



Annual Report 2004



West Fraser Timber Co. Ltd.

Building on Profitability

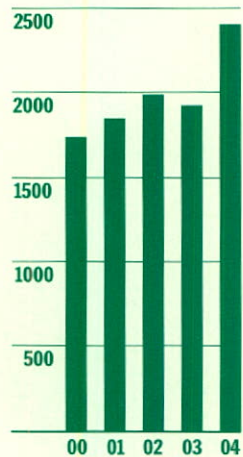


CANADIAN COMPANIES A.R.

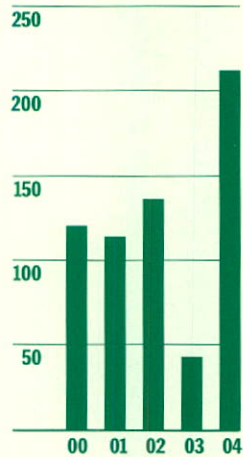
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Financial and Operating Highlights

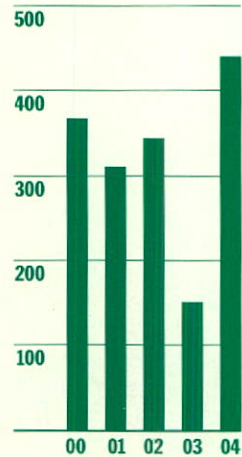
Sales
(\$ millions)



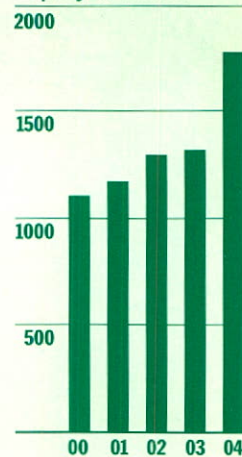
Earnings
(\$ millions)



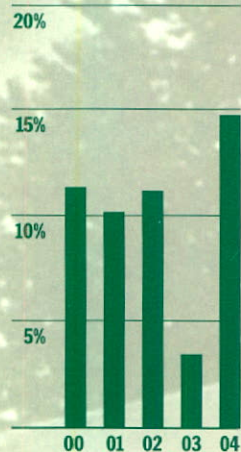
EBITDA
(\$ millions)



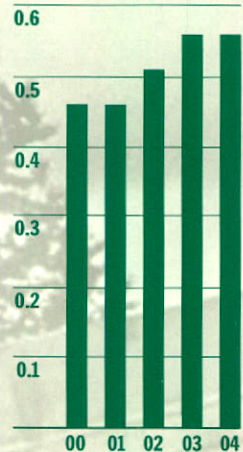
Shareholders' Equity
(\$ millions)



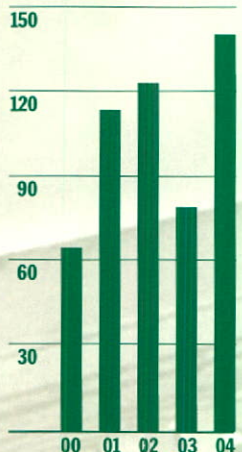
Return on Shareholders' Equity



Cash Dividends per Common Share¹ (\$)

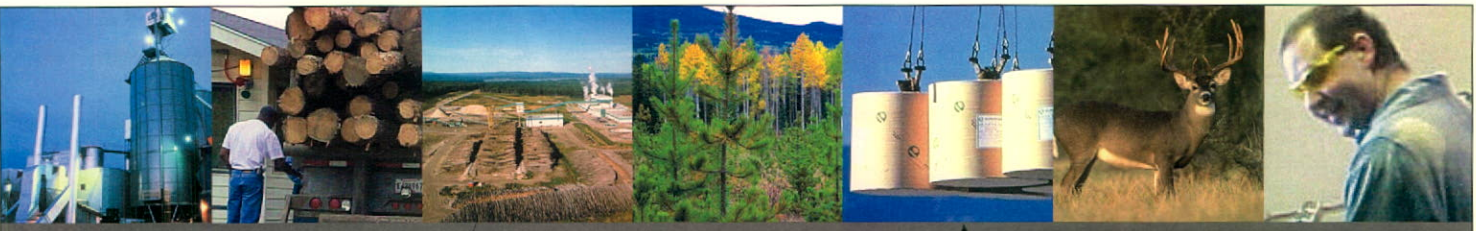


Capital Expenditures
(\$ millions)

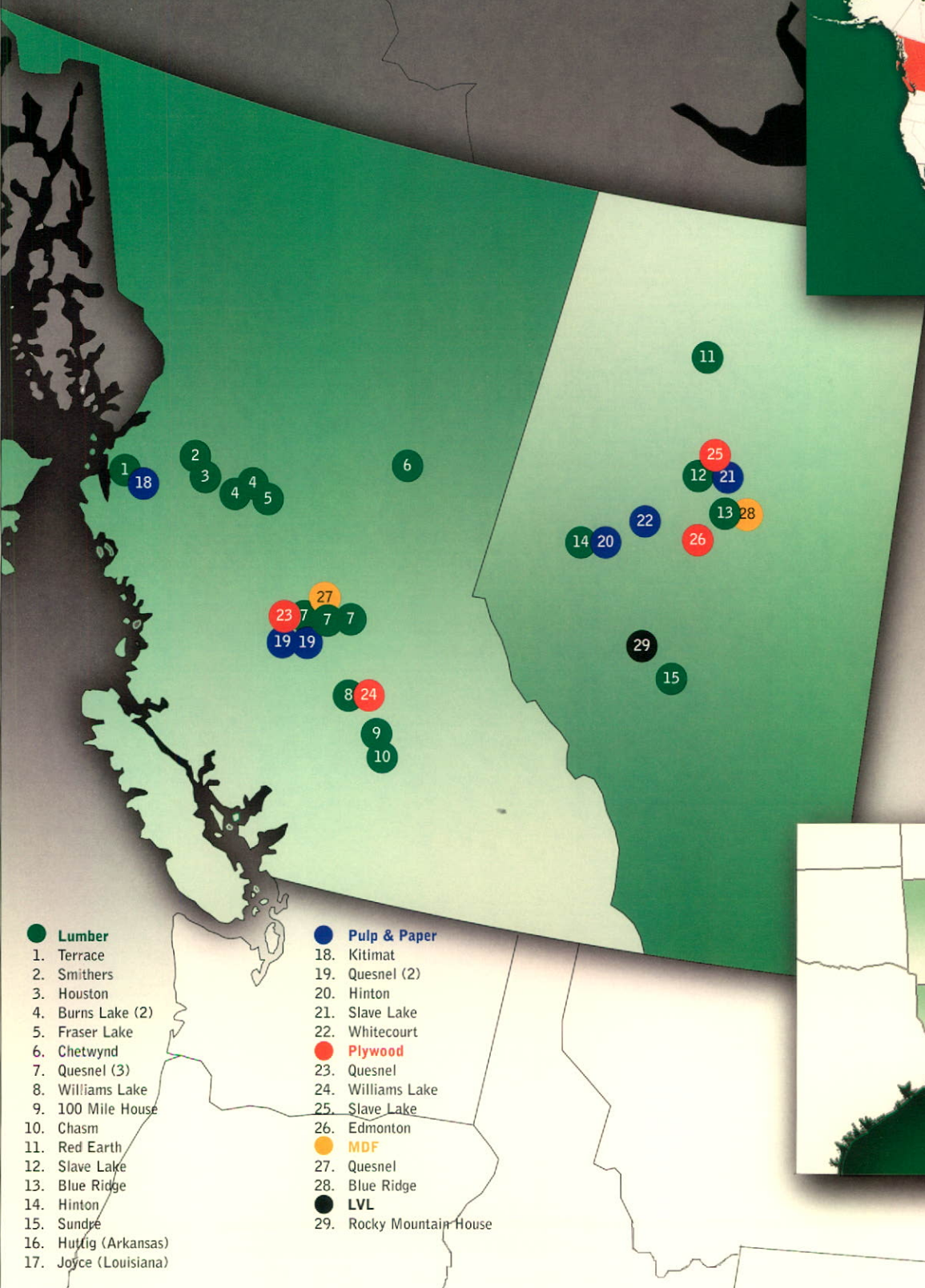


¹Adjusted for 10% stock dividends paid March 2002 and March 2003

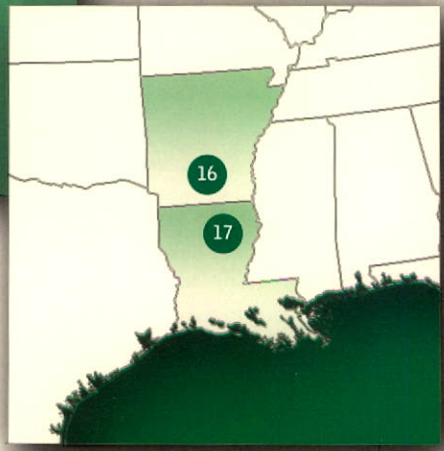




West Fraser Operations*



- **Lumber**
- 1. Terrace
- 2. Smithers
- 3. Houston
- 4. Burns Lake (2)
- 5. Fraser Lake
- 6. Chetwynd
- 7. Quesnel (3)
- 8. Williams Lake
- 9. 100 Mile House
- 10. Chasm
- 11. Red Earth
- 12. Slave Lake
- 13. Blue Ridge
- 14. Hinton
- 15. Sundre
- 16. Hufig (Arkansas)
- 17. Joyce (Louisiana)
- **Pulp & Paper**
- 18. Kitimat
- 19. Quesnel (2)
- 20. Hinton
- 21. Slave Lake
- 22. Whitecourt
- **Plywood**
- 23. Quesnel
- 24. Williams Lake
- 25. Slave Lake
- 26. Edmonton
- **MDF**
- 27. Quesnel
- 28. Blue Ridge
- **LVL**
- 29. Rocky Mountain House



*Map includes Weldwood of Canada operations acquired December 31, 2004.

Building on Profitability

West Fraser is an integrated forest products company producing lumber, wood chips, LVL, MDF, plywood, pulp, linerboard, kraft paper and newsprint. The Company holds extensive timber rights in British Columbia and Alberta that provide raw material for its operations.

In 2004, West Fraser maintained its commitment to the core values that have defined the Company's culture since it was established almost 50 years ago: cost control in all aspects of the business; the maintenance of efficient mills; responsibility in environmental performance; and active engagement of employees in the business. While nurturing these values, West Fraser looked to the future by expanding and diversifying its business through the acquisition of Weldwood of Canada Limited.

With a continued focus on its core strengths, combined with the expected benefits arising from the Weldwood acquisition, today's West Fraser is well positioned to build on profitability and continue to deliver the strong results that have characterized the Company's performance since it was founded in 1955 in Quesnel, British Columbia.



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Financial and Operating Highlights

Earnings (\$ millions)	2004	2003
Sales	2,400	1,921
EBITDA	441	151
Operating earnings	288	9
Earnings	212	43
Cash flow from operating activities	395	152

Common Share Data (in dollars per share, except shares outstanding)

Shares outstanding (thousands)		
Weighted average (basic) ¹	36,848	36,814
Year end	42,745	36,857
Earnings Per Share ¹		
– Basic	5.75	1.17
– Diluted	5.36	1.16
Cash dividends	0.56	0.56
Common shareholders' equity ¹	41.68	35.85
Price range		
– High (2004 – Sept. 25; 2003 – Feb. 25)	55.10	40.55
– Low (2004 – Feb. 2; 2003 – June 5)	36.16	29.25
– Close	48.20	38.00

Financial Position (\$ millions)

Working capital	404	525
Total assets	3,927	2,087
Long-term debt (excluding current portion)	736	287
Shareholders' equity	1,782	1,321

Analytical Data

Current ratio	1.50	3.29
Capital expenditures and acquisitions (\$ millions)	1,264	85
Net debt to capitalization (%)	25.3	2.5
Return on common shareholders' equity (%)	14.9	3.3

Lumber (MMfbm)

Production	2,772	2,594
Shipments	2,734	2,617
Sales (\$ millions)	1,475	1,141
Operating earnings (\$ millions)	298	40

Panels

MDF (3/4" MMsf)	Production	285	261
	Shipments	288	263
Plywood (3/8" MMsf)	Production	249	248
	Shipments	256	237
Sales (\$ millions)	284	230	
Operating earnings (\$ millions)	45	13	

Pulp and Paper (MTonnes)

Linerboard	Production	341	205
	Shipments	344	217
Kraft paper	Production	105	75
	Shipments	101	74
Pulp	Production	522	523
	Shipments	495	512
Newsprint	Production	135	127
	Shipments	134	126
Sales (\$ millions)	641	550	
Operating earnings (\$ millions)	(15)	(30)	

¹Adjusted for 10% stock dividend paid March 2003.

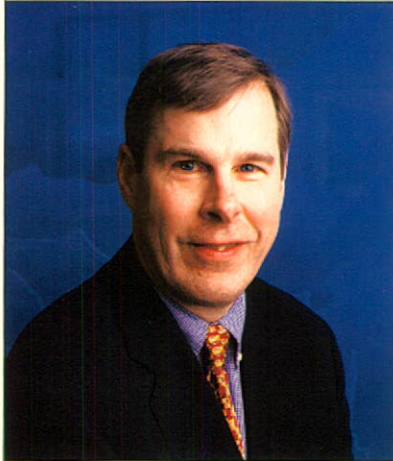
Throughout this Annual Report, reference is made to EBITDA (defined as operating earnings plus amortization), which West Fraser considers to be a key performance indicator. EBITDA is not a generally accepted earnings measure and should not be considered as an alternative to earnings or cash flows as determined in accordance with Canadian generally accepted accounting principles. As there is no standardized method of calculating EBITDA, the Company's use of the term may not be directly comparable with similarly titled measures used by other companies.

Building on Profitability

The most significant event for West Fraser in 2004 was the acquisition of Weldwood. In purchasing this integrated forest products company, West Fraser strategically expanded its business, diversified its product lines and geographic presence, and strengthened its competitive position to support future growth.



Chairman's Report



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

The year 2004 was one of tremendous achievement for West Fraser. We reported record production at most facilities which contributed positively to sales and earnings. We continued to improve the efficiency of our facilities through carefully planned and well-executed capital expenditures. We strengthened our competitive position and built a solid platform for future growth by acquiring Weldwood of Canada Limited. This was a company-transforming transaction which we believe will significantly improve shareholder value.

Financial Results

In 2004, West Fraser earned \$212 million or \$5.36 per share, on sales of \$2,400 million. This compares to 2003 earnings of \$43 million or \$1.16 per share, on sales of \$1,921 million. Operating earnings for the year were \$288 million compared to operating earnings of \$9 million in 2003. Cash generated from operations during the year was \$395 million (\$152 million in 2003), while capital expenditures were \$140 million (\$79 million in 2003).

Building On Profitability

The most significant event for West Fraser in 2004 was the acquisition of Weldwood. In purchasing this integrated forest products company, West Fraser strategically expanded its business, diversified its product lines and geographic presence, and strengthened its competitive position to support future growth.

As a result of this acquisition, West Fraser has become the third largest lumber producer in North America, Canada's largest producer of plywood and a significant manufacturer of pulp. The addition of Weldwood's annual allowable cut substantially increased the Company's fibre supply.

When we announced the Weldwood acquisition, we projected achieving \$80 million in annual pre-tax synergies by the end of the third year after the transaction closed. We remain confident we will achieve this target. We know the Weldwood organization as a result of our experience in joint-venture operations and the proximity of our manufacturing facilities in British Columbia and Alberta. Our two companies have shared a similar history and a focus on stringent cost control and margin enhancement.

West Fraser and Weldwood also share an employee-centred culture where employees, regardless of their roles or responsibilities, are encouraged to take personal ownership in the success of the business. Their commitment is reflected in all aspects of our performance. We will continue to support this culture to create a stronger and more competitive business - one that is consistently able to build on profitability.

West Fraser financed the acquisition of Weldwood with an equity offering that raised approximately \$275 million and debt offerings in Canada and the United States that raised more than \$500 million. The balance of the purchase price was made available from a term loan and cash on hand. West Fraser's success in raising these funds on favourable terms in a relatively short period of time represents a major vote of confidence in the Company. Our balance sheet remains strong and provides the flexibility required to consider opportunities for growth.

Chairman's Report

Safety

Safety awareness and performance continued to improve in 2004 as we placed an even greater emphasis on employee safety. A safety manager was hired to develop a company-wide health and safety program, and to lead the development of annual plans clearly outlining the steps we will take to minimize the risks in our workplaces. We expect to realize the full benefits of this initiative in 2005. We also launched a number of activities to improve existing safety programs, including a greater focus on eliminating risks at our facilities and improving safety training for supervisors. We hope to benefit from the safety practices implemented in the Weldwood organization, which had consistently improved its safety performance in recent years. We will continue to emphasize employee safety as a core value and we will apply the same focus on continuous improvement as is evident in our operational performance.

Operations Overview

In 2004, we set a number of records in our lumber operations, including a total production record for our Canadian and U.S. sawmills. These performance improvements were made possible because of our ongoing investment in leading-edge technology, as well as the addition of third shifts at several of our Canadian mills. We completed a \$50 million rebuild of our sawmill in Huttig, Arkansas, as part of a major capital upgrade program for our operations in the U.S. South. As a result of our continuing reinvestment in our plants and equipment, we believe that all of our operations are among the most modern and efficient in the industry.

Our panel operations performed well in 2004. Both MDF mills set production records, and our plywood operations increased both production and shipments as a result of continued capital investments and efficiency improvements.

Our newsprint and pulp operations performed well in 2004 with annual production records set at Alberta Newsprint and Slave Lake Pulp. Our Kitimat linerboard and kraft paper mill also set an annual production record, and made significant safety and efficiency improvements. Focused leadership, dedicated employee effort and strategic investments to improve productivity and reduce costs were critical to the Kitimat mill's solid turnaround in operating performance.

Our productivity gains, our measures for cost control and price increases in key market segments helped offset the effects of the strengthening Canadian dollar.

The ongoing softwood lumber dispute with the United States burdened our Company with duty payments of \$156 million during the year (\$112 million in 2003). Canada continues to win significant victories through NAFTA and the WTO. We believe the strength of our case will ultimately lead to a full vindication of the Canadian position. While we will continue to pursue resolution of this issue through legal channels, West Fraser will participate with the rest of the industry in attempts to negotiate a long-term settlement.

In 2004, West Fraser successfully certified all of its Canadian woodlands operations under the Sustainable Forestry Initiative. All of the Company's woodlands operations in Canada (including the former Weldwood operations) and the harvesting operations of its key U.S. timber suppliers are now certified. With this achievement, our customers can have confidence that products manufactured from these sources are derived from sustainably-managed forests verified by independent third-party auditors.

We know we will continue to face challenges in 2005. The Canadian dollar is expected to remain at a high level relative to its U.S. counterpart. The resolution of the softwood lumber dispute is uncertain and West Fraser, like other North American producers, faces increasing competition from emerging offshore producers.

We cannot control many of the external forces that affect our operating environment. However, as our 2004 results clearly demonstrate, we have the proven ability to reduce costs and improve margins in most of our product lines. Through the underlying operational strength of our Company, and the focused and dedicated work of our entire employee group, we are determined to turn these continued uncertainties into opportunities that will secure our long-term profitability and support future growth.

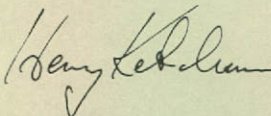
Celebrating Our Past, Embracing Our Future

The year 2005 marks the 50th anniversary of West Fraser's founding in Quesnel, British Columbia. We plan to celebrate this milestone with our employees, both past and present, and our communities, to commemorate our half century of operation and to pay tribute to those who have played a role in shaping our success. Our celebrations will reflect that, despite West Fraser's growth, we remain firmly grounded in our connection to our operating locations and committed to contributing to the communities where our employees live and work.

As we enter our 50th year we should reflect on, and rededicate ourselves to the values that our founders, Pete, Bill and Sam Ketcham, instilled in our organization from the very beginning: teamwork, humility, frugality, respect for each other and a relentless drive for excellence in everything we do.

The successes we achieved in 2004 and the 50-year milestone that we will celebrate in 2005 – made more significant by the integration of Weldwood's outstanding facilities and committed people – are only possible through the ongoing and dedicated effort of our employees and the support of our Board, our shareholders, our communities and our customers.

On behalf of the Board of Directors, I want to thank all of our employees for their personal commitment, enthusiasm and energy as we continue to build on the foundation that was laid 50 years ago.



Henry H. Ketcham

Chairman of the Board,

President & Chief Executive Officer

Building on Profitability

By acquiring Weldwood,

West Fraser has become the third largest lumber producer in North America,

Canada's largest producer of plywood and a significant manufacturer of pulp.

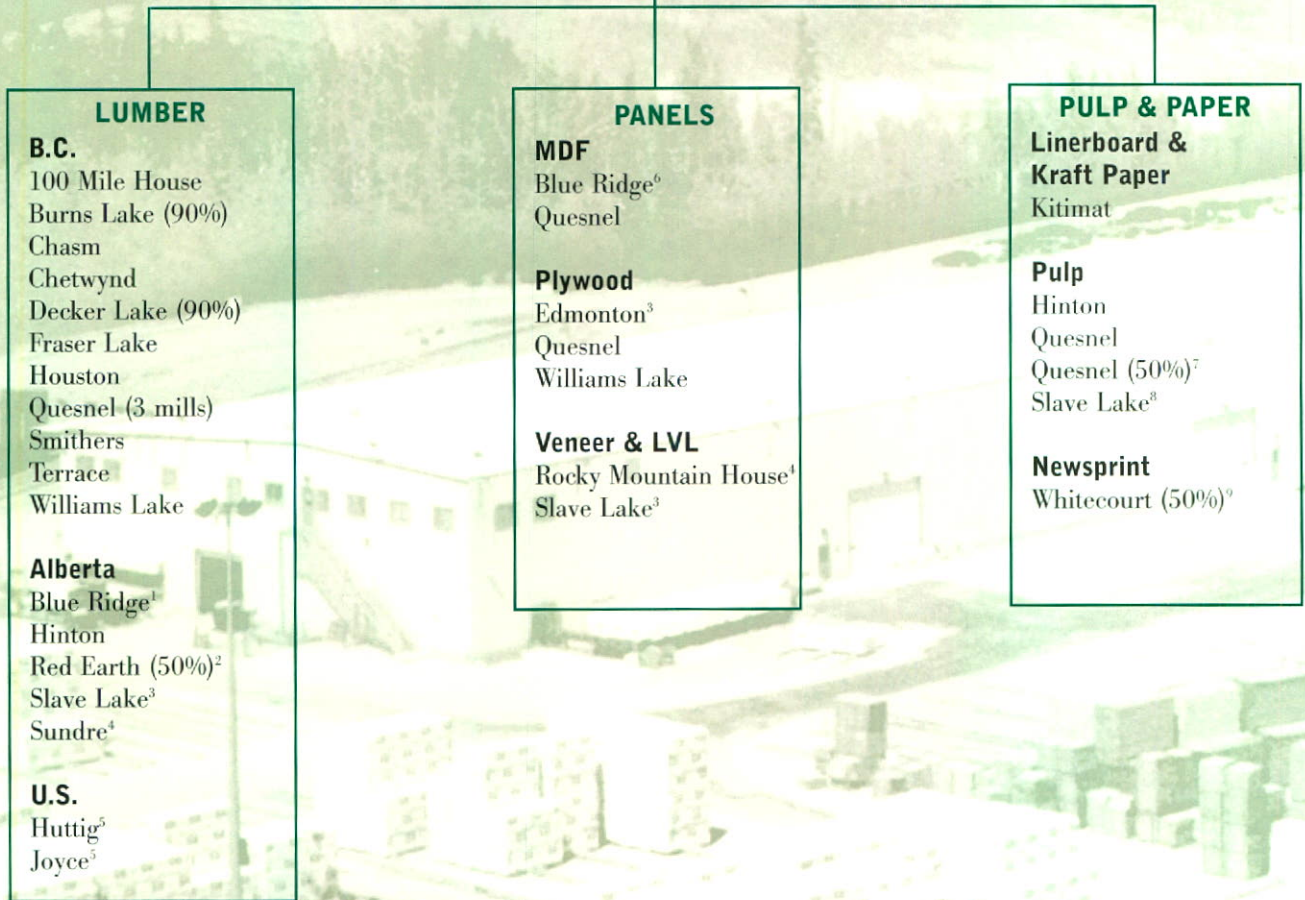
The addition of Weldwood's annual allowable cut substantially increased the

Company's fibre supply.



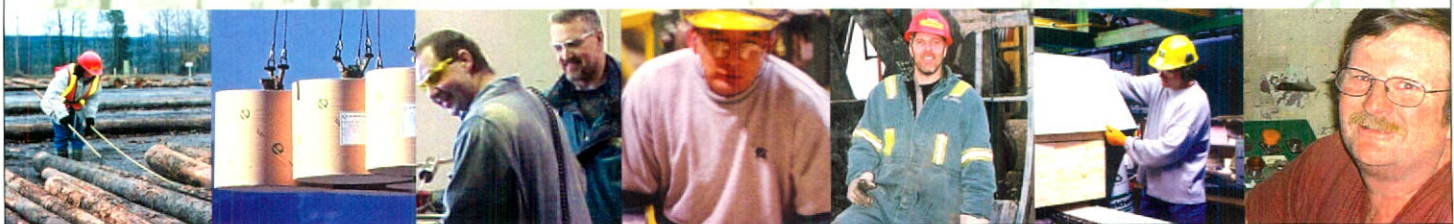
West Fraser Timber Co. Ltd.

West Fraser Mills Ltd.



1 Owned through Blue Ridge Lumber Inc., a wholly-owned subsidiary.
 2 Joint-venture interest in Seehta Forest Products Ltd.
 3 Owned through Alberta Plywood Ltd., a wholly-owned subsidiary.
 4 Owned through Sundre Forest Products Inc., a wholly-owned subsidiary.
 5 Owned through West Fraser (South), Inc., a wholly-owned subsidiary.

6 Owned through Ranger Board Inc., a wholly-owned subsidiary.
 7 Joint-venture interest in Cariboo Pulp & Paper Company.
 8 Owned through Slave Lake Pulp Holdings Ltd., a wholly-owned subsidiary.
 9 Joint-venture interest in Alberta Newsprint Company owned through West Fraser Newsprint Ltd., a wholly-owned subsidiary.





Annual Information Form

Acquisition of Weldwood of Canada Limited

On December 31, 2004, West Fraser acquired Weldwood of Canada Limited ("Weldwood"). Information concerning West Fraser's 2004 operating results does not reflect this acquisition. Certain other information, including ownership and capacity of facilities, timber harvesting rights, principal subsidiaries, and number of employees, takes into account the acquisition. In certain cases, both pre- and post-acquisition information is provided to clarify disclosure.

Business Overview

West Fraser is an integrated forest products company producing lumber, wood chips, LVL, MDF, plywood, pulp, linerboard, kraft paper and newsprint. Most of the forest products manufactured by the Company are sold outside Canada as commodities.

West Fraser holds timber harvesting rights representing approximately 12 million m³ of AAC providing raw material for its Canadian manufacturing operations. It also has a long-term agreement for the supply of a substantial amount of the fibre required by its sawmills in the southern United States. All of the fibre requirements of West Fraser's pulp and paper operations and MDF plants can be satisfied, directly or indirectly, from its own operations.

The current annual capacities of West Fraser's wholly-owned manufacturing facilities and its share of the current capacities of its joint-venture facilities is approximately 4,350 MMfbm of lumber; 3,000 Mcf of LVL; 770 MMsf of plywood (3/8"); 290 MMsf of MDF (3/4"); 450,000 tonnes of linerboard and kraft paper; 550,000 tonnes of BCTMP and TMP; 585,000 tonnes of NBSK and 135,000 tonnes of newsprint.

Corporate Structure

The chart on page six shows the relationship of West Fraser Timber Co. Ltd. (the "Company" or "West Fraser") to its principal direct and indirect subsidiaries and the joint ventures in which they participate and, where less than 100%, the percentage of direct or indirect ownership by the Company. West Fraser, which began operations in 1955, assumed its present form in 1966 by amalgamation of a group of companies under the *Company Act* (British Columbia).

The Company's principal operating subsidiary, West Fraser Mills Ltd. ("West Fraser Mills"), subsists under the laws of British Columbia and took its present form on January 1, 2005 when it was amalgamated with Weldwood.

Blue Ridge Lumber Inc., Ranger Board Inc., Slave Lake Pulp Holdings Ltd., Sundre Forest Products Inc. and West Fraser Newsprint Ltd. are incorporated under the laws of Alberta. Alberta Plywood Ltd. and Seehta Forest Products Ltd. subsist under the laws of Canada.

West Fraser (South), Inc. is incorporated under the laws of Delaware. Alberta Newsprint Company ("ANC") is an unincorporated joint venture governed by the laws of Alberta. Cariboo Pulp & Paper Company is an unincorporated joint venture governed by the laws of British Columbia.

West Fraser's executive office is at 1000-1100 Melville Street, Vancouver, British Columbia, V6E 4A6. (Effective June 1, 2005, the office will relocate to 858 Beatty Street, Suite 500, Vancouver, British Columbia V6B 1C1.)

Forward-looking Statements

The information presented in this Annual Information Form, and in the Annual Report of which it forms a part, includes forward-looking statements the accuracy of which depends on a number of assumptions and is subject to risks and uncertainties. These include, but are not limited to, uncertainties associated with the effect of general economic conditions on demand for the Company's products, foreign exchange rate fluctuation, the Weldwood acquisition, trade sanctions, the availability of fibre and changes in stumpage fees, competition, operational curtailments and transportation limitations, natural disasters, insect infestation, the effects of forestry, land use, environmental and other governmental regulations, First Nations claims, and the ability of the Company to execute its business plans. Accordingly, actual results, performance and achievements of the Company may differ materially from those projected.



Sales Revenue (\$ millions)

Table I

Year Ended December 31	2004	2003	2002	2001	2000
Lumber	1,475	1,141	1,149	997	823
Panels	284	230	247	246	229
Pulp & Paper	641	550	590	609	691
Total	2,400	1,921	1,986	1,852	1,743

History

West Fraser was founded in 1955 when three brothers, Henry H. Ketcham Jr., William P. Ketcham and Samuel K. Ketcham acquired a lumber planing mill at Quesnel, B.C. From 1955 to 1979, the business expanded through the acquisition of a number of sawmills and related timber rights in the Interior of British Columbia and the development of a small chain of retail building supply stores. Recent key milestones in the Company's history are:

- 1979** Formation of the Quesnel River Pulp ("QRP") joint venture, in which West Fraser owned 50%, to construct and operate a pulp mill at Quesnel, B.C. West Fraser's ownership increased to 100% in 2002.
- 1981** Acquisition of a 40% interest in Eurocan Pulp & Paper Co., which owned a linerboard and kraft paper mill at Kitimat, B.C., two sawmills and partial interests in two joint-venture sawmills elsewhere in British Columbia. West Fraser's ownership was increased to 50% in 1984 and 100% in 1993.
- 1989** Formation of the ANC joint venture to construct and operate a newsprint mill at Whitecourt, Alta., with West Fraser owning a 50% interest.
- 1995** Acquisition of the Blue Ridge sawmill and Ranger Board MDF plant, both at Blue Ridge, Alta., and the Slave Lake Pulp mill at Slave Lake, Alta.
- 1996** Construction completed and operations begin at the WestPine MDF plant at Quesnel, B.C.
- 1999** Acquisition of a plywood plant in Edmonton, Alta., and a veneer plant and stud mill at Slave Lake, Alta.
- 2000** Acquisition of two sawmills in the southern United States and a 50% interest in a sawmill in northern Alberta.
- 2001** Acquisition of a sawmill at Chasm, B.C.
Sale of timber plantations in Uruguay.
Sale of retail home improvement business.
- 2004** Acquisition of Weldwood, an integrated forest products business manufacturing lumber, LVL, plywood and NBSK pulp.

Fibre Supply**British Columbia**

The province owns about 95% of the timberland in British Columbia. Timber harvesting operations are regulated under the *Forest and Range Practices Act* and under the *Forest Act*, which empowers the Ministry of Forests to grant various forms of timber tenures, including forest licenses, Tree Farm Licenses ("TFL") and timber sale licenses. The *Forest and Range Practices Act*, which superseded the *Forest Practices Code of British Columbia Act*, became law in January 2004. The new Act replaced certain administrative requirements involved in forest planning with a results-based system that allows operations to be more flexible in their approach, while achieving required environmental outcomes. The legislated framework is complete and implementation is underway.

A forest license confers the right to harvest a specified volume of timber from public lands, and usually has a term of 15 years. A TFL has a term of 25 years and requires the licensee to manage a defined land area on a sustained-yield basis. Recent legislation covering these tenures enables the government to offer replacement at any time between the fourth and ninth anniversaries of the dates on which they were granted. Replacement of a forest license or TFL is subject to satisfactory performance by the licensee and to agreement between the licensee and the government. The government may also grant short-term, non-replaceable forest licenses.

West Fraser's timber tenures were due for replacement in 2003. However, the replacement was delayed as a result of legislative changes, and the Company expects the Ministry will make replacement offers over the next five years.

The government is required to consult with interested First Nations groups before making replacement offers. This requirement has delayed the process and may result in the addition of new terms and conditions to tenures.

The annual allowable cut ("AAC") is determined by a licensee for a TFL and by the Ministry of Forests for a forest license. In all cases, the AAC must be approved by the Chief Forester of the province. Annual cut levels are limited by five-year maximum levels.

The Forest Act requires the Chief Forester to review the AAC for each timber supply area ("TSA") and TFL at least once every five years to ensure that it reflects current information, practices and government policies. The most recent review began in 2002 and is scheduled for completion in 2006. All tenures in which West Fraser has an interest are currently in compliance with their cut control requirements.

Effective March 31, 2003, the government of British Columbia reduced the AAC allocated to holders of long-term tenures by 20%. Each specified corporate group holding timber tenures was subject to an overall 20% reduction with an exemption for the first 200,000 m³ of AAC held. This reduced the AAC of West Fraser's tenures by approximately 832,000 m³ and the AAC of Weldwood's tenures by approximately 434,000 m³. Legislation provides for compensation both for the reduction of AAC and for costs incurred for affected roads and bridges. Allocation of the reduction to specific licenses has now been completed. For most tenures the reduction will occur in two phases – the first in March 2005 and the second in March 2006.

Alberta

The province owns more than 90% of the timberland in Alberta. Forest operations on public lands are regulated under the *Forests Act*, which empowers the Minister of Sustainable Resource Development to grant various forms of timber tenures, including forest management agreements ("FMA"), timber quotas and timber permits. An FMA gives the holder rights to establish, grow and harvest timber on a defined land area and provides that the Minister must recognize those rights as the primary use of the area. An FMA generally has a 20-year term with further 20-year renewal periods. Each FMA requires the holder to conduct a forest inventory and prepare a detailed forest management plan to determine the AAC and to have annual operating plans approved by the Minister.

A timber quota is renewable and gives the holder the right, during a period of 20 years, to harvest a specified percentage of the AAC for a Forest Management Unit, as determined by the Minister. In areas where there is no FMA, the Minister is responsible for completing the forest inventory, preparing the forest management plan and allocating the volume of timber to be harvested by each quota holder. A quota holder must obtain a timber license issued by the Minister that describes the area planned for logging and the period during which the timber is to be harvested, usually three to five years. The volume of timber that may be harvested under a timber quota may be varied by the Minister, and generally is subject to review by the Minister every five years. Table II summarizes the timber tenures supplying the mills that West Fraser owns or in which it has an interest, the AAC and the actual harvest in 2004.

Annual Information Form

Timber Tenures (000 m³)

Table II

Location	Tenure ¹	Expiry	West Fraser		Weldwood	
			AAC	Harvest	AAC	Harvest
B.C.	Long-term ²	2013-2026	3,632	3,615	1,943	2,432
	Short-term tenures	2004-2008	974	503	12	—
Alberta	Coniferous Long-term	2006-2018	1,776	1,603	2,749	3,280
	Deciduous Long-term	2009-2019	726	620	248	—

¹ Long-term tenures include TFLs, FMAs, timber quotas and forest licenses, which are renewable timber tenures. Short-term tenures include timber sales licenses, which are not renewable.

² After 20% takeback.

Annual log requirements for West Fraser's Canadian sawmills, LVL plants and plywood facilities operating at stated capacity, including its proportionate share of the requirements for the partly-owned sawmills, total approximately 15 million m³, of which approximately 70% can be obtained from the tenures described in Table II. The remaining requirements are met by open-market purchases.

U.S. South

West Fraser's sawmills at Joyce, Louisiana and Huttig, Arkansas consume approximately 1.2 million m³ of logs annually, of which approximately 65% is supplied under a long-term agreement. The balance is obtained on the open market.

Harvesting Operations

All the Company's harvesting operations are carried out by independent contractors, except for certain operations in Alberta. All of the operations are supervised by woodlands staff to ensure compliance with the terms of the timber tenures, statutes and regulations, and with West Fraser's policies.

Reforestation

Timber tenures in British Columbia and Alberta require the holders to carry out reforestation to ensure re-establishment of the forest after harvesting. Determining how to reforest a particular area is based on the climate, terrain, species and other factors affecting regeneration. Each of West Fraser's reforestation projects is planned and supervised by its forestry staff and is approved by the relevant government authority.

Stumpage

The provinces of British Columbia and Alberta levy stumpage on timber harvested on provincial land. Under the current market-based systems in Alberta, stumpage is principally tied to product prices. Under the Forestry Revitalization Plan introduced in March 2003, the Ministry of Forests of British Columbia outlined a proposal to reform B.C.'s timber pricing policy. Under this system, stumpage would no longer be determined administratively, but will be based on public timber auction prices. While certain changes have been implemented on the B.C. Coast, it is not certain whether any changes will be implemented in West Fraser's areas of operations.

Wood Chip Supply

Substantially all of West Fraser's wood chip requirements are supplied directly or indirectly from its own operations. This reduces its exposure to risks associated with wood chip price fluctuations and supply shortages and surpluses. The fibre requirements of the Company's B.C. pulp and paper mills and MDF plant are met primarily by West Fraser's sawmilling operations in British Columbia. The Alberta MDF plant obtains its fibre from the Blue Ridge sawmill and other sawmills in the area. Most of the fibre requirements of the Slave Lake mill are available under the Slave Lake FMA, and additional fibre is obtained from industrial salvage and purchases from local suppliers. The Hinton pulp mill obtains its fibre from the Hinton sawmill and other sawmills in the area, and from pulp logs processed at the mill site. Almost all of the fibre requirements of the Alberta newsprint mill are obtained from local sawmills, including the Blue Ridge sawmill, through sawlog-for-chip trading of logs harvested from ANC's tenures. The balance is obtained from direct fibre purchases or from pulp wood harvested from the tenures.

Capital Expenditures and Acquisitions

West Fraser acquired Weldwood for \$1,124 million (net of cash acquired). Details of this acquisition, including anticipated benefits to the Company and projected synergies, are discussed under "Management's Discussion & Analysis - Weldwood Acquisition."

Capital Expenditures and Acquisitions (\$ millions)					Table III
Year Ended December 31	2004	2003	2002	2001	2000
Lumber	95	56	84	74	37
Panels	10	5	12	9	7
Pulp & Paper	32	17	20	29	16
Corporate & Other	3	1	7	1	4
Total	140	79	123	113	64
Acquisitions	1,124	6	—	30	112
	1,264	85	123	143	176

Human Resources

Immediately before the Weldwood acquisition, West Fraser employed approximately 4,100 full-time and part-time individuals in its operations. Total remuneration to West Fraser's employees in 2004, including the Company's share for joint-venture employees, was \$292 million. Approximately 37% of West Fraser's employees were covered by collective agreements. A collective agreement covering employees at one of the U.S. sawmills expires March 30, 2005 and the other collective agreements expire in 2007, 2008 and 2009. Immediately following the Weldwood acquisition, the number of employees increased to approximately 7,300, with approximately 49% of all employees covered by collective agreements.

Markets

West Fraser's products are sold in markets open to a number of companies with similar products. Purchasing decisions by customers are based on price, quality and service. Prices and sales volumes are influenced by general economic conditions. Table IV highlights selected average benchmark prices for the past five years for the type of products produced by West Fraser, although these prices do not necessarily reflect those obtained by West Fraser.

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Average Transaction Prices

Table IV

	2004	2003	2002	2001	2000
2x4 random length SPF (per Mfbm) ¹ US\$	394	277	270	286	295
SYP #2 W 2x4 (per Mfbm) ² US\$	387	331	302	326	339
Plywood (per Msf 3/8" basis) ³ Cdn\$	531	442	405	362	371
MDF (per Msf 3/4" basis) ⁴ US\$	430	375	405	405	400
Newsprint (per tonne) ⁵ US\$	515	475	450	570	550
BCTMP softwood pulp (per tonne) ⁶ US\$	485	450	392	414	583
Kraft paper (50 lb)(per tonne) ⁵ US\$	640	680	730	720	745
Kraft linerboard (42 lb)(per tonne) ⁵ US\$	455	408	464	485	511

¹ Source: Random Lengths - #2 & Better - net FOB mill.

² Source: Random Lengths - 2 x 4.

³ Source: Crow's.

⁴ Source: Resource Information Systems, Inc. and West Fraser database.

⁵ Source: West Fraser database.

⁶ Source: Resource Information Systems, Inc.

Research and Development

West Fraser supports industry research and development organizations, and conducts research and development at several plants to improve processes, maximize resource utilization and develop new products and environmental applications.

Operations

Operational information is current as of January 1, 2005 and includes the acquired Weldwood facilities. Sales activities and marketing information specific to 2004 refers only to West Fraser prior to January 1, 2005.

Lumber

Operations: West Fraser produces lumber and by-product wood chips from 19 sawmills, and has a plant at Quesnel producing finger-jointed studs out of by-product trim blocks. The Company also has wood treating facilities at the Sundre and Decker Lake sawmills.

Sales: In 2004, lumber produced by the wholly-owned sawmills and the joint-venture sawmill in Alberta was sold by West Fraser's lumber sales department to wholesale customers and lumber brokers. Of these sales, 79% by value were to customers in the United States and 16% to Canadian customers. Customers in the Far East accounted for the other 5%.

Most sales to North American customers were shipped by rail, although some product was also shipped by truck directly to the customer, through reload facilities or by ocean vessels to reload facilities on the East Coast of the United States. Offshore sales were shipped through public terminals in Vancouver.

West Fraser Lumber Capacity and Production¹ (MMfbm)

Table V

	Ownership	2004	2003	2002	2001	2000
Capacity – year end		3,030	2,860	2,600	2,380	2,060
Production:						
Quesnel	100%	378	368	337	310	304
Quesnel Finger – Joint	100%	15	14	15	14	19
Williams Lake	100%	239	222	197	153	163
Smithers	100%	289	264	224	204	171
Chetwynd	100%	250	244	232	205	206
Fraser Lake	100%	349	336	269	238	244
Terrace	100%	81	36	83	76	79
Chasm	100%	254	229	138	19	–
Blue Ridge	100%	289	273	264	233	255
Slave Lake	100%	24	26	27	28	31
Huttig	100%	113	110	101	94	3
Joyce	100%	189	189	182	182	4
Houston	50%	165	154	148	131	130
Burns Lake	32%	87	84	81	75	76
Decker Lake	32%	24	22	21	16	12
Red Earth	50%	26	23	28	29	4
Other	100%	–	–	–	5	12
Total Production		2,772	2,594	2,347	2,012	1,713

¹ Reflects West Fraser's share only.**Former Weldwood Lumber Capacity and Production¹ (MMfbm)**

Table VI

	Ownership	2004	2003	2002	2001	2000
Capacity – year end		1,320 ²	1,218	1,091	1,091	1,073
Production:						
Houston	50%	165	154	148	131	130
Burns Lake	58%	159	155	149	138	140
Decker Lake	58%	44	41	38	29	23
Quesnel	100%	162	148	136	123	111
100 Mile House	100%	246	231	216	186	183
Hinton	100%	281	230	253	247	245
Sundre	100%	253	235	226	204	190
Total Production		1,310	1,194	1,166	1,058	1,022

¹ Reflects Weldwood's share only.² Lumber capacity acquired by West Fraser on December 31, 2004.

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Panels

Operations: The panels segment includes MDF, LVL, plywood and veneer (used in the production of plywood and LVL). West Fraser produces MDF in two plants, each of which has the flexibility to manufacture varying thicknesses and sizes. Plywood operations consist of veneer plants and plywood plants in Slave Lake, Edmonton, Williams Lake and Quesnel, producing primarily standard softwood sheathing plywood. West Fraser also operates a plant in Rocky Mountain House which manufactures LVL for beam and header applications and for flange billets used in I-joists.

Sales: In 2004, MDF was marketed under the names “Ranger™” and “WestPine™”, while plywood was marketed under “Alberta Plywood”. Panels were sold directly and through distributors under the direction of West Fraser’s sales personnel. In 2004, 34% of MDF sales by value were to customers in Canada, 62% to customers in the U.S. and 4% to the Far East. Almost 95% of plywood sales were to Canadian customers, while the remainder was sold to the U.S.

West Fraser Panels Capacity and Production

Table VII

	2004	2003	2002	2001	2000
MDF (MMsf 3/4" basis)					
Capacity – year end	290	270	250	240	240
Production:					
Ranger Board	155	149	138	136	135
WestPine	130	112	111	114	105
Total Production	285	261	249	250	240
Plywood (MMsf 3/8" basis)					
Capacity – year end	280	270	260	240	240
Production	249	248	235	248	246

Former Weldwood Panel Capacity and Production

Table VIII

	2004	2003	2002	2001	2000
Plywood (MMsf 3/8" basis)					
Capacity – year end	490 ¹	450	430	430	410
Production:					
Quesnel	209	220	198	193	180
Williams Lake	262	253	235	226	229
Total Production	471	473	433	419	409
LVL (Mcf)					
Capacity – year end	3,000 ¹	3,000	3,000	3,000	2,600
Production	3,133	2,918	2,883	1,855	1,504

¹ Plywood and LVL capacity acquired by West Fraser on December 31, 2004.

Pulp and Paper

Pulp

Operations: West Fraser produces BCTMP primarily from aspen at the Slave Lake Pulp mill and BCTMP and TMP mostly from softwood at the Quesnel River Pulp mill. These pulps are used by paper manufacturers to produce printing and writing papers, paperboard products and a variety of other paper grades. NBSK is produced at the Hinton and Cariboo pulp mills. NBSK is used by paper manufacturers to produce a variety of paper products, including printing and writing papers, and tissue products.

Sales: In 2004, all sales were made by West Fraser's pulp and paper sales department. Of these sales, 67% by value went to customers in the Far East, 26% to customers in North America and 7% to European customers.

BCTMP & TMP Capacity and Production¹ (Mtonnes)					Table IX
	2004	2003	2002	2001	2000
Capacity – year end	550	550	540	375	375
Production:					
QRP	307	310	190	176	167
Slave Lake Pulp	215	213	207	185	196
Total Production	522	523	397	361	363

¹ Reflects additional 50% ownership of QRP acquired November 1, 2002.

Former Weldwood NBSK Capacity and Production (Mtonnes)					Table X
	2004	2003	2002	2001	2000
Capacity – year end	585 ¹	585	585	585	585
Production:					
Hinton	403	418	400	412	376
Cariboo ²	168	165	165	166	169
Total Production	571	583	565	578	545

¹ NBSK capacity acquired by West Fraser on December 31, 2004.

² Reflects Weldwood's 50% share of ownership.

Linerboard and Kraft Paper

Operations: West Fraser produces unbleached linerboard and kraft paper at its Kitimat mill. Linerboard is produced in basis weights ranging from 125 to 400 grams, and is distributed worldwide to producers of corrugated shipping containers. Kraft paper is manufactured in basis weights ranging from 60 to 147 grams, for use in producing multi-wall industrial sacks and in various specialty products.

Sales: In 2004, linerboard and kraft paper was sold worldwide to many customers. Approximately 46% of all sales by value went to customers in North America, 20% to customers in the Far East, 14% to customers in Europe, and the balance to customers in other markets. All sales were made by West Fraser's pulp and paper sales department. Most overseas sales were arranged through the worldwide sales network of Stora Enso Oyj under a long-term agency agreement.

Linerboard and Kraft Paper Capacity and Production (Mtonnes)					Table XI
	2004	2003 ¹	2002	2001	2000
Capacity – year end	450	450	450	450	450
Production:					
Linerboard	341	205	305	305	318
Kraft Paper	105	75	105	102	111
Total Production	446	280	410	407	429

¹ Production affected by 110-day strike.

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Newsprint

Operations: Newsprint is produced in basis weights of 45 and 48.5 g/m² at the ANC mill at Whitecourt, Alta.

Sales: In 2004, newsprint was sold to various publishers in North America through a partnership owned indirectly by the ANC owners. Approximately 75% of all sales by value were to customers in the United States and the balance to customers in Canada.

Newsprint Capacity and Production¹ (Mtonnes)

Table XII

	2004	2003	2002	2001	2000
Capacity - year end	135	133	130	130	125
Production	135	127	128	120	123

¹ Reflects West Fraser's 50% share of ownership.

Risk Factors

A detailed discussion of risk factors is included in "Management's Discussion & Analysis – Risks and Uncertainties".

External Issues Affecting The Business in 2004

Economic Conditions

West Fraser's earnings are sensitive to changes in world economic conditions, primarily those in North America, Europe and the Far East. Most of its revenues are from sales of commodities for which prices are sensitive to variations in supply and demand. Since most of these sales are in foreign currencies, mainly U.S. dollars, currency exchange fluctuations are a major factor.

Softwood Lumber Dispute

On May 22, 2002, the United States Department of Commerce imposed countervailing duty ("CVD") and antidumping duty ("ADD") orders on shipments of softwood lumber from Canada. From the implementation of these measures until December 20, 2004, West Fraser made cash deposits to the U.S. Treasury of 18.79% of softwood lumber sale values under the CVD order and 2.18% under the ADD order. As a result of the Final Determination of the Administrative Review, the cash deposit rates were changed effective December 20, 2004. West Fraser's deposit rates are now 17.21% (CVD) and 0.91% (ADD).

During 2003-2004, Canada's appeals of the allegations of subsidy and dumping through the World Trade Organization ("WTO") and the North American Free Trade Agreement ("NAFTA") resulted in several preliminary decisions weighted in Canada's favour. A final determination is expected by mid-2005.

Environment

West Fraser's operations are subject to various federal, provincial and local environmental protection laws. The Company has internal programs under which all forestry and manufacturing operations are audited for compliance with applicable laws and standards, and with management systems. All of the Company's woodlands operations in Canada and the harvesting operations of its key U.S. suppliers, are third-party certified to an internationally-recognized sustainable forest management standard. The Safety & Environment Committee of the Company's Board of Directors actively participates in reviews of environmental matters and makes recommendations to the Board. The Committee also periodically tours West Fraser's operations.

First Nations Claims

The potential existence of aboriginal title and rights in areas of British Columbia not covered by treaty has created uncertainty with respect to natural resource development in the province. The Supreme Court of Canada determined in 1997 that existing rights of aboriginal groups ("First Nations") had not been extinguished in the absence of a treaty. Very few areas of British Columbia are the subject of such treaties. In 2004, the Court confirmed that the Crown must consult with First Nations before authorizing any activity that might infringe on their interests in certain circumstances and, when appropriate to do so, seek to accommodate those interests by minimizing interference with them. Authorizations requiring consultation may include approval of cutting permits and required ministerial action relating to the transfer or renewal of Crown timber harvesting tenures. The process is currently not clearly defined, creating some uncertainty with respect to Crown timber harvesting rights held by forestry companies in British Columbia, including West Fraser.

Capital Structure

Share Capital and Markets for Securities

The authorized share capital of the Company consists of 230,000,000 shares divided into:

- (a) 200,000,000 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, 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. As at December 31, 2004, the issued share capital consisted of 37,359,544 Common shares and 5,385,206 Class B Common shares.

Market for Securities

The following table sets forth the market price range, in Canadian dollars, and trading volumes of the Company's Common shares and subscription receipts on the Toronto Stock Exchange for each month of the most recently completed financial year.

Table XIII

	Common shares			Volume (000's)	Subscription Receipts		Close	Volume (000's)
	High	Low	Close		High	Low		
January	39.99	36.26	36.30	231	—	—	—	—
February	40.50	36.16	39.75	2,983	—	—	—	—
March	43.25	39.00	40.00	1,041	—	—	—	—
April	44.95	39.61	43.50	621	—	—	—	—
May	43.65	41.25	42.74	479	—	—	—	—
June	45.99	42.00	44.35	629	—	—	—	—
July	50.00	42.15	49.70	1,126	—	—	—	—
August	49.90	46.95	49.89	2,837	49.80	47.60	49.78	1,399
September	55.10	50.00	53.00	3,843	55.00	49.75	53.65	2,199
October	53.84	46.10	48.00	1,727	53.25	45.66	47.90	886
November	48.05	42.25	43.86	1,929	48.00	42.60	43.61	953
December	49.25	43.86	48.20	1,180	48.40	44.00	—	308

Dividends

The declaration and payment of dividends is within the discretion of the Board of Directors of the Company. It has been the practice of the Company to declare dividends on a quarterly basis payable after the end of each quarter. In 2004, the Company declared cash dividends of \$0.56 per Common share and Class B Common share.

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Directors & 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:

Table XIV

Name and Municipality of Residence	Principal Occupation	Director Since
Henry H. Ketcham Vancouver, British Columbia	Chairman of the Board President and Chief Executive Officer	September 16, 1985
Clark S. Binkley ^{1,3 & 4} Cambridge, Massachusetts	Senior Vice-President, Hancock Natural Resource Group Inc. (timberland investment)	February 13, 1992
J. Duncan Gibson ^{1, 2 & 4} Toronto, Ontario	Investor	April 29, 1997
Larry S. Hughes ³ Vancouver, British Columbia	Partner, Lang Michener LLP (lawyers)	February 19, 2002
William H. Ketcham ^{3 & 4} New York, New York	Managing Director, Fortress Investment Group (private equity firm)	April 23, 2002
William P. Ketcham ^{1 & 4} Seattle, Washington	President, Henry H. Ketcham Lumber Co., Inc. (private investment)	December 1, 1966
Harald H. Ludwig ^{2 & 4} West Vancouver, British Columbia	President, Macluan Capital Corporation (diversified manufacturing)	May 2, 1995
Brian F. MacNeill ^{2 & 4} Calgary, Alberta	Chairman, Petro-Canada Inc. (energy, exploration, development, refining and marketing)	September 19, 2000
Janice G. Rennie ^{1, 3 & 4} Edmonton, Alberta	Senior Vice-President, Human Resources and Organizational Effectiveness, EPCOR Utilities Inc. (energy and related services and products)	April 28, 2004

¹ Member of the Audit Committee.

² Member of the Compensation Committee.

³ Member of the Safety & Environment Committee.

⁴ Member of the Governance & Nominating Committee.

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 J. Duncan Gibson who before November 2001 was Vice-Chairman, Commercial Banking Division, The Toronto-Dominion Bank and held various other positions with The Toronto-Dominion Bank; William H. Ketcham who, before August 2003 was the managing partner of Serafin Partners, LLP and before December 2002 was Vice-President, Apex Learning Inc.; Brian F. MacNeill who before January 2001 was President and Chief Executive Officer, Enbridge Inc. and Janice G. Rennie who before September 2004 was Principal of Rennie & Associates. The term of office of each director will expire at the conclusion of the Company's next annual general meeting.

Officers as at January 1, 2005

Table XV

Name and Municipality of Residence	Office Held / Principal Occupation
Henry H. Ketcham Vancouver, British Columbia	Chairman, President and Chief Executive Officer
Gerald J. Miller Delta, British Columbia	Executive Vice-President, Pulp and Paper
Martti Solin West Vancouver, British Columbia	Executive Vice-President, Finance and Chief Financial Officer
Gary W. Townsend Quesnel, British Columbia	Executive Vice-President, Solid Wood Products
D. Wayne Clogg Quesnel, British Columbia	Vice-President, Woodlands
Richard Franko North Vancouver, British Columbia	Vice-President, Export Lumber Sales and Market Development
Rodger M. Hutchinson West Vancouver, British Columbia	Vice-President, Corporate Controller
Samuel W. Ketcham Vancouver, British Columbia	Vice-President, Administration
William H. LeGrow Coquitlam, British Columbia	Vice-President, Transportation and Energy
Edward R. Seraphim North Vancouver, British Columbia	Vice-President, Pulp and Paper Sales
Zoltan F. Szucs Coquitlam, British Columbia	Vice-President, Panelboard
Ernest M. Thony Quesnel, British Columbia	Vice-President, Lumber Sales
Larry S. Hughes Vancouver, British Columbia	Secretary Partner, Lang Michener LLP (lawyers)

Each officer has held the same or a similar principal occupation with the organization indicated or a predecessor thereof for the last five years except for Richard Franko, who before 2005 was Vice-President, Sales, Wood Products, Weldwood of Canada Limited; Rodger M. Hutchinson, who before 2003 was Corporate Controller; Samuel W. Ketcham, who before 2005 was Director, Corporate Planning and before 2001 was Manager, Administration; Gerald J. Miller, who before 2005 was Group Vice-President, Pulp and Paper and Vice-President, Administration and before 2001 was Vice-President, Pulp and Administration; Edward R. Seraphim who before 2002 was Managing Director of Pulp and Paper Sales; Martti Solin, who before 2005 was Vice-President, Finance and Chief Financial Officer; and Gary W. Townsend, who before 2005 was Group Vice-President, Lumber Operations and before 2001 was Vice-President, Lumber Operations.

Shareholdings of Directors and Officers

As at December 31, 2004, the directors and senior officers as a group, beneficially owned directly or indirectly, or exercised control or direction over, 6,085,242 Common shares and 2,161,794 Class B Common shares, being 16% of the outstanding Common shares, 40% of the outstanding Class B Common shares and 19% of the outstanding voting shares of the Company.

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Governance

Corporate governance is guided by West Fraser's Corporate Governance Policy, a copy of which may be viewed on the Company's web site: www.westfraser.com. The Board of Directors has established a Governance & Nominating Committee comprised of all non-management directors which 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 as well as all other corporate governance matters and practices. At each regularly scheduled meeting of the Board during 2004, the Committee met without management representatives present and reviewed these and other issues.

Audit Committee

The Audit Committee of the Company's Board of Directors assists the Board in fulfilling its responsibility to oversee the Company's financial reporting and audit process. The full text of the Audit Committee's Charter is set out below.

Audit Committee Charter

The Audit Committee Charter was approved by the Board on December 9, 2003.

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 interim financial reports (including financial statements, management's discussion and analysis and related news releases) with management and the auditors before filing with regulators and consider whether they are complete and consistent with the information known to Committee members.
- 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, 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.
- Review with management and the auditors all matters required to be communicated to the Committee under generally accepted auditing standards.

Internal Control

- Consider the effectiveness of the Company's internal control over annual and interim financial reporting, including information technology security and control.
- Understand the scope of the auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

Audit

- Review the auditors' proposed audit scope and approach.
- Review the performance of the auditors, and provide recommendations 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.

Compliance

- Review the effectiveness of the system for monitoring compliance with financial reporting and disclosure laws 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.
- Be available to receive and deal with, on a confidential basis, reports, complaints or other communications from officers or employees of the Company.
- Perform other activities related to this charter as requested by the Board.
- Review and assess the adequacy of the Committee 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 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.
- Minutes of each meeting should be prepared, approved by the Committee and circulated to the full Board.

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Members

The following table identifies each current member of the Audit Committee, whether the member is considered financially literate and the education and experience of each member that is relevant to the performance of the member's responsibilities as an Audit Committee member.

Table XVI

Name	Financially Literate	Education & Experience
J. Duncan Gibson (Chair)	Yes	<ul style="list-style-type: none">• Bachelor of Commerce.• Master of Business Administration.• Twenty-seven year career with the Toronto-Dominion Bank, including nine years Corporate Banking, U.S. Division, and Vice Chairman with responsibility for the Commercial Banking Division.
Clark S. Binkley	Yes	<ul style="list-style-type: none">• Bachelor of Arts (Applied Mathematics).• PhD (Forest Economics).• Chief Investment Officer of the world's largest private equity timberland investment firm.• Has served as a director of public and private forest products companies.• Holds a National Association of Securities Dealers Series 7 securities license.
William P. Ketcham	Yes	<ul style="list-style-type: none">• Involved in West Fraser's financial affairs since its inception in 1955.• Has served as a director and member of the Audit Committee continuously since the Company's first public offering in 1986.
Janice G. Rennie	Yes	<ul style="list-style-type: none">• Bachelor of Commerce.• Chartered Accountant.• Elected Fellow of the Chartered Accountants.• Has chaired or been a member of several audit committees of public companies, including Nova Chemicals Inc., Weldwood of Canada Limited, EPCOR Utilities Inc., Canadian Hotel Income Properties REIT and Matrikon Inc.

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 the Company's independent auditors. The policy provides that the Committee will annually review proposed audit, audit-related, tax and other services (to be submitted by the 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. Table XVII sets out the various fees that were paid to PricewaterhouseCoopers LLP in each of the last two fiscal years.

External Auditor Service Fees (\$ Thousands)

Table XVII

	Audit Fees	Audit-Related Fees ²	Tax Fees	All Other ³
2004 ¹	602	95	397	477
2003 ¹	634	14	190	422

¹ Represents fees paid in the calendar year.

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

³ 2004 primarily relates to Weldwood acquisition financing activities; 2003 primarily relates to the potential sale of newsprint mill interest to an income trust.

Incorporation by Reference

The sections of this Annual Report entitled "Management's Discussion & Analysis" and "Six-Year Review" are incorporated herein by reference.

Additional Information

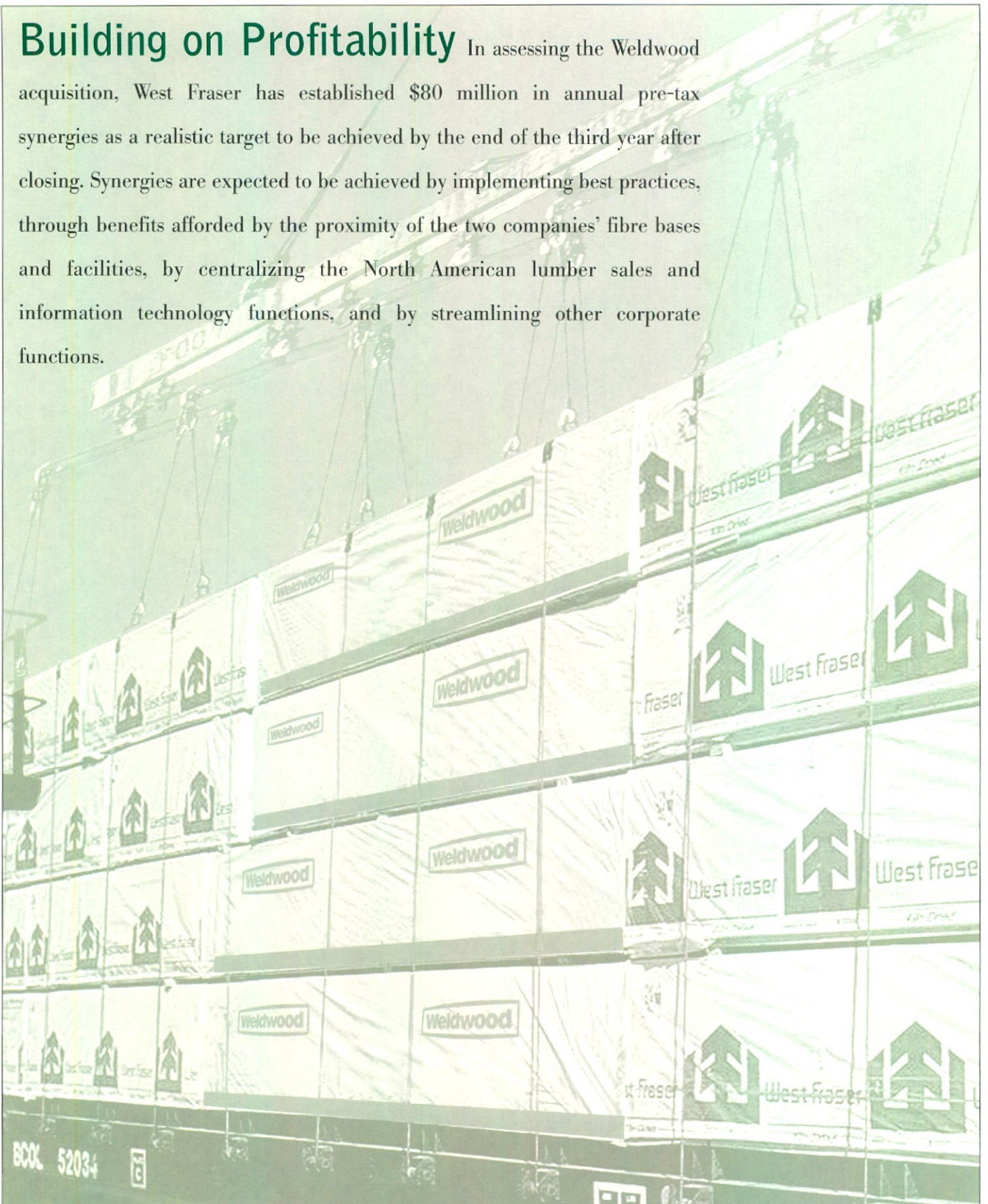
When securities of the Company are in the course of distribution pursuant to a short form prospectus, or a preliminary short form prospectus has been filed in respect of a distribution of its securities, the Company will, upon request, provide to any person:

- (a) one copy of this Annual Information Form, together with one copy of any document, or of the pertinent pages of any document, incorporated by reference in this Annual Information Form;
- (b) one copy of the comparative consolidated financial statements of the Company for the year ended December 31, 2004, together with the accompanying auditors' report, and one copy of each interim consolidated financial statement of the Company prepared after December 31, 2004;
- (c) one copy of the Information Circular for the annual general meeting of the Company to be held on April 28, 2005; and
- (d) one copy of each other document that is incorporated by reference in the short form prospectus or the preliminary short form prospectus and is not described above.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and options to purchase its securities, is contained in the Information Circular. Additional financial information is provided in the Company's comparative consolidated financial statements for the year ended December 31, 2004. Copies of this Annual Information Form and the documents incorporated by reference therein, the comparative consolidated financial statements of the Company (including the audit report) for the year ended December 31, 2004, each consolidated interim financial statement prepared after December 31, 2004, the Information Circular and this Annual Report may be obtained at any time upon request from the Company. This Annual Report may also be obtained on the web site: www.westfraser.com.

Building on Profitability

In assessing the Weldwood acquisition, West Fraser has established \$80 million in annual pre-tax synergies as a realistic target to be achieved by the end of the third year after closing. Synergies are expected to be achieved by implementing best practices, through benefits afforded by the proximity of the two companies' fibre bases and facilities, by centralizing the North American lumber sales and information technology functions, and by streamlining other corporate functions.





Management's Discussion & Analysis

On December 31, 2004, the principal operating subsidiary of the Company, West Fraser Mills Ltd. ("West Fraser Mills"), acquired Weldwood of Canada Limited ("Weldwood") from International Paper Company. Effective January 1, 2005, Weldwood was amalgamated with West Fraser Mills. All Weldwood operating activities in 2004 were carried out under the direction, and for the benefit, of the previous owner. Accordingly, this Management's Discussion & Analysis ("MD&A") does not cover Weldwood's operations or results for 2004. However, the financing of the acquisition, its effect on the Company's financial structure and production capacities, the risks and uncertainties arising from the acquisition, and the anticipated consequences of the acquisition on the outlook for 2005, will be reviewed.

Revenue and Earnings Comparison

Table A

Year Ended December 31	2004	2003	2002
Sales by Product – \$ millions			
– Lumber	1,475	1,141	1,149
– Panels	284	230	247
– Pulp & Paper	641	550	590
Total	2,400	1,921	1,986
EBITDA by Product – \$ millions			
– Lumber	361	99	194
– Panels	74	37	70
– Pulp & Paper	45	27	87
– Corporate & other	(39)	(12)	(7)
	441	151	344
Earnings from Continuing Operations – \$ millions	212	43	129
Earnings after Discontinued Operations – \$ millions	212	43	138
Basic EPS from Continuing Operations – \$	5.75	1.17	3.50
Basic EPS after Discontinued Operations – \$	5.75	1.17	3.74
Diluted EPS from Continuing Operations – \$	5.36	1.16	3.47
Diluted EPS after Discontinued Operations – \$	5.36	1.16	3.70
Cash Dividends per share – \$	0.56	0.56	0.51
Total Assets – \$ millions	3,927	2,087	2,114
Long-Term Debt – \$ millions	886	300	357

In 2004, West Fraser reported higher sales and earnings compared to both 2003 and 2002. Earnings were \$212 million or \$5.36 per share on sales of \$2,400 million, compared to earnings of \$43 million or \$1.16 per share on sales of \$1,921 million in 2003, and earnings of \$138 million or \$3.47 per

In this MD&A reference is made to EBITDA (defined as operating earnings plus amortization), which West Fraser considers to be a key performance indicator. EBITDA is not a generally accepted earnings measure and should not be considered as an alternative to earnings or cash flows as determined in accordance with Canadian generally accepted accounting principles. As there is no standardized method of calculating EBITDA, the Company's use of the term may not be directly comparable with similarly titled measures by other companies.

Management's Discussion & Analysis

share on sales of \$1,986 in 2002. Improved financial performance over the previous two years was the result of several factors:

- Continued low interest rates promoted strong housing starts in North America which lead to stronger demand and higher prices for the Company's solid wood products. In 2004, West Fraser's solid wood operations set records for lumber production and sales.
- With improved pricing resulting from strong North American product demand, the Company's panel operations performed well in 2004, increasing both production and shipments over the previous two years.
- West Fraser's pulp and paper operations had increased production, shipments and sales over 2003 and 2002. A full year of operation at the linerboard and kraft paper mill at Kitimat, which experienced a strike in 2003, improved results.

The positive effect of price increases, significant productivity improvements and continuous cost control measures across the Company's operations was partially offset by the continued strength of the Canadian dollar relative to the U.S. dollar and duties levied as a result of the softwood lumber dispute with the United States. In 2004, lumber duty charges were \$156 million, compared to \$112 million in 2003 and \$42 million in 2002.

Administration expense in 2004 increased by \$12 million to \$72 million, partly as a result of a compensation expense linked to earnings that was incurred in 2004 and not 2003. Administration expense in 2002 was approximately \$70 million.

Share option expense of \$25 million represented an increase of \$16 million from 2003, due to the higher average share price. Interest expense of \$16 million was largely unchanged from 2003.

The strengthening Canadian dollar resulted in an exchange gain on foreign-currency denominated long-term debt of \$27 million compared to \$41 million in 2003 and \$5 million in 2002.

Total tax and tax-like levies and charges are shown in Table B. With the exception of income tax, these payments do not vary directly with profitability. The 2004 provision for income tax was an expense of \$85 million (2003 – a recovery of \$7 million). Note 17 to the accompanying financial statements explains the variance from the statutory tax rate.

Tax and Tax-like Levies (\$ millions)	Table B	
Year Ended December 31	2004	2003
Income Tax	107	8
Corporation Capital Tax	—	2
Canada Pension Plan	7	7
Employment Insurance	4	4
Property Tax	14	15
Social Service Tax	8	10
Stumpage & Royalties	89	68
Workers Compensation	8	7
Other	2	1
Total	239	122

Safety

Safety awareness and performance continued to improve in 2004. A safety manager was hired to lead the development of a company-wide health and safety plan. The Company launched a number of activities to improve existing safety programs, including a greater focus on eliminating risks at our facilities and improving safety training for supervisors. In 2004, West Fraser improved its safety performance as measured by the Medical Incident Rating system, which is used by industry to follow the frequency and severity of injuries and accidents.

Fourth Quarter Results

West Fraser reported higher sales and earnings in the fourth quarter of 2004 compared to the same period last year. Improved results were fuelled by increased prices, primarily for lumber and panels. Fourth quarter results also include a \$23 million gain on translation of long-term debt, compared to a gain of \$7 million in the fourth quarter of 2003.

Lumber EBITDA for the fourth quarter of 2004 was higher relative to the same period of the previous year due primarily to higher product prices resulting from continued strong housing starts in the United States. Benchmark 2x4 lumber prices in the quarter were also stronger averaging US \$336 per Mfbm, compared to US \$299 per Mfbm in the same quarter of 2003. Production remained strong during the quarter, contributing to an annual record. Lumber shipments exceeded production for the quarter, in part as a result of using ocean vessels to transport lumber to the U.S. East Coast.

Panel EBITDA was higher than for the same period of 2003. Plywood prices averaged \$458 per Msf 3/8" compared to \$547 per Msf 3/8" in the fourth quarter of 2003. MDF prices were higher in the fourth quarter of 2004 compared to 2003 as the product mix improved and lower value offshore shipments decreased.

Pulp and paper EBIDTA was weaker in the fourth quarter of 2004 because of declining pulp prices, weaker demand from offshore pulp markets and the strong Canadian dollar, all of which offset productivity and efficiency gains, particularly at the Kitimat operations.

Selected Quarterly Information (\$ millions, except earnings per share (EPS) amounts) Table C

	2004				2003			
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Sales	552	700	607	541	467	484	484	486
Earnings	41	78	67	27	34	3	(5)	11
Basic EPS	1.10	2.12	1.82	0.72	0.93	0.09	(0.14)	0.29
Diluted EPS	0.94	1.95	1.79	0.71	0.92	0.09	(0.14)	0.29

Management's Discussion & Analysis

Fourth Quarter Results		Table D	
	Q4 - 2004	Q4- 2003	
Production			
Lumber - Mfbm	663,841	641,275	
MDF - Msf (3/4" basis)	73,957	67,612	
Plywood - Msf (3/8" basis)	57,774	61,201	
BCTMP - tonnes	130,129	133,501	
Linerboard and Kraft Paper - tonnes	117,268	114,885	
Newsprint - tonnes	32,450	32,872	
Shipments			
Lumber - Mfbm	742,308	666,012	
MDF - Msf (3/4" basis)	72,186	64,051	
Plywood - Msf (3/8" basis)	55,772	52,217	
BCTMP - tonnes	138,870	127,517	
Linerboard and Kraft Paper - tonnes	117,203	74,250	
Newsprint - tonnes	32,590	32,682	
Sales - \$ millions			
Lumber	325.7	276.8	
Panels	65.6	56.9	
Pulp & Paper	161.1	133.1	
	552.4	466.8	
EBITDA - \$ millions			
Lumber	55.4	40.8	
Panels	15.4	11.0	
Pulp & Paper	0.3	15.7	
Corporate & other	2.4	0.2	
Total	73.5	67.7	
Operating earnings - \$ millions	26.6	31.8	
Interest expense - \$ millions	(4.7)	(3.9)	
Exchange gain on long-term debt - \$ millions	22.6	7.2	
Other income (expense) - \$ millions	(3.2)	5.6	
Provision for income taxes - \$ millions	(0.7)	(6.4)	
Earnings - \$ millions	40.6	34.3	
\$CDN/\$US - average	1.22	1.32	

Weldwood Acquisition

On December 31, 2004, West Fraser completed the acquisition of Weldwood and became the third largest lumber producer in North America, with an annual capacity of 4,350 MMfbm. The acquisition included four sawmills that were wholly-owned by Weldwood, two in British Columbia and two in Alberta. West Fraser also acquired Weldwood's interest in three joint-venture sawmills in British Columbia, increasing West Fraser's interest in the Burns Lake and Decker Lake mills from approximately 32% to 90%, and from 50% to 100% in the Houston mill.

With the addition of two plywood plants in British Columbia giving the Company an annual capacity of 770 MMsf, West Fraser became the largest plywood producer in Canada. West Fraser also acquired ownership of an LVL facility in Alberta with an annual capacity of 3,000 Mcf and two lumber treating facilities, one in British Columbia and one in Alberta. The addition of Weldwood's AAC increased West Fraser's timber tenures to 12 million m³ of AAC.

Already a major producer of BCTMP, West Fraser also became a producer of NBSK pulp, acquiring a pulp mill in Alberta and 50% ownership in a mill in British Columbia, thereby increasing the Company's annual pulp capacity to 1.1 million tonnes.

In order to complete the transaction as planned, West Fraser entered into an agreement ("Consent Agreement") with the Canadian competition regulator, the Competition Commissioner. The Consent Agreement requires, among other things, that West Fraser sell its existing and acquired interests in the Burns Lake and Decker Lake sawmills, representing approximately 320 MMfbm of annual lumber capacity, together with associated timber harvesting rights representing an AAC of approximately 350,000 m³ ("Babine Operations"). The Consent Agreement also requires West Fraser to surrender for 10 years 75,000m³ of AAC in the Williams Lake area. Although West Fraser disagreed with the Competition Commissioner's view that its acquisition of Weldwood would result in substantial lessening of competition in those operating areas where divestitures were agreed to, West Fraser agreed to the divestitures to avoid the uncertainty of a potentially lengthy legal dispute.

On February 3, 2005, a company that has an interest in the Babine Operations filed an application with the Canadian Competition Tribunal to have the Consent Agreement rescinded or varied with respect to the requirement that West Fraser sell its interest in the Babine Operations. The outcome of the application is uncertain.

In assessing the Weldwood acquisition, West Fraser established \$80 million in annual pre-tax synergies as a realistic target to be achieved by the end of the third year after closing. Synergies are expected to be achieved by implementing best practices, through benefits afforded by the proximity of the two companies' fibre bases and facilities, by centralizing the North American lumber sales and information technology functions, and by streamlining other corporate functions.

Transaction Terms

The amount paid at the close of the Weldwood acquisition was \$1,405 million. The net purchase price, after taking into account the approximately \$306 million cash held by Weldwood when it was acquired, estimated restructuring costs and transaction expenses not related to financing, was \$1,124 million. Further adjustments to the purchase price may be made in 2005 as actual integration costs and other items become known.

Management's Discussion & Analysis

Purchase Price (\$ millions)	Table E
Purchase Price	1,230
Net Worth Adjustment	175
Purchase Price Paid	1,405
Transaction and Restructuring Costs	25
Less: Cash Acquired	(306)
Net Purchase Price	1,124

The terms of the transaction also provide that the seller, International Paper Company ("IP"), is entitled to the net after-tax value of any refunds of softwood lumber duties paid by Weldwood before December 31, 2004 and to further cash consideration, not to exceed \$50 million in aggregate, if the average market price of NBSK pulp per tonne exceeds the greater of US \$710 and Cdn \$950 during any quarter ending on or before June 30, 2007. There is also a 10-year "take or pay" agreement under which IP will purchase from West Fraser 170,000 tonnes of NBSK pulp annually on agreed market terms.

Financing

The purchase price for Weldwood was financed from the net proceeds of an offering of Subscription Receipts, a U.S. dollar offering of 5.2% senior 10-year notes, a Canadian offering of 4.94% 5-year debentures, syndicated bank loans and West Fraser's cash on hand at closing.

The 5,852,000 Subscription Receipts, issued at \$47 each in August 2004, were converted into an equal number of West Fraser Common shares at closing of the Weldwood acquisition. Holders were paid cash equal to the dividends paid on a like number of Common shares while the Subscription Receipts were outstanding. On January 5, 2005, the revolving bank loan of \$60 million was repaid.

Transaction: Source of Funds (\$ millions)	Table F
Equity, net of costs	267
US \$300 million senior 10-year Notes	376
\$150 million 5-year Debentures	150
Term Loan	100
Revolving Loan	60
Cash	452
Total	1,405

Lumber

Table G

	2004	2003
Production – SPF – MMfbm	2,470	2,295
Production – SYP – MMfbm	302	299
Shipments – SPF – MMfbm	2,432	2,312
Shipments – SYP – MMfbm	302	305
Chip Production – Softwood oven dried Mtonnes	1,181	1,075
– SYP oven dried Mtonnes	156	165
Sales – \$ millions	1,475	1,141
EBITDA – \$ millions	361	99
EBITDA margin – %	24	8
Operating Earnings – \$ millions	298	40
Capital Expenditures – \$ millions	95	56
Benchmark Price		
– SPF #2 & Better 2 x 4 – (per Mfbm) ¹ – US\$	394	277
– SYP #2 West 2 x 4 – (per Mfbm) ¹ – US\$	387	331

¹ Source: Random Lengths net FOB mill.

Lumber operations enjoyed a very successful year in spite of a strong Canadian dollar and the continuation of duty payments to the U.S. government. Near record profitability resulted from increased production to 2,772 MMfbm (2003 – 2,594 MMfbm) and improved shipments to 2,734 MMfbm (2003 – 2,617 MMfbm), significantly higher selling prices, and strong operating performance in terms of cost and efficiencies at the mills.

West Fraser's sawmills set several productivity records in 2004, with eight mills setting lumber recovery records. These results were driven by ongoing technological improvements and the continued achievement of operating efficiencies by applying best practices across the operations. The addition of a third shift at some of the mills also contributed to the increased production.

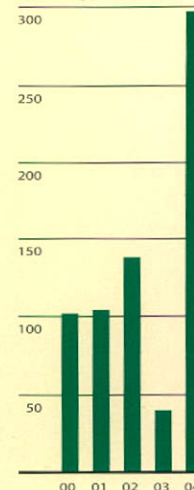
Approximately \$95 million was spent on capital improvements in the lumber operations during the year. With the completion of the rebuild of the Huttig, Arkansas mill at the end of the first quarter of 2004, both the Huttig and Joyce sawmills are now among the most modern and efficient in the industry in the United States, and are largely comparable to West Fraser's mills in Canada. Other projects included planer upgrades in the Smithers and Chetwynd mills, a log infeed rebuild in the Blue Ridge sawmill and energy system upgrades in several mills.

In addition to record production, the Company set a record for total shipments, despite rail car shortages during the year. These shortages were caused by poor weather in many parts of the continent and by increased demand for various commodities. To overcome this situation, West Fraser established a program of using ocean vessels to transport lumber to the U.S. East Coast.

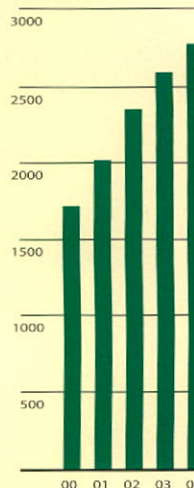
Under the Forestry Revitalization Plan introduced in 2003, the government of British Columbia reduced the AAC allocated to holders of long-term tenures by 20%. The take-back from West Fraser was 832,000 m³ and 434,000 m³ from Weldwood. It is expected that most of the timber once reallocated, will be available for purchase on the open market. The Company therefore believes it

Lumber

Operating Earnings (\$ millions)



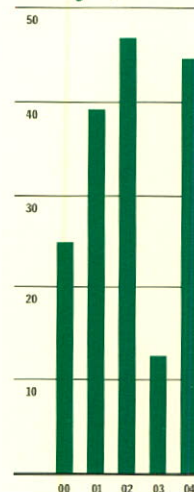
Production (MMfbm)



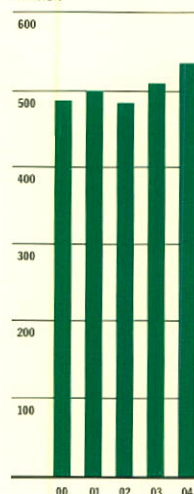
Management's Discussion & Analysis

Panels

Operating Earnings (\$ millions)



Production (MMsf)



will continue to be able to obtain sufficient fibre for its mills. Legislation provides for compensation to licensees for the volume of timber taken and for roads and bridges included in the take-back.

Export Duties (\$ millions)

Table H

	Q1	Q2	Q3	Q4	Total
2004 Charge	31	42	52	31	156
2003 Charge	23	26	31	32	112
2002 Charge ¹	2	(13)	29	24	42

¹ After 2001 reversals.

The government has implemented certain changes to its timber pricing method on the B.C. Coast, but it is not certain whether similar or any other changes will be implemented in West Fraser's areas of operations.

In British Columbia's central interior, a mountain pine beetle infestation has been spreading since 1994. Recent timber supply analyses indicate that, unless the infestation collapses, which does not appear likely, the availability of timber will be reduced in 10 to 12 years. While the epidemic will not compromise the productive capability of the land, the timber supply could be reduced from 10% to 30%. In response to the infestation, AAC levels throughout the central interior have been increased by more than 11 million m³. With the exception of Terrace and Chetwynd, all West Fraser's sawmills in British Columbia (including the former Weldwood mills) are processing logs primarily from beetle-damaged stands.

The outlook for lumber prices in 2005 is affected by a number of factors. If interest rates rise, as most analysts predict, then housing starts in both Canada and the U.S. may fall. However, strong activity in house repair and remodeling is expected throughout the year. The continuing softwood lumber dispute will also cause uncertainty and price volatility. For further details, see "Business Outlook".

Panels

Table I

	2004	2003
Production – MDF – MMsf – 3/4" basis	285	261
Shipments – MDF – MMsf – 3/4" basis	288	263
Production – Plywood – MMsf – 3/8" basis	249	248
Shipments – Plywood – MMsf – 3/8" basis	256	237
Sales – \$ millions	284	230
EBITDA – \$ millions	74	37
EBITDA margin – %	26	16
Operating Earnings – \$ millions	45	13
Capital Expenditures – \$ millions	10	5
Benchmark Price – MDF (3/4" basis per Msf) ¹ – US\$	430	375
– Plywood (3/8" basis per Msf) ² – US\$	531	442

¹ Source: Resource Information Systems, Inc. and West Fraser database.

² Source: Crow's.

Sales and EBITDA were higher in 2004 than in the previous year, mostly as a result of higher plywood prices fuelled by the strong housing market in Canada. Benchmark prices, as reported by Crow's, an industry publication, ranged from a low of \$421 per Msf 3/8" in early 2004 to a high of \$607 per Msf 3/8" in the early summer, before retreating to approximately \$432 per Msf 3/8" by year end. Strengthening MDF prices and a more favourable grade mix also contributed to increased sales and improved results.

MDF

Both MDF operations set production records. Compared to 2003, production increased by 16% at WestPine and 4% at Ranger Board. Price increases for resin and other chemical additives used in the manufacture of MDF were mostly offset by increased sales prices and improved operating efficiencies. During the year, MDF markets strengthened in North America, while lower-priced export sales to the Far East were reduced significantly.

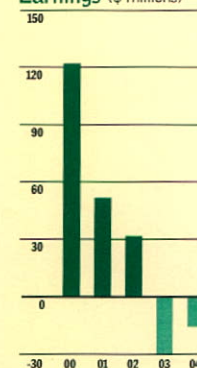
Plywood

Plywood production and shipments increased over 2003. Capital projects at the Alberta Plywood plants completed in the latter half of the year are expected to contribute to further improvements in production and costs in 2005.

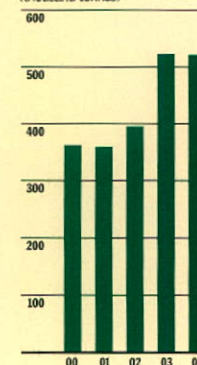
Plywood prices in 2005 may be impacted by a likely rise in interest rates, resulting in decreased housing starts and a reduction in product demand. Increasing competition from alternative products may also impact overall plywood demand and prices.

Pulp & Paper

Operating Earnings (\$ millions)



Pulp Production (thousand tonnes)



Pulp & Paper

Table J

	2004	2003
Production – Mtonnes	1,103	930
Shipments – Mtonnes	1,073	929
Sales – \$ millions	641	550
EBITDA – \$ millions	45	27
EBITDA margin – %	7	5
Operating Earnings – \$ millions	(15)	(30)
Capital Expenditures – \$ millions	32	17

Increases in sales and EBITDA over the previous year were largely the result of uninterrupted operations at the linerboard and kraft paper mill at Kitimat, which experienced a 110-day labour strike in 2003. BCTMP prices increased in the first half of 2004, but declined in the second half. Linerboard and newsprint prices were higher than in 2003. The strengthening Canadian dollar reduced sales returns for all products.

Pulp

Table K

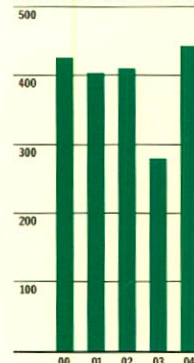
	2004	2003
Production – Mtonnes	522	523
Shipments – Mtonnes	494	512
Benchmark Price – BCTMP softwood pulp – (per tonne) ¹ – US\$	485	450

¹ Source: Resource Information Systems, Inc.

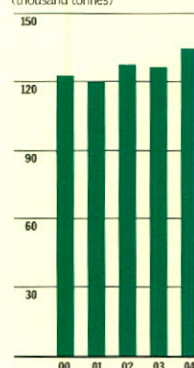
Management's Discussion & Analysis

Pulp & Paper

Linerboard & Kraft Paper
Production (thousand tonnes)



Newsprint Production
(thousand tonnes)



The combined BCTMP and TMP production of 522 Mtonnes was slightly lower than in 2003, although Slave Lake Pulp had record annual production.

QRP produces softwood BCTMP, and smaller volumes of softwood TMP and hardwood BCTMP, for a variety of end-product uses. Production was down slightly from 2003 levels due to an increase in the manufacture of higher brightness grades and ongoing product development trials. Although production costs rose, mostly as a result of higher fibre and chemical costs, the increased percentage of higher brightness grades contributed to higher average selling prices.

Combined capital spending at the two pulp mills amounted to \$14 million, including upgrades of the effluent treatment system at QRP and the wood room at Slave Lake Pulp.

Demand for BCTMP fluctuated significantly during 2004, with demand from China being strong during the first four months but declining sharply in the third quarter. The reduced demand from China, combined with increases in market pulp capacity, resulted in lower prices for BCTMP in the second half of 2004.

Stronger paper markets and inventory restocking by pulp consumers should lead to pulp price increases in the first half of 2005. The value of the Canadian dollar relative to the U.S. dollar is likely to be the key variable.

Linerboard and Kraft Paper

Table L

	2004	2003
Production – Mtonnes	446	280
Shipments – Mtonnes	445	291
Benchmark Price – linerboard – (per tonne) ¹ – US\$	455	408
Benchmark Price – kraft paper – (per tonne) ¹ – US\$	640	680

¹ Source: West Fraser database.

Operations continued to improve at the Kitimat mill, with efficiency and annual production records established during the year. The average cost of production declined despite increased fibre costs. Total capital expenditures for the year of \$15 million included projects to improve effluent quality, productivity and energy consumption.

Linerboard markets strengthened during the year, especially in North America, as a result of a sustained improvement in U.S. corrugated box demand.

Kraft paper markets were poor throughout the year, although some improvement was evident at year end. Over-capacity and weak offshore demand resulted in lower prices compared to 2003.

Linerboard and kraft paper markets are expected to remain stable in the near term, with U.S. dollar prices expected to hold at current levels if economic activity in the United States is sustained. The current exchange rate between Canadian and U.S. currencies is a significant disadvantage for the Kitimat mill which relies substantially on export markets, where sales are made in U.S. dollars.

Newsprint

Newsprint – West Fraser's Share

Table M

	2004	2003
Production – Mtonnes	135	127
Shipments – Mtonnes	134	126
Benchmark Price – (per tonne) ¹ – US\$	515	475

¹ West Fraser database.

ANC established an annual production record in 2004. Average production costs increased as a result of higher energy prices. ANC's product quality and reputation for customer service was once again confirmed, with most customers ranking the mill as their preferred supplier.

Despite weak demand, significant capacity closures by major North American newsprint producers resulted in price increases. As with other products, the stronger Canadian dollar eroded most of the price gains. With the current capacity closures and assuming a stable U.S. economy, prices could improve in 2005.

Significant Management Judgments Affecting Financial Results

The preparation of financial statements requires management to make estimates and assumptions, and to select accounting policies that affect the amounts reported in the financial statements. The significant accounting policies followed by West Fraser are disclosed in Note 1 to the audited financial statements included in this annual report. The following items are the judgments considered most significant.

Asset Valuation

West Fraser believes that the frequency of technological changes in its manufacturing processes needs to be reflected in its amortization periods. Accordingly, West Fraser amortizes its manufacturing equipment and machinery over 10 to 20 years, with sawmill machinery and equipment averaging 10 to 12 years. Purchased timber rights are amortized over periods not exceeding 60 years. Timber rights acquired as part of the Weldwood acquisition, having a fair value of \$432 million, will be amortized over 40 years. In addition to the appropriateness of the amortization rates, West Fraser periodically reviews estimated future cash flows from long-lived assets as part of its review of asset values for impairment.

Reforestation Obligation

West Fraser's Canadian operations are required by provincial regulations to carry out reforestation to ensure re-establishment of the forest after harvesting. Reforested areas must be tended for a period sufficient to ensure that they are well established. The time to meet regulatory requirements depends on a variety of factors, but usually spans 12 to 15 years in West Fraser's operating areas. Estimated total cost of reforestation is accrued when harvesting takes place. These estimates are reviewed at least annually, and adjusted if required. At December 31, 2004, the reforestation obligation accrued in the financial statements was \$121 million, including \$50 million arising from the Weldwood acquisition.

Management's Discussion & Analysis

Purchase Price Allocation

The preliminary allocation of the Weldwood purchase price is disclosed in Note 3 to the accompanying financial statements and is based on management's best estimates and information available at the time of preparing the statements. The purchase price and allocation is subject to change for up to one year from closing, as additional information becomes available. Any such change may be material.

Countervailing and Antidumping Duties

The Company and other Canadian forest products companies have received a series of positive rulings, as disclosed in Note 20 to the accompanying financial statements, that indicate a total or partial refund of duties paid is possible. In management's opinion, the reversal of previously expensed duty payments is not appropriate due to the uncertainty related to the timing, amount and ultimate collection of potential refunds. Any refunds received will be reflected in earnings in the period of receipt.

Employee Future Benefit Assumptions

West Fraser maintains defined benefit pension plans for many of its employees. The provision of future funding requirements and the expense for accounting purposes depends on assumptions made by management, as well as on actual returns experienced on pension assets. Management makes assumptions it believes to be conservative. Effective December 31, 2004 the discount rate used in valuing the pension liabilities was decreased from 6.25% to 6.00%, which increased West Fraser's reported pension liability by approximately \$11 million.

Pension Assumptions

Table N

	2004	2003
Discount rate	6.00%	6.25%
Expected rate of return on plan asset	7.00%	7.00%
Rate of increase in future compensation	3.75%	4.00%

Change in Accounting Policy and Presentation

Asset Retirement Obligations

Effective January 1, 2004, asset retirement obligations are required to be recorded at fair value with subsequent changes in estimates recognized in income. Fair value is based on the estimated present value of expected cash payments related to the obligations. This resulted in a change in the Company's accounting for landfill closure costs and reforestation liabilities. The effect on the prior period is described in Note 2 to the accompanying financial statements.

Change in Presentation

Also effective January 1, 2004, a change of generally accepted accounting principles ("GAAP") prohibited the use of industry practice and provided guidance on a hierarchy of sources to consult on issues not addressed by Canadian GAAP. In accordance with industry practice, the Company had previously classified freight and other distribution costs, and countervailing and antidumping duties,

as a reduction of sales. Under the new standard, these costs have been presented, with retroactive effect, as part of costs and expenses in the statements of earnings.

Capital Structure

The combined number of Common shares and Class B Common shares outstanding increased to 42,744,750 as at December 31, 2004 (2003 – 36,856,714). Most of the increase resulted from the issuance on August 12, 2004 of 5,852,000 Subscription Receipts, which were converted one-for-one to Common shares on December 31, 2004. The balance of the increase reflects the issuance of 36,036 Common shares pursuant to the Employee Share Purchase Plan and the Share Option Plan.

All of West Fraser's debt, other than current borrowings for ANC, of which none was outstanding at December 31, 2004, is unsecured and ranks equally in right of payment. On December 31, 2004, the ratio of West Fraser's total debt (less cash and short-term investments) to total capitalization was .25 (December 31, 2003 - .03).

West Fraser's fixed-interest term debt is rated as investment grade by leading rating agencies. Although the ratings were unchanged from 2003, Moody's changed its outlook from 'Stable' to 'Negative'. Two other rating agencies maintained their 'Stable' outlook.

Table 0

Agency	Rating	Outlook
Dominion Bond Rating Service	BBB	Stable
Moody's	Baa2	Negative
Standard & Poor's	BBB	Stable

Capital Requirements and Liquidity

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

In 2004, the Company received net proceeds from the issuance of Common shares of \$269 million, from long-term debt issuances of \$626 million and from operating loans of \$66 million, most of which was used for the Weldwood acquisition.

Acquisitions and additions to property, plant, equipment and timber amounted to \$1,264 million (2003 – \$85 million). Proceeds from disposal of property, plant, equipment and timber was \$28 million (\$2003 – \$18 million).

A debt repayment of \$13 million (US \$10 million) was made in 2004. On December 31, 2004, immediately following the Weldwood acquisition, West Fraser had unused committed credit facilities of approximately \$330 million, and cash and short-term investments of \$350 million (2003 – \$266 million).

Management's Discussion & Analysis

Contractual Obligations at December 31, 2004¹ (\$ millions) Table P

	2005	2006	2007	2008	2009	Thereafter	Total
Long-term debt	150	–	225	–	150	361	886
Operating leases	3	2	2	1	–	1	9
Capital asset commitments	13	–	–	–	–	–	13
Total	166	2	227	1	150	362	908

¹ Contractual obligations means an enforceable agreement to purchase goods or services on specified terms but does not include reforestation obligations, energy purchases under various agreements, accounts payable in the ordinary course of business or contingent amounts payable.

Risks & Uncertainties

Fluctuations in Price and Demand for Products

West Fraser's financial performance is principally dependent on the selling prices of, and the demand for, the products it sells. Prices and demand for the Company's products have fluctuated significantly in the past and may fluctuate significantly in the future. The markets for lumber, panels, pulp, paper and other forest products are highly cyclical and affected by factors such as global economic conditions, changes in industry production capacity, changes in inventory levels, and other factors beyond the Company's control. In addition, interest rates have a significant effect on residential construction and renovation activity, which in turn influences the demand for and price of building materials. The Company cannot predict future market conditions or product demand and pricing. Prolonged or severe weakness in the market for any of its principal products would adversely affect its business, financial condition, results of operations and cash flows.

Currency Risk

Most of West Fraser's sales are at prices that, although denominated in various currencies, are generally based on prevailing U.S. dollar prices. This results in significant earnings sensitivity to changes in the U.S. – Canadian dollar exchange rate. Also, payment terms for offshore sales may be up to 180 days, exposing West Fraser to the risk of exchange rate fluctuations in the period between sale and payment. West Fraser does not currently hedge its foreign exchange exposure with financial forward or option contracts. U.S. dollar-denominated debt provides a limited offset to the U.S. dollar exchange exposure. During 2004, the U.S. dollar traded at between Cdn \$1.40 and \$1.17, with an average of \$1.30. (2003 – between \$1.58 and \$1.28, with an average of \$1.40.)

Weldwood Acquisition

West Fraser estimates it will achieve annual pre-tax synergies of \$80 million (by the end of the third year after closing) from the Weldwood acquisition as it combines various organizational functions, introduces best practices across the operations, including optimizing log distribution, adds operating shifts in certain facilities, and undertakes capital expenditures to further improve operations. The ability of the Company to achieve these objectives depends on the effectiveness of the integration process.

Softwood Lumber Dispute

Most of the lumber sold by West Fraser is to customers in the United States. Settlement of the current lumber trade dispute with the U.S. that materially restricts access by West Fraser to the U.S. market for the sale of lumber could materially affect its business, financial condition and results of operations.

Availability of Fibre and Changes in Stumpage Fees

West Fraser's principal raw material is timber. The Company meets a significant portion of its timber requirements through government grants of timber from provincial ministries of natural resources. The Company is charged stumpage fees for its harvesting activities on Crown lands. In Alberta, stumpage fees on logs harvested from timber tenures are indexed to the market price of end products. In British Columbia, the Ministry of Forests has outlined a proposal to reform the province's timber pricing method under which stumpage would be based on public timber auction prices. The government has implemented certain changes to its timber pricing method on the B.C. Coast, but it is not certain whether similar or any other changes will be implemented in West Fraser's areas of operations.

Competition

The markets for West Fraser's products are highly competitive. The Company's ability to maintain and improve its cost of producing and delivering its products to its markets is therefore crucial to its future financial condition. Factors which affect West Fraser's competitive position include the cost and availability of raw materials, energy and labour, the quality of its products and customer service, and its ability to maintain high operating rates and thus lower per unit manufacturing costs. If West Fraser is unable to compete successfully, its financial condition could suffer.

Operational Curtailments and Transportation Limitations

From time to time, West Fraser suspends operations at one or more of its facilities or logging operations in response to environmental risks, workplace safety concerns or other operational issues, including power failure, equipment breakdown, dry forest conditions, severe weather conditions and fire hazards. These unscheduled operational suspensions could have a material adverse effect on its financial condition. From time to time, West Fraser must also respond to rail car and truck shortages that limit product deliveries to its customers, which may have a material adverse effect on its financial performance.

Natural Disasters

West Fraser's operations are subject to adverse natural events such as forest fires, adverse weather conditions, disease and prolonged drought. These events could not only damage or destroy West Fraser's physical facilities or its timber supply, but also those of West Fraser's suppliers or customers. Any such damage or destruction could have a significant adverse effect on West Fraser's operations and financial results. Although West Fraser has what it believes to be reasonable insurance arrangements in place to cover certain of such incidents, there can be no assurance that these insurance arrangements will be sufficient to fully protect West Fraser against such losses. As is common in the industry, West Fraser does not insure losses of standing timber for any cause.

Management's Discussion & Analysis

Pine Beetle Infestation

In British Columbia's central interior, a mountain pine beetle infestation has been spreading since 1994. Recent timber supply analyses indicate that the availability of timber in 10 to 12 years will be adversely affected. The extent and duration of this result cannot be determined.

Environment

West Fraser has incurred, and will continue to incur, costs to comply with environmental laws and regulations which are expected to become increasingly strict. West Fraser may discover currently unknown environmental problems or conditions relating to its past or present operations. This may require site or other remediation costs to maintain compliance or correct violations of environmental laws and regulations or result in governmental or private claims for damage to person, property or the environment, which could have a material adverse effect on West Fraser's financial condition and operational results.

First Nations Claims

Failure of the government of British Columbia to adequately discharge its obligations to First Nations groups may affect the validity of its actions in dealing with public rights, including the granting of Crown timber harvesting rights. This uncertainty may be alleviated by the province's Consultation Policy, the negotiation of Forest and Range Agreements, the negotiation of treaties with First Nations and further judgments of the courts. At this time, it is not possible to determine whether First Nations claims will have a material adverse effect on West Fraser's timber harvesting rights or its ability to renew them or secure other timber harvesting rights.

Business Outlook 2005

West Fraser's earnings are sensitive to changes in world economic conditions, primarily those in North America, Europe and the Far East. Most of its revenues are from sales of commodities for which prices are sensitive to variations in supply and demand. Since most of these sales are in foreign currencies, mainly U.S. dollars, currency exchange fluctuations are a major factor.

West Fraser is taking steps necessary to ensure the effective integration of the Weldwood organization and to realize projected synergies. In 2005, the information technology and lumber sales departments will be centralized in expanded office space in Quesnel, while the two Vancouver offices will be merged and relocated. West Fraser plans to increase production at both the Houston and 100 Mile House sawmills in 2005 by introducing a third shift at each location. This will increase annual production by approximately 180 MMfbm.

In 2005, the Company plans to rebuild its Quesnel sawmill at a total cost of approximately \$100 million. The rebuild, which may take up to 15 months to complete, is expected to increase annual capacity from 390 MMfbm to 520 MMfbm. The timing for the commencement of this project is currently under consideration. No significant disruption of current operations is anticipated and the rebuild is expected to be funded out of cash flows and available credit lines.

Earnings Sensitivity to Key Variables – based on year-end capacities¹ (\$ millions) **Table Q**

Factor	Variation	Change in Earnings	
Lumber price	US \$50	change per Mfbm	129
Plywood price	US \$50	change per Msf	30
MDF price	US \$50	change per Msf	11
Pulp price	US \$50	change per tonne	44
Linerboard price	US \$50	change per tonne	13
Kraft paper price	US \$50	change per tonne	4
Newsprint price	US \$50	change per tonne	5
U.S.-Canadian \$ exchange rate ²	US \$0.01	change per Cdn \$	19
Sawlog cost	Cdn \$10	change per m ³	95

¹ Includes acquired Weldwood operations and assumed exchange rate of Cdn \$1.20 per US \$1.00.

² Excludes exchange impact on translation of monetary items and U.S. operations.

In response to anticipated higher interest rates, many analysts expect that U.S. housing starts will moderate from the high levels experienced in recent years. Lumber output in British Columbia should reflect the continued need to expedite logging of Interior forests infested by the mountain pine beetle. These factors should create downward pressure on lumber and panel prices.

It appears that the softwood lumber trade dispute with the United States will continue to consume time and resources in 2005. West Fraser anticipates that it will be excluded from further antidumping investigations at some time during 2005. The Company also believes that the U.S. government will be unsuccessful in its Extraordinary Appeal Challenge, which should result in the termination of the countervailing and antidumping duties.

It is difficult to make reasoned estimates as to how these varied and significant uncertainties will affect the lumber market. However, given West Fraser's low-cost operating structure, the Company should be well-positioned to respond to these uncertainties.

With an improving European economy, continued vigorous growth in China, and a stable U.S. economy, demand for pulp is projected to be relatively strong through 2005. Analysts expect some pulp price increases during the year, which should offset at least some of the effects of a strong Canadian dollar. Last year's encouraging trend in the operating performance of the Kitimat mill should continue through 2005, although the strong Canadian dollar will make it difficult to achieve positive earnings from this facility.

The coming year should be an exciting one for West Fraser. Combining Weldwood's well-performing facilities with West Fraser's proven low-cost operations should create significant synergies and give West Fraser a strong platform for growth.

Bill 198

On February 4, 2005, Canadian securities regulators issued a draft policy instrument ("Bill 198") that, if finalized, will require Canadian public companies to assess and report on their internal controls over financial reporting. Plans are underway to ensure that West Fraser complies with the requirements of Bill 198 by December 31, 2006.

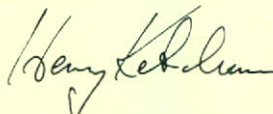
Responsibility of Management

The management of West Fraser Timber Co. Ltd. is responsible for the preparation, integrity and objectivity of the consolidated financial statements and all related financial data contained in the annual report. The consolidated financial statements have been prepared by management in accordance with accounting principals generally accepted in Canada and necessarily include amounts that represent the best estimates and judgments of management.

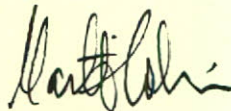
Management maintains a system of internal controls over financial reporting that encompasses policies, procedures and controls to provide reasonable assurance that assets are safeguarded against loss or unauthorized use, transactions are executed and recorded in accordance with management's authorization and financial records are accurate and reliable.

The Company's independent auditors, who are appointed by the shareholders, conduct an audit in accordance with Canadian generally accepted auditing standards to allow them to express an opinion on the financial statements.

The Board of Directors provides oversight to the financial reporting process through its Audit Committee, comprised of four Directors, none of whom is an officer or employee of the Company. The Audit Committee meets regularly with management and the Company's auditors to review the statements and matters relating to the audit. The Company's auditors have full and free access to the Audit Committee. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for issuance to the shareholders.



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



Martti Solin
Executive Vice-President, Finance
& Chief Financial Officer

January 31, 2005

Auditors' Report

To the Shareholders of
West Fraser Timber Co. Ltd.

We have audited the consolidated balance sheets of **West Fraser Timber Co. Ltd.** as at December 31, 2004 and 2003 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, B.C.

January 31, 2005

Consolidated Balance Sheets

As at December 31, 2004 and 2003

(in thousands of Canadian dollars)

	2004	2003
ASSETS		
Current assets		
Cash and short-term investments	\$ 349,563	\$ 265,860
Accounts receivable	296,267	140,293
Income tax receivable	—	17,762
Inventories (note 5)	541,155	322,295
Prepaid expenses	22,875	9,166
	<u>1,209,860</u>	<u>755,376</u>
Property, plant, equipment and timber (note 6)	2,336,966	1,245,702
Deferred charges (note 7)	36,320	21,301
Goodwill (note 3)	276,660	—
Other assets (note 8)	67,611	64,318
	<u>\$ 3,927,417</u>	<u>\$ 2,086,697</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

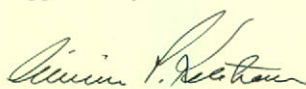
Current liabilities

Bank operating loan (note 9)	\$ 66,000	\$ —
Accounts payable and accrued liabilities	392,088	186,193
Income tax payable	147,261	—
Current portion of reforestation obligation	50,379	30,769
Current portion of long-term debt (note 9)	150,250	12,965
	<u>805,978</u>	<u>229,927</u>
Long-term debt (note 9)	735,536	286,974
Other liabilities (note 10)	189,223	58,863
Future income taxes (note 17)	409,546	189,724
Non-controlling interest	5,617	—
	<u>2,145,900</u>	<u>765,488</u>
Shareholders' equity (notes 2 and 11)	1,781,517	1,321,209
	<u>\$ 3,927,417</u>	<u>\$ 2,086,697</u>

Commitments (note 12)

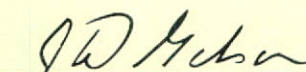
Contingencies (note 20)

Approved by the Board of Directors



William P. Ketcham

Director



J. Duncan Gibson

Director

Consolidated Statements of Earnings

For the years ended December 31, 2004 and 2003

<i>(in thousands of Canadian dollars)</i>	2004	2003
EARNINGS		
Sales <i>(note 2)</i>	\$ 2,400,007	\$ 1,920,637
Costs and expenses		
Cost of products sold	1,359,622	1,287,743
Freight and other distribution costs	346,329	300,533
Countervailing and antidumping duties	155,633	111,957
Amortization	153,866	142,284
Selling, general and administration	71,905	60,204
Share option expense	25,085	8,898
	<u>2,112,440</u>	<u>1,911,619</u>
Operating earnings	287,567	9,018
OTHER		
Interest expense – net <i>(note 15)</i>	(16,044)	(16,895)
Exchange gain on long-term debt	26,620	40,825
Other (expense) income <i>(note 16)</i>	(1,419)	3,295
Earnings before income taxes	<u>296,724</u>	<u>36,243</u>
Provision for (recovery of) income taxes <i>(note 17)</i>		
Current	106,858	8,362
Future	(22,104)	(15,240)
	<u>84,754</u>	<u>(6,878)</u>
Earnings	<u>\$ 211,970</u>	<u>\$ 43,121</u>
Earnings per share <i>(note 18)</i>		
Basic	<u>\$ 5.75</u>	<u>\$ 1.17</u>
Diluted	<u>\$ 5.36</u>	<u>\$ 1.16</u>

Consolidated Statements of Retained Earnings

For the years ended December 31, 2004 and 2003

<i>(in thousands of Canadian dollars)</i>	2004	2003
Retained earnings		
Balance – beginning of year	\$ 993,783	\$ 964,238
Cumulative effect of change in accounting policy <i>(note 2)</i>	–	7,063
	<u>993,783</u>	<u>971,301</u>
Earnings	211,970	43,121
	<u>1,205,753</u>	<u>1,014,422</u>
Common share dividends	(20,651)	(20,639)
Balance – end of year	<u>\$ 1,185,102</u>	<u>\$ 993,783</u>

Consolidated Statements of Cash Flows

For the years ended December 31, 2004 and 2003

<i>(in thousands of Canadian dollars)</i>	2004	2003
Cash flows from operating activities		
Earnings	\$ 211,970	\$ 43,121
Items not affecting cash		
Amortization	153,866	142,284
Exchange gain on long-term debt	(26,620)	(40,825)
Change in reforestation obligation	(11,007)	6,018
Change in other long-term liabilities	(3,808)	(7,169)
Change in deferred charges	(15,019)	(1,084)
Future income taxes	(25,403)	(15,240)
Gain on asset sales	(6,540)	(12,478)
Other	2,207	4,942
	<u>279,646</u>	<u>119,569</u>
Net change in non-cash working capital items	115,476	32,131
	<u>395,122</u>	<u>151,700</u>
Cash flows from financing activities		
Repayment of long-term debt	(13,338)	(16,844)
Proceeds from long-term debt	625,780	–
Proceeds from operating loan	66,000	–
Dividends	(20,651)	(20,639)
Issuance of Common shares (note 11)	268,719	781
Other	270	–
	<u>926,780</u>	<u>(36,702)</u>
Cash flows from investing activities		
Additions to property, plant, equipment and timber	(140,112)	(79,322)
Proceeds from disposal of property, plant, equipment and timber	27,718	17,546
Acquisitions - net of cash acquired (note 3)	(1,123,863)	(6,158)
Increase in other assets	(1,942)	(4,975)
Proceeds from disposal of other assets	–	30,855
	<u>(1,238,199)</u>	<u>(42,054)</u>
Increase in cash and short-term investments	83,703	72,944
Cash and short-term investments – beginning of year	265,860	192,916
Cash and short-term investments – end of year	<u>\$ 349,563</u>	<u>\$ 265,860</u>
Interest paid	<u>\$ 23,321</u>	<u>\$ 24,089</u>
Income taxes paid	<u>\$ 35,623</u>	<u>\$ 57,314</u>

1. Nature of operations and significant accounting policies

Nature of operations

The Company is an integrated forest products company producing lumber, panels and pulp and paper products.

Basis of presentation

The Company's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Principal direct and indirect operating subsidiaries are West Fraser Mills Ltd., Weldwood of Canada Limited, Blue Ridge Lumber Inc., Ranger Board Inc., Alberta Plywood Ltd., West Fraser (South), Inc., West Fraser Newsprint Ltd. and Slave Lake Pulp Holdings Ltd.

Investments in and operations of the company's joint ventures are accounted for by the proportionate consolidation method (note 4).

Revenue recognition

Revenues are derived from product sales and are recognized upon the transfer of significant risks and rewards of ownership, provided collectibility is reasonably assured.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant areas requiring estimates are asset valuations, reforestation obligations, employee future benefits, asset retirement obligations and countervailing and antidumping duties. Actual amounts could differ materially from those estimates.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies, including long-term debt, are translated into Canadian dollars at the exchange rates prevailing at the end of the period. Other assets and liabilities and income and expense items are translated at the exchange rates prevailing on the transaction dates. Resulting exchange gains or losses are included in earnings.

The Company's foreign operations are considered to be integrated. Accordingly, monetary items are translated at the rates of exchange in effect at the balance sheet dates, and non-monetary items are translated at historical exchange rates. Revenues and expenses are translated at the average rate of exchange in effect during the period in which they occur, except for amortization of assets, which is translated at the same historical exchange rate as the asset to which it relates. Gains or losses on the translation of monetary items are included in earnings.

Cash and short-term investments

Cash and short-term investments consist of cash on deposit and short-term interest-bearing securities with maturities at their purchase date of three months or less.

Inventories

Inventories of logs and manufactured products are valued at the lower of average cost and net realizable value. Inventories of other raw materials, processing materials and supplies are valued at the lower of average cost and replacement cost.

Notes to Consolidated Financial Statements

December 31, 2004 and 2003 (Figures are in thousands of Canadian dollars except where indicated)

Property, plant, equipment and timber

Property, plant, equipment and timber is stated at cost less accumulated amortization. Major manufacturing assets under construction include capitalized interest and preproduction and start-up costs. Expenditures for additions, improvements and renewals are capitalized. Expenditures for maintenance and repairs are charged to earnings. Upon retirement, disposal or destruction of assets, the cost and related amortization are removed from the accounts and any gain or loss is reflected in earnings.

Property, plant and equipment are principally amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 - 40 years
Manufacturing equipment and machinery	10 - 20 years
Fixtures and other equipment	3 - 10 years

Cost of logging roads and timber rights are amortized over a period not exceeding 60 years.

Capitalized preproduction and start-up costs are amortized over a period not exceeding five years.

Goodwill

Goodwill represents the excess of the purchase price paid for an acquisition over the fair value of the net assets acquired. Goodwill is not amortized, but is subject to an impairment test on at least an annual basis, or more frequently if events or circumstances indicate that it may be impaired.

Goodwill impairment is assessed based on a comparison of the fair value of a reporting unit to the underlying carrying value of the reporting unit's net assets, including goodwill. When the carrying amount of the reporting unit exceeds its fair value, the fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of impairment loss, if any.

Impairment of long-lived assets

The company reviews property, plant, equipment and timber for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate.

Share-based compensation

The Company has a share option plan and a directors' deferred share unit plan ("DDSU") as described in note 11.

In 2003, the share option plan was amended to give share option holders the right to elect to receive a cash payment in lieu of exercising the option to purchase Common shares. Effective from the amendment, the Company records an expense or a gain for share options, based on the quoted market value of the Company's Common shares. If an option holder elects to purchase Common shares, as opposed to receiving a cash payment, both the exercise price and the accrued liability is credited to shareholders' equity.

In 2004, the Company implemented the DDSU which allows for settlements in cash or shares at the holder's option, and therefore, is accounted for as a liability. Changes in the Company's obligations under the DDSU, which arise from fluctuations in the market price of the Company's Common shares underlying this plan, are recorded in selling, general and administration expense.

Reforestation obligation

The Company harvests timber under various timber rights. Estimated future reforestation obligations are accrued and charged to earnings at the time the timber is harvested. The difference between estimated and actual costs of reforestation are credited or charged to earnings when realized.

Asset retirement obligations

The Company records the estimated fair value of a liability for asset retirement obligations in the period a reasonable estimate of fair value can be made. The fair value is added to the carrying amount of the associated asset and amortized over its useful life. The liability is accreted over time through periodic charges to earnings and is reduced by actual costs of settlement.

Employee future benefits

The Company accrues its obligations under employee benefit plans net of plan assets.

The Company has adopted the following policies for its defined benefit plans:

- The cost of pensions earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimates of expected plan investment performance, salary escalation and retirement ages of employees;
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value;
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendments;
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of the active employees.

For defined contribution plans, the pension expense recorded in earnings is the amount of contributions the Company is required to pay for services rendered by employees.

Income taxes

Future income taxes are provided for using the liability method. Under the liability method, future income taxes are recognized for temporary differences between the tax and financial statement bases of assets, liabilities and certain carry-forward items.

Future income tax assets are recognized only to the extent that it is more likely than not that they will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

2. Change in accounting policy and change in presentation

Asset retirement obligations

Effective January 1, 2004, the Company adopted the new accounting requirements for asset retirement obligations. Under the new requirements, the Company records the fair value of a liability for an asset retirement obligation in the period in which it is incurred. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and amortized over the expected useful life of the asset. This requirement changed the company's accounting for landfill closure costs and reforestation liabilities.

Accordingly, the Company retroactively adjusted the carrying value of liabilities, previously reported on an undiscounted basis, for reforestation and certain landfill closure costs and recorded liabilities and the associated assets for landfill closure costs not previously accrued. The net increase to property, plant, equipment and timber at January 1, 2004 was \$908, the net decrease to liabilities was \$11,335, the decrease to inventory was \$1,941 and the impact on January 1, 2003 opening retained earnings (net of tax of \$3,239) was \$7,063. The cumulative effect of adopting these accounting requirements was not material to the company's results of operations and the impact was included in costs and expenses in 2004.

Presentation

The Company has presented freight and other distribution costs and countervailing and antidumping duties as part of costs and expenses in the statements of earnings and reclassified the prior period's presentation accordingly. Previously these expenses were recorded as a reduction of gross sales in accordance with industry practice.

Notes to Consolidated Financial Statements

December 31, 2004 and 2003 (Figures are in thousands of Canadian dollars except where indicated)

3. Acquisitions

2004

On December 31, 2004, the Company acquired the only issued share of Weldwood of Canada Limited ("Weldwood") for net cash consideration of \$1,123,863. The terms of the transaction also provide that the seller is entitled to the net after-tax value of any refunds of softwood lumber duties paid by Weldwood before December 31, 2004 and to further cash consideration, not to exceed \$50,000 in aggregate, if the average market price of NBSK pulp per tonne exceeds the greater of US\$710 and Cdn \$950 during any quarter ending on or before June 30, 2007. Weldwood was amalgamated with West Fraser Mills Ltd., the company's principal operating subsidiary, effective January 1, 2005.

The business acquired consists of four wholly owned sawmills (one containing a wood treating facility), three partly owned sawmills (one containing a wood treating facility), two plywood plants, one laminated veneer lumber facility, one wholly owned and one partially owned NBSK pulp mill, and 5.2 million cubic meters of allowable annual cut. These facilities are located at various locations in British Columbia and Alberta.

The acquisition has been accounted for using the purchase method, whereby the purchase consideration was allocated to the estimated fair values of the assets acquired and liabilities assumed at the effective date of the purchase. The company has not yet finalized the allocation of the purchase cost for the acquisition. The preliminary allocation of the purchase cost is based on management's best estimate and information available at the time of preparing these consolidated financial statements and any changes may be material.

Net assets acquired	\$ 1,430,342
Less: Cash acquired	(306,479)
Net non-cash assets acquired	<u>\$ 1,123,863</u>
Preliminary allocation:	
Current assets	\$ 352,347
Current liabilities	(219,872)
Property, plant and equipment	690,564
Timber	432,340
Goodwill	276,660
Other assets – net	1,722
Reforestation obligation	(50,474)
Employee future benefits	(108,582)
Future income taxes	(245,225)
Non-controlling interest	<u>(5,617)</u>
Net cash consideration	<u>\$ 1,123,863</u>

The allocation above includes costs related to the acquisition of \$6,597 and estimated severance and other costs associated with the integration of Weldwood of \$18,510. Actual amounts incurred in relation to these activities may differ from these estimates and any such differences will be factored into the final allocation.

Any payments required pursuant to pulp price movements described above will result in additional goodwill being recorded. Goodwill is not deductible for tax purposes.

The company entered into a consent agreement on December 7, 2004 with the Canadian Commissioner of Competition which requires the company, among other things, to divest a 90% interest in two sawmills and their related timber harvesting rights acquired in this transaction. The assets and liabilities related to these operations are included in the preliminary allocation above.

2003

Effective May 30, 2003, the Company acquired certain timber rights and a related non-operating sawmill. The acquisition has been accounted for by the purchase method and the results of operations have been included with those of the company from the effective date.

Net assets acquired at fair value:

Property, plant, equipment and timber	\$	6,597
Reforestation obligation		(439)
Net cash consideration	\$	6,158

4. Investment in joint ventures

The Company's principal joint ventures are Alberta Newsprint Company (50%), Houston Forest Products Company (50%)⁽¹⁾, Babine Forest Products Company (31.58%)⁽¹⁾, Seehta Forest Products (50%) and Cariboo Pulp and Paper (50%)⁽²⁾. The company's proportionate share of the joint ventures is as follows:

	2004	2003
Current assets	\$ 33,915	\$ 47,740
Non-current assets	168,245	142,690
Total assets	202,160	190,430
Current liabilities	(23,523)	(25,292)
Non-current liabilities	(8,068)	(12,245)
Equity	\$ 170,569	\$ 152,893
Sales	\$ 259,155	\$ 209,788
Expenses	216,161	198,408
Earnings	\$ 42,994	\$ 11,380
Cash flows from operating activities	\$ 56,734	\$ 35,903
Cash flows from financing activities	\$ (3,631)	\$ 5,493
Cash flows from investing activities	\$ 1,634	\$ (10,768)

The Company has business transactions with certain of its joint venture participants and entities related to these participants. All transactions are at market prices and on normal business terms.

- (1) Effective December 31, 2004, with the acquisition of Weldwood, these operations ceased to be joint ventures and the assets, liabilities and equity balances has been removed from the 2004 figures above and consolidated in the Company's balance sheet.
- (2) Effective December 31, 2004, with the acquisition of Weldwood, this operation became a joint venture and the Company's proportionate share of the assets, liabilities and equity balances has been added to the 2004 figures above and the Company's balance sheet.

Notes to Consolidated Financial Statements

December 31, 2004 and 2003 (Figures are in thousands of Canadian dollars except where indicated)

5. Inventories

	2004	2003
Logs and wood chips	\$ 154,718	\$ 108,520
Manufactured products	298,615	164,030
Processing materials and supplies	87,822	49,745
	<u>\$ 541,155</u>	<u>\$ 322,295</u>

6. Property, plant, equipment and timber

	Cost	Accumulated amortization	2004 Net
Manufacturing plant and equipment	\$ 3,090,027	\$ 1,496,633	\$ 1,593,394
Timber rights and roads	879,579	183,491	696,088
Rental properties	30,242	5,214	25,028
Other	24,040	1,584	22,456
	<u>\$ 4,023,888</u>	<u>\$ 1,686,922</u>	<u>\$ 2,336,966</u>

	Cost	Accumulated amortization	2003 Net
Manufacturing plant and equipment	\$ 2,310,468	\$ 1,376,067	\$ 934,401
Timber rights and roads	417,118	170,839	246,279
Rental properties	53,466	8,675	44,791
Other	21,886	1,655	20,231
	<u>\$ 2,802,938</u>	<u>\$ 1,557,236</u>	<u>\$ 1,245,702</u>

7. Deferred charges

	2004	2003
Deferred pension (<i>note 13</i>)	\$ 26,152	\$ 20,720
Deferred financing fees – net	10,168	581
	<u>\$ 36,320</u>	<u>\$ 21,301</u>

Deferred financing fees are amortized over the term of the related debt.

8. Other assets

	2004	2003
Investments	\$ 15,617	\$ 19,775
Power purchase agreements – net	30,685	32,698
Advances for timber and timber deposits	21,309	11,845
	<u>\$ 67,611</u>	<u>\$ 64,318</u>

Power purchase agreements

The Company entered into agreements to acquire a portion of the electricity to be generated from two power plants in Alberta, beginning January 1, 2001, at substantially predetermined prices. The Company's share is expected to be 150 megawatts per year to 2013 and 120 megawatts per year to 2020. The Company also has entered into agreements to resell the electricity at prevailing market prices. At the same time, the Company's Alberta operations purchase electricity at prevailing market prices. Power purchase agreements are amortized over the life of the underlying agreements, being 17 and 20 years.

9. Long-term debt and bank indebtedness

Long-term debt

	2004	2003
US \$125,000 term notes due 2005; interest at 7.50%	\$ 150,250	\$ 162,063
Cdn \$125,000 term notes due 2007; interest at 6.80%	124,936	124,911
Cdn \$100,000 bank loan due 2007; interest at floating rates ⁽¹⁾	100,000	—
Cdn \$150,000 bonds due 2009; interest at 4.94%	150,000	—
US \$300,000 term notes due 2014; interest at 5.20%	360,600	—
US nil (2003 - US \$10,000); interest at 8.44%	—	12,965
	<u>885,786</u>	<u>299,939</u>
Less: Current portion	<u>150,250</u>	<u>12,965</u>
	<u>\$ 735,536</u>	<u>\$ 286,974</u>

⁽¹⁾Floating rates are based on prime, US base, bankers acceptances or LIBOR at the company's option.

Interest payments on term notes and bonds are made on a semi-annual basis. Interest payments on the bank loan are made on at least a semi-annual basis and more frequently in certain circumstances.

Principal repayments required are as follows:

2005	\$ 150,250
2006	—
2007	224,936
2008	—
2009	150,000
Thereafter	360,600
	<u>\$ 885,786</u>

Bank indebtedness

The Company has approximately \$395,000 (2003 - \$275,000) in revolving lines of credit available, \$66,000 of which was drawn as at December 31, 2004 (2003 - nil). The company has also issued \$59,612 under various letters of credit.

All long-term debt and bank lines of credit are unsecured.

10. Other liabilities

	2004	2003
Post-retirement obligation (note 13)	\$ 112,024	\$ 7,249
Reforestation obligation - long-term	70,563	50,706
Other asset retirement obligations	6,636	908
	<u>\$ 189,223</u>	<u>\$ 58,863</u>

Notes to Consolidated Financial Statements

December 31, 2004 and 2003 (Figures are in thousands of Canadian dollars except where indicated)

Asset retirement obligations

The Company's asset retirement obligations relate to its responsibility to reforest timber harvested under various timber rights and to landfill closure costs.

Changes in asset retirement obligations are as follows:

			2004	2003
	Reforestation	Other	Total	Total
Asset retirement obligation				
– beginning of year	\$ 81,475	\$ 908	\$ 82,383	\$ 77,359
Liabilities recognized	26,821	3,918	30,739	30,020
Liabilities settled	(25,672)	–	(25,672)	(24,625)
Accretion expense	3,840	253	4,093	3,537
Change in estimates	(15,996)	–	(15,996)	(3,908)
Acquired obligation (note 3)	50,474	1,557	52,031	–
Asset retirement obligation				
– end of year	120,942	6,636	127,578	82,383
Less: Current portion	(50,379)	–	(50,379)	(30,769)
	\$ 70,563	\$ 6,636	\$ 77,199	\$ 51,614

The total undiscounted amount of the estimated cash flows is \$147,732. The cash flows have been discounted using an inflation adjusted risk-free rate of 4.6%.

The timing of the reforestation payments is based on the Company's estimate of the amount of time required to attain free to grow status in a given area, which is generally between 12 to 15 years. The timing of the payments relating to landfill closure costs are expected to occur at periods ranging from 5 to 20 years.

11. Shareholders' equity

Authorized share capital

10,000,000 Preferred shares, issuable in series, without par value

200,000,000 Common shares, without par value

20,000,000 Class B common shares, without par value

	2004		2003	
	Number of shares issued	Amount	Number of shares issued	Amount
Common	37,359,544	\$ 596,484	31,471,508	\$ 327,764
Class B common	5,385,206	541	5,385,206	541
Total Common	<u>42,744,750</u>	597,025	<u>36,856,714</u>	328,305
Retained earnings		1,185,102		993,783
Share purchase loans		(610)		(879)
		<u>\$ 1,781,517</u>		<u>\$ 1,321,209</u>

Share capital transactions during 2004

The Company issued 5,852,000 share subscription receipts at \$47 per receipt pursuant to an August 12, 2004 short form prospectus. The share subscription receipts were converted on a one-for-one basis to Common shares of the Company on December 31, 2004 and net proceeds of \$267,023 (net of \$8,021 of issuance costs) were credited to Common share capital. In addition, the Company issued 36,036 Common shares for \$1,696 during the year.

Share capital transactions during 2003

The Company issued 3,349,452 Common shares for one dollar pursuant to a 10% stock dividend; 24,033 Common shares were issued for \$781; 250,000 Class B common shares in the amount of \$25 were exchanged for Common shares.

Rights and restrictions

Common shares

Common shares and Class B common shares are equal in all respects except that each Class B common share may at any time be exchanged for one Common share.

Dividends payable

Dividends declared and unpaid at December 31, 2004 amounted to \$5,165 (2003 - \$5,160) and are included in accounts payable and accrued liabilities.

Share purchase loans

Share purchase loans receivable of \$610 (2003 - \$879) under the Company's management share purchase plan are included as a reduction of shareholders' equity. The loans are non-interest bearing, mature in 2005 through 2008 and are secured by a pledge of 24,624 (2003 - 34,813) Common shares.

Share option plan

The Company has a share option plan for its directors, officers and employees, under which it may grant up to 3,505,506 share options. The exercise price of a share option is the closing price of the Company's Common shares on the day preceding the grant date. The options vest at 20% per year from the grant date and expire after 10 years.

A summary of the activity in the share option plan is presented below:

	2004		2003	
	Options	Weighted average exercise price (dollars)	Options	Weighted average exercise price (dollars)
Outstanding - beginning of year	2,074,522	\$ 29.02	1,857,594	\$ 28.24
Granted	170,000	38.90	336,050	33.41
Exercised	(338,574)	27.60	(41,440)	28.72
Expired	(39,600)	32.55	(77,682)	26.78
Outstanding - end of year	1,866,348	\$ 30.10	2,074,522	\$ 29.02
Exercisable - end of year	1,144,853	\$ 28.82	1,131,970	\$ 28.29

The figures in the above table reflect the effects of the 10% stock dividend issued in 2003, as if the options had been outstanding from January 1, 2003.

The following table summarizes information about the stock options outstanding at December 31, 2004:

Range of exercise prices (dollars)	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (dollars)	Number of exercisable options	Weighted average exercise price (dollars)
\$21.08 - \$24.07	389,956	5.6	\$ 21.38	262,045	\$ 21.53
\$27.61 - \$29.75	631,214	4.4	\$ 29.20	569,100	\$ 29.14
\$33.41 - \$35.54	675,178	6.8	\$ 33.77	303,708	\$ 34.18
\$38.90	170,000	9.1	\$ 38.90	10,000	\$ 38.90
	1,866,348	5.9	\$ 30.10	1,144,853	\$ 28.82

Notes to Consolidated Financial Statements

December 31, 2004 and 2003 (Figures are in thousands of Canadian dollars except where indicated)

Directors' deferred share unit plan

Under the DDSU, non-employee directors of the Company may elect to receive all or a portion of their fee for that fiscal year in the form of deferred share units which vest immediately. Units are redeemable, in cash or Common shares, only following resignation or retirement and must be redeemed by December 15 of the following year and in certain cases a shorter time period. As at December 31, 2004, there were 5,996 (2003 - nil) units outstanding.

12. Commitments

a) Operating leases

The Company is committed to payments under certain operating leases for equipment, land, buildings and office space. The payments required under these leases over the next five years amount to \$8,909 (2003 - \$2,761).

	\$
2005	2,688
2006	2,347
2007	2,107
2008	1,015
2009	326
Thereafter	426
	<u>8,909</u>

b) Loan guarantee

The Company has guaranteed a bank loan in the amount of \$5,700 (2003 - \$6,400) of a 50% joint venture.

c) Product purchase and sale commitments

The Company has long-term purchase and sale contracts with annual minimum volume commitments. All contracts are at market prices and on normal business terms.

13. Employee future benefits

The Company maintains non-contributory defined benefit and defined contribution pension plans covering a majority of its employees. The defined benefit plans provide pension benefits based on either length of service or earnings and length of service. The Company has partially funded supplemental defined benefit pension plans for certain salaried employees. The Company also provides group life insurance, medical and extended health benefits to certain employee groups.

The total pension expense for the Company's defined contribution pension plans is \$1,838 (2003 - \$1,726).

During the year ended December 31, 2003, the Company prospectively adopted an accounting measurement date of October 31, from December 31, for its pension and non-pension benefit plans.

The status of the Company's defined benefit pension plans and other benefit plans, in aggregate, is as follows:

	Pension plans		Other benefit plans	
	2004	2003	2004	2003
Expense				
Current service cost	\$ 12,179	\$ 11,177	\$ 146	\$ 128
Interest cost on earned benefit obligations	17,890	16,673	611	608
Actual return on plan assets	(35,243)	(29,903)	—	—
Actual actuarial loss (gain) on benefit obligation	8,109	14,165	(32)	3,373
Other	681	978	—	—
Expense before adjustments to recognize the long-term nature of employee future benefit costs	3,616	13,090	725	4,109
Difference between expected return and actual return on plan assets	17,195	15,113	—	—
Difference between net actuarial (gain) loss recognized and actual (gain) loss on benefit obligation	(7,717)	(12,848)	112	(3,268)
Difference in other	(610)	(961)	460	460
Net expense	\$ 12,484	\$ 14,394	\$ 1,297	\$ 1,301
Accrued benefit obligation				
Projected benefit obligations – opening	\$ 278,259	\$ 248,610	\$ 10,192	\$ 6,419
Acquired plans ⁽¹⁾	338,480	—	37,596	—
Current service cost	12,258	9,596	146	106
Interest cost	17,890	14,081	611	507
Benefits paid	(9,429)	(7,863)	(337)	(213)
Actuarial losses and other	8,922	13,835	(32)	3,373
Projected benefit obligations – ending	\$ 646,380	\$ 278,259	\$ 48,176	\$ 10,192
Plan assets				
Fair value – opening	\$ 259,743	\$ 218,142	\$ —	\$ —
Acquired plans ⁽¹⁾	267,493	—	—	—
Actual return on plan assets	35,243	29,903	—	—
Contributions	26,038	20,869	337	213
Benefits paid	(9,429)	(7,863)	(337)	(213)
Other	(133)	(1,308)	—	—
Fair value – ending	\$ 578,955	\$ 259,743	\$ —	\$ —
Funded status of the plans				
Plan deficit – registered plans	\$ 7,716	\$ (5,048)	\$ (10,580)	\$ (10,192)
– supplemental plan	(4,154)	(13,468)	—	—
– acquired plans ⁽¹⁾⁽²⁾	(70,987)	—	(37,596)	—
	(67,425)	(18,516)	(48,176)	(10,192)
Unamortized net actuarial losses	21,545	31,025	2,227	2,339
Unamortized past service costs	1,968	1,107	—	—
Unamortized net transitional amount	(2,460)	(2,510)	3,684	4,144
Contributions after measurement date	2,765	2,365	—	—
Net accrued benefit (liability) asset	\$ (43,607)	\$ 13,471	\$ (42,265)	\$ (3,709)
Represented by				
Deferred pension (note 7)	\$ 26,152	\$ 20,720	\$ —	\$ —
Pension and other benefit plans (note 10)	(69,759)	(7,249)	(42,265)	(3,709)
	\$ (43,607)	\$ 13,471	\$ (42,265)	\$ (3,709)

⁽¹⁾ Acquired plans relate to the acquisition of Weldwood (note 3).

⁽²⁾ Letters of credit totalling \$41,483 have been provided as security for acquired supplemental pension plans.

Notes to Consolidated Financial Statements

December 31, 2004 and 2003 (Figures are in thousands of Canadian dollars except where indicated)

The significant actuarial assumptions used are as follows:

	Pension plans		Other benefit plans	
	2004	2003	2004	2003
For the year ended December 31				
To determine benefit obligation at end of year				
Discount rate	6.00%	6.25%	6.00%	6.25%
Expected rate of return on plan assets	7.00%	7.00%	n/a	n/a
Rate of increase in future compensation	3.75%	4.00%	n/a	n/a
To determine benefit expense (income) for the year				
Discount rate	6.25%	6.50%	6.25%	6.50%
Expected rate of return on plan assets	7.00%	7.00%	n/a	n/a
Rate of increase in future compensation	4.00%	4.00%	n/a	n/a

The Company funds health care benefit costs, shown under other benefit plans, on a pay-as-you-go basis. The actuarial assumptions are for extended health care cost increases of 10% per year for five years, grading down to 4.5% per year thereafter, with no increase in the medical services plan.

Assets

The Company's defined benefit plans' weighted-average asset allocations at the measurement date⁽¹⁾, by asset category, are as follows:

	2004 %	2003 %
Equity investments	56	62
Fixed income investments	41	37
Other	3	1
	100	100

(1) Weldwood plan assets were valued as at the acquisition date of December 31, 2004.

Actuarial valuations

Actuarial valuations of the Company's pension plans are generally required every three years. The most recent valuations and the next scheduled valuations for the Company's principal defined benefit plans are as follows:

Last actuarial valuation date	Scheduled valuation date	Percentage of benefit obligation	Percentage of fair value of assets
December 31, 2001	December 31, 2004	13	16
December 31, 2002	December 31, 2005	31	35
December 31, 2003	December 31, 2006	2	3
December 31, 2003	December 31, 2004	52	45
December 31, 2003	December 31, 2005	2	1
		100	100

14. Financial instruments

a) Fair values

The recorded amounts for cash and short-term investments, accounts receivable, accounts payable and accrued liabilities and bank operating loan approximate fair values, based on their short-term maturities.

The fair value of the Company's long-term debt at December 31, 2004 was \$904,356 based on rates currently available to the Company for long-term debt with similar terms and remaining maturities.

b) Credit risk

The Company sells its products to a variety of customers with various payment terms and therefore is exposed to credit risk. The company has adopted policies and procedures designed to limit this risk.

c) Currency risk

A significant portion of the Company's earnings are generated from sales denominated in U.S. dollars. The company does not use forward exchange contracts to reduce its exposure to exchange rate movements.

15. Interest expense

	2004	2003
Long-term interest	\$ (27,320)	\$ (23,743)
Current interest income - net	11,276	6,848
	<u>\$ (16,044)</u>	<u>\$ (16,895)</u>

16. Other (expense) income

	2004	2003
Gain on asset sales	\$ 6,540	\$ 12,478
Rental income - net	2,932	2,642
Foreign exchange loss - net	(7,649)	(5,799)
Other - net	(3,242)	(6,026)
	<u>\$ (1,419)</u>	<u>\$ 3,295</u>

17. Income taxes

The Company's effective tax rate is as follows:

	2004		2003	
	Amount	%	Amount	%
Income taxes at statutory rates	\$ 105,692	35.6	\$ 12,901	35.7
Large corporations tax	87	-	2,137	5.9
Non-taxable amounts	(12,402)	(4.2)	(12,208)	(33.7)
Rate differentials between jurisdictions	(3,913)	(1.3)	(4,587)	(12.7)
Reduction in statutory income tax rates	(3,052)	(1.0)	(1,873)	(5.2)
Rate differentials on loss carry backs	(655)	(0.2)	(1,972)	(5.4)
Other	(1,003)	(0.3)	(1,276)	(3.5)
	<u>\$ 84,754</u>	<u>28.6</u>	<u>\$ (6,878)</u>	<u>(18.9)</u>

Notes to Consolidated Financial Statements

December 31, 2004 and 2003 (Figures are in thousands of Canadian dollars except where indicated)

The components of the future income taxes are as follows:

	2004	2003
Future income tax liabilities		
Property, plant, equipment and timber	\$ (504,914)	\$ (229,311)
Other assets	(19,717)	(7,485)
	<u>(524,631)</u>	<u>(236,796)</u>
Future income tax assets		
Reforestation accrual	40,229	27,317
Post-retirement obligation	38,458	2,972
Other	36,398	16,783
	<u>115,085</u>	<u>47,072</u>
	<u>\$ (409,546)</u>	<u>\$ (189,724)</u>

In addition, the Company has capital loss carry-forwards and unrealized capital losses of \$18,000 which may be used to reduce the tax liability on future capital gains.

18. Earnings per share

Basic earnings per share are calculated based on earnings available to Common shareholders, as set out below, using the weighted average number of Common shares outstanding. Diluted earnings per share assume the exercise of options using the treasury stock method and the conversion on the issuance date of subscription receipts to Common shares. The diluted earnings per share calculation reflect the weighted average number of subscription receipts outstanding during the periods.

Earnings per share figures reflect the 10% stock dividend issued in 2003, as if the shares had been outstanding from the beginning of the years presented.

	2004	2003
Earnings available to shareholders	\$ 211,970	\$ 43,121
Weighted average number of shares		
Weighted average shares – basic	36,848,188	36,814,494
Subscription receipts	2,078,579	–
Share options – treasury stock method	600,403	287,727
Weighted average number of shares – diluted	<u>39,527,170</u>	<u>37,102,221</u>
Earnings per share (dollars)		
Basic earnings per share	\$ 5.75	\$ 1.17
Diluted earnings per share	<u>\$ 5.36</u>	<u>\$ 1.16</u>

19. Segmented information

The segmentation of the Company's manufacturing operations into lumber, panels and pulp and paper is based on a number of factors, including similarities in products, production processes, and economic characteristics. The accounting policies of each segment are the same as those described in note 1.

2004 (in millions of Cdn dollars)

	Lumber	Panels	Pulp & paper	Corporate & other	Consolidated
Sales at market prices ⁽¹⁾					
To external customers	\$ 1,474.9	\$ 284.5	\$ 640.6	\$ —	\$ 2,400.0
To other segments	48.5	—	—	—	
	\$ 1,523.4	\$ 284.5	\$ 640.6	\$ —	
EBITDA ⁽²⁾	\$ 361.0	\$ 74.2	\$ 44.9	\$ (38.6)	\$ 441.5
Amortization	63.2	29.4	59.5	1.8	153.9
Operating earnings					
(loss)	297.8	44.8	(14.6)	(40.4)	287.6
Interest expense	(8.1)	(1.0)	(4.6)	(2.3)	(16.0)
Exchange gain on long-term debt	—	—	—	26.6	26.6
Other income (expense)	0.6	(0.1)	0.1	(2.0)	(1.4)
Earnings (loss) before income taxes	\$ 290.3	\$ 43.7	\$ (19.1)	\$ (18.1)	\$ 296.8
Total capital employed ⁽²⁾	\$ 1,595.4	\$ 402.1	\$ 1,019.9	\$ 314.8	\$ 3,332.2
Assets before acquisition	\$ 842.2	\$ 209.1	\$ 683.7	\$ 124.9	\$ 1,859.9
Assets acquired	767.6	255.3	442.6	319.7	1,785.2
Goodwill acquired	230.5	46.1	—	—	276.6
Identifiable assets	\$ 1,840.3	\$ 510.5	\$ 1,126.3	\$ 444.6	\$ 3,921.7
Capital expenditures	\$ 94.9	\$ 9.6	\$ 32.5	\$ 3.1	\$ 140.1
Acquisition	\$ 897.7	\$ 255.4	\$ 398.9	\$ (428.1)	\$ 1,123.9
Sales by geographic area					
Sales to external customers					
USA	\$ 1,169.5	\$ 102.8	\$ 163.3	\$ —	\$ 1,435.6
Canada	237.9	175.5	83.6	—	497.0
Europe	—	—	62.7	—	62.7
Far East	67.5	6.2	229.5	—	303.2
Other	—	—	101.5	—	101.5
	\$ 1,474.9	\$ 284.5	\$ 640.6	\$ —	\$ 2,400.0
Property, plant, equipment and timber by geographic area					
Canada					\$ 2,221.2
USA					115.7
Total					\$ 2,336.9

(1) Significant customers:

During the year ended December 31, 2004, one group of companies purchased \$383.1 of lumber from the company, accounting for 16% of consolidated sales.

(2) Non-GAAP measures:

a) EBITDA is defined as operating earnings plus amortization.

b) Capital employed is defined as identifiable assets less current non-interest-bearing liabilities at year-end.

Notes to Consolidated Financial Statements

2003 (in millions of Cdn dollars)

	Lumber	Panels	Pulp & paper	Corporate & other	Consolidated
Sales at market prices ⁽¹⁾					
To external customers	\$ 1,141.0	\$ 229.7	\$ 549.9	\$ —	\$ 1,920.6
To other segments	35.6	—	—	—	
	\$ 1,176.6	\$ 229.7	\$ 549.9	\$ —	
EBITDA ⁽²⁾	\$ 98.9	\$ 36.9	\$ 26.9	\$ (11.4)	\$ 151.3
Amortization	59.4	24.3	56.8	1.8	142.3
Operating earnings (loss)	39.5	12.6	(29.9)	(13.2)	9.0
Interest expense	(8.4)	(1.9)	(6.2)	(0.4)	(16.9)
Exchange gain on long-term debt	—	—	—	40.8	40.8
Other income (expense)	7.3	0.1	0.1	(4.2)	3.3
Earnings from income taxes	\$ 38.4	\$ 10.8	\$ (36.0)	\$ 23.0	\$ 36.2
Total capital employed ⁽²⁾	\$ 687.4	\$ 207.6	\$ 622.0	\$ 352.8	\$ 1,869.8
Identifiable assets	\$ 807.5	\$ 230.0	\$ 674.9	\$ 374.3	\$ 2,086.7
Capital expenditures and acquisition	\$ 62.2	\$ 4.9	\$ 16.9	\$ 1.4	\$ 85.4
Sales by geographic area					
Sales to external customers					
USA	\$ 908.0	\$ 60.8	\$ 149.9	\$ —	\$ 1,118.7
Canada	182.8	143.3	59.2	—	385.3
Europe	—	—	52.8	—	52.8
Far East	50.2	25.4	224.3	—	299.9
Other	—	0.2	63.7	—	63.9
	\$ 1,141.0	229.7	\$ 549.9	\$ —	\$ 1,920.6
Property, plant, equipment and timber by geographic area					
Canada				\$	1,138.0
USA					107.7
				\$	1,245.7

(1) Significant customers:

During the year ended December 31, 2003, one group of companies purchased \$269.3 of lumber from the company, accounting for 14% of consolidated sales.

(2) Non-GAAP measures:

a) EBITDA is defined as operating earnings plus amortization.

b) Capital employed is defined as identifiable assets less current non-interest-bearing liabilities at year-end.

20. Contingencies

a) Countervailing and Antidumping Duties

In 2002, the U.S. Department of Commerce (“USDOC”) issued its final determination in the countervailing and antidumping investigations, which resulted in a countervailing duty (“CVD”) rate of 18.79% and an antidumping duty (“ADD”) rate specific to the company of 2.18%, both to be posted by cash deposits effective from May 22, 2002. Since that date, the Canadian government and affected industry participants have initiated a series of challenges to these findings under the North American Free Trade Agreement (“NAFTA”) and before the World Trade Organization (the “WTO”).

On April 21, 2004 the USDOC issued a response to an earlier NAFTA ruling regarding specific challenges made to the ADD rate calculation. The USDOC concluded that West Fraser’s ADD rate would be reduced from 2.18% to 1.79% representing *de minimus* level, with the result that West Fraser would be exempted from the ADD order. If that determination is affirmed, the Company would not be required to post deposits and would be eligible for refund of West Fraser-specific ADD deposits.

On September 10, 2004, the U.S. International Trade Commission (“ITC”) issued, in response to a NAFTA remand decision, a determination finding that the U.S. lumber industry was not threatened with material injury by reason of lumber imports from Canada. This determination should have resulted in revocation of the CVD and ADD order by the USDOC and return of the duty deposits. Instead, on November 24, 2004 the U.S. government launched an extraordinary challenge to review the legality of the decision of the NAFTA panel. A decision on that review is expected in 2005.

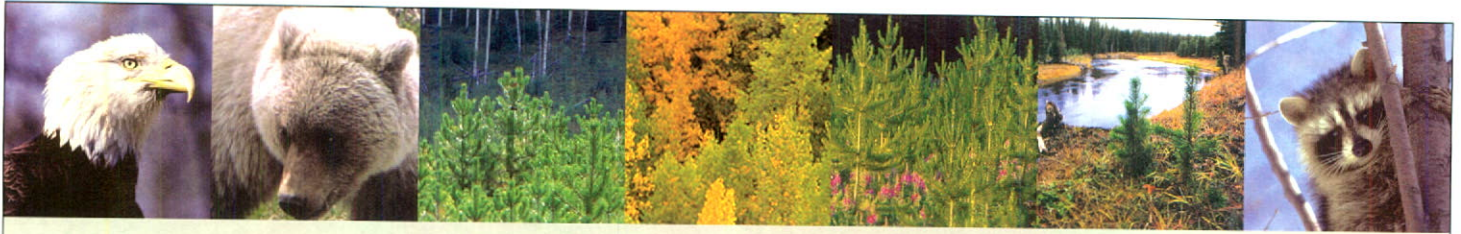
The CVD deposit rate was reduced to 17.18% effective December 20, 2004 as a result of the final determination in the first administrative review. Also effective December 20, 2004, West Fraser’s ADD deposit rate was reduced to 0.91%.

The Company has recorded an expense for CVD and ADD equal to the amount paid as cash deposits throughout applicable periods. A refund of deposits will be recorded as income in the period received. As at December 31, 2004, the total amount on deposit from May 22, 2002 related to CVD and ADD was US\$213,447 and US\$29,633, respectively.

The Company and other Canadian forest products companies, the Canadian federal and provincial governments (collectively the “Canadian Interests”) categorically deny the U.S. allegations and strongly disagree with the final countervailing and dumping determinations made by the ITC and the USDOC. The Canadian interests continue to aggressively defend the Canadian industry in this trade dispute. Canadian interests have appealed these decisions to NAFTA panels and the WTO. The final amount of CVD and ADD that may be assessed on Canadian softwood lumber exports to the U.S. cannot be determined at this time and will depend on the results of these appeals. Notwithstanding the cash deposit rates established in the investigations, the final liability for the assessment of CVD and ADD will not be determined until each annual administrative review process is complete.

b) The Forestry Revitalization Plan (“FRP”)

In 2003, the Government of B.C. (“Crown”) enacted the FRP that provides for significant changes to Crown forest policy and to the existing allocation of Crown timber tenures to licensees. Licensees, including the Company, will be required to return 20% of their replaceable tenures and related assets such as roads and bridges. The effect of the timber take-back is a reduction of approximately 1,266,000 cubic meters of the Company’s existing allowable annual cut on replaceable tenures. The effect of the FRP on the Company’s financial position and results of operations cannot be determined and will be recorded when the amounts can reasonably be determined.



Environmental Policy

West Fraser Timber Co. Ltd. is committed to responsible stewardship of the environment. A philosophy of continual improvement of our forest practices and manufacturing procedures has been adopted to optimize the use of resources and minimize or eliminate the impact of our operations on the environment. West Fraser recognizes that environmental excellence is an integral aspect of long-term business success.

Our Company and its employees are committed to the following:

- Complying with all applicable environmental laws and regulations, and with other requirements to which the organization subscribes.
- Preventing pollution and continuing to improve our environmental performance by setting and reviewing environmental objectives and targets.
- Conducting periodic environmental audits.
- Providing training for employees and contractors to ensure environmentally responsible work practices.
- Communicating our environmental performance to employees, customers, shareholders, local communities and other stakeholders.
- Reviewing, on a regular basis, this policy to ensure that it reflects the Company's ongoing commitment to environmental stewardship.



Environmental Report

In 2004, West Fraser continued to demonstrate its commitment to managing the forest in a sustainable manner and taking care of the environment by working to minimize the impact of its operations on air, water and land. Except as indicated, this report deals with those operations owned by West Fraser before the Weldwood acquisition.

Environmental Certification

In 2004, West Fraser achieved a significant milestone when all of its Canadian woodlands operations were certified to the Sustainable Forestry Initiative ("SFI"). As part of the certification process, West Fraser implemented a company-wide sustainable forest management plan, an endangered species management program and a wood procurement system which monitors private wood suppliers. The SFI standard is an internationally-recognized certification system that confirms the Company is managing the forests in its care to a standard that integrates the perpetual growing of trees with the protection of wildlife, plants, water and soil quality, and with a wide range of conservation goals.

All of West Fraser's Canadian woodlands and key timber suppliers in the United States are now SFI certified. The woodlands operations acquired from Weldwood are certified to Canada's national standard for sustainable forest management (CAN/CSA Z809), a certification system that is equivalent to SFI. With this, West Fraser's customers can have confidence that products manufactured from these sources are derived from sustainably-managed forests verified by independent third-party auditors.

West Fraser also maintained certification of its Environmental Management System ("EMS") at its Canadian woodlands operations to ISO 14001, a widely-recognized EMS certification system. ISO 14001 provides independent verification that the Company's EMS considers and takes measures to minimize or eliminate the environmental impacts of its activities, while striving for performance improvements. During the year, six of West Fraser's woodlands operations participated in ISO 14001 audits.

In addition to these certification programs, West Fraser continued its internal forestry audits, which were conducted at three divisions in 2004. These internal audits complement West Fraser's certification programs by monitoring its forestry practices and measuring its performance against internally-established targets.

The QRP mill maintained ISO 14001 registration for its manufacturing operations. The Ranger Board and WestPine manufacturing operations maintained the Green Cross certification, which verifies that MDF materials are made from 100% recycled content. Ranger Board and WestPine also maintained Environmentally Preferred Product certification from the Composite Panel Association.

Effluent Quality

QRP initiated a capital upgrade of its effluent treatment system to improve the quality of its effluent. Capital and process improvements were made at the Kitimat mill to address the effect of its effluent on the taste of eulachon, a species of fish that spawns in the Kitimat River and other northern rivers during a brief period each year. Improvements made have increased the overall effectiveness of the effluent treatment system.



Environmental Report

Alberta Environment has implemented policy that will require pulp and paper mills to reduce levels of biological oxygen demand (“BOD”) and total suspended solids (“TSS”) in mill effluent. The new levels will be phased in over the next few years as affected pulp and paper mills renew their operating licenses or permits. The Slave Lake pulp mill and the ANC mill currently meet the reduced BOD and TSS limits. Capital expenditures will be necessary over the next several years at the Hinton pulp mill to ensure that it will meet the reduced limits.

Alberta Environment also requires pulp and paper mills operating on the Athabasca River to participate in water quality studies. West Fraser’s mills are active participants in this ongoing initiative.

The Huttig operation now sends its domestic sewage to the local municipality’s sewage treatment facility. The treatment lagoon at that site will be closed.

Air Quality

The Smithers sawmill started construction of a thermal energy system that will use wood residue as a fuel source. The wood residue will displace natural gas resulting in reduced greenhouse gas emissions and cost savings. With this project, the ongoing operation of the burner will no longer be required, meeting the B.C. government’s requirement to decommission Tier One burners in the province.

Houston Forest Products, formerly a joint-venture mill with Weldwood, is the only other West Fraser facility in British Columbia to operate a Tier One burner. The 2007 shutdown deadline will permit West Fraser to further evaluate alternatives in redirecting wood residue to other uses or methods of disposal.

In Williams Lake and Quesnel, West Fraser’s operations continue to participate with community groups to improve the air quality in these communities. In the U.S., air permit modifications to allow the extensive modernization of the Huttig sawmill were obtained.

Non-compliances, Charges and Spills

In December 2004, West Fraser was charged with eight counts relating to a 2002 black liquor release into a drainage ditch at its Eurocan operation in Kitimat. Charges were issued under the federal *Fisheries Act*, federal Migratory Birds legislation and under the *B.C. Waste Management Act*. All charges are being defended.

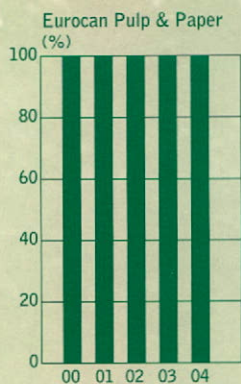
Sechta Forest Products continues to monitor the hydrocarbon contamination at its mill site, a condition that existed before West Fraser acquired partial ownership.

The burner at the veneer plant at Slave Lake was out of compliance with minimum operating temperatures for most of the year. An upgrade to the burner is scheduled in 2005.

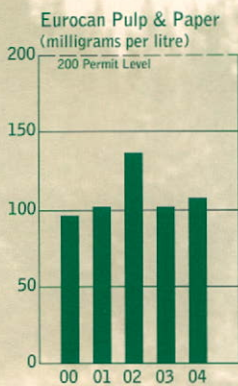
The plywood plant at Edmonton was assessed an administrative penalty for a dust release in December 2003.



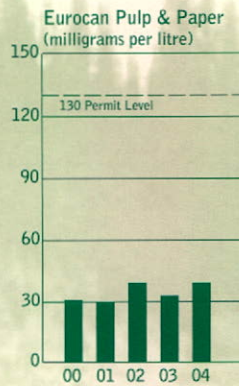
Compliance with Toxicity Regulations



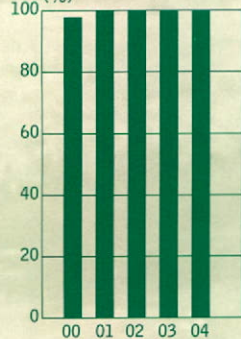
Total Suspended Solids (TSS)



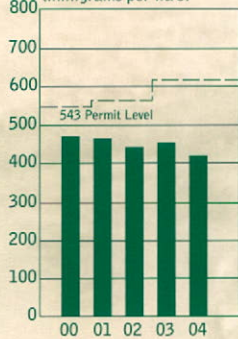
Biochemical Oxygen Demand (BOD)



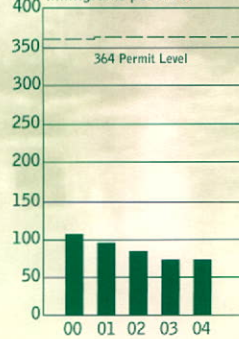
Quesnel River Pulp



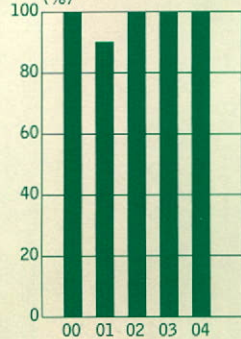
Quesnel River Pulp



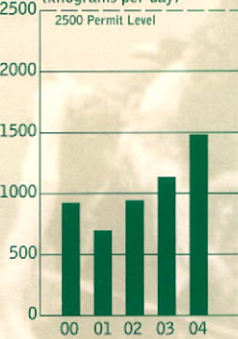
Quesnel River Pulp



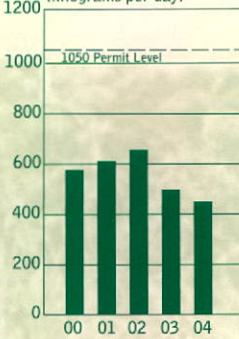
Slave Lake Pulp



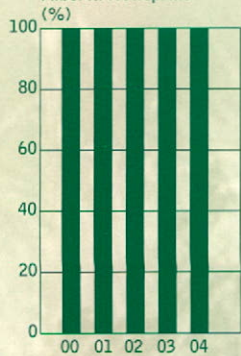
Slave Lake Pulp



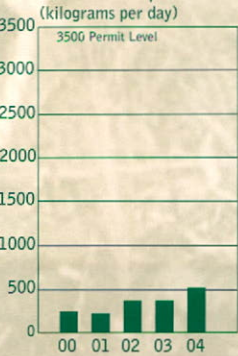
Slave Lake Pulp



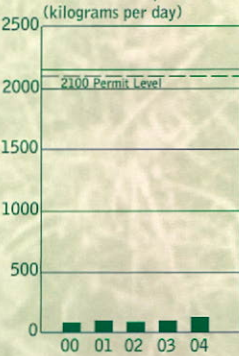
Alberta Newsprint



Alberta Newsprint



Alberta Newsprint





Six Year Financial Review

	2004	2003 ¹	2002 ¹	2001 ¹	2000 ¹	1999 ¹
Earnings (\$ millions)						
Sales	2,400.0	1,920.6	1,985.8	1,851.5	1,742.6	1,665.5
Cost of product sold	1,359.6	1,287.7	1,243.8	1,181.3	1,077.3	965.7
Freight and other distribution costs	346.3	300.5	286.2	265.0	233.0	233.4
Countervailing and antidumping duties	155.6	112.0	67.4	24.2	4.8	16.4
Amortization	153.9	142.3	135.4	123.3	124.0	113.1
Selling, general and administrative	71.9	60.2	69.1	70.5	60.4	52.4
Share option expense	25.1	8.9	–	–	–	–
Recovery of prior year export duties	–	–	(25.0)	–	–	–
Operating earnings	287.6	9.0	208.9	187.2	243.1	284.5
Interest expense	16.0	16.9	32.6	33.5	26.5	34.8
Exchange (gain) loss on long-term debt	(26.6)	(40.8)	(5.5)	26.6	19.4	(34.9)
Other	1.4	(3.3)	(3.4)	(4.7)	13.6	(0.3)
Income taxes	84.8	(6.9)	56.2	34.5	72.6	99.9
Earnings from continuing operations	212.0	43.1	129.0	97.3	111.1	185.0
Earnings from discontinued operations	–	–	8.5	17.6	9.6	7.2
Earnings	212.0	43.1	137.5	114.9	120.7	192.2
Cash provided from operations (\$ millions)	395.1	151.7	178.3	277.4	163.4	371.5
Capital expenditures & acquisitions (\$ millions)						
	1,264.0	85.4	123.4	142.8	176.0	121.2
Financial position (\$ millions)						
Working capital	403.8	525.5	480.1	286.6	321.7	346.5
Capital assets – Net	2,337.0	1,245.7	1,317.8	1,332.0	1,273.5	1,149.7
Others assets & deferred charges	103.9	85.6	104.2	101.1	91.4	23.4
Goodwill	276.7	–	–	–	–	–
Net discontinued assets	–	–	–	122.1	305.0	284.2
Net assets	3,121.4	1,856.8	1,902.1	1,841.8	1,991.6	1,803.8
Long-term debt	735.5	287.0	337.7	359.6	570.6	589.9
Other liabilities & future income taxes	604.4	248.6	266.8	306.4	310.2	193.7
Shareholders' equity	1,781.5	1,321.2	1,297.6	1,175.8	1,110.8	1,020.2
Non-current liabilities & equity	3,121.4	1,856.8	1,902.1	1,841.8	1,991.6	1,803.8

¹Restated for accounting policy change for asset retirement obligations and presentation of sales.

	2004	2003 ¹	2002 ¹	2001 ¹	2000 ¹	1999 ¹
Per common share (dollars)						
Diluted EPS	5.36	1.16	3.70	2.73	3.90	6.39
Diluted EPS from continuing operations	5.36	1.16	3.47	2.59	3.66	6.20
Common shareholders' equity	41.68	35.85	35.23	32.01	30.25	27.80
Price range						
-high	55.10	40.55	40.91	31.77	31.82	33.05
-low	36.16	29.25	26.27	21.07	17.35	23.96
-close	48.20	38.00	31.82	31.77	22.11	30.99
Cash dividends Declared	0.56	0.56	0.51	0.46	0.46	0.45
Shares outstanding at year end (<i>'000s</i>)	42,745	36,857	33,483	30,360	30,345	30,331
Ratios						
Return on capital employed	8.8%	0.7%	7.6%	7.7%	7.8%	9.5%
EBITDA margin	18.4%	7.9%	17.3%	16.8%	21.1%	23.9%
Return on common shareholder's equity	14.9%	3.3%	11.1%	10.1%	11.3%	20.1%
Net debt to capitalization	25.3%	2.5%	11.3%	21.8%	38.8%	35.9%
Number of employees at year end	7,300	4,100	4,000	3,800	3,800	3,400
Production						
Lumber (<i>MMfbm</i>)	2,772	2,594	2,347	2,012	1,713	1,638
Linerboard (<i>Mtonnes</i>)	341	205	305	305	318	331
Kraft paper (<i>Mtonnes</i>)	105	75	105	102	111	103
Pulp (<i>Mtonnes</i>)	522	523	397	361	363	337
Newsprint (<i>Mtonnes</i>)	135	127	128	120	123	124
MDF (<i>3/4" MMsf</i>)	285	261	249	250	240	215
Plywood (<i>3/8" MMsf</i>)	249	248	235	248	246	37

¹ Restated for accounting policy change for asset retirement obligations and presentation of sales.



Corporate Information

Directors

Henry H. Ketcham	Chairman of the Board, President and Chief Executive Officer
Clark S. Binkley	Senior Vice-President, Hancock Natural Resource Group Inc. (timberland investment)
J. Duncan Gibson	Investor
Larry S. Hughes	Partner, Lang Michener LLP (lawyers)
William H. Ketcham	Managing Director, Fortress Investment Group (private equity firm)
William P. Ketcham	President, Henry H. Ketcham Lumber Co., Inc. (private investment)
Harald H. Ludwig	President, Macluan Capital Corporation (diversified manufacturing)
Brian F. MacNeill	Chairman, Petro-Canada Inc. (energy, exploration, development, refining and marketing)
Janice G. Rennie	Senior Vice-President, Human Resources and Organizational Effectiveness, EPCOR Utilities Inc. (energy and related services and products)

Officers

Henry H. Ketcham	Chairman of the Board, President and Chief Executive Officer
Gerald J. Miller	Executive Vice-President, Pulp and Paper
Martti Solin	Executive Vice-President, Finance and Chief Financial Officer
Gary W. Townsend	Executive Vice-President, Solid Wood Products
D. Wayne Clogg	Vice-President, Woodlands
Richard Franko	Vice-President, Export Lumber Sales and Market Development
Rodger M. Hutchinson	Vice-President, Corporate Controller
Samuel W. Ketcham	Vice-President, Administration
William H. LeGrow	Vice-President, Transportation and Energy
Edward R. Seraphim	Vice-President, Pulp and Paper Sales
Zoltan E. Szucs	Vice-President, Panelboard
Ernest M. Thony	Vice-President, Lumber Sales
Larry S. Hughes	Secretary; Partner, Lang Michener LLP (lawyers)

Shareholder Information

Annual General Meeting

The Annual General Meeting of the shareholders of the Company will be held in Quesnel, British Columbia on April 28, 2005 at 11:00 a.m.

Auditors

PricewaterhouseCoopers LLP
Vancouver, British Columbia

Legal Counsel

Lang Michener LLP
Vancouver, British Columbia

Transfer Agent

CIBC Mellon Trust Company
Vancouver, Calgary, Regina, Winnipeg,
Toronto, Montreal and Halifax

Filings

www.sedar.com

Shares Listed

Toronto Stock Exchange
Symbol: WFT

Number of Common Shares Outstanding

42,744,750

Investor Contact

Martti Solin
Executive Vice-President, Finance
and Chief Financial Officer
Tel: (604) 895-2700
Fax: (604) 681-6061
e-mail: shareholder@westfraser.com
www.westfraser.com

Corporate Office

1000-1100 Melville Street
Vancouver, British Columbia
V6E 4A6 Canada
Tel: (604) 895-2700
Fax: (604) 681-6061

West Fraser's corporate office,
and all functions and services offered
through the Company's Vancouver-
based office will relocate effective
June 1, 2005 to:

858 Beatty Street
Suite 500
Vancouver, British Columbia
V6B 1C1 Canada

The corporate office main phone and
fax numbers remain unchanged.

Sales

North American Lumber

1250 Brownmiller Road
Quesnel, British Columbia
V2J 6P5 Canada
Tel: (250) 992-9254
Fax: (250) 992-3034

Offshore Export Lumber

1000-1100 Melville Street
Vancouver, British Columbia
V6E 4A6 Canada
Tel: (604) 895-2700
Fax: (604) 681-6061

Southern Yellow Pine Lumber

401 Thomas Road, Suite 2
West Monroe, Louisiana
71292 USA
Tel: (318) 340-6016
Fax: (318) 340-6053

Laminated Veneer Lumber

206 - 2723 37 Avenue NE
Calgary, Alberta
T1Y 5R8 Canada
Tel: (403) 250-2044
Fax: (403) 250-3877

MDF

140-6325 103rd Street
Edmonton, Alberta
T6H 5H6 Canada
Tel: (780) 413-8900
Fax: (780) 413-8910

Plywood

140-6325 103 Street
Edmonton, Alberta
T6H 5H6 Canada
Tel: (780) 468-3311
Fax: (780) 462-9863

Pulp & Paper

1000-1100 Melville Street
Vancouver, British Columbia
V6E 4A6 Canada
Tel: (604) 895-2700
Fax: (604) 681-6061

Newsprint

2900-650 West Georgia Street
Vancouver, British Columbia
V6B 4N8 Canada
Tel: (604) 681-8817
Fax: (604) 681-8861

Operations

Solid Wood

1250 Brownmiller Road
Quesnel, British Columbia
V2J 6P5 Canada
Tel: (250) 992-9244
Fax: (250) 992-9233

West Fraser (South) Inc.

401 Thomas Road, Suite 2
West Monroe, Louisiana
71292 USA
Tel: (318) 340-6000
Fax: (318) 340-6064

MDF

300 Carradice Road
Quesnel, British Columbia
V2J 5Z7 Canada
Tel: (250) 991-7100
Fax: (250) 991-7115

Pulp & Paper

Cariboo Pulp & Paper
P.O. Box 7500
Quesnel, British Columbia
V2J 3J6 Canada
Tel: (250) 992-0200
Fax: (250) 992-2164

Eurocan Pulp & Paper

P.O. Box 1400, Eurocan Way
Kitimat, British Columbia
V8C 2H1 Canada
Tel: (250) 632-6111
Fax: (250) 639-3486

Quesnel River Pulp

1000 Finning Road
Quesnel, British Columbia
V2J 6A1 Canada
Tel: (250) 992-8919
Fax: (250) 992-2612

Hinton Pulp

760 Switzer Drive
Hinton, Alberta
T7V 1V7 Canada
Tel: (780) 865-2251
Fax: (780) 865-6666

Slave Lake Pulp

P.O. Box 1790
Slave Lake, Alberta
T0G 2A0 Canada
Tel: (780) 849-7777
Fax: (780) 849-7725

Newsprint

Alberta Newsprint Company

Postal Bag 9000
Whitecourt, Alberta
T7S 1P9 Canada
Tel: (780) 778-7000
Fax: (780) 778-7070



Glossary of Industry Terms

AAC Annual Allowable Cut. The volume of timber that may be harvested annually from a specific timber tenure.

BOD Biochemical Oxygen Demand. A measurement of the oxygen consumption of organic material in pulp mill effluent, which gives an indication of its effect on the waters the effluent is discharged into.

BCTMP Bleached Chemi-thermo-mechanical Pulp.

Burner A wood waste incinerator.

Dimension Lumber Standard commodity lumber ranging in sizes from 1x3's to 2x12's, in various lengths.

EBITDA Refers to operating earnings plus amortization of property, plant, equipment and timber.

Environmental Audit A systematic examination of industrial operations used to measure compliance with regulations, policy and good industrial practice.

FMA Forest Management Agreement. An FMA is granted by the Alberta government and entitles the holder to establish, grow and harvest timber on specified lands.

Forest Management Unit An area of forest land designated by the Minister of Environmental Protection of Alberta as a management unit.

Greenhouse Gases A number of gases including carbon dioxide, methane and nitrous oxide which contain carbon and affect global climate by trapping heat in the atmosphere.

Laminated Veneer Lumber Large sheets of veneer bonded together with resin, then cut to lumber-equivalent sizes.

M³ A solid cubic metre, a unit of measure for timber, equal to approximately 35 cubic feet.

Mcf One thousand cubic feet. A unit of measure for laminated veneer lumber.

MDF Medium Density Fibreboard. A composite product made from wood fibre.

MFBM One thousand board feet (equivalent to one thousand square feet of lumber, one inch thick).

MMFBM means one million board feet.

MSF A unit of measure for MDF and plywood equal to one thousand square feet on a 3/4 inch basis for MDF and on a 3/8 inch basis for plywood. **MMSf** means one million square feet.

Net Debt to Capitalization Net debt (total debt less cash and short-term investments) divided by net debt plus shareholders equity.

NBSK Northern Bleached Softwood Kraft Pulp.

Return on Capital Employed Earnings before after-tax financing expense divided by average assets less average current non-interest bearing liabilities.

Return on Common Shareholders' Equity Earnings available to common shareholders divided by average common share capital plus average retained earnings.

SPF Lumber produced from spruce/pine/balsam fir species.

Sustained Yield The yield that a forest can produce in perpetuity at a given intensity of management without impairment of the land's productivity, with the intent that there will be a balance between timber growth and harvesting on a sustainable basis.

SYP Lumber produced from southern yellow pine species.

TFL Tree Farm License. Granted by the Ministry of Forests in British Columbia to a licensee who undertakes to manage an area of forest land to yield an annual harvest on a sustained yield basis.

TSA Timber Supply Area. Forest land designated by the Ministry of forests of British Columbia and allocated an AAC from which non-area based timber tenures are granted.

TMP Thermo-mechanical Pulp.

Tonne A unit of weight in the metric system equal to one thousand kilograms or approximately 2,204 Pounds. **Mtonne** means one thousand tones.

TSS Total Suspended Solids. The total of all settleable and non-settleable solids in a sample of wastewater, measured in milligrams per litre by weight.

Wood Residuals Wood byproducts generated in sawmills that cannot be used for pulp, including sawdust and fine wood.



On the cover:

Debbie Telford started her career at West Fraser in 1987 as the switchboard operator in the Quesnel sales department. After holding a variety of positions and learning more about the business, Debbie was promoted to Lumber Sales Co-ordinator in 1993. Today she is one of the Company's Lumber Sales Representatives in Quesnel, focused primarily on sales to the expansive North American market.

Alvin Koberinski, who joined Weldwood in 1965, launched his career in the plywood mill. He has held a number of positions, including working on the crew that once drove logs down the Quesnel River to the local mill for processing. Today Alvin is a Charge Hand at the weigh scales at West Fraser's Northstar mill in Quesnel. In addition to his regular maintenance responsibilities, he spends each shift evaluating the quality of logs delivered to the mill.

Although Debbie and Alvin have different backgrounds and experiences with two separate companies, they share a mutual sense of pride in their industry and are excited about the significant potential and opportunities arising from the integration of West Fraser and Weldwood.

"I think the acquisition of Weldwood will make West Fraser an even stronger company," says Alvin. "We have great facilities and people, and a very good safety focus."

Both Debbie and Alvin agree that the key to West Fraser's continuing success is rooted in its traditional strengths, especially its workforce. "The people at West Fraser are what make this a successful company," says Debbie, "and a great place to work."

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