift basis which has decreased production and shipments compared to the same periods of 2007.

LVL operations are also operating on a reduced shift basis as the LVL market is not expected to recover until the U.S. housing market improves.

Pulp & Paper Segment

	Q2–08	Q1–08	**YTD–08**	Q2–07	YTD–07
Sales – $ millions	**291**	286	**577**	257	535
EBITDA – $ millions	**24**	32	**56**	9	44
EBITDA margin – %	**8**	11	**10**	3	8
Operating earnings – $ millions	**(1)**	7	**6**	(16)	(5)
Benchmark price					
NBSK (US$ per tonne)[1]	**880**	880	**880**	810	800
Linerboard (US$ per tonne)[2]	**612**	612	**612**	568	568
Newsprint (US$ per tonne)[3]	**672**	615	**644**	598	606

1. Source: Resource Information Systems, Inc. – U.S. list price delivered U.S.
2. Source: Pulp & Paper Week – Unbleached linerboard kraft, East.
3. Source: Resource Information Systems, Inc. – delivered 48.8 gram newsprint.

Product prices for the pulp & paper segment have generally continued to be favourable although the strong Canadian dollar has largely offset the benefit of these price levels. As in the previous quarter, the two BCTMP mills, the Cariboo NBSK pulp mill and the Alberta Newsprint mill operated well. The Hinton pulp mill and the Kitimat linerboard and kraft paper mill experienced operating problems which resulted in reduced production from those facilities compared to the previous quarter.

The Kitimat and Cariboo mills had scheduled maintenance shutdowns during the current quarter. The Kitimat shutdown was extended by four days because of unanticipated maintenance requirements. The Cariboo shutdown proceeded generally according to plan. The annual maintenance shutdown of the Hinton pulp mill is scheduled for September, 2008 and is expected to reduce production by approximately 10,000 tonnes.

The maintenance shutdowns resulted in a decline in operating earnings from the previous quarter partially offset by a $6 million scientific research and experimental development tax credit recorded in the quarter. Higher prices for mechanical pulp and newsprint and the scientific research and development tax credit, partially offset by lower Canadian dollar returns for NBSK and higher fibre and energy costs, contributed to the increase in operating earnings in the current quarter and the current half compared to the same periods in 2007.

Business Outlook

For a detailed description of West Fraser's business outlook see its 2007 annual MD&A under "Business Outlook", which is included in the Company's 2007 Annual Report.

The timing and strength of a recovery of the U.S. housing market remains highly uncertain. Despite some improvement in lumber prices during the quarter, there are currently no signs of a recovery of North American lumber markets. Although offshore lumber sales are still modest, the Company believes that there are opportunities available to expand those sales in the future. The Canadian housing market, on which the Company's plywood operations are largely dependent, has recently shown some signs of weakening.

On July 1, 2008 the government of B.C. imposed a tax on most fossil fuels which will increase over each of the next five years. The Company estimates that this will add $3 million to direct costs for the remainder of 2008.

Collective agreements covering the Company's union employees at its Kitimat, Cariboo and Hinton facilities (including the Hinton sawmill) expired during the second quarter. Negotiations to settle the terms of new collective agreements are expected to begin in the third quarter.

Under the Softwood Lumber Agreement, if lumber exports to the U.S. from either B.C. or Alberta exceed certain monthly thresholds an additional "surge tax" applies to all shipments made during that month. At current price levels the surge tax would be 7.5% of the sale price of lumber. Although B.C. shipments are well below the threshold, shipments from Alberta have been approaching the threshold applicable for that province. Because West Fraser has no control over shipments by other Alberta lumber producers, the Company is unable to predict whether the surge tax will be triggered in the future.

Capital Requirements and Liquidity

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

As at	**June 30, 2008**	December 31, 2007	June 30, 2007
Cash[1]	**(13)**	(4)	19
Current assets	**841**	877	935
Current liabilities	**431**	502	542
Ratio of current assets to current liabilities	**2.0**	1.7	1.7
Net debt	**646**	696	698
Shareholders' equity	**2,033**	2,089	2,150
Net debt to capitalization[2] – %	**24**	25	25

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 years without a major acquisition or debt repayment, cash on hand and cash provided by operations are normally sufficient to meet these requirements.

Selected Cash Flow Items ($ millions)

	Q2–08	Q1–08	**YTD–08**	Q2–07	YTD–07
Operating Activities					
Cash provided (used) before working capital changes	**54**	(3)	**51**	8	60
Non-cash working capital change	**86**	(43)	**43**	70	(314)
Cash provided by (used in) operating activities	**140**	(46)	**94**	78	(254)
Financing Activities					
Debt and operating loans	**(130)**	60	**(70)**	(25)	125
Dividends and other	**(6)**	(6)	**(12)**	(5)	(11)
Cash provided by (used in) financing activities	**(136)**	54	**(82)**	(30)	114
Investing Activities					
Acquisition	**–**	–	**–**	–	(379)
Additions to property, plant, equipment & timber	**(17)**	(14)	**(31)**	(41)	(68)
Other – net	**7**	3	**10**	**–**	1
Cash used in investing activities	**(10)**	(11)	**(21)**	(41)	(446)
Change in Cash	**(6)**	(3)	**(9)**	7	(586)

Capital Structure and Debt Ratings

At June 30, 2008 the combined number of Common shares and Class B common shares outstanding was 42,805,086 representing 39,919,880 Common shares and 2,885,206 Class B common shares.

All of West Fraser's debt, other than current borrowings incurred from time to time for its joint-venture newsprint mill, is unsecured and ranks equally in right of payment. West Fraser's public debt is rated as investment grade by leading rating agencies. In March 2008, Dominion Bond Rating Service downgraded the Company's rating to BBB- from BBB but maintained its stable outlook. In April 2008, Moody's changed its outlook to Negative from Stable and in May 2008, Standard & Poor's reconfirmed its BBB- rating and Negative outlook.

Debt Ratings

Agency	Rating	Outlook
Dominion Bond Rating Service	**BBB-**	**Stable**
Moody's	**Baa3**	**Negative**
Standard & Poor's	**BBB-**	**Negative**

Risks and Uncertainties

For a review of the risks and uncertainties to which the Company is subject, see the 2007 annual MD&A which is included in the Company's 2007 Annual Report.

Changes in Accounting

Effective January 1, 2008, the Company adopted new accounting standards issued by the Canadian Institute of Chartered Accountants (the "CICA") as follows:

Section 3031 – Inventories

This section, among other things, requires that the Company's inventories be measured at the lower of cost and net realizable value. This has resulted in the Company changing its method for valuing chip and pulp log inventories which were previously valued at the lower of cost and replacement cost. In addition, the Company began amortizing certain deferred major maintenance expenditures over the period to the next major maintenance outage as opposed to amortizing them on a calendar year basis, and began expensing certain storage and handling costs that were previously included in inventory.

The Company adopted the new standard on a retroactive basis without restatement of prior periods. As a result, the Company recorded an increase of $10 million to opening retained earnings, an increase in future income tax liability of $4 million, an increase of $18 million to prepaid expenses and a decrease of $4 million to inventories for the cumulative effect on prior years from the adoption of this standard.

Section 1535 – Capital Disclosures

This section requires the Company to disclose its objectives, policies and processes for managing capital.

Section 3862 – Financial Instruments Disclosures

This section enhances the disclosure requirements on the nature and extent of risks arising from financial instruments and how the Company manages those risks.

New Accounting Pronouncements

Section 3064 – Goodwill and Intangible Assets

Effective January 1, 2009, the Company will adopt new CICA standard 3064 "Goodwill and Intangible Assets" which establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the adoption of this standard, EIC-27, "Revenues and Expenditures in the Pre-operating Period", will be withdrawn. This will result in a change to the Company's accounting for pre-production and start-up costs, as these costs will no longer be capitalized as an asset. The impact of adopting this standard on the Company's financial statements is not expected to be significant.

International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards will replace Canada's current generally accepted accounting principles for publicly accountable profit-oriented enterprises for interim and annual financial statements effective January 1, 2011. The Company is presently considering the effect these standards will have on its financial statements.

Disclosure Controls and Internal Controls Over Financial Reporting

West Fraser's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have acknowledged responsibility for establishing and maintaining disclosure controls and procedures. West Fraser's management has evaluated the effectiveness of its disclosure controls and procedures as at June 30, 2008. Based on that evaluation, the CEO and the CFO have certified that such disclosure controls and procedures are effective.

The CEO and CFO have also acknowledged responsibility for the design of internal control over financial reporting ("ICFR") as at June 30, 2008 and have confirmed that in the quarter ended June 30, 2008 there were no changes in these controls which materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Additional Information

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

CONSOLIDATED BALANCE SHEETS
(in millions of Canadian dollars–unaudited)

	As at June 30, 2008	As at December 31, 2007
ASSETS		
Current assets		
Cash and short-term investments	$ 25.6	$ 17.2
Accounts receivable	257.5	278.6
Income taxes receivable	20.0	50.6
Inventories	491.1	517.4
Prepaid expenses	46.9	13.0
	841.1	876.8
Property, plant, equipment and timber	2,116.3	2,215.0
Deferred pension	64.9	54.3
Goodwill	263.7	263.7
Other assets (note 4)	108.8	115.7
Future income taxes	55.2	40.4
	$ 3,450.0	$ 3,565.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Cheques issued in excess of funds on deposit	$ 38.5	$ 20.9
Operating loans (note 5)	75.7	145.3
Accounts payable and accrued liabilities	263.9	282.2
Current portion of reforestation obligations	50.7	50.7
Current portion of long-term debt	1.8	2.4
	430.6	501.5
Long-term debt	555.3	544.9
Other liabilities (note 6)	149.9	136.7
Future income taxes	281.0	293.7
	1,416.8	1,476.8
Shareholders' equity		
Share capital	599.3	599.3
Accumulated other comprehensive earnings (note 8)	(81.4)	(93.2)
Retained earnings	1,515.3	1,583.0
	2,033.2	2,089.1
	$ 3,450.0	$ 3,565.9

Number of Common shares outstanding at July 30, 2008 was 42,805,086.

CONSOLIDATED STATEMENTS OF EARNINGS
(in millions of Canadian dollars–unaudited)

	April 1 to June 30		January 1 to June 30	
	2008	2007	**2008**	2007
Sales	**$ 822.7**	$ 948.1	**$ 1,594.5**	$ 1,706.7
Costs and expenses				
Cost of products sold	**570.9**	728.8	**1,204.5**	1,275.9
Freight and other distribution costs	**137.7**	136.3	**263.9**	262.4
Export taxes	**15.5**	23.7	**30.2**	47.2
Amortization	**66.3**	64.8	**138.1**	126.9
Selling, general and administration	**27.0**	31.6	**55.4**	52.6
	817.4	985.2	**1,692.1**	1,765.0
Operating earnings	**5.3**	(37.1)	**(97.6)**	(58.3)
Other				
Interest expense – net	**(9.2)**	(10.1)	**(19.3)**	(12.3)
Exchange gain (loss) on long-term debt	**2.1**	26.8	**(8.5)**	30.0
Other income (expense)	**3.0**	(14.9)	**11.0**	(3.1)
Earnings before income taxes	**1.2**	(35.3)	**(114.4)**	(43.7)
Income tax recovery (note 11)	**2.1**	21.1	**49.1**	24.4
Earnings	**$ 3.3**	$ (14.2)	**$ (65.3)**	$ (19.3)
Earnings per share (dollars) (note 12)				
Basic	**$ 0.08**	$ (0.33)	**$ (1.53)**	$ (0.45)
Diluted	**$ 0.08**	$ (0.33)	**$ (1.53)**	$ (0.45)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS AND COMPREHENSIVE EARNINGS
(in millions of Canadian dollars–unaudited)

	April 1 to June 30		January 1 to June 30	
	2008	2007	**2008**	2007
RETAINED EARNINGS				
Balance — beginning of period	**$ 1,518.0**	$ 1,630.2	**$ 1,583.0**	$ 1,641.3
Change in accounting (note 2)	–	–	**9.6**	–
Earnings	**3.3**	(14.2)	**(65.3)**	(19.3)
	1,521.3	1,616.0	**1,527.3**	1,622.0
Common share dividends	**(6.0)**	(6.0)	**(12.0)**	(12.0)
Balance — end of period	**$ 1,515.3**	$ 1,610.0	**$ 1,515.3**	$ 1,610.0
COMPREHENSIVE EARNINGS				
Earnings	**$ 3.3**	$ (14.2)	**$ (65.3)**	$ (19.3)
Other comprehensive earnings				
Unrealized foreign exchange translation gain (loss) on investments in self-sustaining foreign operations	**(2.8)**	(40.5)	**11.8**	(58.7)
Comprehensive earnings	**$ 0.5**	$ (54.7)	**$ (53.5)**	$ (78.0)

(in millions of Canadian dollars–unaudited)

	April 1 to June 30		January 1 to June 30	
	2008	2007	**2008**	2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Earnings	**$ 3.3**	$ (14.2)	**$ (65.3)**	$ (19.3)
Items not affecting cash				
Amortization	**66.3**	64.8	**138.1**	126.9
Exchange loss (gain) on long-term debt	**(2.1)**	(26.8)	**8.5**	(30.0)
Gain on asset sales	**(3.5)**	(0.7)	**(3.4)**	(0.7)
Change in reforestation obligations	**(7.1)**	(12.3)	**5.6**	(0.8)
Future income taxes	**(1.9)**	(4.1)	**(30.8)**	(8.1)
Other	**(1.4)**	1.4	**(1.7)**	(8.4)
	53.6	8.1	**51.0**	59.6
Net change in non-cash working capital items	**85.5**	70.0	**42.6**	(314.1)
	139.1	78.1	**93.6**	(254.5)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long-term debt	**(0.3)**	(0.3)	**(0.9)**	(0.6)
Proceeds from long-term debt	**–**	–	**–**	102.8
Proceeds from (repayment of) operating loans	**(129.4)**	(25.1)	**(69.2)**	22.8
Common share dividends	**(6.0)**	(6.0)	**(12.0)**	(12.0)
Other	**0.1**	1.2	**0.1**	1.3
	(135.6)	(30.2)	**(82.0)**	114.3
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition	**–**	–	**–**	(379.2)
Additions to property, plant, equipment and timber	**(16.8)**	(41.4)	**(31.1)**	(68.0)
Proceeds from disposals of property, plant, equipment and timber	**6.5**	2.0	**7.1**	5.0
Decrease (increase) in other assets	**0.7**	(1.7)	**3.2**	(4.1)
	(9.6)	(41.1)	**(20.8)**	(446.3)
Increase (decrease) in cash*	**(6.1)**	6.8	**(9.2)**	(586.5)
Cash – beginning of period	**(6.8)**	12.3	**(3.7)**	605.6
Cash – end of period	**$ (12.9)**	$ 19.1	**$ (12.9)**	$ 19.1

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

Supplemental information:				
Interest paid	**$ 14.3**	$ 18.0	**$ 17.2**	$ 18.4
Income taxes paid	**$ 7.7**	$ 23.4	**$ 11.3**	$ 187.9
Non-cash investing activity				
Contracts terminated on acquisition	**$ –**	$ –	**$ –**	$ (10.4)

1. Basis of Presentation

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and do not contain all of the information that is required for annual financial statements. Accordingly, they should be read in conjunction with the consolidated annual financial statements for the year ended December 31, 2007.

These interim consolidated financial statements follow the same accounting policies and methods of their application as the December 31, 2007 consolidated annual financial statements except as disclosed in note 2.

Certain comparative figures have been reclassified to conform to the current period's presentation.

2. Changes in Accounting

Effective January 1, 2008, the Company adopted new accounting standards issued by the Canadian Institute of Chartered Accountants (the "CICA") as follows:

Section 3031 – Inventories

This section, among other things, requires that certain inventories be measured at the lower of cost and net realizable value. This has resulted in the Company changing its method for valuing chip and pulp log inventories which were previously valued at the lower of cost and replacement cost. In addition, the Company began amortizing certain deferred major maintenance expenditures over the period to the next major maintenance outage as opposed to amortizing them on a calendar year basis, and began expensing certain storage and handling costs that were previously included in inventory.

The Company adopted the new standard on a retroactive basis without restatement of prior periods. As a result, the Company recorded an increase of $9.6 million to opening retained earnings, an increase in future income tax liability of $4.7 million, an increase of $18.4 million to prepaid expenses and a decrease of $4.1 million to inventories, for the cumulative effect on prior years from the adoption of this standard.

Inventories at June 30, 2008 were written down by $43.6 million (March 31, 2008 - $87.6 million) to reflect net realizable value being lower than cost

Section 1535 – Capital Disclosures

This section requires the Company to disclose its objectives, policies and processes for managing capital.

Section 3862 – Financial Instruments Disclosures

This section enhances the disclosure requirements on the nature and extent of risks arising from financial instruments and how the Company manages those risks.

3. New Accounting Pronouncements

Section 3064 – Goodwill and Intangible Assets

Effective January 1, 2009, the Company will adopt new CICA standard 3064 "Goodwill and Intangible Assets" which establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the adoption of this standard, EIC-27, "Revenues and Expenditures in the Pre-operating Period", will be withdrawn. This will result in a change to the Company's accounting for pre-production and start-up costs, as these costs will no longer be capitalized as an asset. The impact of adopting this standard on the Company's financial statements is not expected to be significant.

International Financial Reporting Standards

In February, 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards will replace Canada's current generally accepted accounting principles for publicly accountable profit-oriented enterprises effective January 1, 2011. The Company is presently considering the effect these standards will have on its financial statements.

4. Other Assets

	June 30, 2008	December 31, 2007
Power purchase agreements – net	**$ 91.5**	$ 95.1
Investments	**4.3**	4.5
Advances for timber and timber deposits	**13.0**	16.1
	$ 108.8	$ 115.7

5. Operating Loans

The Company has $605.0 million in revolving lines of credit available, of which $75.7 million (net of deferred financing costs of $2.3 million) was drawn as at June 30, 2008. Interest is payable at floating rates based on, at the Company's option, Prime, US base, Bankers' Acceptances or LIBOR. The Company has also arranged for the issuance of letters of credit in the amount $22.3 million. The revolving lines of credit include a $600 million committed facility maturing in 2012.

6. Other Liabilities

	June 30, 2008	December 31, 2007
Post-retirement obligations	**$ 65.7**	$ 58.4
Timber damage deposits	**14.1**	13.9
Reforestation obligations – long-term	**60.9**	55.4
Other asset retirement obligations	**9.2**	9.0
	$ 149.9	$ 136.7

7. Capital Disclosures

The Company's business is cyclical and it experiences significant changes in cash flow over the business cycle. In addition, the Company's financial performance can be materially influenced by changes in the relative values of the Canadian and US dollars. The Company's objective in managing capital is to ensure adequate liquidity and financial flexibility at all times, but particularly at the bottom of the business cycle and in a strong Canadian dollar environment.

The Company's main policy relating to capital management is to maintain a strong balance sheet and otherwise meet financial tests that are commonly applied by rating agencies for investment grade issuers of public debt. The Company believes that the maintenance of an investment grade rating is an appropriately conservative approach in the context of the Company's cyclical business.

The Company monitors and assesses its financial performance in order to ensure that its net debt levels are prudent taking into account the anticipated direction of the business cycle. When financing acquisitions, the Company combines debt and equity financing in a proportion that is intended to maintain an investment grade rating for the Company's debt throughout the cycle. Long-term debt repayments are arranged on a staggered basis that takes into account the uneven nature of anticipated cash flows. The Company has also established a committed revolving line of credit that provides liquidity and flexibility when capital markets are restricted.

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

8. Accumulated Other Comprehensive Earnings

	June 30, 2008	December 31, 2007
Balance – beginning of period	**$ (93.2)**	$ –
Adjustment on change in translation method	**–**	(18.2)
Unrealized foreign exchange translation gain (loss) on investments in self-sustaining foreign operations	**11.8**	(75.0)
Balance – end of period	**$ (81.4)**	$ (93.2)

9. Employee Future Benefits

The total benefit cost of the Company's defined benefit pension plans was $5.7 million for the three months ended June 30, 2008 (three months ended June 30, 2007 — $5.8 million) and $11.4 for the six months ended June 30, 2008 (six months ended June 30, 2007 — $11.5 million).

10. Financial Instruments

Financial risk management

The Company's activities result in exposure to a variety of financial risks, including risks related to commodity prices, currency fluctuation, credit, liquidity and interest rates. Table Q on page 43 of the Company's 2007 Annual Report is an integral part of these interim consolidated financial statements and provides the earnings sensitivity to key financial risks.

Commodity prices

The Company's financial performance is principally dependent on the demand for and selling prices of its products. Both are subject to significant fluctuations. The markets for lumber, panels, pulp, paper, wood chips and other wood products are highly volatile and are affected by factors such as global economic conditions including the strength of the US housing market, changes in industry production capacity, changes in world inventory levels and other factors beyond the Company's control. At this time the Company has elected not to actively manage its exposure to commodity price risk.

Currency fluctuation

Most of the Company's products are sold at prices denominated in US dollars or based on prevailing US dollar prices, and a significant portion of its operational costs and expenses are incurred in Canadian dollars. Therefore, an increase in the value of the Canadian dollar relative to the US dollar reduces the revenue in Canadian dollar terms realized by the Company from sales made in US dollars, which reduces operating margin and the cash flow available to fund operations. The Company also has investments in US self-sustaining operations, whose net assets are exposed to foreign currency translation risk.

Although the Company does not currently hedge its foreign exchange exposure with financial forward or option contracts, US dollar-denominated debt provides a partial offset to exchange exposure.

Credit

The Company sells its products to a variety of customers under various payment terms and therefore is exposed to credit risks. The Company has adopted policies and procedures designed to limit these risks. The maximum exposure to credit risk at the reporting date is the carrying value of receivables.

Liquidity

The Company manages liquidity by maintaining adequate cash and short-term investment balances, and by having appropriate lines of credit available. In addition, the Company continuously monitors and reviews both actual and forecasted cash flows. Refinancing risks are minimized by ensuring long-term debt has a balanced maturity schedule.

Interest rates

The Company's interest rate risk mainly arises from the interest rate impact on cash and short-term investments and floating rate debt. The general practice of the Company is to fund its long-term capital with debt at fixed rates and various maturities. In addition, the Company has revolving lines of credit available with interest at floating rates.

As at June 30, 2008, a 1% change in interest rates would not have a significant impact on net earnings.

11. Income Taxes

The Company's effective tax rate is as follows:

	April 1 to June 30			
	2008		2007	
	Amount	**%**	Amount	%
Income taxes at statutory rates	**$ (0.4)**	**(31.0)**	$ 12.1	34.1
Non-taxable amounts	**0.9**	**69.2**	4.6	13.1
Rate differentials between jurisdictions and on specified activities	**1.0**	**82.1**	1.2	3.4
Rate differential on loss carry backs	**0.8**	**66.3**	1.0	2.8
Reduction in statutory income tax rates	**—**	**—**	2.7	7.7
Other	**(0.2)**	**(20.8)**	(0.5)	(1.3)
Income tax recovery	**$ 2.1**	**165.8**	$ 21.1	59.8

	January 1 to June 30			
	2008		2007	
	Amount	**%**	Amount	%
Income taxes at statutory rates	**$ 35.5**	**31.0**	$ 14.9	34.1
Non-taxable amounts	**(0.8)**	**(0.7)**	5.0	11.6
Rate differentials between jurisdictions and on specified activities	**6.2**	**5.4**	2.1	4.7
Rate differential on loss carry backs	**2.1**	**1.8**	1.2	2.7
Reduction in statutory income tax rates	**6.4**	**5.6**	2.7	6.1
Other	**(0.3)**	**(0.2)**	(1.5)	(3.4)
Income tax recovery	**$ 49.1**	**42.9**	$ 24.4	55.8

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

12. 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 assume the exercise of share options using the treasury stock method.

	April 1 to June 30	
	2008	2007
Earnings available to shareholders	**$ 3.3**	$ (14.2)
Weighted average number of shares (thousands)		
Weighted average shares – basic	**42,799**	42,786
Share options – treasury stock method	**129**	446
Weighted average shares – diluted	**42,928**	43,232
Earnings per share (dollars)		
Basic	**$ 0.08**	$ (0.33)
Diluted	**$ 0.08**	$ (0.33)

	January 1 to June 30	
	2008	2007
Earnings available to shareholders	**$ (65.3)**	$ (19.3)
Weighted average number of shares (thousands)		
Weighted average shares — basic	**42,799**	42,773
Share options – treasury stock method	**137**	418
Weighted average shares — diluted	**42,936**	43,191
Earnings per share (dollars)		
Basic	**$ (1.53)**	$ (0.45)
Diluted	**$ (1.53)**	$ (0.45)

13. Segmented Information

	Lumber	Panels	Pulp & paper	Corporate & other	Consolidated
April 1, 2008 to June 30, 2008					
Sales at market prices					
To external customers	**$ 422.5**	**$ 108.4**	**$ 291.8**	**$ –**	**$ 822.7**
To other segments	**35.7**	**2.7**	**–**	**–**	
	$ 458.2	**$ 111.1**	**$ 291.8**	**$ –**	
EBITDA[1]	**$ 39.6**	**$ 7.0**	**$ 23.8**	**$ 1.2**	**$ 71.6**
Amortization	**31.3**	**9.3**	**24.8**	**0.9**	**66.3**
Operating earnings	**8.3**	**(2.3)**	**(1.0)**	**0.3**	**5.3**
Interest income (expense) – net	**(5.7)**	**(1.2)**	**(2.5)**	**0.2**	**(9.2)**
Exchange gain on long-term debt	**–**	**–**	**–**	**2.1**	**2.1**
Other income (expense)	**(0.5)**	**–**	**(0.1)**	**3.6**	**3.0**
Earnings before income taxes	**$ 2.1**	**$ (3.5)**	**$ (3.6)**	**$ 6.2**	**$ 1.2**

	Lumber	Panels	Pulp & paper	Corporate & other	Consolidated
April 1, 2007 to June 30, 2007					
Sales at market prices					
To external customers	$ 564.4	$ 127.0	$ 256.7	$ –	$ 948.1
To other segments	21.8	9.1	–	–	
	$ 586.2	$ 136.1	$ 256.7	$ –	
EBITDA[1]	$ 3.9	$ 12.1	$ 8.8	$ 2.9	$ 27.7
Amortization	30.2	9.6	24.3	0.7	64.8
Operating earnings	(26.3)	2.5	(15.5)	2.2	(37.1)
Interest expense – net	(5.8)	(1.2)	(2.1)	(1.0)	(10.1)
Exchange gain on long-term debt	–	–	–	26.8	26.8
Other expense	(1.6)	(0.4)	(2.1)	(10.8)	(14.9)
Earnings before income taxes	$ (33.7)	$ 0.9	$ (19.7)	$ 17.2	$ (35.3)

	Lumber	Panels	Pulp & paper	Corporate & other	Consolidated
January 1, 2008 to June 30, 2008					
Sales at market prices					
To external customers	**$ 801.5**	**$ 215.7**	**$ 577.3**	**$ –**	**$ 1,594.5**
To other segments	**69.9**	**4.8**	**–**	**–**	
	$ 871.4	**$ 220.5**	**$ 577.3**	**$ –**	
EBITDA[1]	**$ (32.6)**	**$ 13.3**	**$ 55.8**	**$ 4.0**	**$ 40.5**
Amortization	**67.5**	**18.8**	**50.0**	**1.8**	**138.1**
Operating earnings	**(100.1)**	**(5.5)**	**5.8**	**2.2**	**(97.6)**
Interest expense – net	**(11.4)**	**(2.5)**	**(5.2)**	**(0.2)**	**(19.3)**
Exchange loss on long-term debt	**–**	**–**	**–**	**(8.5)**	**(8.5)**
Other income	**0.9**	**0.1**	**–**	**10.0**	**11.0**
Earnings before income taxes	**$ (110.6)**	**$ (7.9)**	**$ 0.6**	**$ 3.5**	**$ (114.4)**

	Lumber	Panels	Pulp & paper	Corporate & other	Consolidated
January 1, 2007 to June 30, 2007					
Sales at market prices					
To external customers	$ 925.5	$ 245.8	$ 535.4	$ –	$ 1,706.7
To other segments	46.8	11.8	–	–	
	$ 972.3	$ 257.6	$ 535.4	$ –	
EBITDA[1]	$ (9.5)	$ 27.5	$ 43.5	$ 7.1	$ 68.6
Amortization	56.4	20.4	48.6	1.5	126.9
Operating earnings	(65.9)	7.1	(5.1)	5.6	(58.3)
Interest income (expense) – net	(8.6)	(2.0)	(2.4)	0.7	(12.3)
Exchange gain on long-term debt	–	–	–	30.0	30.0
Other income (expense)	(0.4)	(0.4)	7.8	(10.1)	(3.1)
Earnings before income taxes	$ (74.9)	$ 4.7	$ 0.3	$ 26.2	$ (43.7)

[1] **Non GAAP measure:** EBITDA is defined as operating earnings plus amortization.

West Fraser Timber Co. Ltd.

Tel: 604.895.2700
Fax: 604.681.6061
www.westfraser.com

West Fraser is an integrated wood products company producing lumber, LVL, MDF, plywood, pulp, linerboard, kraft paper and newsprint. The Company has approximately 9,000 employees and operations in western Canada and the southern United States.