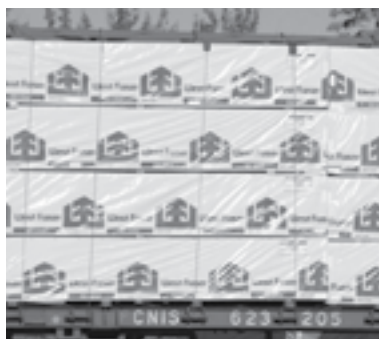
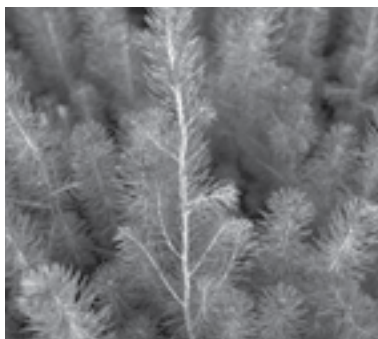




Report to Shareholders

2010 marked the fourth full year of economic depression in the North American wood products business. For the second year in a row, U.S. housing starts fell below 600,000 units. Not since World War II have housing starts in the U.S. fallen below one million units on an annualized basis. This is a clear indication of how deep, severe and long the economic crisis in our industry has been. While there is no clear indication that the housing market has turned the corner, we have seen improved lumber pricing over the course of this past year due to significantly reduced supply and a surge in exports to China—primarily from British Columbia.

Improved lumber prices, combined with a strong pulp pricing environment, enabled the Company to turn in a strong financial performance for the year. Our cash flow allowed us to reduce our net debt by \$357 million and end the year with a very healthy debt to total capitalization ratio. In fact, over the last three years, West Fraser has produced \$523 million of free cash flow and reduced its debt to capital ratio from 25% to 8%. This is clearly an industry-leading performance.



As a result of our strong financial performance, we doubled our dividend in the third quarter, embarked on a significant capital spending program and received a modest improvement in our credit rating from one of our three rating agencies.

Our very strong performance throughout this recession validates the three-pronged strategy that has guided our Company throughout our 55 year history.

First, we are absolutely committed to promoting a low-cost culture throughout the Company in good times and bad. Second, we reinvest our cash flow into our business to ensure we have, as a group, the lowest cost and most highly efficient mills in the industry. Third, we strive to maintain a prudent balance sheet throughout the business cycle.

By staying true to this strategy over the years we have been able to offer our employees a more stable and secure employment environment than our competitors. We have also provided our shareholders with consistent earnings and growth over the years. In fact, from the beginning of the forest industry downturn to the end of 2010, West Fraser produced a total shareholder return of approximately 34% which significantly exceeded the returns of each of the TSX, the Dow and our primary competitors.

Over the past five years the B.C. forest industry, in concert with our provincial and federal governments, has worked hard to develop markets for our wood products in Asia and particularly in China. As a result of these efforts, West Fraser now ships about 25% of its Canadian lumber production to Asian markets. This represents an increase of almost 20% over the past five years. The growth of the Chinese market combined

with our low-cost position has allowed West Fraser to operate our Canadian mills at near capacity levels during 2010 even as the U.S. housing market remained mired in recession.

Equally important, the strong growth of the Chinese economy has supported continued strength of worldwide pulp markets. In 2010, pulp prices reached multi-year highs before tailing off in the second half of the year due to new capacity coming on stream. But demand and pricing remained at healthy levels through year-end which resulted in strong profitability for our pulp business during the year.

Our U.S. sawmill division ran at about 68% of capacity in 2010 reflecting continuing weakness in the U.S. housing sector as well as the fact that several of our southern mills have not been modernized. We have recently embarked on the largest capital spending program in our Company's history. A significant portion of this capital will be applied to our U.S. sawmill division as we work to make those mills as efficient and technologically advanced as our Canadian mills.

Our panel division performed well during the year but profitability declined significantly in the second half as U.S. plywood producers began shipping significant volumes into Canada as a result of the weak U.S. housing market and the strengthening Canadian dollar.



Over the course of the year, the Canadian dollar strengthened by 11% against its U.S. counterpart. This resulted in reduced margins for virtually all of our products. The significant rise in the value of the Canadian currency over the past several years has required a painful adjustment to cost structures for most Canadian exporters. West Fraser has been partially shielded from the full effects of the weakening U.S. dollar due to our U.S. dollar long-term debt and our significant investment in U.S.-based sawmills.

In the first quarter of 2010, we permanently closed our Eurocan linerboard and kraft paper facility in Kitimat, B.C. During the course of the year, we have liquidated the remaining inventory and sold certain mill assets. We continue to explore opportunities to sell all remaining assets of this business.

Subsequent to the end of the year, the U.S. filed a request for arbitration under the Softwood Lumber Agreement. The U.S. alleges that the B.C. government is not properly pricing certain timber in the province. We believe this claim is without merit and are working with our industry and both levels of government to aggressively defend our interests.

The mountain pine beetle infestation has pretty much run its course in the areas of the B.C. interior where West Fraser operates. The industry is now engaged in a massive salvage program to harvest as much of the dead pine as possible before there is no economic value left in it. Over the past few years we have made significant technological improvements to our mills to extract value from this deteriorating resource. Over the next decade we anticipate that harvest levels in the B.C. interior will fall significantly to reflect declining timber availability in the region.

The mountain pine beetle has also attacked the pine forests in Alberta. We are hopeful that the more aggressive approach to combating its spread by the Alberta government and the industry combined with a few stretches of very cold winter weather will slow its spread in that province.

A strong and entrenched safety culture continues to build in our Company. While accountability starts at the top, it extends to each and every employee, contractor and visitor to our mill sites. At every level in our organization we continue to stress the importance of safe work practices and personal responsibility. At the same time, we continue to invest significantly in improving the safety of our machinery and equipment as well as the effectiveness of our safety training and our many safety programs. This is an ongoing process that receives the highest level of commitment from our Board of Directors and senior management team.

In 2010 West Fraser, as a member of the Forest Products Association of Canada, signed a historic letter of understanding with a group of national and international environmental organizations aimed at protecting the economic and environmental integrity of the vast Canadian boreal forest. This landmark agreement, known as the Canadian Boreal Forest Agreement, is intended to protect the many and varied environmental aspects of the boreal forest while ensuring our industry can continue to carry on business in an economically sustainable way.

We still have many hurdles to overcome as the Boreal Working Groups attempt to turn broad principles into “on the ground” practices. But we are hopeful that confrontation has given way to a shared vision for environmental and economic prosperity in the Boreal. Our Company is committed to turning this vision into reality.

Our continuing efforts to reduce our overall environmental impact have not been confined to the woods. During the year we reduced greenhouse gas emissions by 9% in our solid wood business and by 11% in our pulp business when measured on an intensity basis. Over the past decade the reductions are 61% for our solid wood operations and 35% for our pulp operations. We achieved these reductions through capital investments in green energy systems, productivity improvements and energy efficiency efforts throughout the Company. Part of our business strategy is to continue to reduce our use of fossil fuels in order to improve our bottom line and our environment.

As has been the case in every recession since the 1960s, West Fraser has been a positive economic outlier in this most recent economic crisis. During the four years of economic hardship for our industry, West Fraser has grown to be the world's largest lumber producer, we have substantially improved the cost structure of our pulp business, we have substantially reduced our debt level and we have embarked on the largest capital spending program in our Company's history.

We could not have accomplished so much under such adverse conditions without the support and hard work of our entire employee group. Our strong corporate culture is a reflection of their commitment and dedication to the principles that drive our success—cost control, teamwork and competitiveness. It is through their collective efforts that West Fraser consistently performs in the top tier of our industry.

Finally, I want to acknowledge the guidance and support that our Board of Directors has given us during the most severe economic crisis our industry has faced in generations. Their calm and steady encouragement kept management's eye on the ball as we navigated through this difficult period.

West Fraser has weathered four very difficult years of economic recession and has emerged as a stronger and more focused company. We are optimistic that the coming years will present us with many opportunities to continue building a larger and better company and to create significant value for our shareholders.



Henry H. Ketcham

Chairman, President and Chief Executive Officer