

WEST FRASER TIMBER CO. LTD.

ANNUAL INFORMATION FORM

DATED FEBRUARY 12, 2019

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ANNUAL INFORMATION FORM

Date

This Annual Information Form of West Fraser Timber Co. Ltd. (“West Fraser”, “we”, “us”, “our” or the “Company”) is dated as of February 12, 2019. Except as otherwise indicated, the information contained in it is as of December 31, 2018.

All financial information in this Annual Information Form is presented in Canadian dollars, unless otherwise indicated.

Forward-looking Statements

This Annual Information Form, and the Annual Report of which it forms a part, contain historical information, descriptions of current circumstances and statements about potential future developments. 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 are subject to various risks and uncertainties. Forward-looking statements are included herein under the headings “Fibre Supply – Mountain Pine Beetle and B.C. Wildfires” (the timing of AAC reductions and the effect on our AACs), “Fibre Supply – Caribou Recovery Planning” (impact on our access to timber supply), “Fibre Supply – Aboriginal Matters” (the potential effect of aboriginal title or rights) and “Capital Structure – Cash dividends”, and are included in our 2018 Management’s Discussion & Analysis incorporated herein under the heading “Risks and Uncertainties” and “Introduction and Interpretation”. 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 the matters described in these sections and under “Risk Factors”, and may differ materially from those anticipated or projected. Accordingly, readers should exercise caution in relying upon forward-looking statements which reflect management’s estimates, projections and views only as of the date hereof. The Company undertakes no obligation to publicly revise these statements to reflect subsequent events or changes in circumstances except as required by applicable securities laws.

Business Overview

We are a North American diversified wood products company which produces lumber (SPF and SYP), panels (plywood, MDF and LVL), pulp (NBSK and BCTMP), newsprint, wood chips and other residuals and energy. We hold rights to timber resources that are sufficient to supply a significant amount of the fibre required by our Canadian operations and have long-term agreements for the supply of a portion of the fibre required by our United States operations. We carry on our operations through subsidiaries and joint operations in British Columbia (“B.C.”), Alberta and the southern United States. Our operations located in western Canada manufacture all of the products described above except SYP lumber. Our sawmills located in the southern U.S. produce SYP lumber, wood chips and other residuals.

The annual production capacities of our wholly-owned facilities and our share of the capacities of our 50%-owned operations, after giving effect to the announced production curtailments at Fraser Lake and Quesnel, British Columbia, are as follows:

Lumber (MMfbm)	
SPF	3,870
SYP	<u>3,200</u>
Total	7,070
Panels	
Plywood (MMsf 3/8")	860
MDF (MMsf 3/4")	250
LVL (Mcf)	2,600
Pulp (Mtonnes)	
BCTMP	690
NBSK	570
Newsprint (Mtonnes)	135

Corporate Strategy

Our goal at West Fraser is to generate strong financial results through the business cycle, relying on our committed work force, the quality of our assets and our well-established people and operating culture. This culture emphasizes cost control in all aspects of the business and internal and external competitiveness. In our approach to employee relations, we emphasize employee involvement and favour internal promotions whenever possible.

We are a diversified producer of wood products with access to extensive timber resources. Our Canadian lumber, plywood, LVL and veneer operations are directly or indirectly the primary source of raw material for our pulp & paper, MDF and energy operations.

We are committed to operating in a financially conservative and prudent manner. The North American wood products industry is cyclical and periodically faces difficult market conditions and serious challenges. Maintaining a strong balance sheet and liquidity profile, along with our investment grade debt rating enables us to execute a balanced capital allocation strategy. Our goal is to continually reinvest in our operations, across all market cycles to maintain a leading cost position and prudently return capital to shareholders. We believe that maintaining a strong balance sheet also provides the financial flexibility to capitalize on growth opportunities and is a key tool in managing our business over the long term.

Acquisitions and expansions are considered with a view to extending our existing business lines, particularly in lumber operations, and to product and geographic diversification. Our earnings over the business cycle have enabled us to make significant and ongoing capital investments in our facilities with the goal of achieving, maintaining or improving an overall low cost-position.

Corporate Structure

West Fraser is organized under the *Business Corporations Act* (British Columbia) and assumed its present form in 1966 by the amalgamation of a group of companies under the laws of B.C. West Fraser owns West Fraser Mills Ltd., who in turn owns directly or indirectly, wholly or partially, our operating facilities, subsidiaries and jointly-owned operations. West Fraser Mills Ltd. assumed its present form on January 1, 2005 by amalgamation under those laws. West Fraser, Inc., West Fraser Wood Products Inc. and West Fraser Southeast, Inc. are Delaware corporations, while Blue Ridge Lumber Inc., Manning Forest Products Ltd. and Sundre Forest Products Inc. are Alberta corporations. West Fraser Newsprint Ltd. subsists under the laws of Canada. Alberta Newsprint Company

("ANC") and Cariboo Pulp & Paper Company are unincorporated 50%-owned operations governed, respectively, by the laws of Alberta and B.C.

The following chart shows the relationship of West Fraser to the principal direct and indirect subsidiaries and the joint operations in which we participate and, where less than 100%, the percentage of our direct or indirect ownership.



West Fraser Timber Co. Ltd.

West Fraser Mills Ltd.

LUMBER

Canada

Quesnel
Williams Lake
Smithers
Chetwynd
Fraser Lake
Chasm
100 Mile House
Blue Ridge¹
Hinton
Edson
Sundre²
High Prairie
Manning³

U.S.

Joyce⁴
Huttig⁴
Henderson⁵
New Boston⁵
Leola⁴
Mansfield⁴
Russellville⁴
Maplesville⁴
Opelika⁴
McDavid⁴
Perry⁶

SPECIALTY LUMBER PRODUCTS

Sundre²

Lake Butler⁶
Whitehouse
Maxville⁶
Blackshear⁶
Fitzgerald⁶
Dudley⁶
Augusta⁴
Newberry⁴
Armour⁴
Seaboard⁴

PANELS

Plywood

Edmonton
Quesnel
Williams Lake

MDF

Blue Ridge
Quesnel

Veneer & LVL

Rocky Mountain
House²
Slave Lake

PULP & PAPER

Pulp

Hinton
Quesnel
Quesnel (50%)⁷
Slave Lake

Newsprint

Whitcourt (50%)⁸

1. Owned through Blue Ridge Lumber Inc., a wholly-owned subsidiary.
2. Owned through Sundre Forest Products Inc., a wholly-owned subsidiary.
3. Owned through Manning Forest Products Ltd., a wholly-owned subsidiary.
4. Owned through West Fraser, Inc., a wholly-owned subsidiary.
5. Owned through West Fraser Wood Products Inc., a wholly-owned subsidiary.
6. Owned through West Fraser Southeast, Inc., a wholly-owned subsidiary.
7. 50% interest in Cariboo Pulp & Paper Company.
8. 50% interest in Alberta Newsprint Company owned through West Fraser Newsprint Ltd., a wholly-owned subsidiary.

Our executive office is located at 858 Beatty Street, Suite 501, Vancouver, B.C., Canada, V6B 1C1 and our registered office is located at 1500 – 1055 West Georgia Street, Vancouver, B.C., Canada, V6E 4N7.

History and Development of Business

West Fraser originated in 1955 when three brothers, Pete, Bill and Sam Ketcham, acquired a lumber planing mill located in Quesnel, B.C. From 1955 through 2018 the business expanded through the acquisition of a number of sawmills and related timber harvesting rights and the acquisition or development of lumber, panel and pulp & paper businesses.

Major developments for West Fraser during the last five years include the following:

- | | |
|------|--|
| 2014 | <ul style="list-style-type: none">• Acquired two sawmills in Arkansas and one in High Prairie, Alberta.• Permanently closed our Houston, B.C., Slave Lake, Alberta and Folkston, Georgia sawmills.• Capital investment sets new annual record at \$410 million.• Completed six continuous kilns, two planer projects and four major sawmill upgrades.• Completed a low consistency refiner project at our BCTMP mill in Quesnel. |
| 2015 | <ul style="list-style-type: none">• Acquired a sawmill in Manning, Alberta.• Completed co-generation projects at two of our B.C. sawmills to generate electricity from wood waste to be sold under long-term contracts.• Completed biogas-electricity generation project at our Slave Lake, Alberta pulp mill. First electricity generated January 2016.• Completed three continuous kilns, two planer projects and one major sawmill upgrade. |
| 2016 | <ul style="list-style-type: none">• Terminated power purchase agreements that had provided us with a portion of the electricity generated from two power plants in Alberta at substantially predetermined rates.• MDF facility in Quesnel was closed for repairs following a fire on March 9.• A coalition of U.S. lumber producers petitioned the U.S. Department of Commerce (“USDOC”) and the U.S. International Trade Commission (“USITC”) to investigate alleged subsidies to Canadian lumber producers and levy duties against Canadian imports.• Completed three continuous kilns. |
| 2017 | <ul style="list-style-type: none">• MDF facility in Quesnel damaged by fire in 2016 was repaired and began producing board on April 29.• Acquired six sawmills and a finger-joint (specialty lumber) mill in Florida and Georgia as well as an administrative office in St. Marys, Georgia (the “Gilman Acquisition”).• On December 4 the USDOC determined final duty rates for West Fraser of 23.56%.• Completed four continuous kilns and two major sawmill upgrades. |

2018

- Rebuild of sawmill in High Prairie, Alberta.
- Commissioned an entirely new sawmill in Opelika, Alabama on the site of the existing sawmill.
- Completed five continuous kilns across Western Canada.
- Completed planer mill upgrades at facilities in Fraser Lake, B.C. Smithers, B.C. and Sundre, Alberta.
- Implemented upgraded refining technology at our Quesnel River Pulp mill and installed an additional concentrator at our Cariboo Pulp mill.

Sales Revenue

(\$ millions)

Year ended December 31	2018	2017	2016	2015	2014
Lumber	4,456	3,671	3,145	2,764	2,622
Panels	676	600	529	554	526
Pulp & Paper	1,163	988	887	900	812
Intracompany fibre sales	(177)	(125)	(111)	(118)	(104)
	6,118	5,134	4,450	4,100	3,856

Fibre Supply

Our operations are dependent on the consistent supply of substantial quantities of wood fibre in various forms. The primary manufacturing facilities, which produce lumber, plywood and LVL, consume whole logs while the pulp, paper and MDF facilities mostly consume wood by-products in the form of wood chips (including from whole-log chipping operations), shavings and sawdust resulting from the production of lumber, plywood or LVL. Many facilities also consume hog fuel and wood waste in energy systems.

In B.C. and Alberta substantially all timberlands are publicly owned and the right to harvest timber is acquired through provincially granted licences. Licences grant the holder the right to harvest up to a specified quantity of timber annually and either have a term of 15 to 25 years and are replaceable or have a shorter term but are not replaceable. Government objectives in granting licenses include responsible management of timber, soils, wildlife, water and fish resources and the preservation of biodiversity and the protection of cultural values. The objectives also include achieving the fullest possible economic utilization of the forest resources and employment in local communities.

Timber tenures in B.C. and Alberta require the payment of a fee, commonly known as stumpage, for timber harvested pursuant to its terms. Stumpage in Alberta is product/price specific and varies with the sales price of the product into which the logs will be converted. Stumpage in B.C. is substantially based on the results of certain publicly-auctioned timber harvesting rights.

Timber tenures in B.C. and Alberta require the holder to carry out reforestation to ensure re-establishment of the forest after harvesting. Reforestation projects are planned and supervised by our woodlands staff and are subject to approval by relevant government authorities. Our timber harvesting operations are carried out by independent contractors under the supervision of our woodlands staff.

The following table summarizes the timber tenures, as at December 31, 2018, which supply the Canadian mills that we own or in which we have an interest, as well as our AAC for such tenures.

Timber Tenures

(thousand m³)

Location	Tenure ¹	Expiry	AAC
B.C.	Coniferous Long-term	2022 - 2035	5,604
	Coniferous Short-term	2019	200
Alberta	Coniferous Long-term	2019 - 2033	6,380
	Deciduous Long-term	2019 - 2033	1,319

1. Long-term tenures include TFLs, FMAs, timber quotas and forest licences, which are renewable timber tenures. Short-term tenures include non-replaceable forest licences.

We do not own or manage any timberlands in the U.S.

Log Supply

Annual log requirements for our Canadian sawmills, plywood facilities and LVL plant, all operating at the capacities described herein, would total approximately 15 million m³. Recently, we have been accessing approximately 65% of these requirements from the quota-based tenures described in the above table and the balance is typically acquired from third parties holding short or long-term timber harvesting rights, including independent logging contractors, aboriginal groups, communities and woodlot owners. We do not necessarily consume the maximum permitted volume of logs that may be harvested from our tenures annually but will adjust between tenure and purchase logs depending on circumstances including the availability of purchase logs and our ability to secure approvals to harvest in economically viable stands.

Our U.S. operations, which produce SYP lumber, would consume approximately 14 million tons of logs per year if operating at the capacity described herein. Our U.S. operations as a whole have access to approximately 18% of their log requirements under certain long-term supply contracts, and the balance is purchased on the open market. Open market purchases come from timber real estate investment trusts, timberland investment management organizations and private land owners.

Mountain Pine Beetle and B.C. Wildfires

The mountain pine beetle infestation in the B.C. interior reached a peak, in terms of the annual timber mortality rate, more than 13 years ago. The damage to the mature pine forests within our operating areas is significant.

We continue to salvage and process dead pine in order to utilize as much of the resource as possible and to ensure that affected sites are promptly reforested. The Province of B.C. previously increased the AAC on dead pine stands and limited the harvest of non-pine species until the salvage of dead pine stands concludes. The AAC has been or will be reduced to reflect lower mature inventories as dead pine stands are harvested or when they are no longer economic to harvest. The Province has reduced the AAC in B.C.'s central interior by approximately 36% in the past five years and we expect this process to continue over the next several years. To date, B.C.'s Chief Forester has announced reductions of the AAC in six of our operating areas in the interior.

Wildfires in B.C. burned over two million hectares of forest land in 2017 and 2018. Our Cariboo region operating areas were significantly impacted. Salvage of fire damaged trees has begun and is expected to continue for 2-4 years.

As the timing of future AAC reductions and the effect on our AACs will depend on a variety of factors, including the impact of wildfires and the amount of non-pine species available for harvest, the full effect on our operations cannot reasonably be determined at this time.

In Alberta, the Minister and the forest industry continue to implement aggressive programs of early mountain pine beetle detection, single tree control and focussed harvesting activity. The mountain pine beetle infestation significantly expanded from Jasper National Park into our Hinton forest management area ("FMA") in 2017 and

again in 2018. We continue to work aggressively to reduce the number of susceptible pine stands and conduct spread control activities across the region in concert with other forest industry participants and the Province of Alberta.

Caribou Recovery Planning

Draft woodland caribou recovery plans were released by the Alberta government in December 2017. We have been working with the Province to develop strategies that support caribou recovery while maintaining our access to the forest resource. The AAC impact from these plans will depend on the final location of potential conservation areas and the forest harvest regimes that are implemented. We anticipate this work will continue in 2019.

B.C. continues to engage with Canada on the development of a conservation agreement for all Southern Mountain Caribou ranges in the Province. The current focus is on the Central Group, which is comprised of three herds in the South Peace area. We understand the conservation agreement will have multiple annexes, including linked partnership agreements with indigenous communities. Initial indications from the draft partnership agreement for the Central Group are a potential for new protected areas and increased conservation. We expect this will have some impact on our access to timber supply, but we are unable to predict or quantify the impact at this draft stage in the conservation agreement process.

Forestry Certification

We obtain external certification from a number of accredited standard-setting certification bodies which offer independent verification of the measures that we take to mitigate the effects of our activities on the environment.

All of the Canadian woodlands operations directly managed by us are independently certified by the Sustainable Forestry Initiative (“SFI”), an internationally recognized-sustainable forest management certification program.

We also subscribe to the chain of custody certification Programme for Endorsement of Forest Certification (“PEFC”) standard for our Canadian produced forest products. PEFC chain of custody assures customers that the fibre in the supply chain comes from sources that comply with applicable laws, regulations and sustainable resource standards. The standard also demonstrates avoidance of sourcing fibre from controversial sources.

PEFC is a global organization that provides a mutual recognition framework for national certification systems. PEFC recognizes more than 25 national certification systems, including SFI, and assures customers that differing systems provide a consistent level of sustainable forest management.

Our pulp operations and MDF mills are registered to the Forest Stewardship Council’s (“FSC”) Standard for Chain of Custody Certification and the Standard for Company Evaluation of FSC Controlled Wood. This standard independently verifies that these operations do not source fibre from wood harvested (i) illegally, (ii) in violation of traditional and civil rights, (iii) in forests where high conservation values are threatened by management activities, (iv) in forests being converted to plantations or non-forest use, (v) from forests in which genetically modified trees are planted, or (vi) in violation of any of the ILO Core Conventions, as defined in the ILO Declaration on Fundamental Principles and Rights at Work, 1988.

We do not own or manage any forestlands in the United States. However, our U.S. sawmills procure wood from a variety of sources normally within an approximate 70-mile radius of each mill. All of our U.S. mills except those purchased with the Gilman Acquisition are certified under the SFI Fiber Sourcing Standard.

For more information concerning our sustainable and environmentally sound forest practices see below under the heading “External Factors Affecting West Fraser’s Business in 2018 – Environment” and our *Responsibility Report* at www.westfraser.com.

Aboriginal Matters

Our continued access to the forest resource in Canada could be adversely affected by right and title (or claims thereto) and treaties involving various aboriginal groups, including First Nations, Métis and others. The obligations of Canadian provincial governments to consult and accommodate aboriginal groups regarding asserted and established rights, as well as their obligations under existing treaties and ongoing treaty negotiations, could affect the issuance, validity, renewal and exercise and terms and conditions of Crown timber rights and authorizations to harvest, or the timeliness of obtaining such rights. If aboriginal title is proven over any of the lands where we have interests or rights, it could result in aboriginal ownership of the resources on title lands.

To date there has been only one court case finding aboriginal title in B.C. where aboriginal title was found to be held by the Tsilhqot'in Nation in respect of an area that is less than 0.2% of B.C., but where we do not hold cutting permits.

As the jurisprudence and government policies respecting aboriginal title and rights and the consultation process continue to evolve, we cannot at this time predict whether aboriginal claims will have a material adverse effect on our timber harvesting rights or on our ability to exercise, renew or transfer them, or secure other timber harvesting rights.

Residual Fibre Supply

In Canada substantially all our requirements for wood chips, shavings, sawdust and hog fuel are supplied from our own operations, either directly or indirectly through trades. This reduces our exposure to risks associated with price fluctuations and supply shortages of these products.

Our B.C. sawmills and plywood plants produce substantially all of the fibre requirements of our B.C. pulp operations and MDF plant. The Alberta MDF plant obtains its fibre from the adjacent Blue Ridge sawmill and other sawmills in the area. The Hinton pulp mill obtains its fibre from the adjacent Hinton sawmill and other sawmills in the area owned by us. At times we produce whole log chips at the Hinton facility to supplement the supply of residual chips from our various sawmills. The fibre requirements of our newsprint mill are obtained from local sawmills, including our sawmill in Blue Ridge and the Slave Lake veneer operation, through chip purchase agreements and log for chip trades using logs harvested from the newsprint mill's tenures. The Slave Lake deciduous FMA provides most of the fibre requirements of the Slave Lake pulp mill, with the balance being obtained from logs purchased from local suppliers.

The majority of the wood chips produced by our U.S. operations are sold to pulp mills at market prices pursuant to long-term contracts.

Capital Expenditures and Acquisitions

We regularly invest in upgrading and expanding our facilities and operations. However, during periods when earnings are weak, we may reduce capital and other expenditures in order to preserve liquidity. The following table shows the capital expenditures and acquisitions during the past five years.

Capital Expenditures and Acquisitions

(\$ millions)

Year ended December 31	2018	2017	2016	2015	2014
Lumber	284	247	195	172	326
Panels	16	22	25	5	7
Pulp & Paper	60	58	42	32	71
Corporate & Other	10	9	11	11	6
	370	336	273	220	410
Acquisitions	-	526	-	76	208
	370	862	273	296	618

Human Resources

At December 31, 2018, we employed approximately 8,570 individuals, including our share of those in 50%-owned operations. Of these, approximately 6,030 are employed in our lumber segment, 1,300 in our panels segment, 850 in our pulp & paper segment and 390 in our corporate segment. Approximately 37% of our employees are covered by collective agreements. In 2019, collective agreements covering approximately 242 employees will expire. Contracts covering approximately 1,340 of our employees expired in 2018 and have not yet been renewed as negotiations remain ongoing.

The safety of our employees is a core value and business priority and our safety goal is to eliminate serious incidents and injuries. We provide ongoing safety training for our employees to minimize potential risks inherent in forestry-related manufacturing industries. Our Health and Safety Policy and objectives and a description of external safety certifications obtained by us are described in our *Responsibility Report* on our website at www.westfraser.com.

Markets

The markets for our products are highly competitive. Our products are sold in markets open to a number of companies with similar products and we compete with global producers. Our competitive position is affected by factors such as cost and availability of raw materials, energy and labour, the ability to maintain high operating rates and low per unit manufacturing costs, and the quality of our final products. Some of our products may also compete with non-fibre-based alternatives or with alternative products in certain market segments. Purchasing decisions by customers are generally based on price, quality and service. However, because commodity products such as ours have few distinguishing properties from producer to producer, competition for these products is based primarily on price. Prices and sales volumes are influenced by general economic conditions. The following table shows selected average benchmark prices for the past five years for the primary products of the type we produced, although these prices do not necessarily reflect the prices we obtained.

Average Benchmark Prices

(In US\$ except plywood)

	2018	2017	2016	2015	2014
SPF #2 & Better 2x4 (per Mfbm) ¹	480	401	305	278	349
SPF #3 Utility 2x4 (per Mfbm) ¹	372	323	240	209	302
SYP #2 West 2x4 (per Mfbm) ²	501	433	409	376	427
Plywood (per Msf 3/8" basis) ³ Cdn\$	548	509	432	430	429
NBSK – U.S. (per tonne) ⁴	1,337	1,105	978	972	1,025
NBSK – China (per tonne) ⁵	878	712	599	644	732
Newsprint (per tonne) ⁶	692	584	560	538	604
US\$/CAD\$ ⁷	0.772	0.771	0.755	0.782	0.905

Sources: refer to our 2018 Management's Discussion & Analysis for Canadian dollar equivalent prices of the products described herein

1. Random Lengths – Net FOB mill.
2. Random Lengths – Net FOB mill Westside.
3. Crow's Market Report – Delivered Toronto.
4. Resource Information Systems, Inc. – U.S. list price, delivered U.S.
5. Resource Information Systems, Inc. – China list price, delivered China.
6. Resource Information Systems, Inc. – U.S. delivered 48.8 gram newsprint.
7. Bank of Canada annual average exchange rate.

Research and Development

We support industry research and development organizations and conduct research and development at several plants to improve processes, maximize resource utilization and develop new products and environmental applications. In addition, in the previous five years we have focused on projects in bio-energy generation and bio-products, including alternative uses for lignin recovered during the pulping process.

Lumber

Capacity and Production

(MMfbm)

	2018	2017	2016	2015	2014
Capacity (year-end)					
B.C.	2,170	2,460	2,465	2,400	2,480
Alberta	1,700	1,690	1,635	1,600	1,420
U.S. South	3,200	3,050	2,400	2,300	2,300
	7,070	7,200	6,500	6,300	6,200
Production					
B.C.	2,236	2,257	2,303	2,225	2,282
Alberta	1,556	1,552	1,493	1,374	1,194
U.S. South	2,817	2,424	2,139	2,008	1,817
	6,609	6,233	5,935	5,607	5,293

Lumber capacity is generally based on our sawmills running on a five-day, two-shift basis with certain exceptions where logs may be available to run a third shift. The capacity figures above for 2018 give effect to the announced permanent shift reductions at our Fraser Lake and Quesnel, B.C. sawmills that take will affect in the first quarter of 2019.

Operations

We operate 34 sawmills and a wood treating facility at the Sundre sawmill. Our Canadian sawmills, of which 7 are in B.C. and 6 are in Alberta, produce spruce, pine, fir lumber of various grades and dimensions. Our 21 U.S. sawmills produce southern yellow pine lumber of various grades and dimensions.

Sales

Lumber produced at our Canadian sawmills and sold to North American customers is marketed and sold from our sales office in Quesnel, while sales to offshore markets are made from our export sales office in Vancouver, B.C. Offshore sales activities are complemented by a customer service office in Japan. Lumber produced at our U.S. sawmills is marketed and sold by our sales group in Memphis, Tennessee and St. Marys, Georgia. From time to time, we purchase lumber for resale in order to meet requirements of customers.

In 2018, sales of lumber from our Canadian and U.S. operations were made to customers in the U.S. and Canada and to customers offshore, predominantly in China and Japan. Most lumber shipments to North American customers by our Canadian operations were made by rail and the balance by truck. Most lumber shipments to North American customers by our U.S. operations were delivered by truck and the balance by rail. Offshore shipments from both Canada and the U.S. were made through various public terminals in bulk or container vessels.

Sales of our lumber products can be impacted by seasonal influences. Shipments from our Western Canadian mills can be affected by winter weather that affects rail and other transportation services. In the summer months, during fire season, logging, manufacturing and transportation can all be affected by wildfire activity or by evacuation alerts or orders in regions where we operate. U.S. new home construction activity, which significantly influences the demand for our lumber products, has historically been higher in the first half of the year and experiences a seasonal slow down late in the third quarter. A significant portion of our SYP products are used in treated wood applications and demand for these products is often highest in anticipation of spring and summer construction activity.

Panels

Capacity and Production

	2018	2017	2016	2015	2014
Plywood (MMsf 3/8" basis)					
Capacity (year-end)	860	860	850	830	830
Production	833	838	826	797	771
MDF (MMsf 3/4" basis)					
Capacity (year-end)	250	250	250	250	300
Production	224	191	160	220	206
LVL (Mcf)					
Capacity (year-end)	2,600	3,200	3,200	3,200	3,200
Production	2,251	2,676	2,215	1,627	1,796

Operations

Our panel operations include three plywood mills that primarily produce standard softwood sheathing plywood, two MDF mills, each with the flexibility to manufacture varying thicknesses and sizes, an LVL mill, and a veneer mill that produces veneer for use in our Edmonton plywood mill. A fire at our MDF plant in Quesnel on March 9, 2016 resulted in the closure of the plant while repairs and reconstruction took place. The rebuilt plant began producing board on April 29, 2017 and returned to normal production levels by the end of 2017. This reduced 2016 and 2017 MDF production compared to prior years. In September 2018, we reduced the operating schedule at our LVL mill to more closely match market conditions which resulted in reduced capacity.

Sales

Plywood, LVL and MDF are marketed and sold from our sales office in Quesnel to retail outlets, wholesale distributors, remanufacturers and treating businesses. MDF is marketed under the names "Ranger"™, "WestPine"™, "Eco-Gold"™ and "Ecopremium"™ both from our sales office and through distributors.

In 2018 the majority of our sales of plywood were made to customers in Canada and sales of MDF and LVL were to customers in the U.S. and Canada. Shipments were by rail or truck. Plywood sales is also seasonal, with the strongest demand being centred in September and October in Canada.

Pulp & Paper

Pulp

Capacity and Production

(Mtonnes)

	2018	2017	2016	2015	2014
BCTMP					
Capacity (year-end)	690	690	680	650	650
Production	652	674	665	645	631
NBSK					
Capacity (year-end)	570	570	570	570	570
Production ¹	499	498	527	497	455

1. Reflects West Fraser's 50% ownership of the Cariboo pulp mill.

Operations

BCTMP is produced at our Slave Lake pulp mill, primarily from hardwood aspen, and our Quesnel River Pulp mill, primarily from softwood species. These pulps are used by paper manufacturers to produce paperboard products, printing and writing papers and a variety of other paper grades. NBSK is produced at our Hinton and Cariboo pulp mills and is used by paper manufacturers to produce a variety of paper products, including tissues and printing and writing papers.

Sales

Pulp is marketed and sold out of our pulp sales office in Vancouver. In 2018, sales of both NBSK and BCTMP were to customers in North America, Asia (predominantly China) and to other offshore customers. Shipments within North America were primarily by rail and those to offshore customers were by rail and truck to Vancouver and then by bulk or container vessels.

Newsprint

Capacity and Production¹

(Mtonnes)

	2018	2017	2016	2015	2014
Capacity (year-end)	135	135	135	135	135
Production	119	122	128	133	132

1. reflects West Fraser's 50% ownership.

Operations

Our 50%-owned newsprint mill at Whitecourt, Alberta produces standard newsprint in four basis weights: 40, 43, 45 and 48.8 grams per square metre.

Sales

Newsprint is sold to various publishers and printers in North America and delivered by rail and truck.

External Factors Affecting West Fraser's Business in 2018

Economic Conditions

Our earnings are sensitive to changes in world economic conditions, primarily those in North America, Asia and Europe and particularly to the U.S. housing market for both new construction and repair and renovation spending. Most of our revenues are from sales of commodities for which prices are sensitive to variations in supply and demand. Since most of these sales are in U.S. dollars, exchange fluctuations of the U.S. dollar against the Canadian dollar is a major source of earnings volatility for us.

Softwood Lumber Dispute

The Canada – U.S. Softwood Lumber Agreement (“SLA”) expired in October 2015 and on the expiry of that agreement a one-year moratorium on trade sanctions by the U.S. came into place. The Government of Canada and the U.S. Trade Representative have been unable to reach agreement on a new managed trade agreement.

In November of 2016 a coalition of U.S. lumber producers petitioned the USDOC and the USITC to investigate alleged subsidies to Canadian producers and levy countervailing and antidumping duties against Canadian imports. The USDOC made its preliminary determination regarding countervailing duties in April 2017, and in June 2017 for antidumping duties. In December of 2017 final countervailing and antidumping rates for West Fraser of 17.99% and 5.57% respectively were confirmed by the USITC.

A substantial portion of our products that are manufactured in Canada are exported for sale. Our financial results are dependent on continued access to the export markets and tariffs and other trade barriers that restrict or prevent access represent a continuing risk to us. The SLA had provided our Canadian lumber operations with access to the U.S. market and the imposition of future trade barriers could impair that access.

Energy

Our pulp, paper and MDF operations consume substantial amounts of electricity. We have completed several projects to reduce our purchased energy dependence by utilizing sawmill residuals, waste biomass and pulp mill effluent streams to produce heat and steam to dry our wood products as well as generate electricity. Such projects include those at our Hinton and Cariboo pulp mills, which have generating facilities which produce electricity to satisfy most of their energy requirements and in some cases sell excess electricity to the provincial utility. In addition, our Slave Lake pulp mill produces electricity for its own use from bio-gas reclaimed from effluent treatment.

Co-generation projects at our Fraser Lake and Chetwynd, B.C. sawmills produce electricity from residuals and waste biomass. The electricity is sold under long-term contracts.

In B.C., electricity is purchased from the provincial utility at regulated prices based largely on generation costs. In Alberta, electricity is purchased at market prices through the Alberta power pool.

In Alberta, we operate a natural gas-fired power plant at our 50%-owned newsprint mill which provides a partial hedge against high prices of electricity and transmission costs.

Our exposure to energy costs includes the cost to purchase electricity, natural gas, gasoline, diesel fuels, carbon taxes and fuel surcharges on purchased transportation.

Environment

West Fraser is committed to utilizing resources responsibly and taking meaningful ongoing steps to reduce its impact on the environment. This includes reducing greenhouse gas emissions and chemicals, monitoring energy

and material consumption, recycling oil products and other materials as well as sustainable, responsible forest management. We are proud of our excellent reforestation record, and we continue explore new ways improve our reforestation and silviculture practices. Our goal is to move beyond mere regulatory compliance to focus on conducting our business in an environmentally, socially and economically responsible manner.

Regulatory Requirements

Our manufacturing operations are subject to environmental protection laws and regulations. We have developed and apply internal programs and policies to help ensure that our operations are in compliance with applicable laws and standards and to address any instances of non-compliance. We have incurred, and will continue to incur, capital expenditures and operating costs to comply with environmental laws and regulations, which are not expected to have material financial or operational effects on us or our competitive position. We are required to carry out remediation activities, including site decommissioning, under applicable environmental protection laws and regulations. In addition, we are required to carry out reforestation activities under our various timber licenses. We maintain accruals in our financial statements for certain environmental, reforestation and decommissioning obligations.

Responsible Management of Energy, Woodlands, and Natural Resources

We are committed to consciously managing our energy use, reducing our consumption and developing sustainable energy solutions. Currently two-thirds (over 60%) of our energy needs are generated with renewable, carbon-neutral biomass fuel sources co-located with our mills. From 2000 to 2017, our energy initiatives have resulted in a decrease in the intensity of purchased energy by approximately 41% for our sawmill and panel operations and approximately 19% for our pulp and newsprint operations. Additional information on our energy initiatives is included herein under the heading “External Factors Affecting West Fraser’s Business in 2018 – Energy” and in our *Responsibility Report* on our website at www.westfraser.com.

Most of Canada’s forest land (93%) is publicly owned and the right to harvest timber is only allowed through government granted licenses. West Fraser follows strict forest management requirements to be able to maintain and renew government-granted harvesting rights in Canada. We engage in sustainable forest management and our harvesting practices are designed to harvest timber safely and efficiently while minimizing environmental impacts. We replant the trees we harvest and, since 1955, West Fraser has planted more than 1.7 billion trees to ensure the forests where we operate are constantly renewed. In addition, all of our Canadian woodlands operations directly managed by West Fraser are independently certified by SFI and we subscribe to the PEFC chain-of-custody standard. Our pulp and MDF mills are registered to the FSC Standard for Chain of Custody Certification and the Standard for Company Evaluation of FSC Controlled Wood. Forest certification is a voluntary tool that demonstrates West Fraser’s wood products are sourced from sustainably managed forests. Third party independent auditors verify that we have met high standards for a number of key criteria, including the sustainable growing and harvesting of trees with the protection of habitat, wildlife, plants, water and soil quality, and a wide range of other conservation goals. Additional information on our sustainable timber harvesting operations and certifications is included herein under the heading “Fibre Supply” and in our *Responsibility Report* on our website at www.westfraser.com.

Over the last decade, West Fraser has made significant investments in upgrading our operations to improve the air quality coming from our operations and significantly reduce greenhouse gas emissions. Fossil fuels are one of the largest contributors to greenhouse gas emissions. Since 2000, West Fraser has significantly reduced our greenhouse gas emissions (GHG) by more than 181,000 tonnes annually. In 2016, we signed on to the “30 by 30” Climate Change Challenge, pledging to contribute to an industry-wide effort to help Canada move to a low-carbon economy by removing 30 megatonnes (MT) of CO₂ per year by 2030 — more than 13% of the Canadian government’s emissions target.

We treat water as an important and protected resource throughout our operations. We specifically address, manage and monitor stream and watercourse protection as part of our sustainable forest management activities.

Our pulp operations use and treat large volumes of water and we have invested considerably in improvements to water systems aimed at improving the effluent, including an overall downward trend in key effluent measurements such as total suspended solids (TSS) and biochemical oxygen demand (BOD).

Community and Stakeholder Engagement

Stakeholder engagement and consultation is a crucial part of our success as a business. Stakeholder engagement and consultation is embedded in our forest management planning process through our sustainable forest management and fibre sourcing certifications. Identification and consultation with stakeholders is also required by Canadian law to meet the standards and provincial regulations governing the permitting and approval of harvesting and forest management planning on public lands.

Our mills and forest operations often work in partnership with Indigenous Peoples in the regions where we operate. Through our Aboriginal Community Engagement Framework, we seek to build respectful, long-term, mutually beneficial working relationships with the Indigenous communities located near the areas in which we operate. In Canada within our forest planning, engagement and consultation processes as well as separate outreach, we work with more than 100 Indigenous communities and organizations in the regions where we harvest timber and manage public forest land under government licences.

Oversight and Further Information

Our Board, particularly the Environmental, Health & Safety Committee, together with our executive and our senior leadership teams, set the policy and practice of our environmental, social and governance activities within our business and are responsible for monitoring our safety and environmental performance.

We are committed to providing comprehensive and transparent information regarding our environmental, social and governance (ESG) matters, and have available on the Responsibility part of our website (at www.westfraser.com) additional information including our *Responsibility Report* prepared under the Global Reporting Initiative (GRI), a global standard for reporting on a range of economic, environmental and social impacts.

Risk Factors

A detailed discussion of risk factors is included under the heading “Risks and Uncertainties” in Management's Discussion & Analysis for the year ended December 31, 2018, which is incorporated herein by reference. Our Management's Discussion & Analysis is available on SEDAR at www.sedar.com and on our website at www.westfraser.com.

Capital Structure

Share Capital

Our authorized share capital consists of 430,000,000 shares divided into:

- (a) 400,000,000 Common shares,
- (b) 20,000,000 Class B Common shares, and
- (c) 10,000,000 Preferred shares, issuable in series.

The Common shares and Class B Common shares are equal in all respects, including the right to dividends, rights upon dissolution or winding up and the right to vote, except that each Class B Common share may at any time be exchanged for one Common share. The Common shares are listed and traded on the Toronto Stock Exchange

under the symbol WFT while our Class B Common shares are not. Certain circumstances or corporate transactions may require the approval of the holders of our Common shares and Class B Common shares on a separate class by class basis.

As at December 31, 2018, the issued share capital consisted of 67,537,360 Common shares and 2,281,478 Class B Common shares for a total of 69,818,838 shares (as at December 31, 2017 –77,946,036 shares).

Credit Ratings

As shown in the table below, West Fraser is rated by three rating agencies. West Fraser pays annual fees to maintain its debt and corporate ratings. The ratings are assigned both on a corporate level and specifically to our US\$300 million notes maturing October 2024. The ratings are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by each rating agency.

Ratings

Agency	Rating	Outlook
DBRS ¹	BBB(low)	Positive
Moody's ²	Baa3	Stable
Standard & Poor's ³	BBB-	Stable

1. DBRS credit ratings for long-term obligations range from AAA to D. A rating of BBB is described by DBRS as "adequate credit quality. The capacity for the payment of financial obligations is considered acceptable. May be vulnerable to future events". Additional information on the rating is available on DBRS's website.
2. Moody's credit ratings for long-term obligations range from Aaa to C. Moody's describes obligations rated Baa as "subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics". Additional information on the rating is available on Moody's website.
3. S&P credit ratings for long-term obligations range from AAA to D. A rating of BBB- is described by S&P as "considered lowest investment grade by market participants". Additional information on the rating is available on S&P's website.

Market Prices

The following table sets forth adjusted market prices and trading volumes of our Common shares on the Toronto Stock Exchange for each month of 2018 and 2017.

	2018				2017	
	High (\$)	Low (\$)	Close (\$)	Volume (000's)	Close (\$)	Volume (000's)
January	88.98	76.57	86.06	5,048	44.44	4,907
February	94.64	78.52	89.38	5,966	55.13	6,456
March	92.69	81.44	85.61	7,030	55.62	7,633
April	95.10	82.00	86.97	5,334	61.34	7,656
May	96.03	85.88	94.23	9,196	58.81	5,411
June	97.99	82.83	90.49	10,283	61.38	4,309
July	95.85	76.81	80.80	12,100	66.25	5,294
August	93.13	79.77	86.57	11,056	64.79	5,152
September	89.52	72.31	73.51	10,576	72.00	7,500
October	75.30	60.44	66.14	20,129	78.47	5,904
November	75.90	63.51	69.35	10,141	81.54	5,276
December	73.45	61.59	67.44	8,130	77.57	4,469
Total				114,989		69,967

Source: <http://tradingdata.tsx.com>

Cash dividends

The declaration and payment of cash dividends is within the discretion of our Board of Directors. Historically, cash dividends have been declared on a quarterly basis payable after the end of each quarter. On an annual basis, dividends of \$0.70 per share were declared in 2018, \$0.36 per share were declared in 2017 and \$0.28 per share were declared in 2016 and 2015. There can be no assurance that dividends will continue to be declared and paid by us in the future, as the discretion of the Board of Directors will be exercised from time to time taking into account our current circumstances.

Transfer Agent

Our transfer agent and registrar is AST Trust Company (Canada), with registers of transfers in Vancouver and Toronto.

Experts

Our auditors are PricewaterhouseCoopers LLP (“PwC”), who prepared the Auditor’s Report included with our annual Consolidated Financial Statements for the year ended December 31, 2018. PwC has confirmed that it is independent with respect to us, within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of B.C., as of February 12, 2019.

Directors and Officers

Directors

The names and municipalities of residence of the directors of the Company, their principal occupations during the past five years and the periods during which they have been directors of the Company are as follows:

Name and Municipality of Residence	Principal Occupation	Director Since
Henry H. Ketcham Vancouver, B.C.	Chairman	September 16, 1985
Reid E. Carter ^{1 & 4} West Vancouver, B.C.	Corporate Director	April 19, 2016
John N. Floren ^{2, 3 & 4} Eastham, Massachusetts	President and Chief Executive Officer, Methanex Corporation	April 19, 2016
Brian G. Kenning ^{2 & 4} Vancouver, B.C.	Corporate Director	April 19, 2017
John K. Ketcham ^{3 & 4} Santa Monica, California	Real Estate Developer	April 28, 2015
Gerald J. Miller ^{1, 3 & 4} Kelowna, B.C.	Corporate Director	April 19, 2012
Robert L. Phillips ^{2, 4 & 5} West Vancouver, B.C.	Corporate Director	April 28, 2005

Name and Municipality of Residence	Principal Occupation	Director Since
Janice G. Rennie ^{1, 2 & 4} Edmonton, Alberta	Corporate Director	April 28, 2004
Ted Seraphim North Vancouver, B.C.	Chief Executive Officer	April 30, 2013
Gillian D. Winckler ^{1, 3 & 4} Vancouver, B.C.	Corporate Director	April 19, 2017

1. Member of the Audit Committee.
2. Member of the Human Resources & Compensation Committee.
3. Member of the Health, Safety & Environment Committee.
4. Member of the Governance & Nominating Committee.
5. Lead Director.

Each director has held the same or a similar principal occupation with the organization indicated or a predecessor thereof for the last five years except for Henry H. Ketcham who before April 19, 2016 was our Executive Chairman, and before March 1, 2013 was our Chairman and Chief Executive Officer; John Floren who before January 2013 was Senior Vice President, Global Marketing and Logistics of Methanex Corporation; Ted Seraphim who before April 19, 2018 was President and Chief Executive Officer, and before March 1, 2013 was President and Chief Operating Officer; Gillian Winckler who before June 2015 was CEO and President, as well as CFO for a brief period of Coalspur Limited; Reid Carter who before December 31, 2018 was President, Brookfield Timberlands Management LP. The term of office of each director will expire at the conclusion of the Company's next annual general meeting.

Officers

Name and Municipality of Residence	Office Held
Ted Seraphim North Vancouver, B.C.	Chief Executive Officer
Raymond W. Ferris Vancouver, B.C.	President and Chief Operating Officer
Brian A. Balkwill Quesnel, B.C.	Vice-President, Canadian Wood Products
Keith D. Carter Quesnel, B.C.	Vice-President, Pulp and Energy Operations
Larry E. Gardner Quesnel, B.C.	Vice-President, Canadian Woodlands
James W. Gorman Victoria, B.C.	Vice-President, Corporate and Government Relations
Christopher D. McIver North Vancouver, B.C.	Vice-President, Sales and Marketing

Name and Municipality of Residence	Office Held
Sean P. McLaren Collierville, Tennessee	Vice-President, U.S. Lumber
Tom V. Theodorakis Vancouver, B.C.	Secretary Partner, McMillan LLP (lawyers)
Christopher A. Virostek North Vancouver, B.C.	Vice-President, Finance and Chief Financial Officer
Chuck H. Watkins Memphis, Tennessee	Vice-President, U.S. Lumber Manufacturing

Each officer has held the same or a similar office with the organization indicated or a predecessor thereof for the last five years except for Ted Seraphim (see disclosure under “Directors”); Raymond W. Ferris, who before April 19, 2018 was our Executive Vice-President and Chief Operating Officer and before February 15, 2016 was our Vice-President, Wood Products; Brian A. Balkwill, who before July 1, 2018 was our Vice-President, Canadian Lumber, before February 15, 2016 was our General Manager, Canadian Lumber, and before December 1, 2014 was our General Manager, Engineered Wood; Keith D. Carter, who before February 15, 2016 was our General Manager, Pulp Operations, before September 1, 2014 was our Operations Manager, Mechanical Pulp and before February 1, 2014 was our General Manager, Quesnel River Pulp; Larry E. Gardner, who before February 16, 2016 was our General Manager, Canadian Woodlands and before December 1, 2014 was our Chief Forester, B.C.; James W. Gorman, who before May 19, 2015 was President and Chief Executive Officer of the Council of Forest Industries and before September 16, 2013 served in a number of senior leadership roles with the Government of B.C.; Christopher D. McIver, who before February 16, 2016 was our Vice-President, Lumber Sales and Corporate Development; Sean P. McLaren, who before February 15, 2016 was our Vice-President, U.S. Lumber Operations; Christopher A. Virostek, who before April 1, 2017 was the Senior Vice-President of Strategy and Corporate Development of Masonite International Corporation; and Chuck H. Watkins, who before February 15, 2016 was our General Manager, U.S. Lumber Manufacturing, before August 18, 2015 was our Regional Manager, U.S. Lumber and before December 6, 2013 was our Engineering and Technical Manager, U.S. Lumber.

Shareholdings of Directors and Officers

The directors and officers of the Company as a group, beneficially owned or controlled or directed, directly or indirectly, the following shares of the Company:

	December 31, 2018	December 31, 2017
Common shares	1,414,601	1,395,821
% of total Common shares	2%	2%
Class B Common shares	78,728	78,728
% of total Class B Common shares	3%	3%
% of all shares outstanding	2%	2%

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Christopher Virostek, our Vice President, Finance and Chief Financial Officer, was a director of Masonite (Africa) Limited (“MAL”), a majority owned subsidiary of Masonite International Corporation (“Masonite”), when MAL commenced voluntary business rescue proceedings in South Africa in December 2015. Mr. Virostek served as a director of MAL in connection with his duties as an employee of Masonite. The business rescue plan of MAL was

substantially implemented as provided under its terms and the business rescue proceedings ended in August 2016, at which time Mr. Virostek resigned as a director.

Governance

Corporate governance is guided by our Corporate Governance Policy, a copy of which may be viewed on our web site: www.westfraser.com. The Board of Directors has established a Governance & Nominating Committee comprised of all non-management directors. The Committee provides support for the stewardship and governance role of the Board in reviewing and making recommendations on the composition of the Board, the functioning of the Board and its committees, succession planning and all other corporate governance matters and practices. On the occasion of each regularly-scheduled meeting of the Board in 2018, the Committee met without management representatives present and reviewed these and other issues.

The Corporate Governance Policy includes a Code of Conduct which sets out our policies and requirements relating to, among other categories, legal compliance, safety, environmental stewardship, human rights, anti-corruption and whistleblowing. Additional information is available on our website www.westfraser.com under Corporate Governance.

Audit Committee

The Audit Committee of our Board of Directors assists the Board in fulfilling its responsibility to oversee our financial reporting and audit process. The full text of the Audit Committee's Charter is attached as Schedule 1.

Members

The following identifies each current member of the Audit Committee, and the education and experience of each member that is relevant to the performance of the member's responsibilities as an Audit Committee member. All members of the Audit Committee are considered "independent" and "financially literate" within the meaning of NI 52-110.

Reid E. Carter

Mr. Carter holds a combined undergraduate degree in Forestry and Biology and a master's degree in Forest Soils. He was president of a large timberlands investment firm and has been involved with that firm and related firms in various senior roles for the last 14 years. Prior to that he served as National Bank Financial's Paper and Forest Products Analyst.

Gerald J. Miller

Mr. Miller, who holds a Bachelor of Commerce, is a Chartered Professional Accountant, Chartered Accountant. He spent 25 years in various roles at West Fraser until his retirement in 2011. While at West Fraser he served in a number of executive positions including Vice-President Finance and Chief Financial Officer. Mr. Miller is currently the Chair of the audit committee of Granite Real Estate Investment Trust.

Janice G. Rennie

Ms. Rennie, who holds a Bachelor of Commerce, is a Chartered Professional Accountant, Chartered Accountant. She was elected as Fellow of the Chartered Accountants in 1998. Ms. Rennie has chaired or been a member of several audit committees of public companies in the past and currently is the Chairman of EPCOR Utilities Inc. and a member of the audit committees of Methanex Corporation, Major Drilling Group International Inc. and WestJet Airlines Ltd.

Gillian D. Winckler

Ms. Winckler, who holds a Bachelor of Science and Bachelor of Commerce obtained in South Africa, is a Chartered Accountant (South Africa). Ms. Winckler worked in the audit profession for five years, in corporate finance for five years, and in a number of executive positions with Coalspur Limited and BHP Billiton. Ms. Winckler is currently a member of the audit committee of Pan American Silver Corporation.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy that sets out the pre-approval requirements related to services to be performed by our independent auditors. The policy provides that the Committee will annually review proposed audit, audit-related, tax and other services (to be submitted by the Vice-President, Finance and Chief Financial Officer and the independent auditor), and will provide general approval of described services, usually including specific maximum fee amounts.

Unless a service has received general pre-approval, it will require specific pre-approval by the Committee. The Committee is permitted to delegate pre-approval authority to any of its members. The Committee reports on the pre-approval process to the full Board of Directors from time to time.

Fees Paid to Auditors

(\$ thousands)

	2018	2017
Audit Fees ¹	878	854
Audit-Related Fees ²	96	162
Tax Fees	323	548
All Other Fees ³	80	50

1. Represents actual and estimated fees related to fiscal year ends.

2. For assurance and related services that are reasonably related to the performance of the audit but are not reported as "Audit Fees."

3. Includes fees in connection with financial and tax due diligence assignments and various other compliance reporting matters.

Material Contracts

1. On October 15, 2014, we issued US\$300 million of fixed-rate senior unsecured notes due October 15, 2024 pursuant to a private placement in the U.S. The notes bear interest of 4.35% with semi-annual payments commencing on April 15, 2015 and are redeemable, in whole or in part, at our option at any time. In the event of a change in control in respect of the Company which is followed within 60 days by ratings downgrades to below investment grade in certain circumstances, unless we have exercised the right to redeem all of the notes, each holder will have the right to require us to repurchase all or any part of such holder's notes at a purchase price in cash equal to 101% of the principal amount of the notes plus any accrued and unpaid interest.

2. On August 25, 2017, we replaced our existing 2007 Credit Agreement with a new 2017 Credit Agreement. The new credit agreement is comprised of a CDN\$500 million committed revolving credit facility and a US\$200 million five-year non-revolving term acquisition facility which expires on August 25, 2022. The committed revolving credit facility provides for floating rates of interest based on Prime, Base Rate Advances, Bankers' Acceptances or LIBOR Advances at our option. The five-year non-revolving term facility provides for floating rates of interest based on Base Rate Advances or LIBOR Advances at our option. On August 28, 2017 we borrowed US\$200 million under the non-revolving term facility to fund part of the Gilman Acquisition. These borrowings are repayable at any time, in whole or in part, at our option and without penalty but cannot be redrawn after payment.

Additional Information

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans, will be contained in the Information Circular for the annual general meeting of the Company to be held on April 23, 2019. Additional financial information is provided in our annual audited consolidated financial statements and Management's Discussion & Analysis for the year ended December 31, 2018, both of which may be found on our website at www.westfraser.com and on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Copies of our Annual Report, which will include this Annual Information Form and the documents incorporated by reference herein, our annual consolidated financial statements (including the auditor's report) for the year ended December 31, 2018 and our Information Circular may be obtained at any time upon request from us once these documents have been published, but we may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Company.

This Annual Information Form, our Annual Report (once published) and additional information concerning the Company may also be obtained on our website www.westfraser.com and on SEDAR at www.sedar.com.

Schedule 1 – Audit Committee Charter

The Audit Committee Charter, which is set out below, was approved by the Board on September 12, 2017.

General Mandate

To assist the Board in fulfilling its responsibility to oversee the Company's financial reporting and audit processes, its system of internal controls and its process for monitoring compliance with applicable financial reporting and disclosure laws and its own policies.

Responsibilities

The Committee will carry out the following responsibilities:

Financial Statements

- Review significant accounting and financial reporting issues, including complex or unusual transactions, significant contingencies and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the Company's financial statements.
- Review the interim financial reports (including financial statements, management's discussion and analysis and related news releases) with management and the auditors, consider whether they are complete and consistent with the information known to Committee members and either provide a recommendation to the Board with respect to the approval of the interim financial reports or, if so delegated by the Board, approve the interim financial reports and the filing of the same together with all required documents and information with regulators.
- Understand how management develops interim financial information, and the nature and extent of auditor involvement.
- Review with management and the auditors the results of the audit, including any difficulties encountered.
- Review the annual financial statements, the annual management discussion and analysis and related news releases, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles, and provide a recommendation to the Board with respect to the approval of the statements, the management discussion and analysis and the news release.
- Review with management and the auditors all matters required to be communicated to the Committee under generally accepted auditing standards.

Internal Control

- Require management of the Company to implement and maintain appropriate internal control procedures over annual and interim financial reporting.
- Review with management and auditors the adequacy and effectiveness of the Company's internal control over annual and interim financial reporting, including information technology security and control and controls related to the prevention and detection of fraud and improper or illegal transactions or payments, the status of the remediation of any identified control deficiencies, and elicit recommendations for improvements.
- Understand the scope of the auditors' review of internal control over financial reporting, and obtain and review reports on significant findings and recommendations, including respecting the Company's accounting

principles or changes to such principles or their application and the treatment of financial information discussed with management, together with management's responses.

Audit

- Review the auditors' proposed audit scope and approach.
- Review the performance of the auditors, and provide a recommendation to the Board with respect to the nomination of the auditors for appointment and remuneration.
- Review and confirm the independence of the auditors by obtaining statements from the auditors on relationships between the auditors and the Company, including non-audit services, and discussing the relationships with the auditors.
- Periodically evaluate the need for the establishment of an internal audit function and make appropriate recommendations to the Board.

Compliance

- Review with management the adequacy and effectiveness of the Company's systems for monitoring compliance with financial reporting and disclosure laws, including the Company's disclosure controls and procedures, and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Obtain regular updates from management and Company legal counsel regarding compliance matters.

Reporting Requirements

- Regularly report to the Board about Committee activities, issues and related recommendations.
- Provide an open avenue of communication between the auditors and the Board.
- Review any reports the Company issues that relate to Committee responsibilities.

Other Responsibilities

- Institute and oversee special investigations as needed.
- Develop and implement a policy for the approval of the provision of non-audit services by the auditors and assessing the independence of the auditors in the context of these engagements.
- Establish procedures for: (a) the receipt, retention and treatment of complaints received regarding non-compliance with the Company's Code of Conduct, violations of laws or regulations, or concerns regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by officers or employees of the Company or by other persons of concerns regarding questionable accounting, auditing or financial reporting and disclosure matters or non-compliance with the Company's Code of Conduct or other matters that are of a sensitive or "whistleblower" nature.

- Assist the Board with its responsibility to, with the advice of management, identify the principal financial and audit risks of the Company and establish systems and procedures to ensure these principal financial and audit risks are monitored, and to make recommendations to the Board.
- Annually review the expenses of the Chief Executive Officer.
- Perform other activities related to this charter as requested by the Board.
- Review and assess the adequacy of this charter annually, requesting Board approval for proposed changes.
- Review terms of any Code of Conduct established by the Board and respond to any related compliance issues.
- Confirm annually to the Board that all responsibilities outlined in this charter have been carried out.

Qualifications and Procedures

- The composition of the Committee will comply with applicable laws including requirements for independence, unrelated to management, financial literacy and audit experience.
- The Chair of the Committee will be designated by the Board.
- The Committee will meet at least four times annually, and more frequently as circumstances dictate, and the CFO and a representative of the auditors should be available on request to attend all meetings.
- The Committee should meet privately in executive session with representatives of each of management and of the auditors to discuss any matters of concern to the Committee or such members, including any post-audit management letter.
- The Committee may retain any outside advisor at the expense of the Company, without the Board's approval, at any time and has the authority to determine any such advisor's fees and other retention terms.
- Minutes of each meeting should be prepared, approved by the Committee and circulated to the full Board.