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West Fraser Timber Co. Ltd

NEWS RELEASE

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

Tuesday, July 21, 2009

West Fraser Announces Second Quarter Results

Vancouver, BC – **West Fraser Timber Co. Ltd.** today reported a loss of $39 million or $0.91 per share on sales of $667 million in the second quarter of 2009 and a loss of $122 million or $2.85 per share, on sales of $1.3 billion for the first half of 2009.

These results compare with previous periods as follows:

($ million except earnings per share ("EPS"))	2009 YTD	2009 Q2	2009 Q1	2008 YTD	2008 Q2
Sales	1,286	667	619	1,595	823
EBITDA[1]	(28)	(10)	(18)	40	71
Operating earnings (loss)	(165)	(75)	(90)	(98)	5
Earnings (loss)	(122)	(39)	(83)	(65)	3
Diluted EPS ($)	(2.85)	(0.91)	(1.94)	(1.53)	0.08

Hank Ketcham, West Fraser's Chairman, President and CEO stated: "Our results reflect the continuing very poor economic environment that has significantly reduced home construction in North America and reduced the demand for our pulp and paper products."

Operational Results

The Company's lumber operations produced EBITDA for the quarter of $1 million, compared to EBITDA of negative $47 million for the first quarter of 2009, 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 2009. The average benchmark price of SPF and SYP lumber increased by $20 per Mfbm and $4 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 $8 million for the previous quarter.

[1] *Throughout this News Release, reference is made to EBITDA (defined as operating earnings plus amortization). Management of the Company believes that, in addition to earnings, EBITDA is a useful performance indicator and is a useful 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.*

Panel operations, which include plywood, MDF and LVL, generated EBITDA for the quarter of $5 million compared to $7 million in the previous quarter reflecting continuing weakness in North American new home construction.

Pulp and paper operations recorded EBITDA of negative $18 million compared to positive $17 million in the previous quarter as a result of price declines for all products combined with a scheduled maintenance shutdown at the Cariboo facility and the maintenance shutdown and market-related downtime at the Kitimat linerboard and kraft paper mill in the second quarter.

Outlook

U.S. housing starts remain at historic low levels. There are some indications of a potential recovery, including a declining supply of new homes for sale and improved affordability, but it is anticipated that general economic growth will be necessary to support any meaningful recovery in building product prices and demand from current low levels. Pulp and paper markets continue to be extremely weak due to the general global slowdown.

“Our Company will continue to operate with a focus on minimizing losses and conserving cash until clear signs of recovery are evident”, said Mr. Ketcham.

The Company

West Fraser is an integrated wood products company producing lumber, wood chips, LVL, MDF, plywood, pulp, linerboard, kraft paper and newsprint. The Company has approximately 8,500 employees and operations in western Canada and the southern United States.

Forward-Looking Statements

This news release contains historical information, descriptions of current circumstances and statements about potential future developments. The latter, which are forward-looking statements are included under the heading “Outlook”, and are presented to provide reasonable guidance to the reader but their accuracy depends on a number of assumptions and is subject to various risks and uncertainties which are also described under this heading. Actual outcomes and results will depend on a number of factors. Accordingly, readers should exercise caution in relying upon forward-looking statements and the Company undertakes no obligation to publicly revise them to reflect subsequent events or circumstances, except as required by applicable securities laws.

Conference Call

Investors are invited to listen to the quarterly conference call on Wednesday, July 22, 2009 at 8:30 a.m. Pacific Time (11:30 a.m. Eastern Time) by dialing 1-800-952-4972 (toll-free North America). The call may also be accessed through West Fraser’s website at www.westfraser.com.

MANAGEMENT'S DISCUSSION & ANALYSIS

This discussion and analysis by West Fraser's management ("MD&A") of West Fraser's financial performance during the second quarter of 2009 should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes included in this quarterly report and the 2008 annual MD&A included in the Company's 2008 Annual Report. Dollar amounts are expressed in Canadian currency, unless otherwise indicated.

This MD&A contains historical information, descriptions of current circumstances and statements about potential future developments and anticipated financial results. The latter, which are forward-looking statements, are presented to provide reasonable guidance to the reader but their accuracy depends on a number of assumptions and is subject to various risks and uncertainties. Forward-looking statements are included under the headings "Discussion & Analysis by Product Segment – Pulp & Paper Segment" (the description of the proposed Pulp & Paper Green Transformation Program) and "Business Outlook" (market expectations) and "Capital Structure and Debt Ratings" (comment on potential rating upgrades). Actual outcomes and results of these statements will depend on a number of factors which are noted in this MD&A and may differ materially from those anticipated or projected. Accordingly, readers should exercise caution in relying upon forward-looking statements and the Company undertakes no obligation to publicly revise them to reflect subsequent events or circumstances except as required by applicable securities laws.

Throughout this MD&A reference is made to EBITDA (defined as operating earnings plus amortization). Management 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. 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 an indicator of performance, or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. As there is no standardized method of calculating EBITDA, the Company's method of calculating EBITDA may differ from the methods used by other entities and, accordingly, the Company's use of that term may not be directly comparable to similarly titled measures used by other entities.

This MD&A includes references to benchmark prices over selected periods for products of the type produced by West Fraser. These benchmark prices do not necessarily reflect the prices obtained by West Fraser for those products during such period. The information in this interim MD&A is as at July 21, 2009 unless otherwise indicated.

Production, Shipments and Financial Comparisons

	Q2–09	Q1–09	**YTD-09**	Q2–08	YTD-08
Production					
Lumber – MMfbm					
SPF	**741**	674	**1,415**	867	1,728
SYP	**338**	312	**650**	409	865
	1,079	986	**2,065**	1,276	2,593
Plywood – MMsf (3/8" basis)	**185**	184	**369**	207	405
MDF – MMsf (3/4" basis)	**52**	45	**97**	58	119
LVL – Mcf	**297**	434	**731**	274	600
BCTMP – Mtonnes	**117**	70	**187**	148	298
NBSK – Mtonnes	**127**	129	**256**	109	230
Linerboard and Kraft Paper – Mtonnes	**70**	112	**183**	95	211
Newsprint – Mtonnes	**29**	29	**58**	31	63
Shipments					
Lumber – MMfbm					
SPF	**799**	728	**1,527**	875	1,719
SYP	**376**	320	**696**	434	869
	1,175	1,048	**2,223**	1,309	2,588
Plywood – MMsf (3/8" basis)	**215**	170	**385**	209	402
MDF – MMsf (3/4" basis)	**58**	53	**112**	60	121
LVL – Mcf	**343**	403	**746**	334	678
BCTMP – Mtonnes	**159**	104	**263**	162	320
NBSK – Mtonnes	**141**	124	**264**	133	243
Linerboard and Kraft Paper – Mtonnes	**82**	78	**160**	94	212
Newsprint – Mtonnes	**23**	19	**42**	31	63
Financial Comparisons - $ millions					
Sales	**667**	619	**1,286**	823	1,595
EBITDA	**(10)**	(18)	**(28)**	71	40
Amortization	**(65)**	(72)	**(137)**	(66)	(138)
Operating earnings	**(75)**	(90)	**(165)**	5	(98)
Interest expense – net	**(8)**	(8)	**(16)**	(9)	(19)
Exchange gain (loss) on long-term debt	**30**	(13)	**17**	2	(8)
Other income (loss)	**(4)**	3	**(1)**	3	11
Recovery of income taxes	**18**	25	**43**	2	49
Earnings	**(39)**	(83)	**(122)**	3	(65)
Cdn. $1.00 converted to U.S. – average	**0.857**	0.803	**0.829**	0.990	0.993

Selected Quarterly Information

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

	Q2-09	Q1-09	Q4-08	Q3-08	Q2-08	Q1-08	Q4-07	Q3-07
Sales	**667**	619	746	848	823	772	782	827
Earnings (loss)	**(39)**	(83)	(70)	(2)	4	(69)	(3)	(12)
Basic and Diluted EPS	**(0.91)**	(1.94)	(1.63)	(0.05)	0.08	(1.60)	(0.07)	(0.28)

Discussion & Analysis

The Company's operating results improved somewhat in the quarter compared to the previous quarter. In addition to the continuing very poor U.S. housing market, earnings in the pulp and paper segment were negatively affected by the current global economic recession.

On May 29, 2009 the Company's Board of Directors declared a quarterly dividend of $0.03 per outstanding share[1]. This is the first time that the Company has reduced the quarterly dividend since the initial public offering of its shares in 1986 and ends a 91-quarter record of stable or increasing dividend returns to the shareholders.

With the continuing slump in the U.S. housing market, the downturn in the pulp and paper markets and the strengthening of the Canadian dollar, the Company was unable to generate positive earnings or EBITDA in the quarter. Despite these very poor results, the Company generated sufficient cash to make modest capital investments, pay the reduced dividend and reduce its total borrowings.

In the quarter the Company took steps to protect future cash flows by entering into NBSK swap contracts and additional Canadian/U.S. dollar forward contracts. Although these contracts cover only a small portion of anticipated pulp revenues, the combination of the NBSK and associated foreign exchange contracts is intended to provide some protection against the erosion of part of the Company's anticipated pulp revenues.

Subsequent to the end of the current quarter, Moody's Investors Service, Inc. downgraded the rating on the Company's unsecured debt from Baa3 to Ba1.

In the second quarter of 2009 the following significant items were included in earnings:

- The translation of U.S. dollar-denominated debt resulted in a foreign exchange gain of $30 million (after tax $25 million or $0.59 per share);
- A gain on derivative financial instruments of $7 million was recorded (after tax $5 million or $0.12 per share); and
- A valuation allowance resulted in a reduction to the tax recovery of $10 million or $0.23 per share.

[1] representing a reduction from prior quarterly dividends of $0.14 per share

Interest expense remained consistent with the prior quarter and was slightly reduced from the same quarter last year reflecting lower interest rates and lower debt balances.

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

	Q2–09	Q1–09	**YTD-09**	Q2–08	YTD-08
Included in other income					
Translation gain (loss) of current monetary items	**(12)**	5	**(7)**	(1)	4
Unrealized gain (loss) on foreign currency contracts	**7**	(5)	**2**	-	-
Exchange gain (loss) on U.S. dollar-denominated long-term debt	**30**	(13)	**17**	2	(8)
Foreign exchange translation gain (loss) on investment in self-sustaining foreign operations	**(31)**	16	**(15)**	(3)	12

The results of the current quarter include an $18 million provision for recovery of income taxes compared to $25 million for the preceding quarter and $2 million for the second quarter of 2008. The first half tax recovery was $43 million compared to $49 million in the first half of 2008. The current quarter and first half tax recovery was reduced by a valuation allowance of $10 million and $26 million respectively related to the future benefit of tax losses. Note 9 to the accompanying interim consolidated financial statements provides a reconciliation of the statutory income tax rate to the effective income tax rate.

Discussion & Analysis by Product Segment

Lumber Segment

	Q2–09	Q1–09	**YTD-09**	Q2–08	YTD-08
Sales - $ millions	**337**	311	**648**	423	802
EBITDA - $ millions	**1**	(47)	**(46)**	39	(33)
EBITDA margin - %	**-**	-	**-**	9	-
Operating earnings - $ millions	**(31)**	(84)	**(115)**	8	(100)
Benchmark prices (US$ per Mfbm)					
SPF #2 & Better 2 x 4[1]	**175**	155	**165**	233	218
SYP #2 West 2 x 4[2]	**247**	243	**245**	307	301

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

With virtually no improvement in the U.S. housing market and despite significant industry-wide production curtailments, the lumber segment continued to record operating losses in the current quarter.

SPF benchmark lumber prices increased by approximately US$20/Mfbm in the quarter compared to the previous quarter. However in the current quarter, the Canadian dollar strengthened by approximately 7% compared to the previous quarter. The result is a net increase in the benchmark price, in Canadian dollars of approximately $11/Mfbm. SYP benchmark prices increased only marginally compared to the previous quarter. The low prices for all grades of softwood lumber reflect the continuing poor demand and oversupply in North America.

Shipments to the U.S. from Alberta exceeded the limits imposed under the 2006 Softwood Lumber Agreement ("SLA") in June 2009. Under the terms of the SLA, shipments in a month where the limits are exceeded are subject to a surtax of 50% of the export tax otherwise imposed. Accordingly the export tax applicable for all shipments to the U.S. from Alberta in the month of June 2009 is 22.5% rather than 15% of the selling price of the lumber.

Production costs declined 18% in the quarter compared to the previous quarter. Lower log costs, resulting mainly from the log inventory adjustment at the end of the previous quarter, as well as lower cash conversion costs contributed to the reduction in production costs.

Operating earnings declined significantly in the current quarter compared to the second quarter in 2008. The U.S. dollar SPF benchmark price was 25% lower in the current quarter compared to the same quarter last year and the value of the Canadian dollar compared to the U.S. dollar was about 14% lower. Therefore, in Canadian dollars, the SPF benchmark price in the current quarter was 13% lower than the comparable quarter in 2008. Benchmark SYP lumber prices were approximately 20% lower in the current quarter compared to the same quarter in 2008. Unit production costs for the lumber segment, as well as freight costs and export taxes, were only marginally lower in the current quarter compared to the second quarter of 2008.

During the quarter many of the Company's lumber operations operated on a curtailed basis. Overall production in the quarter was approximately 1.1 MMfbm, or approximately 73% of capacity, which is similar to the previous quarter and compares to an operating rate of approximately 85% in the second quarter of 2008.

The Company will continue to evaluate its operating strategy in response to the demand for and price of softwood lumber.

For the first half of 2009 the lumber segment recorded an operating loss that was 15% greater than the operating loss recorded in the first half of 2008. The increased loss is the result of lower lumber prices for both SPF and SYP in the first half of 2009, offset in part by the lower value of the Canadian dollar in 2009 compared to 2008 and lower log, transportation and manufacturing costs. Production was lower in the first half of 2009 compared to the first half of 2008 as the Company implemented more market-related downtime in its lumber operations in response to poor demand and low prices for both SPF and SYP.

Panels Segment

	Q2–09	Q1–09	**YTD-09**	Q2–08	YTD-08
Sales - $ millions	**100**	96	**196**	109	216
EBITDA - $ millions	**5**	7	**12**	7	13
EBITDA margin - %	**5**	7	**6**	6	6
Operating earnings - $ millions	**(3)**	(2)	**(5)**	(3)	(6)
Benchmark price					
Plywood (per Msf 3/8" basis)[1] Cdn$	**305**	311	**308**	337	341
MDF (per Msf 3/4" basis)[2] US$	**494**	507	**500**	537	525

1. Source: Crow's Market Report – Delivered Toronto.
2. Source: Resource Information Systems, Inc. – MDF Western U.S. – Net FOB mill. 2009 information based on actuals for January to May and an estimate for June prices.

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

Most of the Company's plywood production is sold in Canada, where the housing market began to improve late in the quarter. As a result, shipments increased from the previous quarter and the same quarter last year. Year-to-date shipments were slightly lower than the first half of 2008. Prices improved by the end of the quarter, although the average for the quarter was lower than the previous quarter and the same period last year, as well as lower on a year-to-date basis in 2009 compared to 2008. However, the lower prices were partially offset by lower fibre costs. To reduce inventory, market related one week curtailments were taken at the two B.C. plywood plants beginning the final week of the previous quarter and ending the first week of the current quarter.

The decline in the North American housing and remodelling markets continued to adversely affect MDF prices, although the weaker Canadian dollar offset part of the price decline for the first half of 2009 compared to the same period in the previous year. Lower resin and natural gas costs partially offset the reduced prices. Throughout the quarter and the first half of 2009, the MDF plants operated at approximately 75% of capacity. In the first half of 2008 only one of the two MDF plants operated on a curtailed basis.

West Fraser's LVL plant continued to operate on a curtailed basis in the current quarter.

Pulp & Paper Segment

	Q2–09	Q1–09	**YTD-09**	Q2–08	YTD-08
Sales - $ millions	**229**	212	**441**	291	577
EBITDA - $ millions	**(18)**	17	**(1)**	24	56
EBITDA margin - %	**-**	8	**-**	8	10
Operating earnings - $ millions	**(41)**	(7)	**(48)**	(1)	6
Benchmark price					
NBSK (US$ per tonne)[1]	**645**	673	**659**	880	880
Linerboard (US$ per tonne)[2]	**599**	637	**618**	612	612
Newsprint (US$ per tonne)[3]	**566**	725	**645**	672	644

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.

Operating earnings and EBITDA in the pulp and paper segment declined significantly from the previous quarter as prices for all pulp and paper products declined. The Canadian dollar strengthened to average US$0.857 in the current quarter compared to the average of US$0.803 in the previous quarter, increasing the effect of lower prices. Compared to the same quarter in 2008, lower prices for all products were not fully offset by the weaker Canadian dollar, which averaged US$0.990 in the second quarter of 2008. The black liquor subsidy in the United States has put pressure on prices as U.S. producers have an incentive to produce and sell higher volumes into the markets. NBSK production during the quarter was comparable to the previous quarter despite a scheduled maintenance shutdown of the Cariboo Pulp mill in the current quarter, reflecting improved operations of the Hinton Pulp mill.

The pulp and paper segment recorded a significant operating loss in the first half of 2009 compared to the nearly break-even result in the first half of 2008. U.S. dollar NBSK benchmark prices declined by approximately 25% in 2009 compared with 2008. The decline was offset in part by the weaker Canadian dollar which declined in value compared to the U.S. dollar by approximately 16% in 2009 compared to the first half of 2008. Production in the period was approximately 15% lower as the two BCTMP mills and the linerboard and kraft paper mill took market downtime in 2009. Lower fibre and energy costs per unit offset the impact caused by the downtime.

U.S. dollar NBSK benchmark prices averaged 4% lower in the current quarter compared to the previous quarter. This, along with the strengthening of the Canadian dollar, contributed to price realizations in the quarter that were 10% lower than the previous quarter. Total pulp production was 45,000 tonnes higher in the current quarter than in the previous quarter as the BCTMP mills were significantly curtailed in the previous quarter and returned to more normal production levels during the current quarter. Unit production costs averaged 14% lower in the second quarter compared to the first quarter of 2009. Lower fibre, chemical and energy costs as well as the higher production in the quarter contributed to the lower unit production costs. Shipment volumes were higher in the quarter than the previous quarter as demand for both chemical and mechanical grades of pulp improved in the second quarter.

Compared to the second quarter of the previous year, U.S. dollar NBSK benchmark pulp prices were lower by 27% and U.S. dollar BCTMP prices were lower by approximately 37% in the current quarter. The declines were offset in part by the lower value of the Canadian dollar which was 13% weaker in the current quarter compared to the same quarter in 2008. Average Canadian dollar pulp price gross realizations in the current quarter were lower by 23% compared to the second quarter of 2008. Average unit production costs were approximately 8% lower in the current quarter compared to the same quarter in 2008 despite slightly lower production levels. Lower fibre and energy costs contributed to the reduction in unit production costs.

Production of linerboard and kraft paper was significantly lower in the current quarter than both the previous quarter and the same quarter in 2008 as a result of a market-related production curtailment implemented at the Company’s Kitimat linerboard and kraft paper mill in the current quarter, amounting to approximately 25,000 tonnes. In addition, in the quarter the mill took the planned annual maintenance shutdown of 14 days, which was similar to the annual maintenance shutdown in the second quarter of 2008.

Markets for both linerboard and kraft paper weakened significantly in early 2009 and through the second quarter, resulting in lower prices. In addition, the continuation of the black liquor subsidy in the U.S. has resulted in higher U.S. linerboard production, which has put further pressure on prices. The Canadian dollar strengthened in the second quarter compared to the previous quarter which also contributed to the 15% decline in Canadian dollar gross sales realizations from the previous quarter. Shipment volumes were also lower as a result of the weaker markets. As a result of the market-related and annual maintenance downtime, unit production costs were approximately 18% higher than the previous quarter, which included the effect of lower fibre, chemical and energy costs compared to the previous quarter.

Compared to the second quarter of 2008, demand for both linerboard and kraft paper and prices for both products were lower in the current quarter. The weaker Canadian dollar in the current quarter compared to the same quarter last year mitigated the affect of the decline in prices. Average gross price realizations were approximately 6% lower in the current quarter than in the same quarter in 2008. Although production volumes were lower in the current quarter compared to the same quarter in the previous year as a result of the market-related downtime in the current quarter, unit production costs were slightly lower, mainly as a result of lower fibre, chemical and energy costs.

Newsprint demand continued to deteriorate in the second quarter resulting in lower prices compared to the previous quarter. As with linerboard, the U.S. black liquor subsidy has resulted in additional downward pressure on prices. Benchmark newsprint prices were approximately 22% lower in the current quarter compared to the previous quarter. This combined with the stronger Canadian dollar in the quarter compared to the previous quarter resulted in a decline in sales values by approximately 26% from the previous quarter. Unit production costs were 7% higher in the current quarter compared to the previous quarter, mainly due to increased fibre costs and lower revenues from electricity sold from the power purchase interest held by the joint venture newsprint mill. Chemical and natural gas cost reductions helped offset the increases.

Demand and prices for newsprint were lower in the second quarter compared to the second quarter in 2008, offset partially by the weaker Canadian dollar. Unit production costs were 20% higher in the current quarter compared to the same quarter last year. Higher fibre costs and significantly lower revenues from the sale of electricity from the power purchase interest were the major contributors to the higher costs.

The Canadian government has announced its intention to implement the Pulp & Paper Green Transformation Program which is expected to provide a credit to Canadian producers of black liquor (a by-product of kraft pulp production) that can be used to fund approved energy reduction and environmental enhancement projects. The program has yet to be approved by the government of Canada and full details of the program have not been released. The Company is unable at this time to reasonably project the nature and extent of any benefit that it may derive from this program as full details have not been announced and there is no certainty that the program will be implemented either in its currently-announced form, or at all.

Business Outlook

For a detailed description of West Fraser's business outlook for 2009 see its 2008 annual MD&A under "Business Outlook", which is included in the Company's 2008 Annual Report.

Based on publicly-available data, housing starts in the U.S. appear to have bottomed, although no material overall increase has been observed. Home selling prices in North America have continued to decline in some areas which, along with continued low mortgage rates, have resulted in increased activity in existing home sales. The existing inventory of unsold houses, although high, is declining but the added pressure of a high number of foreclosed homes being offered for sale continues to dampen chances of a quick rebound in home sales and prices. Until there is more stability in house prices and inventory, it is unlikely that new home construction will increase significantly. Until housing starts begin to increase, demand and prices for lumber, plywood, LVL and MDF will remain low and production will likely remain curtailed. The major risks to a recovery of the U.S. housing market, in addition to price instability and excess inventory, appear to be factors related to current general recessionary trends including rising unemployment and weak consumer confidence as well as higher interest rates.

Demand for pulp and paper is generally driven by the strength of the economies in the consuming countries. The market for pulp has recently improved but until there is sustained buying activity, uncertainty will remain as to whether this reflects market recovery. Risks to the recovery of pulp and paper markets include the continuation of global recessionary trends as well as market-altering activities such as the U.S. black liquor tax credit scheme.

Capital Requirements and Liquidity

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

	Q2-09	Q4-08	Q2-08
Cash[1]	**1**	4	(13)
Current assets	**735**	841	841
Current liabilities	**507**	482	431
Ratio of current assets to current liabilities	**1.5**	1.7	2.0
Net debt	**589**	642	646
Shareholders' equity	**1,885**	2,030	2,033
Net debt to capitalization[2] - %	**24**	24	24

1. Cash consists of cash and short-term investments less cheques issued in excess of funds on deposit.
2. Net debt (total debt less net cash) divided by net debt plus shareholders' equity.

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

The Company will, from time to time, use derivative financial instruments to manage its exposure to U.S. dollar/Canadian dollar exchange rate and commodity price fluctuations. These programs are intended to reduce the volatility of the Company's earnings, although the programs employing derivatives cover only a small portion of the Company's future earnings. The main risk associated with the use of derivatives is counterparty default which the Company manages by restricting counterparties to those entities having at least an investment grade credit rating. In order to determine the fair value of derivatives for reporting purposes, the Company obtains quotes or other indications of value from independent sources, including financial institutions. In cases where markets are less liquid, the Company also uses its internal assumptions for future product prices.

At June 30, 2009, an unrealized gain of $4.3 million is included in accounts receivable related to the outstanding derivative financial instruments.

Selected Cash Flow Items ($ millions)

	Q2–09	Q1–09	**YTD-09**	Q2–08	YTD-08
Operating Activities					
Cash provided (used) before working capital changes	**(5)**	(6)	**(11)**	54	51
Non-cash working capital change	**70**	(10)	**60**	86	43
Cash provided (used) in operating activities	**65**	(16)	**49**	140	94
Financing Activities					
Debt and operating loans	**(57)**	22	**(35)**	(130)	(70)
Dividends and other	**(1)**	(6)	**(7)**	(6)	(12)
Cash provided by (used in) financing activities	**(58)**	16	**(42)**	(136)	(82)
Investing Activities					
Additions to property, plant, equipment & timber	**(6)**	(6)	**(12)**	(17)	(31)
Other – net	**3**	-	**3**	7	10
Cash used in investing activities	**(3)**	(6)	**(9)**	(10)	(21)
Change in cash	**4**	(6)	**(2)**	(6)	(9)

Capital Structure and Debt Ratings

At June 30, 2009 the combined number of Common shares and Class B Common shares outstanding was 42,805,086 representing 39,998,608 of Common shares and 2,806,478 of 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 maintains a $600 million revolving credit facility which is committed until March 31, 2012. In the circumstances where the debt to total capitalization ratio exceeds 37.5% a specified interest coverage ratio must be met. As shown in the table under "Capital Requirements and Liquidity" the Company's debt to total capitalization as at June 30, 2009 was well below that percentage.

The Company is rated by three agencies and each have issued a rating review of West Fraser in 2009 in light of the prolonged downturn in the North American housing market and the continued economic slump of most world economies. In March 2009, Standard & Poor's downgraded the Company's rating from BBB- with a negative outlook to BB+ with a negative outlook. In April 2009, the Dominion Bond Rating Service changed its outlook to negative but maintained its investment grade rating on the Company's debt. In July 2009, Moody's downgraded West Fraser to Ba1 from Baa3 and maintained its negative outlook. Based on the traditional approaches employed by these rating agencies, until a sustained improvement in the Company's various markets is observed, upgrades are unlikely. The major risks to improvement of the Company's key markets is described under "Business Outlook".

Debt Ratings

Agency	**Rating**	Outlook
Dominion Bond Rating Service	BBB-	Negative
Moody's	Ba1	Negative
Standard & Poor's	BB+	Negative

Risks and Uncertainties

For a review of the risks and uncertainties to which the Company is subject, see the 2008 annual MD&A which is included in the Company's 2008 Annual Report.

New Accounting Pronouncements

In February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") will replace Canada's current generally accepted accounting principles for publicly accountable profit-oriented enterprises effective January 1, 2011. IFRS requires that in the year of implementation the comparative financial statements be restated to conform to the standards.

West Fraser is currently in the process of identifying the differences between Canadian GAAP and IFRS and identifying how these differences may affect the reporting of the Company's financial results. A project plan is being developed and resource and training requirements are being assessed. At this time it is not possible to determine how reporting according to IFRS will affect future financial statements.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

West Fraser's management, including the Chairman, President and Chief Executive Officer and the Executive Vice-President, Finance and Chief Financial Officer acknowledge responsibility for the design of disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR) as those terms are defined in NI52-109.

There were no changes in internal controls over financial reporting that occurred during the quarter ended June 30, 2009 that have materially affected, or are reasonably likely to materially affect West Fraser's internal control over financial reporting.

Additional Information

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

West Fraser Timber Co. Ltd.
CONSOLIDATED BALANCE SHEETS
(in millions of Canadian dollars - unaudited)

	As at June 30, 2009	As at December 31, 2008
ASSETS		
Current assets		
Cash and short-term investments	**$ 18.0**	$ 20.2
Accounts receivable	**224.4**	253.0
Income taxes receivable	**32.3**	26.8
Inventories (note 3)	**415.7**	511.6
Prepaid expenses	**44.1**	29.0
	734.5	840.6
Property, plant, equipment and timber	**1,905.6**	2,040.8
Deferred pension costs	**80.2**	78.1
Goodwill	**263.7**	263.7
Other assets (note 4)	**96.4**	101.2
Future income taxes	**83.3**	87.2
	$ 3,163.7	$ 3,411.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Cheques issued in excess of funds on deposit	**$ 16.7**	$ 16.5
Operating loans (note 5)	**8.4**	29.7
Accounts payable and accrued liabilities	**204.1**	241.4
Current portion of reforestation obligations	**44.1**	44.1
Current portion of long-term debt (note 5)	**233.2**	150.3
	506.5	482.0
Long-term debt (note 5)	**349.1**	465.3
Other liabilities (note 6)	**171.4**	167.5
Future income taxes	**251.3**	266.8
	1,278.3	1,381.6
Shareholders' equity		
Share capital	**599.4**	599.4
Accumulated other comprehensive earnings (note 7)	**(13.4)**	1.7
Retained earnings	**1,299.4**	1,428.9
	1,885.4	2,030.0
	$ 3,163.7	$ 3,411.6

Number of Common shares and Class B Common shares outstanding at July 20, 2009 was 42,805,086.

West Fraser Timber Co. Ltd.
CONSOLIDATED STATEMENTS OF EARNINGS
(in millions of Canadian dollars - unaudited)

	April 1 to June 30 **2009**	April 1 to June 30 2008	January 1 to June 30 **2009**	January 1 to June 30 2008
Sales	**$ 666.5**	$ 822.7	**$ 1,285.8**	$ 1,594.5
Costs and expenses				
Cost of products sold	**525.5**	570.9	**1,019.7**	1,204.5
Freight and other distribution costs	**114.3**	137.7	**222.8**	263.9
Export taxes	**10.9**	15.5	**20.2**	30.2
Amortization	**65.3**	66.3	**136.7**	138.1
Selling, general and administration	**25.9**	27.0	**51.6**	55.4
	741.9	817.4	**1,451.0**	1,692.1
Operating earnings	**(75.4)**	5.3	**(165.2)**	(97.6)
Other				
Interest expense - net	**(7.7)**	(9.2)	**(16.2)**	(19.3)
Exchange gain (loss) on long-term debt	**29.5**	2.1	**16.5**	(8.5)
Other income (expense)	**(3.4)**	3.0	**(0.3)**	11.0
Earnings before income taxes	**(57.0)**	1.2	**(165.2)**	(114.4)
Recovery of income taxes (note 9)	**17.9**	2.1	**43.0**	49.1
Earnings	**$ (39.1)**	$ 3.3	**$ (122.2)**	$ (65.3)
Earnings per share *(dollars)* (note 10)				
Basic and diluted	**$ (0.91)**	$ 0.08	**$ (2.85)**	$ (1.53)

West Fraser Timber Co. Ltd.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS AND COMPREHENSIVE EARNINGS

(in millions of Canadian dollars - unaudited)

	April 1 to June 30		January 1 to June 30	
	2009	2008	**2009**	2008
RETAINED EARNINGS				
Balance - beginning of period	**$ 1,339.8**	$ 1,518.0	**$ 1,428.9**	$ 1,580.4
Change in accounting	**-**	-	**-**	9.6
Earnings	**(39.1)**	3.3	**(122.2)**	(65.3)
	1,300.7	1,521.3	**1,306.7**	1,524.7
Dividends	**(1.3)**	(6.0)	**(7.3)**	(12.0)
Balance - end of period	**$ 1,299.4**	$ 1,515.3	**$ 1,299.4**	$ 1,512.7

	April 1 to June 30		January 1 to June 30	
	2009	2008	**2009**	2008
COMPREHENSIVE EARNINGS				
Earnings	**$ (39.1)**	$ 3.3	**$ (122.2)**	$ (65.3)
Other comprehensive earnings				
Unrealized foreign exchange translation gain (loss) on investment in self-sustaining foreign operations	**(31.5)**	(2.8)	**(15.1)**	11.8
Comprehensive earnings	**$ (70.6)**	$ 0.5	**$ (137.3)**	$ (53.5)

West Fraser Timber Co. Ltd.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions of Canadian dollars - unaudited)

	April 1 to June 30		January 1 to June 30	
	2009	2008	**2009**	2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Earnings	**$ (39.1)**	$ 3.3	**$ (122.2)**	$ (65.3)
Items not affecting cash				
Amortization	**65.3**	66.3	**136.7**	138.1
Exchange loss (gain) on long-term debt	**(29.5)**	(2.1)	**(16.5)**	8.5
Gain on asset sales	**(1.8)**	(3.5)	**(2.0)**	(3.4)
Change in reforestation obligations	**(7.9)**	(7.1)	**3.1**	5.6
Change in other long-term liabilities	**1.1**	7.2	**0.5**	7.4
Change in deferred charges	**(2.0)**	(9.0)	**(1.0)**	(9.7)
Future income taxes	**4.4**	(1.9)	**(15.5)**	(30.8)
Other	**3.7**	0.4	**5.5**	0.6
	(5.8)	53.6	**(11.4)**	51.0
Net change in non-cash working capital items	**70.5**	85.5	**59.8**	42.6
	64.7	139.1	**48.4**	93.6
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long-term debt	**(16.9)**	(0.3)	**(17.2)**	(0.9)
Repayment of operating loans	**(39.6)**	(129.4)	**(17.6)**	(69.2)
Dividends	**(1.3)**	(6.0)	**(7.3)**	(12.0)
Other	**-**	0.1	**-**	0.1
	(57.8)	(135.6)	**(42.1)**	(82.0)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant, equipment and timber	**(5.3)**	(16.8)	**(11.5)**	(31.1)
Proceeds from disposals of property, plant, equipment and timber	**1.8**	6.5	**2.0**	7.1
Decrease in other assets	**0.1**	0.7	**0.8**	3.2
	(3.4)	(9.6)	**(8.7)**	(20.8)
Increase (decrease) in cash *	**3.5**	(6.1)	**(2.4)**	(9.2)
Cash - beginning of period	**(2.2)**	(6.8)	**3.7**	(3.7)
Cash - end of period	**$ 1.3**	$ (12.9)	**$ 1.3**	$ (12.9)

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

Supplemental information:				
Interest paid	**$ 14.5**	$ 14.3	**$ 15.3**	$ 17.2
Income taxes received (paid) - net	**$ (0.5)**	$ 7.7	**$ 23.9**	$ 11.3

West Fraser Timber Co. Ltd.
Notes to Consolidated Financial Statements
(figures are in millions of dollars except where indicated - unaudited)

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, 2008.

These interim consolidated financial statements follow the same accounting policies and methods of their application as the December 31, 2008 consolidated annual financial statements.

2. NEW ACCOUNTING PRONOUNCEMENT

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 on January 1, 2011. For comparative purposes, amounts reported for the year ended December 31, 2010 will require restatement. The Company is presently evaluating the effect these standards will have on its consolidated financial statements.

3. INVENTORIES

Inventories at June 30, 2009 were written down by $40.6 million (June 30, 2008 - $43.6 million) to reflect net realizable value being lower than cost.

4. OTHER ASSETS

	June 30, 2009	December 31, 2008
Power purchase agreement – net	**$ 84.1**	$ 87.8
Investments	**4.2**	4.4
Advances for timber and timber deposits	**8.1**	9.0
	$ 96.4	$ 101.2

5. LONG–TERM DEBT AND OPERATING LOANS

Long-term debt

	June 30, 2009	December 31, 2008
Debentures due October 2009; interest at 4.94%	**$ 132.9**	$ 150.0
Term note due March 2010; interest at floating rates[1]	**100.0**	100.0
US $300 million senior notes due October 2014; interest at 5.2%	**348.9**	365.4
Note payable due in instalments to 2020; interest at 5.5%	**2.6**	2.8
	584.4	618.2
Less:		
Current portion	**(233.2)**	(150.3)
Deferred financing costs	**(2.1)**	(2.6)
	$ 349.1	$ 465.3

1. Floating rates are based on Prime, US base, Bankers' Acceptances or LIBOR at the Company's option.

Operating loans

The Company has $605.0 million in revolving lines of credit available, of which $8.4 million (net of deferred financing costs of $2.8 million) was drawn as at June 30, 2009. Interest is payable at floating rates based on Prime, US base, Bankers' Acceptances or LIBOR at the Company's option. The Company has also issued letters of credit in the amount of $30.6 million which are supported by this facility. The revolving lines of credit include a $600 million committed facility maturing in 2012.

6. OTHER LIABILITIES

	June 30, 2009	December 31, 2008
Post-retirement obligations	**$ 67.7**	$ 68.6
Timber damage deposits	**14.6**	14.0
Reforestation obligations – long-term	**66.9**	63.9
Other asset retirement obligations	**15.1**	14.8
Other long-term obligations	**7.1**	6.2
	$ 171.4	$ 167.5

7. ACCUMULATED OTHER COMPREHENSIVE EARNINGS

	June 30, 2009	December 31, 2008
Balance – beginning of period	**$ 1.7**	$ (93.2)
Unrealized foreign exchange translation gain (loss) on investment in self-sustaining foreign operations	**(15.1)**	94.9
Balance – end of period	**$ (13.4)**	$ 1.7

8. EMPLOYEE FUTURE BENEFITS

The total benefit cost of the Company's defined benefit pension plans was $9.8 million for the three months ended June 30, 2009 (three months ended June 30, 2008 - $5.7 million) and $19.3 million for the six months ended June 30, 2009 (six months ended June 30, 2008 - $11.4 million).

9. INCOME TAXES

The Company's effective tax rate is as follows:

	April 1 to June 30			
	2009		2008	
	Amount	**%**	Amount	%
Income taxes at statutory rates	**$ 17.1**	**30.0**	$ (0.4)	(31.0)
Non-taxable amounts	**5.3**	**9.3**	0.9	69.2
Rate differentials between jurisdictions and on specified activities	**2.8**	**4.9**	1.0	82.1
Rate differential on loss carry backs	**2.6**	**4.6**	0.8	66.3
Change in valuation allowance	**(9.9)**	**(17.4)**	-	-
Other	**-**	**-**	(0.2)	(20.8)
Income tax recovery	**$ 17.9**	**31.4**	$ 2.1	165.8

	January 1 to June 30			
	2009		2008	
	Amount	**%**	Amount	%
Income taxes at statutory rates	**$ 49.6**	**30.0**	$ 35.5	31.0
Non-taxable amounts	**2.7**	**1.6**	(0.8)	(0.7)
Rate differentials between jurisdictions and on specified activities	**8.0**	**4.8**	6.2	5.4
Rate differential on loss carry backs	**3.9**	**2.4**	2.1	1.8
Reduction in statutory income tax rates	**4.7**	**2.9**	6.4	5.6
Change in valuation allowance	**(25.9)**	**(15.7)**	-	-
Other	**-**	**-**	(0.3)	(0.2)
Income tax recovery	**$ 43.0**	**26.0**	$ 49.1	42.9

10. 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. When there is a net loss, the exercise of stock options would result in a calculated diluted earnings per share that is anti-dilutive. Accordingly, these shares have not been included in the total weighted average shares for the purpose of calculating diluted earnings per share.

	April 1 to June 30	
	2009	2008
Earnings available to shareholders	**$ (39.1)**	$ 3.3
Weighted average number of shares (thousands)		
Weighted average shares – basic	**42,805**	42,799
Share options – treasury stock method	**-**	129
Weighted average shares - diluted	**42,805**	42,928
Earnings per share (dollars)		
Basic and diluted	**$ (0.91)**	$ 0.08

	January 1 to June 30	
	2009	2008
Earnings available to shareholders	**$ (122.2)**	$ (65.3)
Weighted average number of shares (thousands)		
Weighted average shares – basic	**42,805**	42,799
Share options – treasury stock method	**-**	-
Weighted average shares - diluted	**42,805**	42,799
Earnings per share (dollars)		
Basic and diluted	**$ (2.85)**	$ (1.53)

11. DERIVATIVE FINANCIAL INSTRUMENTS

From time to time, the Company uses derivatives to manage its exposure to US dollar exchange fluctuations and commodity prices. The Company does not utilize such instruments for trading or speculative purposes and it does not apply hedge accounting.

The foreign currency contracts outstanding at June 30, 2009 were as follows:

Term	**US$**	**Average rate Cdn$/US$**
0 to 9 months		
US dollar collars	160.0	1.150 – 1.356
0 to 13 months		
US dollar forwards	43.3	1.150

NBSK floating to fixed swap contracts outstanding at June 30, 2009 were as follows:

Term	**Tonnes**	**Average fixed price**
1 to 13 months	60,000	US$710

12. SEGMENTED INFORMATION

		Lumber		Panels		Pulp & paper		Corporate & other		Consolidated
April 1, 2009 to June 30, 2009										
Sales at market prices										
To external customers	**$**	**337.4**	**$**	**100.3**	**$**	**228.8**	**$**	**-**	**$**	**666.5**
To other segments		**22.5**		**1.7**		**-**		**-**		
	$	**359.9**	**$**	**102.0**	**$**	**228.8**	**$**	**-**		
EBITDA [1]	**$**	**1.4**	**$**	**5.4**	**$**	**(17.6)**	**$**	**0.7**	**$**	**(10.1)**
Amortization		**32.5**		**8.3**		**23.7**		**0.8**		**65.3**
Operating earnings		**(31.1)**		**(2.9)**		**(41.3)**		**(0.1)**		**(75.4)**
Interest income (expense) - net		**(5.1)**		**(1.0)**		**(1.9)**		**0.3**		**(7.7)**
Exchange gain on long-term debt		**-**		**-**		**-**		**29.5**		**29.5**
Other income (expense)		**(8.4)**		**(0.9)**		**(3.7)**		**9.6**		**(3.4)**
Earnings before income taxes	**$**	**(44.6)**	**$**	**(4.8)**	**$**	**(46.9)**	**$**	**39.3**	**$**	**(57.0)**
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)		(0.2)		0.1		(1.6)		4.7		3.0
Earnings before income taxes	$	2.4	$	(3.4)	$	(5.1)	$	7.3	$	1.2

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

	Lumber	Panels	Pulp & paper	Corporate & other	Consolidated
January 1, 2009 to June 30, 2009					
Sales at market prices					
To external customers	**$ 648.4**	**$ 196.4**	**$ 441.0**	**$ -**	**$ 1,285.8**
To other segments	**46.4**	**3.4**	**-**	**-**	
	$ 694.8	**$ 199.8**	**$ 441.0**	**$ -**	
EBITDA [1]	**$ (45.7)**	**$ 12.4**	**$ (0.5)**	**$ 5.3**	**$ (28.5)**
Amortization	**69.7**	**17.6**	**47.7**	**1.7**	**136.7**
Operating earnings	**(115.4)**	**(5.2)**	**(48.2)**	**3.6**	**(165.2)**
Interest income (expense) - net	**(10.3)**	**(1.9)**	**(4.1)**	**0.1**	**(16.2)**
Exchange gain on long-term debt	**-**	**-**	**-**	**16.5**	**16.5**
Other income (expense)	**(1.0)**	**(0.4)**	**(4.1)**	**5.2**	**(0.3)**
Earnings before income taxes	**$ (126.7)**	**$ (7.5)**	**$ (56.4)**	**$ 25.4**	**$ (165.2)**
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	2.6	0.5	2.9	5.0	11.0
Earnings before income taxes	$ (108.9)	$ (7.5)	$ 3.5	$ (1.5)	$ (114.4)

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

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

For more information:

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