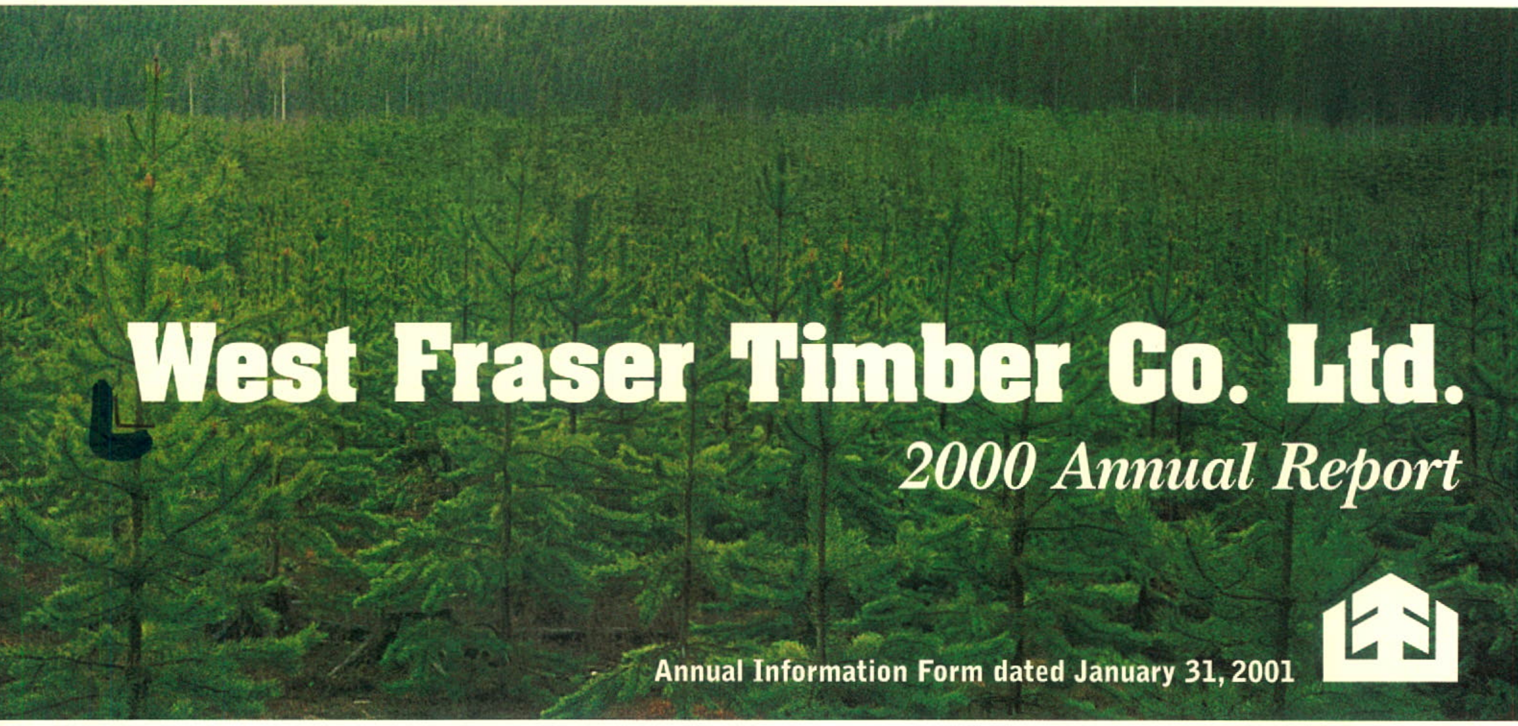
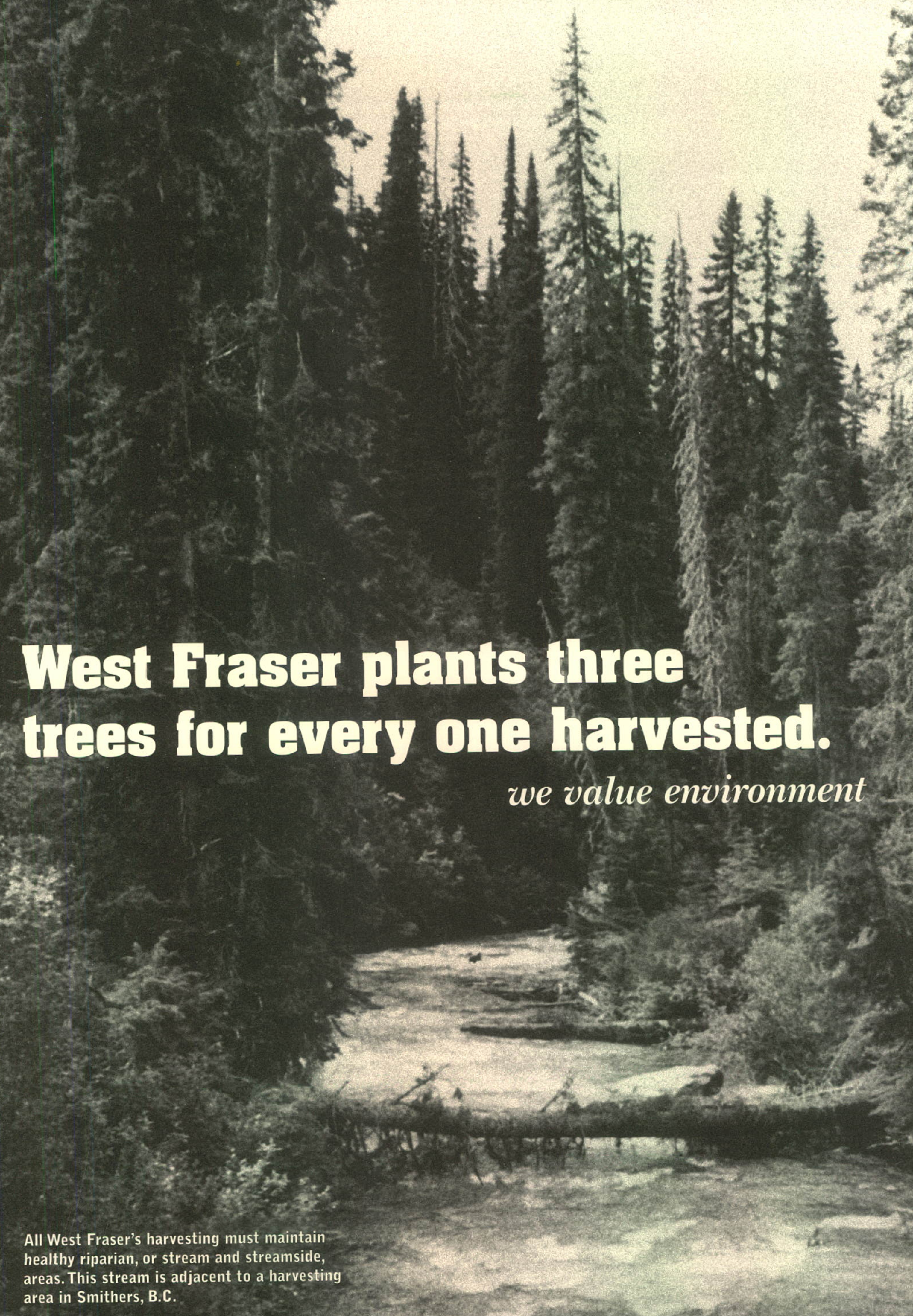


West Fraser Timber Co. Ltd.

2000 Annual Report

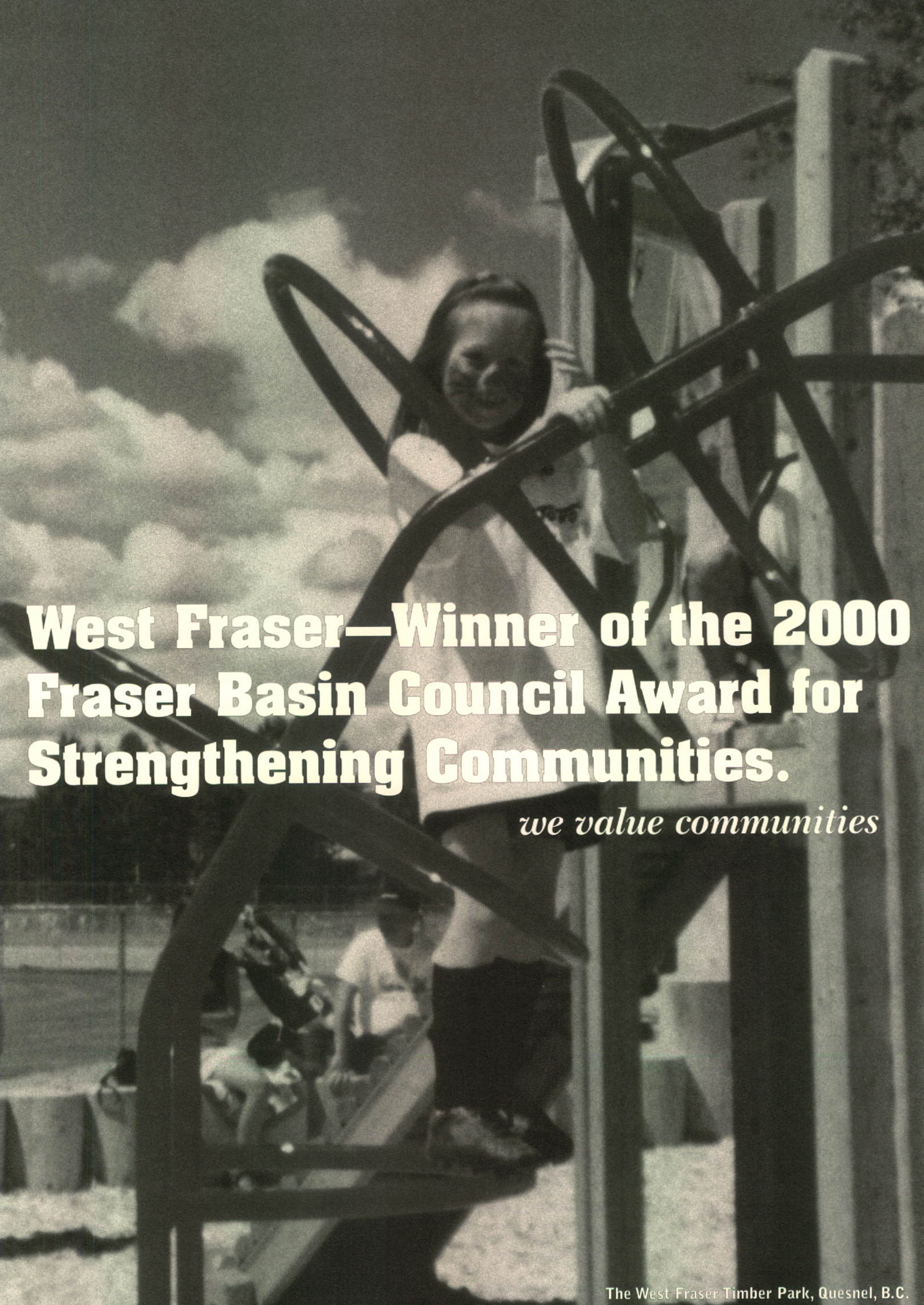
Annual Information Form dated January 31, 2001



All West Fraser's harvesting must maintain healthy riparian, or stream and streamside, areas. This stream is adjacent to a harvesting area in Smithers, B.C.

Focus leads to success. Lost-time accidents dropped 18% this year.

we value safety



The West Fraser Timber Park, Quesnel, B.C.

Despite poor lumber markets, we recorded our second highest earnings ever in 2000.

we value results

Gary Quanstrom, Smithers, B.C.

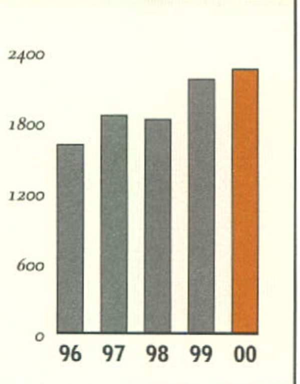
Introduction

	2000	1999
SALES AND EARNINGS *($ millions)*		
Net sales	**2,309**	2,204
EBITDA	**416**	447
Operating earnings	**279**	321
Net earnings	**131**	147
Cash flow from operating activities	**162**	374
COMMON SHARE DATA *(in dollars, except shares outstanding)*		
Shares outstanding *(thousands)*		
Weighted average	**30,337**	29,733
Year-end position	**30,345**	30,331
Cash flow from operating activities per share	**5.35**	12.32
Basic earnings per share	**4.23**	4.93
Diluted earnings per share	**4.14**	4.82
Cash dividends declared per share	**0.56**	0.54
Book value per share	**36.51**	33.27
Price range		
High	**38.50**	40.00
Low	**21.00**	29.00
Close	**26.75**	37.50
FINANCIAL POSITION *($ millions)*		
Working capital	**314**	344
Total assets	**2,453**	2,265
Long-term debt	**571**	590
Shareholders' equity	**1,127**	1,026
ANALYTICAL DATA		
Current ratio	**1.71**	1.76
Capital asset additions and acquisitions *($ millions)*	**218**	181
Net debt to capitalization	**38.4%**	35.7%
Return on average common shareholders' equity	**12.1%**	15.8%

		2000	1999
LUMBER	Production *(MMfbm)*	**1,713**	1,638
	Shipments *(MMfbm)*	**1,637**	1,612
	Sales *($ millions)*	**724**	811
	Operating earnings *($ millions)*	**102**	249
PANELS			
MDF	Production *(MMsf)*	**240**	215
	Shipments *(MMsf)*	**235**	212
Plywood	Production *(MMsf)*	**246**	37*
	Shipments *(MMsf)*	**241**	38*
	Sales *($ millions)*	**199**	119
	Operating earnings *($ millions)*	**25**	7
PULP AND PAPER			
Linerboard	Production *(tonnes)*	**318,454**	330,846
	Shipments *(tonnes)*	**298,780**	356,584
Kraft paper	Production *(tonnes)*	**110,719**	102,756
	Shipments *(tonnes)*	**107,091**	111,406
BCTMP	Production *(tonnes)*	**363,310**	337,390
	Shipments *(tonnes)*	**360,825**	340,093
Newsprint	Production *(tonnes)*	**123,454**	124,351
	Shipments *(tonnes)*	**122,337**	123,132
	Sales *($ millions)*	**582**	486
	Operating earnings *($ millions)*	**122**	34
RETAIL HOME IMPROVEMENT			
Number of stores			
Revy Home Centres		**34**	37
Revy Home & Garden		**15**	12
Lansing Buildall		**7**	8
	Sales *($ millions)*	**805**	788
	Operating earnings *($ millions)*	**35**	37

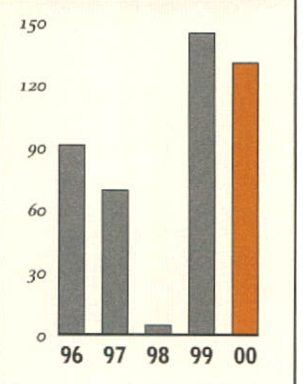
**Acquired November 3, 1999*

NET SALES
($ millions)



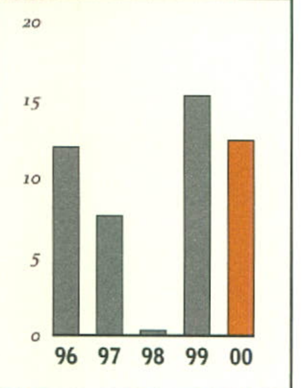
Reduced lumber prices were offset by sales increases in other businesses, evidence that diversification provides substantial benefits.

NET EARNINGS
($ millions)



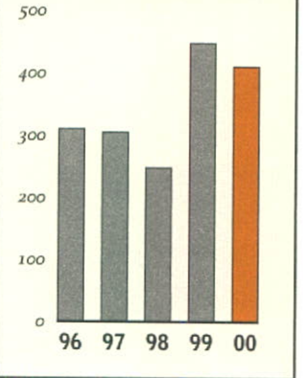
Earnings were the second highest in West Fraser's history as pulp & paper contributed greatly and lumber declined.

RETURN ON EQUITY
(percentage)



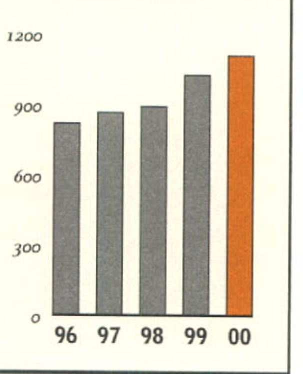
West Fraser's ROE, a key gauge of financial results, remains among the highest in the industry.

EBITDA
($ millions)



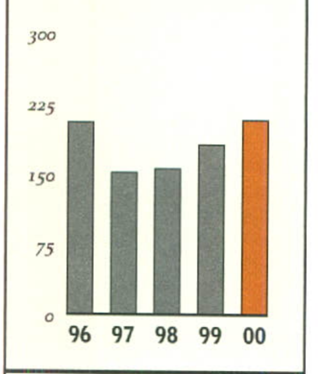
EBITDA remained strong, over $400 million for the year, providing the cash needed to expand.

SHAREHOLDERS' EQUITY *($ millions)*



With the benefit of continued strong earnings, shareholders' equity has increased 43% since 1996.

CAPITAL EXPENDITURES AND ACQUISITIONS *($ millions)*



Strong results have allowed West Fraser to maintain its operations as well as expand.

To Our Shareholders:

The strength of our team was apparent again this year as West Fraser posted the second strongest earnings in our history. Our people continued to meet the challenges of a highly regulated forest sector in British Columbia, tough and unfair trade restrictions against Canadian lumber exports to the United States and increasingly intense competition in each of our product lines as a result of globalization and consolidation. In addition, our industry faced an increasingly difficult capital markets environment as the new economy drew investors away from more traditional sectors. Finally, prices for most of our products were deteriorating significantly by year-end.

This is an environment in which our strength as a modern, efficient, low-cost and fully integrated forest products company became most evident. Our low cost structure and diversified product base resulted in earnings for the year—before certain non-recurring items—of $144 million or $4.54 per share on sales of $2,309 million.

After a one-time charge, our net earnings were $131 million or $4.14 per share. Spending on capital improvements, asset additions and acquisitions totaled $218 million. The Company paid cash dividends of $0.56 per share in 2000, totaling $17 million. The fourth quarter dividend this year marked the 58th consecutive quarterly dividend paid by West Fraser since our initial public offering in 1986.

West Fraser adheres to the strategy of fully integrating its operations from the forest through to the end product. We convert most of the residual fibre from our sawmills into pulp, newsprint, packaging materials, panels and energy. Our results this year reflect the benefits of this strategy as strength in the pulp and paper markets largely offset the significant decline of the lumber market that began during the second quarter.

In 2000, our pulp and paper business had operating earnings of $122 million, as compared to $34 million in 1999. In contrast, our lumber business earned $102 million in 2000 or 59% less than the $249 million of earnings for 1999 while our panel business earned $25 million as compared to $7 million in 1999. Our retail home improvement business, Revy Home Centres, earned $35 million compared to $37 million in 1999, reflecting the relative stability of that business.

Introduction

The significant improvement in the results of our pulp and paper business during the year was a consequence of both strong market fundamentals and a solid operating performance. Each of our pulp operations achieved record annual production. Alberta Newsprint achieved record daily production. Despite certain operational problems, our Eurocan mill achieved the second highest annual production in its history.

Costs at our pulp and paper operations were diligently controlled in spite of rising wood and energy costs, which increased 14% and 9% respectively. The management team at Eurocan made good strides this past year in identifying and addressing many of the cost and operational issues in order to solidify the future of this operation.

Continuing consolidation in the U.S. linerboard industry resulted in the permanent or temporary shutdown of a significant amount of North American capacity. This same market discipline is not evident in offshore markets, where most of West Fraser's linerboard and kraft paper is sold. By the third quarter of 2000 offshore markets began to weaken as a result of increasing exports from the United States. Our sales group has been active in responding to the changing market fundamentals in this business as we look for new markets and alliances to strengthen our competitiveness.

Markets for mechanical pulp were buoyant and prices rose to their highest levels since 1995.

Newsprint markets strengthened throughout the year, helping Alberta Newsprint—one of the finest operations in the industry—to provide another year of very strong earnings. Throughout its short history this operation has been an industry leader in product quality, safety, customer service, efficiency and profitability.

West Fraser's pulp, newsprint and MDF operations are large users of electrical power. Prices of electricity sold through the Alberta Power Pool increased from an average of $47/mwh in January 2000 to $131/mwh in January of 2001. In 2000, West Fraser was largely protected from this increase by regulated tariff rates. However, partial deregulation came into effect on January 1, 2001. West Fraser has entered into long-term electrical contracts at predetermined prices that will shield our electrical needs in Alberta from exposure to a very volatile energy market. In addition, we have the ability to sell power into the Alberta Power Pool if warranted by high spot prices.

West Fraser is one of the largest lumber producers in North America and consistently performs at the top of the industry. Our plants are modern, efficient and low-cost. We continually invest in new technology to keep our mills at the forefront of the industry. Our people have grown up in this business and understand what it takes to succeed in a very competitive environment. As they have done during difficult times in the past, West Fraser employees met the challenges of an exceedingly volatile market, including the precipitous drop in the lumber market in the third quarter.

We took two weeks of downtime at most of our sawmills during the summer to control inventories and avoid paying the duties imposed on shipments of Canadian lumber into the United States. In spite of the reduction in operating days, we achieved record lumber production and we continued to drive down unit costs.

By year end lumber markets were severely depressed, having fallen by 45% since the beginning of the year despite the fact that housing starts remained at strong levels throughout the year. A significant increase in North American lumber capacity and a doubling of lumber imports from offshore in the last two years has created an imbalance in supply and demand. Inevitably, this situation will correct itself as high-cost producers exit the market.

During the year, West Fraser took a $20 million charge to writedown the value of our only coastal sawmill. This operation has been running on a part-time basis for three years as a result of rising wood costs and a significant deterioration in the Japanese market for its products. We will be exploring options for the future of this mill in the months ahead.

Plywood prices fell 26% from the previous year while MDF prices were largely unchanged. We achieved record production at all three of our panel plants and significantly reduced their costs. Our plywood operation is one of the most competitive in the industry and performed very well during the year. Our two MDF operations continued to make significant improvements in efficiency and cost control.

In December, West Fraser purchased sawmills at Huttig, Arkansas and Joyce, Louisiana with a combined annual capacity of 320 MMfbm of lumber, and entered into a long-term renewable contract to purchase a significant portion of their log requirements. We are excited about the opportunity to expand our lumber operations into the southern United States and about the opportunities for growth in this region.

In 2000, West Fraser and the Whitefish Lake, Loon River and Woodland Cree bands formed a jointly owned company which purchased a sawmill producing 60 MMfbm of lumber annually with 213,000 m³ of annual coniferous timber quota in Alberta. We look forward to working with our partners to make this enterprise a strong commercial success.

With these acquisitions, we increased our lumber capacity by 20% to over two billion board feet per year. We have achieved one of our strategic goals by expanding into the United States and thereby extending our geographic and product diversification.

We intend to continue to move forward in 2001. On February 8, 2001, West Fraser entered into an agreement to purchase a sawmill at Chasm, British Columbia, which includes 695,000 m³ of annual timber harvesting rights and currently produces 170 MMfbm of stud lumber. We intend to rebuild the mill to produce 200 MMfbm of random-length lumber.

Introduction

Our retail business—Revy Home Centres—turned in another solid performance in 2000, achieving record sales of $805 million. The increase in sales reflects the opening of three new large-format Revy Home & Garden stores in greater Toronto, partly offset by the closure of three stores in British Columbia and Alberta. Sales and profits were affected by the reduction in lumber prices, but after adjusting for reduced building material prices same-store sales increased over the previous year. Revy is one of the country's largest home improvement chains with 56 stores stretching from British Columbia to Ontario.

Lost-time accidents were reduced throughout the Company by 18%. This is the result of a commitment from employees throughout the organization to work co-operatively to entrench in our corporate culture the same commitment to safety as we have in environmental and operational performance. Our success as a Company must encompass excellence and continual improvement in all three of these areas.

In October, West Fraser was proud to receive the "Strengthening Communities" Award from the Fraser Basin Council. This Council is a community-based organization committed to ensuring the sustainability of the communities and ecosystems within the Fraser Basin—an area which generates 80% of B.C.'s gross domestic product. The award is a recognition of West Fraser's commitment to environmental excellence and to the betterment of the communities in which we operate.

We are currently in the process of certifying all of our Canadian forest operations to the ISO 14001 environmental standard. We expect this process to be complete by the end of 2001. West Fraser's woodlands operations in Alberta are certified to the Alberta Forest Care standard.

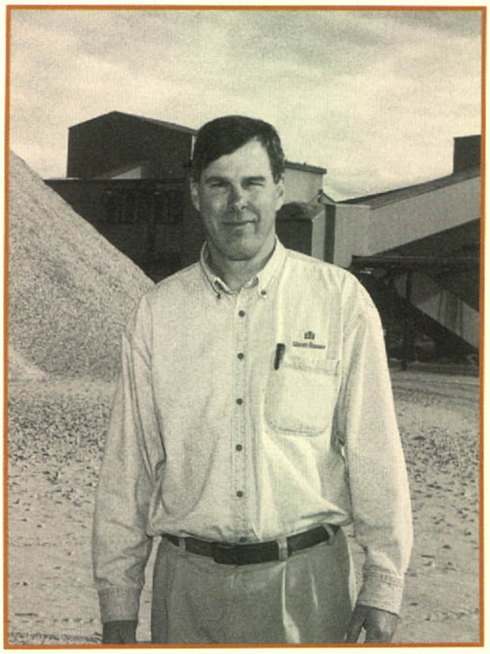
In 2000 our two MDF operations were qualified for certification under Scientific Certification System's Environmental Certification Program.

As 2001 begins, we are acutely aware of the challenges that lie ahead. The economy is weakening and so are virtually all of our product prices. The expiration of the Softwood Lumber Agreement with the United States creates uncertainty for all lumber producers in North America. Environmental and land use issues continue to be hotly debated. But as we begin this new year I believe our Company is as strong as it has ever been. Our people are committed to our goals of profitability, growth and safety. Our plants are modern and efficient. The cost structures of most of our operations are among the lowest in their respective industries. And, through new and revitalized initiatives, our industry is beginning to tell the greatest story never told—**that wood is the most recyclable and renewable of all raw materials and that wood construction is more energy-efficient than the alternatives. Wood should be the product of choice for consumers concerned about the environment in the twenty-first century.**

West Fraser will continue working to lessen our impact on the environment, while ensuring the long-term vitality and sustainability of the forests under our stewardship. Our people are committed to meeting the expectations of our customers and our communities.

In September, Brian MacNeill joined our Board of Directors. Brian is the Chairman of Petro-Canada Inc. and serves on the boards of several public Canadian companies. We are fortunate to be able to draw on his experience as our Company looks to the future.

Our employees continue to be the fundamental reason for our success. Over the years, West Fraser employees have shown an unwavering commitment. Through the collective efforts of all of our employees, West Fraser continues to prosper and grow.



On behalf of the Board, I want to express my gratitude for the continued loyalty and dedication of each West Fraser employee.

Henry Ketcham

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

West Fraser began operations in 1955 and is now an integrated forest products company producing lumber, wood chips, fibreboard, plywood, pulp, linerboard, kraft paper and newsprint. It holds extensive timber-cutting rights in British Columbia and Alberta that provide raw material for its manufacturing operations. West Fraser also owns and operates a chain of retail home improvement stores in Canada.

WEST FRASER TIMBER CO. LTD.

WEST FRASER MILLS LTD.

LUMBER	PANELS	PULP & PAPER	RETAIL HOME IMPROVEMENT
Sawmills: Quesnel, Williams Lake, Smithers, Chetwynd, Fraser Lake, Terrace, Prince Rupert, Blue Ridge[1], Slave Lake[2], Huttig[3], Joyce[3], Houston (50%)[4], Burns Lake (32%)[4], Red Earth (50%)	MDF: Blue Ridge, Quesnel Plywood: Edmonton[2] Veneer: Slave Lake [2]	Linerboard and Kraft Paper: Kitimat Pulp: Slave Lake, Quesnel (50%)[5] Newsprint: Whitecourt (50%)[6]	Revelstoke Home Centres Ltd. Revy Home Centres Inc. (85%)

(1) Owned through Blue Ridge Lumber (1981) Ltd., a wholly-owned subsidiary of Mills.
(2) Owned through Alberta Plywood Ltd., a wholly-owned subsidiary of Mills.
(3) Owned by West Fraser (South), Inc., an indirect wholly-owned subsidiary of Mills.
(4) Joint venture interest.
(5) 50% joint venture interest in Quesnel River Pulp Company.
(6) 50% joint venture interest in Alberta Newsprint Company.

The above chart shows the relationship of the Company to its principal operating subsidiaries and the joint ventures in which it participates and, where less than 100%, the percentage of direct or indirect ownership by the Company.

West Fraser Mills Ltd. ("West Fraser Mills") and Revelstoke Home Centres Ltd. ("Revelstoke") subsist under the laws of British Columbia. Blue Ridge Lumber (1981) Ltd. is organized under the laws of Alberta. Alberta Plywood Ltd. and Revy Home Centres Inc. ("Revy") are organized 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. Quesnel River Pulp Company ("QRP") is an unincorporated joint venture governed by the laws of British Columbia.

West Fraser owns West Fraser Overseas Ltd., incorporated under the laws of Antigua, which indirectly owns and develops timber plantations in Uruguay.

Certain of the information presented in this Annual Information Form, and in the Annual Report of which it forms a part, may include forward-looking statements. The accuracy of such statements depends on a number of assumptions and is subject to risks and uncertainties. These include, but are not limited to, the effect of general economic conditions on demand for the Company's products, the effects of forestry, land use, environmental and other governmental regulations, the risks of losses from fires and natural disasters, and the ability of the Company to execute its business plans. Accordingly, actual results, performance or achievements of the Company may differ materially from those projected.

West Fraser Timber Co. Ltd. is an integrated forest products company producing lumber, wood chips, fibreboard, plywood, pulp, linerboard, kraft paper and newsprint. The Company carries on its operations through subsidiary companies and joint ventures (collectively, "West Fraser"). Most of the forest products manufactured by West Fraser are sold outside Canada as commodities. Through its indirect subsidiary, Revy, the Company operates a chain of retail home improvement stores in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

The Company began operations in 1955 and took on its present form in 1966 by the amalgamation of a group of companies under the *Company Act* (British Columbia). Its executive office is at 1000–1100 Melville Street, Vancouver, British Columbia, V6E 4A6.

West Fraser Mills, the Company's principal operating subsidiary, owns directly or indirectly all of the Company's other subsidiaries and joint venture operations.

West Fraser holds timber-cutting rights in British Columbia and Alberta representing 6.0 million m^3 of AAC from which harvesting operations provide raw material for its manufacturing operations. It has also entered into a long-term agreement for the supply of the majority of fibre required by its sawmills in the southern United States. All of the fibre requirements of West Fraser's pulp and paper mills and panel plants can be satisfied, directly or indirectly, from its own operations. West Fraser's share of the current annual capacities of its wholly-owned and joint venture manufacturing facilities is approximately 2,060 MMfbm of lumber, 240 MMsf of plywood, 240 MMsf of MDF, 450,000 tonnes of linerboard and kraft paper, 375,000 tonnes of BCTMP and 125,000 tonnes of newsprint.

HISTORY

West Fraser was founded in 1955 when three brothers, Henry H. Ketcham Jr., William P. Ketcham and Samuel K. Ketcham, acquired a small lumber planing mill at Quesnel. 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.

In 1979 West Fraser formed the QRP joint venture to construct and operate a pulp mill at Quesnel.

In 1981 West Fraser acquired a 40% interest in Eurocan Pulp & Paper, which owned a linerboard and kraft paper mill, two sawmills and partial interests in two joint venture sawmills. West Fraser increased its ownership of Eurocan to 50% in 1984 and in 1993 acquired the remaining 50%.

In 1989 West Fraser formed the ANC joint-venture to construct and operate a newsprint mill at Whitecourt, Alberta.

In 1995 West Fraser acquired the Blue Ridge sawmill and the Ranger Board MDF plant, both at Blue Ridge, Alberta, and the Slave Lake Pulp mill at Slave Lake, Alberta.

The WestPine MDF plant at Quesnel began operations in 1996.

In 1999, West Fraser acquired a plywood plant in Edmonton and a stud mill and veneer plant at Slave Lake.

In 2000, West Fraser acquired two sawmills located in the southern United States as well as a 50% interest in a sawmill at Red Earth, Alberta.

West Fraser has expanded its retail operations by constructing new traditional and full-service warehouse stores and through acquisitions.

West Fraser's sales revenues from its various product lines over the last five years were as follows:

SALES REVENUES *($ millions)*

year ended December 31	**2000**	1999	1998	1997	1996
Lumber	**$ 724.3**	$ 811.4	$ 668.6	$ 811.2	$ 782.0
Panels	**198.5**	118.7	78.3	71.6	48.7
Pulp & paper	**582.0**	485.6	441.5	441.0	438.5
Retail home improvement	**804.6**	788.4	688.2	546.9	372.6
Corporate and other	**–**	–	(13.2)	(0.9)	–
	$2,309.4	$2,204.1	$1,863.4	$1,869.8	$1,641.8

TIMBER TENURES

British Columbia About 95% of the timberland in British Columbia is owned by the province. Timber harvesting operations are regulated under the *Forest Practices Code of British Columbia Act* and under the *Forest Act* (British Columbia), which empowers the Minister of Forests to grant various forms of timber tenures, including forest licenses, TFLs and timber sale licenses.

A forest license confers the right to harvest a specified volume of timber on public lands. It usually has a term of 15 years and is replaceable every five years for a further 15-year term. The Ministry of Forests may also grant short-term, non-replaceable forest licenses. A TFL requires the licensee to manage a defined land area to yield an annual harvest on a sustained yield basis. It has a term of 25 years and is replaceable every five years for a further 25-year term. Replacement of a forest license or TFL is subject to satisfactory performance by the licensee and to agreement between the licensee and the Ministry of Forests.

The AAC is determined by the 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. Generally, the volume harvested under a forest license or TFL may differ from the AAC by up to 50% on an annual basis, but the average harvest must be within 10% of the AAC over any five-year period. All tenures in which West Fraser has an interest are currently in compliance with their cut control requirements.

Alberta Over 90% of the timberland in Alberta is owned by the province. Forest operations on public lands in Alberta are regulated under the *Forests Act* (Alberta), which empowers the Minister of Environmental Protection to grant various forms of timber tenures, including FMAs, timber quotas and timber permits. A FMA gives the holder rights to establish, grow and harvest timber on a defined land area and provides that the Minister of Environmental Protection recognizes the holder's rights to grow and harvest timber as the primary use of the FMA. A FMA generally has a 20-year term with provision for 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 Ministry of Environmental Protection before harvesting begins.

A timber quota gives the holder the right to harvest, during a period of 20 years, a specified percentage of the AAC for a Forest Management Unit as determined by the Minister of Environmental Protection, and is renewable. The Ministry of Environmental Protection or the holder of the FMA 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 Ministry that describes the area planned for logging by the quota holder and the time during which the timber may be harvested, usually a three- to five-year period. The volume of timber that may be harvested under a timber quota may be varied from time to time by the Minister but, generally, is subject to review by the Minister every five years.

TIMBER SUPPLY

Under the *Forest Act* (British Columbia), allowable annual cut determinations must be reviewed at least once every five years for each of B.C.'s timber supply areas and tree farm licenses. The current round of reviews began in 1997 and is expected to be completed in late 2001. At this time, the reviews for the areas in which West Fraser operates are largely incomplete. However, it is not expected that West Fraser will be materially affected.

The following table 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 2000:

Annual log requirements for West Fraser's Canadian sawmills and plywood plant operating at stated capacity, including the proportionate requirements for the partly-owned sawmills, total approximately 6.8 million m^3, of which approximately 77% can be obtained from the tenures described in the following table. Additional log requirements are met by open-market purchases.

West Fraser's sawmills at Joyce, Louisiana and Huttig, Arkansas consume approximately 1.4 million m^3 of logs annually, of which approximately 65% will be supplied under a long-term agreement. The balance will be obtained on the open market.

LOCATION	TENURE[1]	EXPIRY DATE	AAC[2]	2000 HARVEST[2]
			(in thousands of m^3)	
BRITISH COLUMBIA	Coniferous			
	Long-term tenures	2010-2020	3,621	3,279
	Short-term tenures	2002-2008	270	212
ALBERTA	Coniferous			
	Long-term tenures	2006-2019	1,583	1,344
	Short-term tenures	2002	41	22
	Deciduous			
	Long-term tenures	2009-2010	520	458

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

(2) Figures for AAC and harvest are for West Fraser's interest only.

WOOD CHIP SUPPLY

A significant portion of West Fraser's wood chip requirements is supplied from its own operations. This reduces its exposure to risks associated with wood chip price fluctuations and supply shortages. Fibre requirements of Eurocan Pulp & Paper, QRP and WestPine are met primarily by West Fraser's sawmilling operations in British Columbia.

Ranger Board obtains its fibre directly from the Blue Ridge sawmill and other sawmills in the area. The Slave Lake pulp mill consumes the equivalent of approximately 560,000 m^3 of logs per year when operating at capacity. Of this requirement, 373,000 m^3 (representing 67%) is available under the Slave Lake FMA. Additional fibre required by the mill is obtained from industrial salvage and purchases from local suppliers at prevailing market prices.

The annual fibre requirement of the ANC mill is approximately 650,000 m^3, of which 95% is obtained from local sawmills, including the Blue Ridge sawmill, more than 80% of which is in trade for sawlogs. The balance is obtained from pulpwood harvested from ANC's FMA and direct fibre purchases.

HARVESTING OPERATIONS

West Fraser's harvesting operations are carried out by independent contractors supervised by its woodlands staff to ensure compliance with the terms of the timber tenures, statutes and regulations and with West Fraser's policies.

REFORESTATION

Under the terms of the timber tenures in British Columbia and Alberta, tenure holders are required to carry out reforestation to ensure re-establishment of the forest after harvesting. The determination of the type of reforestation to be performed in a particular area is based on the climate, terrain, species and other factors affecting regeneration of the forest. 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 Crown land. Under the market-index-based stumpage systems in place in British Columbia and Alberta, the stumpage is principally tied to lumber prices.

The reference price used in calculating stumpage in British Columbia is different from that used in Alberta. The lag time for calculating stumpage off the reference price also differs for the two provinces, with the result that Alberta stumpage rates are more market-sensitive.

CANADA-UNITED STATES SOFTWOOD LUMBER AGREEMENT

Under the Canada-United States Softwood Lumber Agreement, which took effect on April 1, 1996 and expires on March 31, 2001, 14.7 billion board feet of lumber may be exported annually to the United States free of export duty from the provinces of British Columbia, Alberta, Ontario and Quebec. This annual quota has been allocated by the federal government among the primary producers and re-manufacturers in the affected provinces such that each may export a specified quantity of softwood lumber to the United States without payment of export duty. Exports in excess of this level, or in excess of a quarterly maximum of 28.75% of the annual quota, incur an indexed charge.

ABORIGINAL LAND CLAIMS

The governments of Canada and British Columbia have entered into negotiations to consider aboriginal land claims in British Columbia. This negotiation process is administered by the British Columbia Treaty Commission. Several native groups have filed notices of intention with the Treaty Commission to negotiate land claims in and around West Fraser's operating areas. It is expected that negotiations will last several years. West Fraser is not in a position to assess what future settlements, if any, may be made or how they may affect its operations. These claims may result in increased aboriginal involvement in the management of the public lands on which West Fraser conducts its harvesting operations.

In 1998 the governments of British Columbia and Canada entered into a treaty with the Nisga'a, which received final ratification by the federal, provincial and Nisga'a governments in 2000. The treaty did not materially affect West Fraser or its operations.

The Alberta government is in the process of settling a minor land claim in the Whitecourt FMA area. Management does not expect that there will be other land claim settlements affecting West Fraser's Alberta operating areas.

ENVIRONMENT

West Fraser's operations are subject to various federal, provincial and local environmental protection laws. It has programs under which all forestry and manufacturing operations are audited for compliance with applicable laws and standards, as well as management practices. The Environmental Committee of the Company's Board of Directors tours West Fraser's operations on a periodic basis and reviews its environmental procedures.

ENERGY

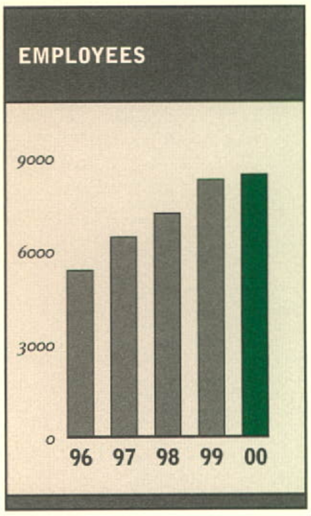
West Fraser's energy requirements are met from a variety of sources. In British Columbia, a secure supply of electricity is provided by BC Hydro at regulated prices. In Alberta, where deregulation is anticipated to cause energy price volatility, West Fraser has entered into arrangements to secure a long-term supply of electricity at predetermined prices. West Fraser has purchased contracts for a portion of its natural gas requirements to secure supply and mitigate exposure to market price fluctuations. In addition, West Fraser consumes wood waste at several plant sites to generate steam and heat.

RESEARCH AND DEVELOPMENT

West Fraser supports joint 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.

HUMAN RESOURCES

As at December 31, 2000, West Fraser employed approximately 9,000 individuals in its operations, including 1,000 in its joint venture operations. Total remuneration paid to employees in 2000, including West Fraser's share of the joint venture operations, was $316 million.



Approximately 33% of West Fraser's forest products employees are covered by collective agreements, which expire in 2001 and 2003.

CAPITAL EXPENDITURES AND ACQUISITIONS

West Fraser invests much of its operating cash flow in upgrading and expanding its facilities and operations. West Fraser made the following capital expenditures and acquisitions during the past five years:

CAPITAL EXPENDITURES AND ACQUISITIONS *($ millions)*

year ended December 31	2000	1999	1998	1997	1996
Lumber	$ 154.2	$ 33.5	$ 43.3	$ 59.3	$ 40.3
Panels	7.2	76.9	2.2	5.7	99.1
Pulp & paper	16.2	10.7	27.7	37.3	47.0
Retail home improvement	36.5	57.3	79.0	43.2	25.3
Other	4.0	2.7	5.5	10.7	8.1
	$ 218.1	$ 181.1	$ 157.7	$ 156.2	$ 219.8

MARKETS

West Fraser's products are sold in competitive markets open to a number of companies with similar products. Purchasing decisions by customers are based on price, product quality and service, and are heavily influenced by general economic conditions.

The following table sets forth selected industry product average prices for the past five years. These prices may not necessarily reflect those obtained by West Fraser.

AVERAGE TRANSACTION PRICES *(U.S. dollars—except plywood)*

year ended December 31	2000	1999	1998	1997	1996
2 x 4 random length SPF (per Mfbm)[1]	$257	$343	$288	$354	$353
Plywood (per Msf 3/8" basis)[2]	C$371	C$442	C$366	C$379	C$378
MDF (per Msf 3/4" basis)[3]	$400	$400	$380	$373	$419
Newsprint (per tonne)[4]	$550	$502	$580	$555	$645
BCTMP softwood pulp (per tonne)[5]	$583	$391	$391	$414	$410
Kraft paper (50 lb) (per tonne)[6]	$745	$715	$706	$731	$689
Kraft linerboard (42 lb) (per tonne)[6]	$511	$435	$402	$375	$414

(1) Source: Random Lengths.
(2) Source: Crow's Publications Ltd.
(3) Source: RISI and West Fraser database.
(4) Source: ANC database.
(5) Source: RISI.
(6) Source: Forecaster and West Fraser database.

LUMBER

Production West Fraser produces lumber and by-product wood chips from 14 sawmills, and has a plant at Quesnel producing finger-jointed studs out of trim blocks.

Sales Lumber produced by wholly-owned sawmills is sold by West Fraser's lumber sales department to retail and wholesale customers and lumber brokers. Sales of Canadian lumber are subject to the Canada-United States Softwood Lumber Agreement, which limits the quantity of lumber that may be exported to the United States free of duty. In 2000, 50% by value of lumber sales were to customers in the United States and 38% to Canadian customers, who resold a significant portion into the United States. Far Eastern and other customers accounted for the remaining 12%. Most of the sales to North American customers are shipped by rail. The remainder are shipped by truck directly to the customer or through reload facilities. Offshore sales are shipped through West Fraser's deep-sea terminal at Kitimat or through public terminals in Vancouver and Prince Rupert. Lumber output from the joint venture sawmills at Houston and Burns Lake is marketed by Weldwood of Canada Limited, mainly in North America.

WEST FRASER'S SHARE OF LUMBER CAPACITY AND PRODUCTION *(MMfbm)*

	Ownership	2000	1999	1998	1997	1996
CAPACITY *(as of December 31, 2000)*		2,060	1,730	1,620	1,600	1,600
Production:						
Quesnel	100%	304	293	274	276	285
Quesnel Finger-joint	100%	19	25	21	23	21
Williams Lake	100%	163	153	148	141	140
Smithers	100%	171	192	166	165	158
Chetwynd	100%	206	204	190	187	187
Fraser Lake	100%	244	230	217	222	208
Terrace[1]	100%	79	77	59	114	139
Prince Rupert[1&2]	100%	12	6	12	6	6
Blue Ridge	100%	255	243	223	205	214
Slave Lake	100%	31	6	–	–	–
Huttig[3]	100%	3	–	–	–	–
Joyce[3]	100%	4	–	–	–	–
Houston	50%	130	129	119	122	118
Burns Lake	32%	88	80	84	83	86
Red Earth[3]	50%	4	–	–	–	–
		1,713	1,638	1,513	1,544	1,562

(1) Operating on a one-shift basis.

(2) Production refers to West Fraser's own production. The mill is used primarily to process timber owned by third parties on a custom-cut basis.

(3) Huttig and Joyce were acquired December 15, 2000; Red Earth was acquired November 1, 2000.

PANELS

Production The Ranger Board plant was acquired in August 1995 and construction of the WestPine plant was completed in July 1996. These plants have the flexibility to produce MDF in varying thicknesses and sizes. Alberta Plywood's Edmonton plant was acquired in November 1999 together with a veneer plant at Slave Lake, which is the primary source of its raw material.

Sales MDF is marketed under the names "Ranger™" and "WestPine™", while plywood is marketed under "Zed ply™". Panel sales are mainly in North America, with the balance exported to markets in the Far East through direct sales and distributors under the direction of West Fraser's sales personnel.

PANELS CAPACITY AND PRODUCTION *(MMsf)*

MDF: *(3/4" basis)*	2000	1999	1998	1997	1996
CAPACITY	240	240	210	210	210
Production:					
Ranger Board	135	127	113	99	87
WestPine	104	88	68	62	15
	239	215	181	161	102
PLYWOOD: *(3/8" basis)*					
CAPACITY	240	240	–	–	–
Production:					
Alberta Plywood	246	37	–	–	–

PULP AND PAPER

Linerboard and Kraft Paper

Production The Eurocan Pulp & Paper mill produces linerboard and kraft paper. Linerboard is sold worldwide to producers of corrugated shipping containers. Kraft paper is sold worldwide to a variety of paper converters whose product lines include a range of multiwall industrial sacks.

Sales All linerboard and kraft paper produced by the Eurocan Pulp & Paper mill is sold by West Fraser's sales department. Overseas sales are sold principally through an agreement with Stora Enso Oyj, that gives West Fraser access to its worldwide sales office network. In 2000, approximately 20% of the production was sold to European customers, 30% to Asian customers, 20% to North American customers and the balance to customers in other countries.

LINERBOARD AND KRAFT PAPER CAPACITY AND PRODUCTION *(tonnes)*

	2000	1999	1998	1997	1996
CAPACITY	450,000	450,000	450,000	450,000	450,000
Production:					
Linerboard	318,454	330,846	311,438	309,591	329,855
Kraft paper	110,719	102,756	104,022	101,507	79,549
	429,173	433,602	415,460	411,098	409,404

Pulp

Production West Fraser produces BCTMP primarily from aspen at the Slave Lake mill and from softwood at the QRP mill. BCTMP is used by paper manufacturers to produce printing and writing papers, toweling products and a variety of other paper grades.

Sales West Fraser's sales department markets pulp produced by Slave Lake Pulp and its share of pulp produced by QRP. In 2000, 46% was sold to customers in the Far East, 23% to customers in Europe, 29% to customers in the United States and the remainder to customers in Canada and elsewhere.

WEST FRASER'S SHARE OF PULP CAPACITY AND PRODUCTION *(tonnes)*

	2000	1999	1998	1997	1996
CAPACITY	375,000	350,000	325,000	300,000	300,000
Production:					
QRP	167,556	166,586	152,193	159,488	140,483
Slave Lake Pulp	195,754	170,804	135,827	140,084	109,672
	363,310	337,390	288,020	299,572	250,155

Newsprint

Production The ANC mill produces mostly standard newsprint and a small quantity of rotogravure paper.

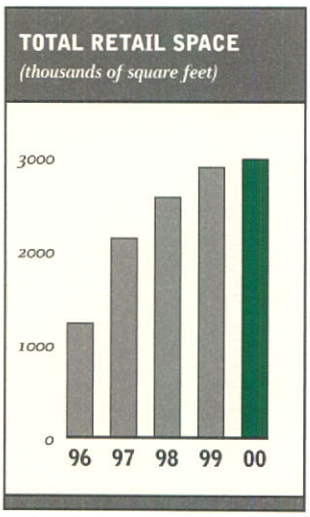
Sales ANC's newsprint is sold by a partnership owned indirectly by the owners of ANC. In 2000, 74% was sold to customers in the United States and 26% to customers in Canada.

WEST FRASER'S SHARE OF NEWSPRINT CAPACITY AND PRODUCTION *(tonnes)*

	2000	1999	1998	1997	1996
CAPACITY	125,000	125,000	125,000	125,000	120,000
Production	123,454	124,351	122,957	124,614	118,593

RETAIL HOME IMPROVEMENT

Revy, which is 85% indirectly owned by the Company, operates 15 full-service warehouse stores and 41 retail home improvement centres. There are 25 located in British Columbia, 15 in Alberta, two in Saskatchewan, two in Manitoba and 12 in Ontario. Revy also operates distribution centres in Langley, British Columbia; Calgary, Alberta; and Mississauga, Ontario and a wholesale lumber trading division. Revy has also acquired several store sites in larger urban centres. Its total retail sales floor space is approximately 2.9 million square feet.



The retail home improvement industry is highly competitive, with large multinational chains and a number of regional chains and smaller retailers in many of its markets.

SITE OWNERSHIP

West Fraser's wholly-owned wood products and pulp and paper mills are on land owned by West Fraser except for the sawmills at Chetwynd and Williams Lake, which are on land held under long-term leases. The joint venture sawmills at Houston and Burns Lake and West Fraser's Sawmill at Red Earth are on land held under long-term leases. The QRP mill and the ANC mill are each on land owned equally by West Fraser and its respective joint venture partner. The retail home improvement outlets consist of 28 locations where the buildings and land are owned by Revelstoke or Revy, 26 locations where the buildings and land are leased by Revy and two locations where buildings are owned by Revelstoke on leased land.

SHARE CAPITAL AND MARKETS FOR SECURITIES

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

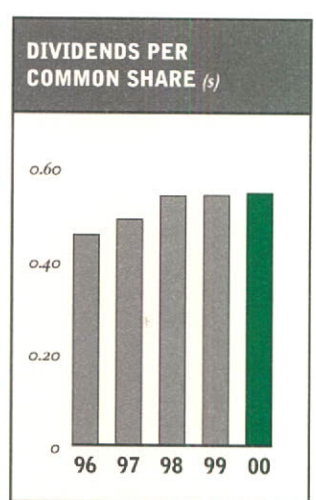
(a) 200,000,000 Common shares
(b) 20,000,000 Class B Common shares, and
(c) 10,000,000 Preferred shares, issuable in series.

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, 2000 the issued share capital consisted of 24,515,504 Common shares and 5,829,068 Class B Common shares.

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 2000 the Company declared dividends of $0.56 per Common share and Class B Common share.

SHAREHOLDINGS OF DIRECTORS AND SENIOR OFFICERS

As at December 31, 2000, the directors and senior officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 4,652,159 Common shares and 2,354,456 Class B Common shares, being 19% of the outstanding Common shares, 40% of the outstanding Class B Common shares and 23% of the outstanding voting securities of the Company.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The section of this Annual Report entitled "Ten-Year Review", which is incorporated herein by reference, contains selected consolidated financial information for the last 10 years.

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 financial statements of the Company for the year ended December 31, 2000, together with the accompanying auditors' report, and one copy of each interim financial statement of the Company prepared after December 31, 2000;

(c) one copy of the Information Circular for the annual general meeting of the Company to be held on April 25, 2001; and

(d) one copy of any other document that is incorporated by reference in the short form prospectus or the short form preliminary 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 financial statements for the year ended December 31, 2000.

Copies of this Annual Information Form and the documents incorporated by reference therein, the comparative financial statements of the Company (including the audit report) for the year ended December 31, 2000, each interim financial statement prepared after December 31, 2000, the Information Circular and this Annual Report may be obtained at any time upon request from the Company at 1000–1100 Melville Street, Vancouver, British Columbia, V6E 4A6, or at www.westfrasertimber.ca.

DIRECTORS

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

Name and Municipality of Residence	Principal Occupation	Director Since
Henry H. Ketcham Vancouver, British Columbia	Chairman of the Board, President and Chief Executive Officer	**September 16, 1985**
Clark S. Binkley[3] Cambridge, Massachusetts	Chief Investment Officer Hancock Timber Resource Group Inc. (timberland investment)	**February 13, 1992**
J. Duncan Gibson[1 & 2] Toronto, Ontario	Vice-Chairman, Commercial Banking Division The Toronto-Dominion Bank (banking)	**April 29, 1997**
Janet W. Ketcham[1 & 3] Seattle, Washington	Investor	**November 21, 1977**
William P. Ketcham[1 & 3] Seattle, Washington	President, Henry H. Ketcham Lumber Co., Inc. (private investment)	**December 1, 1966**
C. Calvert Knudsen[1] Seattle, Washington	Retired Chairman and Chief Executive Officer, MacMillan Bloedel Ltd. (forest products)	**June 12, 1980**
Harald H. Ludwig[2] West Vancouver, British Columbia	President, Macluan Capital Corporation (diversified manufacturing)	**May 2, 1995**
Brian F. MacNeill[1] Calgary, Alberta	Chairman, Petro-Canada Inc. (energy, exploration, development, refining and marketing)	**September 19, 2000**
F. David Radler[2] Vancouver, British Columbia	President and Chief Operating Officer, Hollinger Inc. (newspaper publishing and printing)	**December 10, 1991**

(1) Member of the Audit Committee (2) Member of the Compensation Committee (3) Member of the Environmental 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 Henry H. Ketcham, who, in addition to his position of President and Chief Executive Officer, became Chairman of the Board effective October 1, 1996; Clark S. Binkley who before August 1, 1999 was Sr. Vice-President, Investment Strategy and Research, Hancock Natural Resource Group Inc. and before July 31, 1998 was Dean, Faculty of Forestry, University of British Columbia; J. Duncan Gibson who previously held various positions with The Toronto-Dominion Bank and Brian F. MacNeill who before January 1, 2001 was President and Chief Executive Officer, Enbridge Inc. The term of office of each director will expire at the conclusion of the Company's next annual general meeting.

OFFICERS

The name and municipality of residence of each of the officers of the Company, the office held by each and the principal occupation of each during the last five years are as follows:

Name, Municipality of Residence	Office Held/Principal Occupation
Henry H. Ketcham, Vancouver, B.C.	Chairman, President, Chief Executive Officer
Russell J. Clinton, White Rock, B.C.	Senior Vice-President, Corporate Development
D. Wayne Clogg, Quesnel, B.C.	Vice-President, Woodlands
Carl L. Grittner, Coquitlam, B.C.	Vice-President, Building Supplies; President, Revy
William H. LeGrow, Coquitlam, B.C.	Vice-President, Transportation and Energy
Gerald J. Miller, Tsawwassen, B.C.	Vice-President, Pulp and Administration
Lon M. Schroeder, Kitimat, B.C.	Vice-President, Kitimat Operations
Martti Solin, West Vancouver, B.C.	Vice-President, Finance and Chief Financial Officer
Zoltan F. Szucs, Coquitlam, B.C.	Vice-President, Panelboard
Ernest M. Thony, Quesnel, B.C.	Vice-President, Lumber Sales
Gary W. Townsend, Quesnel, B.C.	Vice-President, Lumber Operations
C. Paul Daniels, Q.C., West Vancouver, B.C.	Secretary
Larry S. Hughes, Vancouver, B.C.	Assistant Secretary Partner, Lang Michener Lawrence & Shaw (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 Henry H. Ketcham, who was President and Chief Executive Officer; William H. LeGrow, who was Manager, Transportation; Gerald J. Miller, who was Vice-President, Administration & Controller; Lon M. Schroeder, who held various positions with the Kitimat Operations; Zoltan F. Szucs, who was Manager, Engineered Wood Products; and C. Paul Daniels, who was associate counsel, Lang Michener Lawrence & Shaw.

Management's Discussion and Analysis

The following discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto included in this annual report.

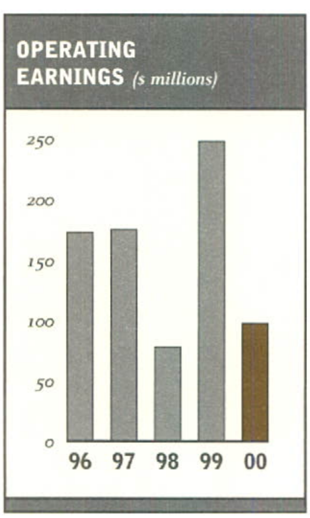
LUMBER

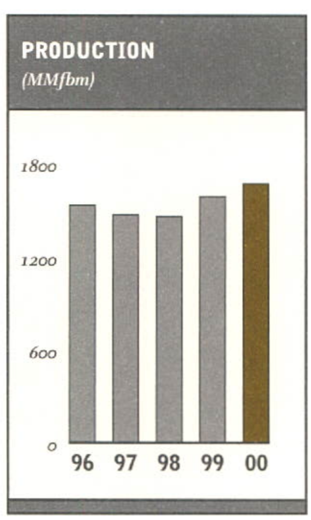
West Fraser's lumber operations had record production in 2000 despite downtime incurred due to severely depressed lumber markets. Two sawmills were acquired in the United States and a 50% interest in timber and sawmilling assets was acquired in Alberta. Continued emphasis on safety resulted in a 35% decrease in lost-time accidents.

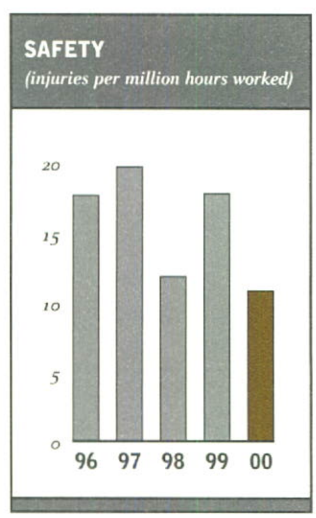
Operating earnings for the year were $102 million (1999–$249 million) on external sales of $724 million (1999–$811 million). EBITDA was $151 million, representing a margin of 19% of total sales (1999 –$292 million and 33%). The decrease in earnings is attributable to a significant drop in lumber prices in the last half of the year and to the one-time charge discussed below. Five of West Fraser's sawmills established annual production records and six achieved records in lumber recovery. Production costs continued a five-year trend of decreasing year over year. Total production was 1,713 MMfbm (1999–1,638 MMfbm) and shipments were 1,637 MMfbm (1999–1,612 MMfbm).

Due to continued poor markets for coastal lumber in Asia and elsewhere and the high cost of operating in

LUMBER







the coastal areas, West Fraser reviewed its ability to operate its Prince Rupert custom-cut sawmill profitably. It was concluded that a pretax charge of $19.8 million was necessary to bring the carrying value of the mill and related assets closer to economic value. As part of the reduction in its activities in the high-cost coastal region of British Columbia, West Fraser sold a related timber quota with 161,000 m³ of annual allowable cut.

On December 15, 2000, after investigating opportunities throughout the southern United States over the past several years, West Fraser, through a newly-formed subsidiary West Fraser (South), Inc., purchased two sawmills, one in Louisiana and one in Arkansas, and entered into a 15-year renewable agreement with a dominant timber owner in the area that will provide a majority of the sawmills' timber requirements. The sawmills have a current annual production capacity of 320 MMfbm of southern yellow pine dimension lumber. West Fraser will increase the combined capacity of these mills to 400 MMfbm and intends to apply its low-cost manufacturing approach in them.

West Fraser and the Kee Tas Kee Now Tribal Council formed Seehta Forest Products Ltd., of which West Fraser owns 50%, to purchase certain sawmilling and timber assets in Alberta. The timber tenure, which is adjacent to West Fraser's Slave Lake forestry operating area, includes 213,000 m³ of timber quota and provides substantial synergies to West Fraser's existing operations. The sawmill has a current annual production capacity of 60 MMfbm. West Fraser manages the operation and sells its output.

West Fraser spent $50 million on sawmill capital projects in 2000, continuing its emphasis on investment in technology throughout its operations. Typically, every year one of West Fraser's sawmills undertakes a substantial capital project having a payback of less than two years. In 2000, the Smithers mill was upgraded with some of the most advanced timber processing equipment available, which greatly increased lumber recovery and enhanced lumber quality. At the other operations, selected manufacturing components were upgraded.

A substantial portion of West Fraser's lumber production is exported to the United States. The Softwood Lumber Agreement continued to force many producers to take downtime. This included West Fraser, which curtailed production at its British Columbia sawmills for 13 days. Although the agreement will expire on March 31, 2001, there was no formal negotiation between the two countries in 2000. It is anticipated that the United States government may take steps to prevent free access of Canadian lumber to that market.

In spite of a robust housing market in the United States and Canada, lumber prices declined sharply towards the end of 2000 due to increased production throughout North America, reduced consumer confidence and increased imports from offshore. In a volatile market that saw lumber prices spike as high as US$344 and drop to year-end levels of US$180 (1999–US$435 and US$284), the average western SPF 2X4 lumber price fell to US$257 compared to US$343 in 1999.

Anticipated declines in interest rates should encourage housing starts and support lumber demand. Heightened production levels that contributed to the oversupply of lumber in the second half of 2000 are beginning to decline, which should strengthen lumber prices. However, it is too early to determine how lumber prices will fare after the expiry of the Softwood Lumber Agreement.

West Fraser produced 1,029,000 tonnes of oven-dried, softwood chips (1999–966,000), almost the same volume as it consumes. Prices for softwood chips, which are based primarily on the price of market pulp, increased from 1999 due to higher market pulp pricing.

In 2000, West Fraser completed harvesting of merchantable timber burnt by the extensive fires in Alberta in 1998. A major reforestation program continues to restock both the areas salvaged and the plantations damaged by the fires. A pine beetle infestation continues to spread throughout the central interior of British Columbia. The outbreak, which began in 1994, has now reached epidemic proportions. While operations of West Fraser's sawmills have not suffered, the infestation has led to disruption of normal harvesting activity and the redirection of operations to salvage and control measures, increasing log costs. It is likely that the infestation will last for several more years, but it is not presently expected to affect long-term timber supply.

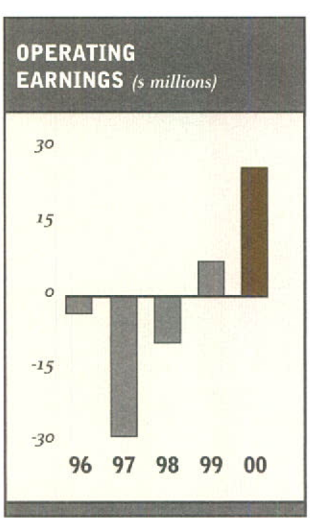
In 2000, West Fraser maintained a high compliance record with provincial forest practice regulations. This was affirmed by the successful Forest Practices Board audit of the Terrace sawmill and the continued adherence of West Fraser's Alberta operations to the Forest Care standards. West Fraser anticipates ISO 14001 certification for its forestry operations in both British Columbia and Alberta by the end of 2001.

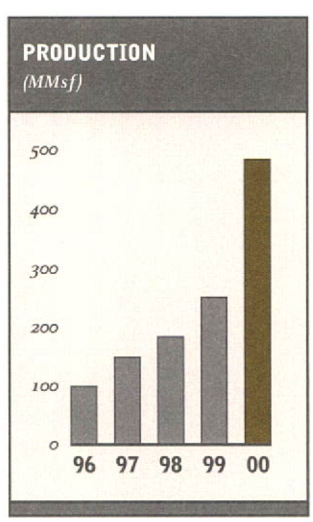
PANELS

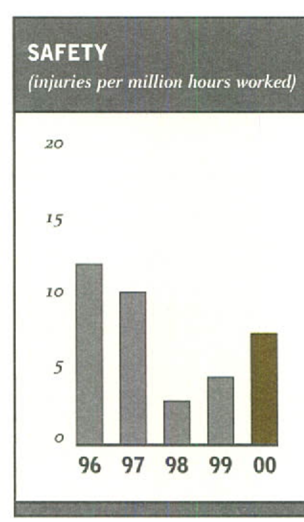
In 2000, West Fraser's panelboard operations established records in production, sales and operating earnings.

The operating earnings of the panel business were $25 million (1999–$7 million) on sales of $199 million (1999–$119 million). EBITDA was $48 million, representing a margin of 24% of sales (1999–$26 million and 22%).

PANELS







MDF

Ranger Board's production in 2000 was 135 MMsf (1999–127MMsf) and its shipments were 132 MMsf (1999–126 MMsf). This production increase was the result of equipment optimization as well as plant-wide efficiency improvements. A benchmarking survey found Ranger Board to have the lowest cost and highest productivity of MDF manufacturers in North America.

WestPine's production in 2000 was 104 MMsf (1999–88 MMsf) and shipments were 103 MMsf (1999–86 MMsf). The significant production increase is attributable to a strong emphasis on plant up-time and general efficiency improvements, which allowed the plant to operate at full capacity. In spite of significant natural gas price increases, which also affect the cost of resin, WestPine achieved a 15% cost reduction from 1999.

During 2000 both MDF operations qualified for certification under Scientific Certification System's program, the first such award in Canada. To earn this certification, both plants used 100% recovered and recycled wood fibre with at least 60% post-industrial recycled content, which also meets certain standards set by the Forest Stewardship Council.

A softening U.S. economy and high inventory levels across the industry weakened MDF markets during the second half of 2000. Increased sales of value-added products from WestPine should offset these market conditions in 2001, but a market turnaround is not expected before 2002.

Both plants had excellent safety records in 2000, marked by Ranger Board's high achievement in an external safety audit.

Plywood

Alberta Plywood completed its first full year of operation since West Fraser's acquisition of the assets in November 1999. It is now fully integrated with West Fraser's other production and forestry operations in Alberta, achieving meaningful synergies.

Plywood production in 2000 was 246 MMsf (1999–37 MMsf) and shipments were 241 MMsf (1999–38 MMsf). This production, the highest in the operation's history, is the result of productivity increases and higher recoveries at the veneer plant in Slave Lake and the plywood plant in Edmonton. A benchmarking study in 1999 established Alberta Plywood as the lowest-cost producer of softwood plywood in Canada.

Plywood prices declined in 2000 as a result of excess production in Canada and increasing competition from North American OSB. Prices are anticipated to soften further in 2001 as additional OSB capacity comes on line.

Alberta Plywood's products, representing approximately 12% of Canadian softwood plywood production, are sold primarily to wholesale distributors in Canada, and maintain a strong market share in Eastern Canada. Alberta Plywood is also gaining increasing acceptance in the U.S. market.

PULP AND PAPER

Total production of pulp, linerboard, kraft paper and newsprint reached a record level of 915,937 tonnes (1999–895,343 tonnes). Records in production, earnings, shipments and sales were achieved at each of the two mechanical pulp mills.

Operating earnings were $122 million (1999–$34 million) on sales of $582 million (1999–$486 million). EBITDA was $174 million, representing a margin of 30% of sales (1999–$86 million and 18%). The increase in earnings over the previous year is the result of price improvements in pulp, linerboard kraft paper and newsprint as well as the increased production and shipments of pulp. Shipments totaled 889,033 tonnes, a 5% decrease over the previous year's total of 931,215 tonnes.

Pulp

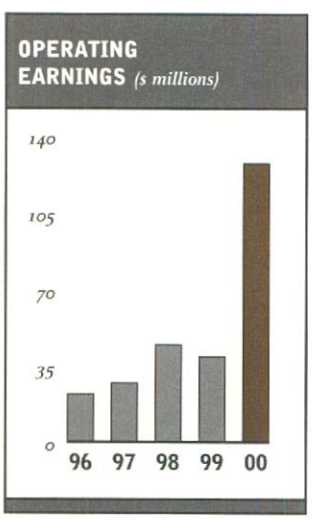
West Fraser's two BCTMP mills achieved record production of 363,310 tonnes (1999–337,390) of which 195,754 tonnes was hardwood pulp and 167,556 tonnes softwood pulp.

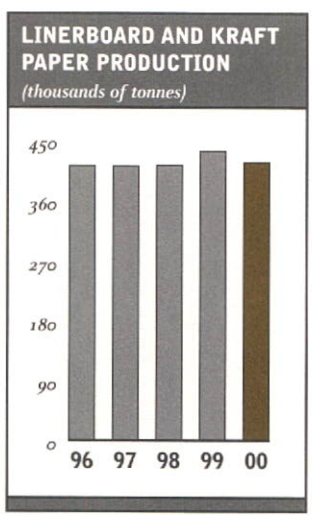
NBSK pulp prices increased through the first half of the year from US$640 to US$710. BCTMP prices, which are typically based on softwood and hardwood kraft pulp prices, increased proportionately. During the third and fourth quarters the demand for pulp, especially hardwood, fell dramatically as paper producers in Asia and other markets reduced their purchases. Due to the build-up in pulp inventories in the latter part of 2000, it is expected that pulp markets will remain soft in the first half of 2001 and may show only minor improvement in the second half.

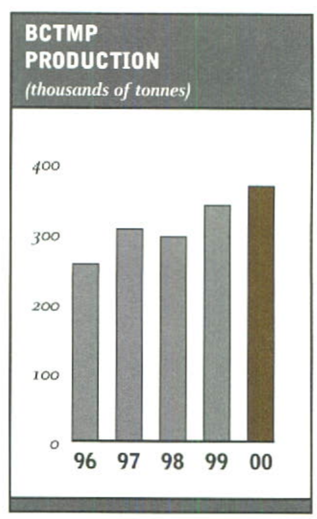
Linerboard and Kraft Paper

The Eurocan mill produced 318,454 tonnes of linerboard and 110,719 tonnes of kraft paper for a total of 429,173 tonnes (1999–433,602 tonnes). The decrease was due to a fire in a precipitator at the steam and recovery plant that resulted in the loss of 12 operating days representing lost production of approximately 15,000 tonnes. An external operational analysis, along with internal cost reduction programs and increased employee communication initiatives, had a positive effect on operating efficiency at the Eurocan mill. Operational

PULP AND PAPER







improvements, coupled with higher mill returns, resulted in improved earnings for the year and should lead to further efficiencies and cost reductions in the coming year.

Average linerboard mill net returns improved 18% from the prior year as markets benefited from a strong pricing environment during the first half of the year, but new capacity in Asia overtook demand for imported products, leading to price reductions in the second half. Improved demand in key kraft paper markets both overseas and in North America and increased industry consolidation enabled selling prices to improve approximately 15% from the beginning of the year.

Newsprint

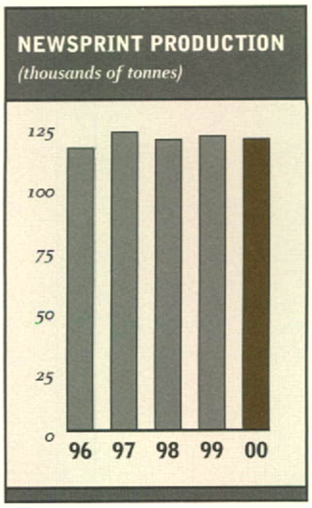
West Fraser's 50% share of production at Alberta Newsprint was 123,454 tonnes (1999–124,351 tonnes) and its share of shipments was 122,337 tonnes (1999 –123,132 tonnes). The volatility of electricity prices led to slightly lower production. The mill continues to be the industry benchmark for low manufacturing costs and high product quality. Newsprint from the mill, which produces mainly standard newsprint as well as rotogravure paper, is sold exclusively within North America, mainly to newspaper publishers. In 2001 the mill will undertake a major upgrade to enhance its product quality and increase capacity.

The average U.S. newsprint price in 2000 was 10% higher than in 1999, responding to strong demand and U.S. capacity constraints. Prices were increased by $45 per tonne in the second quarter and $50 per tonne in the fourth quarter.

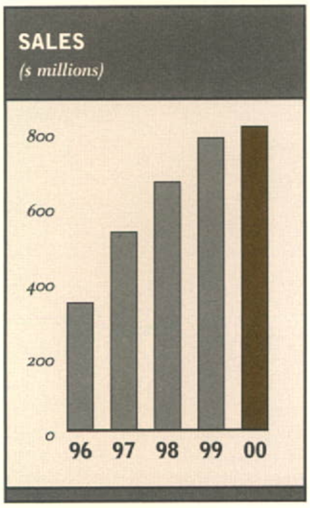
RETAIL HOME IMPROVEMENT

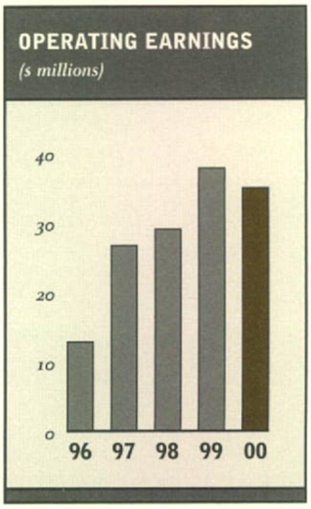
Total sales for the year grew to a record $805 million (1999–$788 million) as West Fraser's retail home improvement business continued its expansion in the Toronto market by opening three stores.

Operating earnings were $35 million (1999–$37 million). EBITDA was $48 million or 6% of sales (1999–$49 million or 6%). The decrease in operating earnings and EBITDA is attributable to severely depressed building product prices, which offset increased sales in most other product lines. The overall margin on sales



RETAIL HOME IMPROVEMENT





was nevertheless increased through marketing initiatives and through higher margins on many other items.

The Greater Toronto market is highly competitive. However, the combination of the established base of Lansing Buildall and the new Revy warehouse stores should allow West Fraser's retail business to continue to operate successfully in that environment.

The Canadian economy was strong across the country in 2000 with the exception of British Columbia, which had its lowest new home sales in many years. Despite the low lumber prices, the Prairie economies contributed to strong sales. Revy's Lansing stores, with their large exposure to contractor-sales, felt the effects of lower lumber prices. While a slowing economy and increased competition will be challenging in 2001, West Fraser's retail home improvement business will continue to benefit from a strong focus on customer service and cost control.

At December 31, 2000, Revelstoke operated 56 stores with retail space of 2.9 million square feet.

EARNINGS AND REVENUE COMPARISON

Consolidated net sales for the year were $2,309 million (1999–$2,204 million).

CONSOLIDATED NET SALES *(change from 1999)*		
Lumber	DECREASE	11%
Panels	INCREASE	67%
Pulp & paper	INCREASE	20%
Retail	INCREASE	2%

EBITDA for the year was $416 million (1999–$447 million).

EBITDA *(change from 1999)*		
Lumber	DECREASE	48%
Panels	INCREASE	86%
Pulp & paper	INCREASE	102%
Retail	DECREASE	2%

Operating earnings for the year were $279 million (1999–$321 million).

OPERATING EARNINGS *(change from 1999)*		
Lumber	DECREASE	59%
Panels	INCREASE	251%
Pulp & paper	INCREASE	259%
Retail	DECREASE	5%

The increase in net sales was due to higher pulp and paper prices and an increase in production and shipments in all forest product segments, offset mainly by lower lumber prices. The increase in panel sales reflects the operation of Alberta Plywood for the full year. The EBITDA and operating earnings decrease in the lumber segment was mostly offset by the increased contributions from panels and pulp and paper.

The writedown of capital assets of $20.8 million (1999–$7.1 million) consists of $19.8 million related to the sawmill located at Prince Rupert, British Columbia and $1.0 million related to a retail property held for sale. The weak Asian lumber market and the high cost of harvesting made it necessary to reduce the mill's carrying cost. The 1999 figure relates solely to the carrying value of a retail property held for sale.

The other income (expense) of $8.7 million (1999–($0.3) million) was primarily due to the gain on sale of various assets during the year.

The number of common shares outstanding increased to 30,344,572 at December 31, 2000 (1999–30,331,129). Diluted earnings per share were $4.14 in 2000 (1999–$4.82).

Total taxes and tax-like levies and charges were as shown on the following page:

PAYMENTS TO GOVERNMENT *($ millions)*	2000	1999
Income Tax	$ 76.8	$ 103.6
Corporation Capital Tax	3.7	3.6
Provincial Capital Tax	4.1	3.9
Canada Pension Plan	7.6	6.4
Employment Insurance	7.0	7.2
Property Tax	20.6	18.3
Social Service Tax	15.1	14.5
Stumpage & Royalties	111.0	91.3
Workers Compensation	8.0	8.6
Total	**$ 253.9**	$ 257.4

With the exception of income tax, the majority of these payments do not vary directly with profitability.

The 2000 provision for income taxes of $81 million was 38% of earnings before income taxes (1999–$107 million or 42%).

CAPITAL STRUCTURE

All of West Fraser's debt other than current borrowings for ANC is unsecured and ranks equally in right of payment. On December 31, 2000, the ratio of West Fraser's total debt, less cash, to total capitalization was 0.38 (1999–0.36). The higher ratio is due mainly to increased spending on capital assets, other assets and acquisitions as well as payment of 1999 income taxes.

West Fraser's fixed-interest term debt is rated as investment grade by leading rating agencies. On January 9, 2001 Standard and Poors upgraded its corporate credit and senior unsecured debt ratings on West Fraser to BBB from BBB–. All ratings are as follows:

AGENCY	RATING
Dominion Bond Rating Service	BBB
Moody's	BAA3
Standard & Poor's	BBB

CHANGES IN ACCOUNTING POLICY

Effective January 1, 2000, the Company changed its method of accounting for income taxes and employee benefits and changed its method of calculating earnings per share, as recommended by the Canadian Institute of Chartered Accountants.

Details of these changes are described in more detail in note 2 to the Company's audited financial statements.

CAPITAL REQUIREMENTS AND LIQUIDITY

West Fraser's annual cash requirements, other than for operating purposes, include interest, repayment of debt, capital asset additions, acquisitions and payment of

Selected consolidated financial information for the last eight quarters is as follows:

SELECTED QUARTERLY INFORMATION *($ millions, except per share amounts)*	2000				1999			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Net sales	$555.5	$568.5	$634.1	$551.3	$560.6	$609.7	$589.9	$443.9
Net earnings	$ 22.4	$ 24.3	$ 42.8	$ 42.0	$ 39.5	$ 56.7	$ 37.0	$ 14.2
Basic earnings per share	$ 0.70	$ 0.77	$ 1.39	$ 1.37	$ 1.29	$ 1.87	$ 1.32	$ 0.45
Diluted earnings per share	$ 0.68	$ 0.76	$ 1.36	$ 1.34	$ 1.27	$ 1.82	$ 1.28	$ 0.45

dividends. In years without a major acquisition, cash provided by operations has been sufficient to meet these requirements.

In 2000, capital asset additions together with acquisitions amounted to $218 million (1999–$181 million). Proceeds from capital asset disposals were $12 million in 2000 (1999–$2 million).

On February 8, 2001 West Fraser entered into an agreement to purchase a sawmill, timber tenures and related assets in British Columbia for $22 million plus working capital. West Fraser plans to spend approximately $175 million on capital asset additions in 2001, mostly on business improvement projects and capital replacements and on the announced acquisition.

West Fraser's scheduled repayment of long-term debt in 2001 is US$25 million.

On December 31, 2000 West Fraser had unused credit facilities of approximately $334 million. West Fraser intends to meet all of its cash requirements in 2001 for planned capital additions, debt repayments, interest and dividends with funds generated from operations and from cash on hand.

CAPITAL ASSET ADDITIONS & ACQUISITIONS *(millions)*

	2000	1999
Lumber	$ 154.2	$ 33.5
Panels	7.2	76.9
Pulp & paper	16.2	10.7
Retail	36.5	57.3
Corporate & other	4.0	2.7
Total	$ 218.1	$ 181.1

RISKS AND UNCERTAINTIES

Foreign Exchange

More than 60% of West Fraser's net sales were to customers at prices which, although denominated in a variety of currencies, are generally based on prevailing U.S. dollar prices. This results in significant sensitivity to changes in the U.S.-Canadian dollar exchange rate.

Payment for export sales may occur in the local currency of the purchaser, with exchange rate fluctuations between the times of purchase and payment, which may be up to 120 days, resulting in additional exchange rate sensitivity to a broader range of major foreign currencies. There were no obligations under forward-exchange contracts outstanding at year-end.

During 2000 the U.S. dollar traded between Cdn$1.56 and Cdn$1.43 with an average of Cdn$1.49 (1999–between Cdn$1.54 and Cdn$1.45 with an average of Cdn$1.49).

Softwood Lumber Agreement

The Softwood Lumber Agreement between the United States and Canada imposes a volume-based quota on shipments to U.S. destinations from British Columbia, Alberta, Ontario and Quebec. Shipments in excess of the quota are not restricted, but attract a substantial financial penalty. While this Agreement imposes additional costs on West Fraser, its position as one of Canada's lowest-cost lumber producers mitigates the effect of quota penalties compared to many competitors. In addition, West Fraser has been increasing shipments to Canadian and offshore markets to minimize its exposure to these penalties. The Softwood Lumber Agreement expires on March 31, 2001 and industry representatives are seeking to develop a common Canadian position in anticipation of the expiration of this Agreement. West Fraser's new operations in the United States are not directly affected by this Agreement.

Land Claims

Native land claims continue to create an uncertainty for the forest industry in British Columbia. The Nisga'a treaty received final ratification by the federal, provincial and Nisga'a governments in 2000. The treaty did not have a material effect on West Fraser. Remaining land claims are under negotiation with the federal and provincial governments.

Environment

The "Environmental Report" which appears on page 60 is incorporated herein by reference.

Earnings Sensitivity

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 factor.

West Fraser's principal raw material is timber. Stumpage charges on logs harvested from its timber tenures are indexed to the market price of lumber, both in British Columbia and in Alberta, although each province follows a different market index and a different policy to make changes to stumpage. The prices paid for logs obtained in the open market are the result of competitive bidding between mills seeking incremental volumes. In West Fraser's new operations in the United States, approximately 65% of the required log volumes are obtained under a long-term contract and the balance through market purchases.

Electrical energy is a major input cost for West Fraser's products, particularly paper, pulp and MDF. The move to deregulate power sales in the Alberta market resulted in significant cost increases in 2000, and extreme price volatility. West Fraser's pulp and paper operations were able to mitigate the increased prices in 2000 by shifting load to reduce the use of electricity during the highest cost periods. In August 2000, West Fraser participated in the Alberta-Government-run auction of power contracts to secure a 20-year supply

SENSITIVITY TO KEY VARIABLES

FACTOR	VARIATION	CHANGE IN EARNINGS
Lumber Price	U.S. $50 change per Mfbm	$ 95 million
Plywood Price	U.S. $50 change per Msf	$ 11 million
MDF Price	U.S. $50 change per Msf	$ 11 million
BCTMP Price	U.S. $50 change per tonne	$ 16 million
Linerboard Price	U.S. $50 change per tonne	$ 15 million
Kraft Paper Price	U.S. $50 change per tonne	$ 5 million
Newsprint Price	U.S. $50 change per tonne	$ 5 million
U.S. – Canadian $ Exchange Rate	U.S. $0.01 change per Cdn $	$ 13 million
Log Cost	$10 change per m^3	$ 47 million

of electricity, starting January 1, 2001, at competitive and stable prices. Electricity rates in British Columbia are fixed by regulation until September 2001, and significant change is expected after that time.

Interest rates, particularly in the United States, have a significant effect on house construction activity, which in turn influences the demand for, and price of, lumber. Sales of existing homes and construction of new homes, together with general economic factors, affect the profitability of the retail home improvement business.

BUSINESS OUTLOOK

The financial performance of West Fraser's forest products business is dependent on commodity prices, the value of the Canadian dollar in relation to major foreign currencies (mainly the U.S. dollar), government policies affecting timber harvesting and the cost structure of its manufacturing units. The retail home improvement business is influenced by the level of general economic activity in Canada, particularly new home construction, and remodeling of existing homes.

Interest rates are expected to decline in the United States, which historically has resulted in increased housing activity. This should allow lumber prices to recover from the depressed levels experienced at the end of 2000 and in early 2001.

In the face of recent reduced demand, it is important that production be curtailed to allow demand and supply to balance. The expiry of the Softwood Lumber Agreement on March 31, 2001 raises a concern that new measures to restrict free trade will be introduced against Canadian producers. This, and the potential strengthening of the Canadian dollar against the U.S. dollar, will further challenge the Canadian industry. However, West Fraser's low-cost position should allow its lumber operations to remain profitable. West Fraser's two sawmills in the United States will be immune from such trade restrictions and will provide a further hedge against their effects.

All of West Fraser's panel plants continue to make significant improvements to their cost structures, which should help offset any weakness in the marketplace.

Although progress was made in 2000 in streamlining the administration of timber harvesting in British Columbia, further structural adjustments are needed to bring the cost of timber in line with the costs borne by other Canadian and international competitors. In addition, customers and the public are becoming increasingly aware that timber harvesting must be demonstrably conducted in accordance with sound and sustainable forest practices. This has led to a growing number of requests for independent certification of compliance with the desired standards.

West Fraser is in the process of obtaining ISO 14001 certification of its woodlands environmental management systems and practices. It is evaluating various certification standards that would augment ISO 14001 and be acceptable in the marketplace.

The past year was an outstanding one for West Fraser's pulp operations. Both of the mills took advantage of strong markets by increasing production and at the same time were able to accomplish cost reductions in many areas. However, the significant pulp inventory build-up that took place throughout the industry at the end of the year has led to a price correction. If major producers show production discipline, a serious price erosion can be avoided. Both the West Fraser mills continue to look for ways to reduce costs and improve operating efficiencies while working with their key customers to improve product quality and customer service.

Although a weakening U.S. economy is now resulting in lower prices for linerboard and kraft paper, industry consolidation should lead to less volatile pricing for these products. The major steps taken in the past few years in the Eurocan mill to reduce costs and improve operating efficiencies are expected to show results in the coming year. The mill is also looking for opportunities to improve mill-net realizations by focusing on increased sales in North America. West Fraser is also investigating integration possibilities as well as ways to take further advantage of its high product quality.

With a slowdown in the U.S. economy, the demand for newsprint is expected to soften. Since relatively few major producers dominate the supply of newsprint, it is likely that supply and demand will remain largely in balance. West Fraser's newsprint operation, being among the lowest cost operations in the world, should continue to prosper.

The Canadian economy is expected to slow along with the U.S. economy, which may put pressure on margins in home improvement sales, although no such pressure was evident going into 2001. Increased competition from international retail chains in Eastern Canada adds further challenges to West Fraser's retail home improvement business. However, recently acquired store sites and an established presence as a national chain position West Fraser's home improvement business well in relation to its competitors.

THE MANAGEMENT OF WEST FRASER TIMBER CO. LTD. IS RESPONSIBLE for the preparation as well as the integrity of the accompanying 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 principles generally accepted in Canada and necessarily include amounts that represent the best estimates and judgments of management. The Company has developed and maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are executed in accordance with management's authorizations.

The consolidated financial statements have been examined by the Company's auditors, PricewaterhouseCoopers LLP, who have issued their report thereon.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee, comprised of five Directors, none of whom is an officer or employee of the Company. The Committee meets from time to time with management and the Company's auditors to review the financial 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 Ketcham

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

Martti Solin

Martti Solin
Vice President, Finance
& Chief Financial Officer

January 31, 2001

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, 2000 and 1999 and the consolidated statements of earnings and 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, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied, after giving effect to the change in accounting policies described in note 2 to the consolidated financial statements, on a consistent basis.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, B.C.
January 31, 2001

Financial Statements

As at December 31 (in thousands of Canadian dollars)	2000	1999
ASSETS		
Current assets		
Cash and short-term investments	$ –	$ 97,504
Accounts receivable	224,612	186,244
Inventories *(note 5)*	523,468	500,104
Prepaid expenses	9,585	9,697
	757,665	793,549
Other assets *(note 6)*	96,876	33,779
Capital assets *(note 7)*	1,562,478	1,414,795
Deferred charges *(note 8)*	36,433	22,797
	$ 2,453,452	$ 2,264,920
LIABILITIES		
Current liabilities		
Bank indebtedness *(note 9)*	$ 95,633	$ 42,171
Accounts payable and accrued liabilities	310,201	371,576
Current portion of long-term debt *(note 9)*	37,488	36,083
	443,322	449,830
Long-term debt *(note 9)*	570,633	589,878
Reforestation obligation	63,678	59,419
Future income taxes	248,488	139,520
	1,326,121	1,238,647
SHAREHOLDERS' EQUITY		
Convertible obligation *(note 11(b))*	19,536	17,256
Share capital *(note 10)*	324,303	326,121
Contributed surplus *(note 11(c))*	650	1,402
Retained earnings	782,842	681,494
	1,127,331	1,026,273
	$ 2,453,452	$ 2,264,920

Approved by the Directors

C. Calvert Knudsen
Director

William P. Ketcham
Director

For the years ended December 31 (in thousands of Canadian dollars)	2000	1999
EARNINGS		
Net sales	$ 2,309,440	$ 2,204,115
Costs and expenses		
Cost of products sold	1,651,722	1,530,642
Retail store operating	182,463	174,506
Amortization of capital assets	136,961	125,142
Selling, general and administrative	59,472	52,417
	2,030,618	1,882,707
OPERATING EARNINGS	278,822	321,408
Other		
Financing *(note 14)*	(54,781)	(59,445)
Writedown of capital assets	(20,837)	(7,050)
Other income (expense) *(note 15)*	8,763	(318)
Earnings before income taxes	211,967	254,595
Provision for (recovery of) income taxes *(note 16)*		
Current	103,495	109,968
Future	(22,986)	(2,794)
	80,509	107,174
NET EARNINGS	$ 131,458	$ 147,421
Earnings per common share *(notes 2 and 17)*		
Basic	$ 4.23	$ 4.93
Diluted	$ 4.14	$ 4.82
RETAINED EARNINGS		
Balance—beginning of year	$ 681,494	$ 550,257
Change in accounting for future income taxes *(note 2)*	(13,054)	–
	668,440	550,257
Net earnings	131,458	147,421
	799,898	697,678
Convertible obligation *(note 11(b))*	(2,280)	(1,510)
Cancellation of shares *(note 10)*	2,213	2,149
Dividends		
Preferred shares	–	(615)
Common shares	(16,989)	(16,208)
Balance—end of year	$ 782,842	$ 681,494

For the years ended December 31 (in thousands of Canadian dollars)	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$ 131,458	$ 147,421
Items not affecting cash		
Amortization of capital assets	136,961	125,142
Amortization of deferred foreign exchange loss	8,696	9,760
Future income taxes	(22,986)	(2,794)
Change in reforestation obligation	9,914	2,832
Writedown of capital assets	20,837	7,050
Other	(11,350)	(449)
	273,530	288,962
Net change in non-cash working capital items	(111,093)	84,767
	162,437	373,729
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(37,413)	(99,765)
Dividends	(16,989)	(16,823)
Other	(357)	(1,956)
	(54,759)	(118,544)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital asset additions	(100,566)	(106,656)
Proceeds from disposal of capital assets	12,365	1,914
Acquisitions *(note 3)*	(117,545)	(74,403)
Decrease (increase) in other assets	(52,898)	351
	(258,644)	(178,794)
INCREASE (DECREASE) IN CASH	(150,966)	76,391
Net cash—beginning of year	55,333	(21,058)
Net cash—end of year	$ (95,633)	$ 55,333
Net cash consists of		
Cash and short-term investments	$ –	$ 97,504
Bank indebtedness	(95,633)	(42,171)
	$ (95,633)	$ 55,333
INTEREST PAID	$ 53,662	$ 53,611
INCOME TAXES PAID	$ 160,101	$ 25,772

(figures in tables are in thousands of Canadian dollars, except where indicated)

1. SIGNIFICANT ACCOUNTING POLICIES

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., Blue Ridge Lumber (1981) Ltd., Alberta Plywood Ltd., West Fraser (South), Inc., Revelstoke Home Centres Ltd., and Revy Home Centres Inc.

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

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. Actual results could differ from those estimates.

The company harvests timber under various provincial tenures. Estimated future reforestation obligations are charged to earnings based on the volume of timber harvested. The difference in actual costs of reforestation, if any, are credited or charged to earnings when realized.

Foreign currency translation

Monetary assets and liabilities 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, except for unrealized foreign exchange gains and losses on long-term debt, which are deferred and amortized over the term of the related debt or reflected in earnings when the debt is repaid.

The company's foreign operations are considered to be integrated and, accordingly, have been translated using the temporal method. Under this method, monetary items are translated at the rate of exchange in effect at the balance sheet dates, and non-monetary items are translated at historical exchange rates. Revenue and expense items 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 exchange rates as the assets 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 with banks and highly liquid short-term interest-bearing securities with maturities at purchase date of three months or less.

Inventories

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

Capital assets

Capital assets are stated at cost, which for major manufacturing assets under construction includes capitalized interest and preproduction and start-up costs. Company-owned timberlands include the cost of acquisition and all costs associated with establishing and maintaining the timberlands. 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. Any permanent impairment in the carrying value of capital assets is charged against earnings in the period such an impairment is determined.

(figures in tables are in thousands of Canadian dollars, except where indicated)

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Amortization

Amortization is provided to reduce the original cost of capital assets to estimated residual values over their useful lives. The company employs the units-of-production basis for amortization of the newsprint mill. All other capital assets are amortized on a straight-line basis.

The rates of amortization being applied are intended to amortize the assets over the following periods:

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

Costs of logging roads are amortized on the basis of timber harvested. The cost of timber rights is amortized over the life of the rights on the basis of timber harvested, not to exceed 50 years. Amortization of company-owned timberlands will commence when harvesting begins.

Goodwill arising on business acquisitions is amortized over its estimated period of future benefit up to 25 years. Any impairment in value is recorded in earnings when it is identified, based on management's assessment of future operating results.

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

2. CHANGE IN ACCOUNTING POLICIES

Future income taxes

Effective January 1, 2000, the company adopted the liability method of accounting for income taxes in accordance with the recommendations of the Canadian Institute of Chartered Accountants ("CICA"). Under this method, future tax assets and liabilities are based upon differences between financial reporting and tax bases of assets and liabilities measured using current income tax rates. The company has adopted the new recommendations retroactively without restating prior years' financial statements. The cumulative effect of adopting the liability method of accounting for income taxes at January 1, 2000 was to increase capital assets by $119 million, decrease retained earnings by $13 million and increase future income taxes (previously described as deferred income taxes) by $132 million. Net earnings and earnings per share for 1999 remain unchanged. Prior to January 1, 2000, income taxes were accounted for by the deferral method.

Earnings per share

Effective December 31, 2000, the company changed its method of calculating earnings per share in accordance with the recommendations of the CICA. The company has adopted the new recommendations retroactively and has restated prior years' financial statements. The effect of adopting the new recommendations on the prior year's financial statements is as follows:

	1999 (Restated)	1999
Basic earnings per share (dollars)	$ 4.93	$ 4.88
Diluted earnings per share (dollars)	$ 4.82	$ 4.75

(figures in tables are in thousands of Canadian dollars, except where indicated)

Employee benefit plans

Effective January 1, 2000, the company changed its policy for accounting for employee future benefits in accordance with the recommendations of the CICA, on a prospective basis. Prior to adoption of the new recommendations, post-retirement benefits other than pensions were accounted for on a cash basis.

The company accrues its obligation under employee benefit plans and related costs, net of plan assets. The cost of pensions and other post-retirement benefits earned by employees is determined actuarially, using the projected benefit method prorated on length of service and management's best estimate of expected investment performance, salary escalation, retirement age of employees and expected health care costs and premiums.

Defined benefit pension plan assets are reported at market values. The discount rate used to determine the accrued benefit obligation was determined by reference to market yields. Adjustments and transitional amounts are amortized on a straight-line basis over the average service period of the employee groups, which is estimated to be 13 years.

3. ACQUISITIONS

2000

a) Effective December 15, 2000, the company acquired two sawmills in the southern United States and entered into a long-term timber supply contract with the seller.

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 values:		
Non-cash working capital	$	**16,997**
Timber deposits		**3,689**
Capital assets		**91,174**
Cash consideration	$	**111,860**

b) Effective November 1, 2000, the company acquired a 50% interest in a sawmill and timber rights located in Alberta. The company's share of the cash consideration for the purchase amounted to $5,685,000.

1999

Effective November 3, 1999, the company acquired the forest products business and assets of Zeidler Forest Industries Ltd., consisting of plywood and veneer plants and related timber rights.

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 values:		
Non-cash working capital	$	**20,550**
Capital assets		**69,053**
Reforestation obligation assumed		**(15,200)**
Cash consideration	$	**74,403**

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(figures in tables are in thousands of Canadian dollars, except where indicated)

4. INVESTMENTS IN JOINT VENTURES

The company's principal joint ventures consist of Quesnel River Pulp Company (50%), Alberta Newsprint Company (50%), Houston Forest Products Company (50%) and Babine Forest Products Company (31.58%). The company's proportionate share of the financial position, operating results, and cash flows of the joint ventures is as follows:

	2000	1999
Current assets	$ 62,851	$ 63,575
Non-current assets	219,950	212,079
Total assets	282,801	275,654
Current liabilities	38,741	28,100
Non-current liabilities	2,584	–
Equity	$ 241,476	$ 247,554
Net sales	$ 284,964	$ 265,449
Expenses	222,130	214,071
Net earnings	$ 62,834	$ 51,378
Cash flows from:		
Operating activities	$ 94,783	$ 74,492
Financing activities	$ 2,650	$ –
Investing activities	$ (15,194)	$ (6,322)

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

5. INVENTORIES

	2000	1999
Logs and wood chips	$ 117,198	$ 129,948
Manufactured products	165,640	127,019
Retail products	188,603	191,924
Processing materials and supplies	52,027	51,213
	$ 523,468	$ 500,104

6. OTHER ASSETS

	2000	1999
Power purchase agreements (note 11(d))	$ 38,737	$ –
Goodwill—net of accumulated amortization	16,253	16,993
Investments	32,638	8,760
Advances for timber and timber deposits	5,030	3,348
Non-interest bearing loans to employees	2,291	2,444
Other	1,927	2,234
	$ 96,876	$ 33,779

(figures in tables are in thousands of Canadian dollars, except where indicated)

7. CAPITAL ASSETS

	2000		
	Cost	Accumulated amortization	Net
Manufacturing plant and equipment	$ 2,076,528	$ 1,081,199	$ 995,329
Timber rights, timberlands and roads	424,633	147,298	277,335
Retail stores and equipment	250,019	82,074	167,945
Land	121,869	–	121,869
	$ 2,873,049	$ 1,310,571	$ 1,562,478

	1999		
	Cost	Accumulated amortization	Net
Manufacturing plant and equipment	$ 1,938,269	$ 964,782	$ 973,487
Timber rights, timberlands and roads	311,201	138,792	172,409
Retail stores and equipment	233,282	73,371	159,911
Land	108,988	–	108,988
	$ 2,591,740	$ 1,176,945	$ 1,414,795

8. DEFERRED CHARGES

	2000	1999
Deferred foreign exchange loss	$ 21,424	$ 10,665
Deferred pension costs	12,891	9,421
Deferred financing fees	2,118	2,711
	$ 36,433	$ 22,797

9. LONG-TERM DEBT AND BANK INDEBTEDNESS

Long-Term Debt	2000	1999
U.S. $125 million term notes due 2002; interest at 7.25%	$ 187,339	$ 180,283
U.S. $125 million term notes due 2005; interest at 7.50%	187,229	180,140
Cdn. $125 million term notes due 2007; interest at 6.80%	124,840	124,816
U.S. $72.5 (1999–U.S. $97.5) million notes due 2001 to 2004; interest at 8.44%	108,713	140,722
	608,121	625,961
Less: Current portion	37,488	36,083
	$ 570,633	$ 589,878

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

Principal repayments required are as follows:

2001	$ 37,488
2002	224,826
2003	18,744
2004	14,995
2005	187,229
Thereafter	124,839
	$ 608,121

(figures in tables are in thousands of Canadian dollars, except where indicated)

Bank indebtedness

The company has approximately $430 million in demand or revolver lines of credit available, of which $95.6 million was utilized as at December 31, 2000 (1999–$42.2 million). The amounts drawn under these facilities may include bankers' acceptances, demand loans or advances, which may be made in U.S. or Canadian dollars, and bear interest at market rates based on bank prime, LIBOR or bankers' acceptance rates.

10. SHARE CAPITAL

Authorized

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

Issued	**2000**		1999	
	Number of shares	Amount	Number of Shares	Amount
Common shares	**24,515,504**	**$ 323,718**	24,643,606	$ 326,735
Class B common shares	**5,829,068**	**585**	5,947,068	597
	30,344,572	**324,303**	30,590,674	327,332
Shares owned by a subsidiary	**–**	**–**	(259,545)	(1,211)
Total common shares	**30,344,572**	**$ 324,303**	30,331,129	$ 326,121

Share capital transactions during 2000

The company issued 13,443 common shares for $394,000; 118,000 Class B shares were converted to common shares.

The company cancelled 259,545 common shares owned by a subsidiary. The resulting surplus of $2,213,000 has been credited to retained earnings.

Share capital transactions during 1999

The company purchased for cancellation 1,250,000 Series 1 preferred shares. Consideration consisted of 1,250,000 common shares issued for $46,151,250 and a cash payment of $2,322,000 (note 11(c)). The resulting surplus has been credited to contributed surplus.

The company issued 10,737 common shares for $365,143; 2,000 Class B shares were converted to common shares.

The company cancelled 250,000 common shares owned by a subsidiary. The resulting surplus of $2,149,000 has been credited to retained earnings.

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, 2000 amounted to $4,248,000 (1999–$4,130,000) and are included in accounts payable and accrued liabilities.

Share options

The company has a fixed share option plan for its directors, officers and employees, under which it may issue up to 2,000,000 share options. No expense is recognized for share options issued under this plan. The exercise price of options is equal to the closing price of the company's stock on the day preceding the grant date. The options vest at 20% per year from the grant date and expire after 10 years. The weighted average contractual life of the options outstanding is seven years.

(figures in tables are in thousands of Canadian dollars, except where indicated)

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

	2000		1999	
	Number of shares	Weighted average share price (dollars)	Number of Shares	Weighted average share price (dollars)
Outstanding—				
Beginning of year	**669,979**	**$ 35.18**	543,479	$ 36.14
Granted	**334,000**	**36.00**	132,000	34.00
Exercised	**–**	**–**	(1,100)	29.13
Expired	**(3,657)**	**33.78**	(4,400)	37.97
Outstanding—				
End of year	**1,000,322**	**$ 35.46**	669,979	$ 35.18
Options exercisable at the end of the year	**413,872**		301,479	

The following table summarizes information about the stock options outstanding at December 31, 2000:

	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of exercisable options	Average weighted exercise price
Range of exercise prices					
$20–$30	118,250	5	$ 29.13	97,350	$ 29.13
$30–$40	741,822	7	$ 35.04	226,872	$ 34.13
$40–$50	140,250	6	$ 43.00	89,650	$ 43.00
	1,000,322			413,872	

11. COMMITMENTS

a) Operating leases

The company is committed to payments under certain operating leases for equipment, land, buildings and office space. Minimum payments required under these leases in each of the next five years are:

2001	$ 17,330
2002	13,174
2003	10,350
2004	8,324
2005	7,584
	$ 56,762

The majority of the leases provide the company with the right to early termination without penalty.

(figures in tables are in thousands of Canadian dollars, except where indicated)

b) Convertible obligation

On the acquisition of the home improvement business of Lansing Buildall, a subsidiary of the company issued 1,500,000 of its common shares to the vendors of that business. The company entered into an agreement with the vendors whereby, among other things, (i) the vendors may require the company to purchase such shares at fair market value within a specified period after the end of each of 2001, 2002 and 2003, (ii) the vendors may require the company to purchase on December 31, 2004 such shares at the price of $21.40 each, and (iii) the company has the right to purchase such shares at the same price on December 31, 2004. The company has the right to issue common shares to the vendors in satisfaction of the price payable to the vendors under (i) and (ii). Accordingly, the present value of this obligation has been recorded in shareholders' equity as a convertible obligation and is being increased through a charge to retained earnings as the present value of the obligation increases. Under certain circumstances, including specified capital market transactions, the rights and obligations referred to above will terminate before December 31, 2004.

c) Preferred share purchase

Under the terms of the preferred share purchase described in note 10, the company may be required to pay additional purchase consideration based on the market value of the company's common shares between the purchase date and July 31, 2002. The maximum additional purchase consideration that could become payable is $39.90 per share less the market price of the company's common shares on July 31, 2002. In addition, the company is required to pay an excess dividend entitlement dependent upon the common share dividends paid. During 2000, an excess dividend entitlement of $752,000 was paid and charged to contributed surplus.

Both obligations will be terminated at the earliest of:

i) the date on which the market price equals or exceeds $39.90 per share for a 10-day period;

ii) the date on which the shareholder ceases to hold the common shares;

iii) July 31, 2002.

d) Power purchase agreements

In 2000, the company entered into agreements to acquire a portion of the electricity to be generated from two power plants in Alberta over the next 20 years, beginning January 1, 2001, at largely predetermined prices. The company's share is expected to be 150 megawatts per year for the first 14 years and 120 megawatts per year for the final six years. The company also has entered into agreements to resell the electricity through the Alberta Power Pool at prevailing market prices or through direct sales. The initial payment for these rights of $39 million is being amortized over the life of the underlying agreements.

12. POST-RETIREMENT 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 length of service and, in some cases, earnings and length of service. The company has unfunded supplemental defined benefit pension plans for certain salaried employees. The present value of accumulated pension benefits based on earnings and length of service is provided for in the financial statements. The company also provides group life insurance, medical and extended health benefits to certain employee groups. Under its non-pension post-retirement benefit plans, the projected benefit obligations were $6,444,000 at December 31, 2000.

The total pension expense for the company's defined contribution pension plans is $1,530,000 (1999–$1,415,000).

(figures in tables are in thousands of Canadian dollars, except where indicated)

The status of the company's defined benefit pension plans at December 31, 2000 and 1999 was as follows:

	2000	1999
Pension expense		
Current service cost	$ 9,857	$ 9,617
Interest cost	13,316	12,216
Expected plan return	(13,389)	(11,461)
Amortization of transition amount and experience gains (losses)	(16)	1,506
Net expense	$ 9,768	$ 11,878
Accrued benefit obligation		
Projected benefit obligations—opening	$ 183,511	$ 166,006
Current service cost	9,857	9,617
Interest cost	13,316	12,216
Benefits paid	(6,899)	(5,829)
Actuarial gains	127	1,075
Other	312	426
Projected benefit obligations—ending	$ 200,224	$ 183,511
Plan assets		
Fair value—opening	$ 190,464	$ 167,736
Actual return	11,802	19,552
Contributions	8,519	9,900
Benefits paid	(7,039)	(6,724)
Fair value—ending	$ 203,746	$ 190,464
Funded status of the plan		
Plan surplus	$ 3,522	$ 6,953
Unamortized net actuarial gains (losses)	1,877	(756)
Unamortized past service costs	698	–
Unamortized net transitional liability	(2,703)	–
Net accrued benefit asset	$ 3,394	$ 6,197
Represented by		
Deferred pension costs	$ 12,891	$ 9,421
Pension liability	(9,497)	(3,224)
	$ 3,394	$ 6,197

The significant actuarial assumptions are as follows:

Discount rate	7%
Expected rate of return on plan assets	7%
Compensation increase	2%–5%
Inflation rate	4%

(figures in tables are in thousands of Canadian dollars, except where indicated)

13. FINANCIAL INSTRUMENTS

a) Fair values

The recorded amounts for cash and short-term investments, accounts receivable, bank indebtedness, and accounts payable and accrued liabilities approximate fair values based on the short-term maturity of those instruments.

The fair value of the company's long-term debt is estimated as the book value adjusted for the premium or discount required to provide a yield equal to current rates on new debt with maturities equal to the remaining terms to maturity.

	2000		1999	
	Book value	Fair value	Book value	Fair value
Long-term debt (note 9)				
Term notes	$ 499,408	$ 488,161	$ 485,239	$ 472,292
Other notes	108,713	112,788	140,722	150,517
	$ 608,121	$ 600,949	$ 625,961	$ 622,809

b) Credit risk

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

14. FINANCING EXPENSE

	2000	1999
Long-term interest	$ 47,277	$ 51,352
Current interest—net	(1,192)	(1,667)
Amortization of deferred foreign exchange loss	8,696	9,760
	$ 54,781	$ 59,445

15. OTHER INCOME (EXPENSE)

	2000	1999
Earnings (loss) from equity investments	$ 916	$ (149)
Gain on sale of capital assets—net	8,592	1,210
Other—net	(745)	(1,379)
	$ 8,763	$ (318)

16. INCOME TAXES

The company's effective tax rate is as follows:

	2000		1999	
	Amount	%	Amount	%
Federal income taxes	$ 59,351	28.0	$ 71,290	28.0
Provincial income taxes	31,096	14.7	41,083	16.1
Manufacturing and processing allowances	(10,862)	(5.1)	(16,746)	(6.6)
Large corporations tax	3,900	1.8	3,600	1.4
Permanent differences on acquisitions	–	–	6,342	2.5
Other	(2,976)	(1.4)	1,605	0.7
	$ 80,509	38.0	$ 107,174	42.1

(figures in tables are in thousands of Canadian dollars, except where indicated)

The components of the future income tax liability at December 31, 2000 are as follows:

Future income tax liabilities	
Capital assets	**$ 280,068**
Other assets	**10,408**
	290,476
Future income tax assets	
Reforestation accrual	**35,222**
Other liabilities	**6,766**
	41,988
	$ 248,488

17. EARNINGS PER COMMON SHARE

Basic earnings per common share are calculated based on net earnings available to common shareholders, as set out below, using the weighted average number of common shares outstanding. Diluted earnings per share assume the conversion of preferred shares, settlement of convertible obligations (note 11(b)) and exercise of options, if dilutive, at the beginning of the year or on their dates of issue, if later.

	2000	1999
Net earnings	**$ 131,458**	$ 147,421
Preferred share dividend	**–**	(615)
Surplus (excess dividend) on purchase of preferred shares	**(752)**	1,402
Convertible obligation	**(2,280)**	(1,510)
Net earnings available to common shareholders	**$ 128,426**	$ 146,698
Weighted average number of common shares outstanding	**30,337,000**	29,733,000

18. 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 principal operations of each segment are as follows:

Lumber	• 14 sawmills, which includes the company's interest in joint ventures, producing lumber and by-product wood chips
Panels	• 2 MDF plants and 1 plywood plant
Pulp and paper	• 4 mills, which includes the company's interest in joint ventures, producing a range of products including linerboard, kraft paper, softwood and hardwood BCTMP, and newsprint
Retail	• 15 full-service warehouse stores and 41 retail home improvement centres in western and central Canada

The accounting policies of each segment are the same as those described in note 1.

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(figures in table are in millions of Canadian dollars)

2000

	Lumber	Panels	Pulp & paper	Retail	Corporate and other	Consolidated
Net sales at market prices						
To external customers	$ 724.3	$ 198.5	$ 582.0	$ 804.6	$ –	$ 2,309.4
To other segments	64.4	–	–	–	–	
	$ 788.7	$ 198.5	$ 582.0	$ 804.6	$ –	
EBITDA	$ 150.8	$ 47.8	$ 173.7	$ 47.8	$ (4.2)	$ 415.9
Amortization of capital assets	49.0	22.9	52.0	12.9	0.2	137.0
Operating income (loss)	101.8	24.9	121.7	34.9	(4.4)	278.9
Financing expense (income)	10.5	7.1	20.5	19.6	(2.9)	54.8
Other	14.2	–	(1.8)	(1.5)	1.2	12.1
Earnings (loss) before income taxes	$ 77.1	$ 17.8	$ 103.0	$ 16.8	$ (2.7)	$ 212.0
Capital employed (*)	$ 615.6	$ 253.6	$ 717.4	$ 459.4	$ 100.8	$ 2,146.8
Identifiable assets	$ 711.1	$ 274.1	$ 774.8	$ 524.1	$ 169.4	$ 2,453.5
Capital asset additions, including acquisitions	$ 154.2	$ 7.2	$ 16.2	$ 36.5	$ 4.0	$ 218.1
Sales by geographic area						
Net sales to external customers						
U.S.A.	$ 363.1	$ 55.3	$ 156.8	$ 2.9	$ –	$ 578.1
Canada	276.5	127.4	56.2	799.8	–	1,259.9
Europe	–	–	103.8	–	–	103.8
Far East	84.7	15.8	186.9	1.4	–	288.8
Other	–	–	78.3	0.5	–	78.8
	$ 724.3	$ 198.5	$ 582.0	$ 804.6	$ –	$ 2,309.4

(*) Capital employed is defined as identifiable assets less current non-interest bearing liabilities.

(figures in tables are in millions of Canadian dollars)

1999

	Lumber	Panels	Pulp & paper	Retail	Corporate and other	Consolidated
Net sales at market prices						
To external customers	$ 811.4	$ 118.7	$ 485.6	$ 788.4	$ –	$ 2,204.1
To other segments	68.4	–	–	–	–	
	$ 879.8	$ 118.7	$ 485.6	$ 788.4	$ –	
EBITDA	$ 291.7	$ 25.7	$ 85.8	$ 48.9	$ (5.6)	$ 446.5
Amortization of capital assets	42.4	18.6	51.9	12.0	0.2	125.1
Operating income (loss)	249.3	7.1	33.9	36.9	(5.8)	321.4
Financing expense	10.3	7.4	26.7	14.8	0.2	59.4
Other	1.1	–	(0.3)	7.6	(1.0)	7.4
Earnings (loss) before income taxes	$ 237.9	$ (0.3)	$ 7.5	$ 14.5	$ (5.0)	$ 254.6
Capital employed (*)	$ 432.9	$ 267.5	$ 710.5	$ 419.6	$ 62.8	$ 1,893.3
Identifiable assets	$ 517.7	$ 304.7	$ 765.7	$ 501.9	$ 174.9	$ 2,264.9
Capital asset additions, including acquisitions	$ 33.5	$ 76.9	$ 10.7	$ 57.3	$ 2.7	$ 181.1
Sales by geographic area						
Net sales to external customers						
U.S.A.	$ 578.2	$ 48.5	$ 134.0	$ 4.4	$ –	$ 765.1
Canada	180.5	57.8	56.9	782.5	–	1,077.7
Europe	0.3	0.5	94.8	–	–	95.6
Far East	52.4	11.9	144.7	1.5	–	210.5
Other	–	–	55.2	–	–	55.2
	$ 811.4	$ 118.7	$ 485.6	$ 788.4	$ –	$ 2,204.1

(*) Capital employed is defined as identifiable assets less current non-interest bearing liabilities.

Continuous improvement is a cornerstone of West Fraser's commitment to responsible stewardship of the environment. A review of its Environmental Policy carried out in 2000 resulted in the approval of a new revised policy by the Board of Directors in December.

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 procdures 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.
- 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.

FOREST PRACTICES BOARD AUDIT

West Fraser maintained its high level of compliance with provincial forest practices regulations in 2000. The Terrace operations audit results were complimentary and identified no significant non-compliance. The forest operations of Houston were audited and the final report is expected in 2001.

INTERNAL FOREST PRACTICES AND ENVIRONMENTAL AUDITS

Internal forest practice audits were completed at the Fraser Lake and Chetwynd operations. Both were found to be in compliance with the *Forest Practices Code* and other applicable laws.

West Fraser's internal environmental auditing program was reviewed in 2000. This led, among other things, to the retraining of all auditors. The QRP pulp mill, the WestPine MDF plant, Alberta Plywood's Edmonton and Slave Lake plants, and the sawmills at Fraser Lake and Chetwynd were audited. No major issue was identified.

CERTIFICATION

The Ranger Board and WestPine plants obtained Scientific Certification System's Green Cross certification in 2000. This certifies that their MDF products are made from 100% recovered and recycled wood fibre with at least 60% post-industrial, recycled content. West Fraser is also seeking ISO 14001 certification for its forestry operations in British Columbia and Alberta in 2001.

In 2000, Forest Care Certification was maintained at the Blue Ridge Lumber, Ranger Board, Slave Lake Pulp and Alberta Plywood mills and associated woodlands.

The timberlands that supply most of the logs to West Fraser's new sawmills in the United States have been independently verified to meet the requirements of the Sustainable Forestry Initiative of the American Forest and Paper Association.

AIR QUALITY INITIATIVES AND BURNERS

The phase-out dates for the beehive burners at Smithers and Quesnel were extended by the provincial government to December 31, 2003.

The Quesnel and Williams Lake operations continue to participate in the local community airshed management program. Initiatives have been undertaken to reduce road dust and additional particulate monitors have been installed.

EUROCAN PRECIPITATOR FIRE

A fire damaged a particulate control device on the Eurocan mill's recovery boiler, resulting in the shutdown of the mill. The provincial Ministry of Environment issued a permit variance that allows the mill to operate without a fully functioning precipitator as long as the ambient air quality in Kitimat is not worsened before the damaged equipment is fully restored.

SMITHERS' OPEN BURNING

A 1998 charge under the *Waste Management Act*, related to the burning of debris piles from harvesting operations in the Smithers area, was dropped.

IMPROVEMENTS IN PULP MILL EFFLUENT QUALITY

Improvements to its effluent treatment system enabled the Eurocan mill to record its lowest ever annual BOD and TSS discharges. Alberta Newsprint recorded its lowest ever TSS discharges and second lowest ever BOD and phosphorous discharges.

The Kitimat mill continues to work with federal and provincial environmental regulators and local stakeholders to address issues related to the effect of the mill's effluent on eulachon that use the Kitimat River estuary for spawning during a brief period each year.

The Kitimat, Slave Lake Pulp, QRP and ANC mills participate in extensive environmental monitoring studies of the receiving waters for their effluent. Reports were submitted to the federal government in 2000 based on a second round of studies. The mills are now beginning a third set of studies. No adverse effects on the receiving environment have been identified.

SPILLS

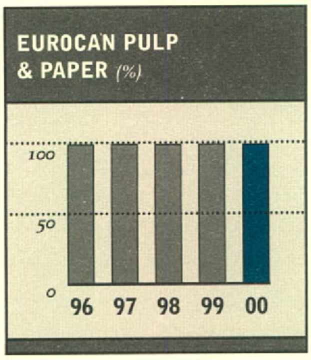
The Fraser Lake sawmill experienced a heating oil leak in its underground piping system. The spill was contained on site.

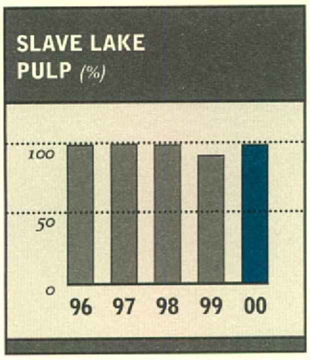
NON-COMPLIANCES

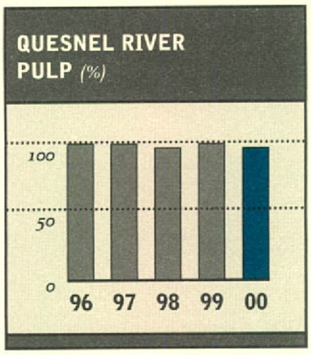
During April and May, QRP had two effluent toxicity failures as a result of an emergency shutdown of the effluent treatment system caused by an industrial accident.

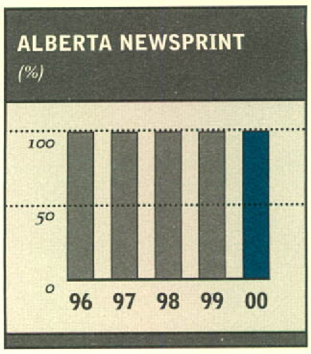
The wood waste burner at the Alberta Plywood veneer plant at Slave Lake was found to be unable to meet the temperature requirements of its operating approval. Following improvements, the burner is now in compliance.

COMPLIANCE WITH TOXICITY REGULATIONS

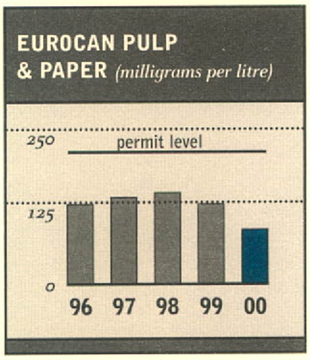


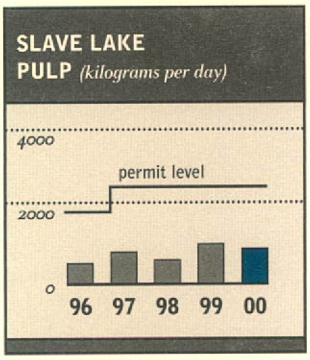


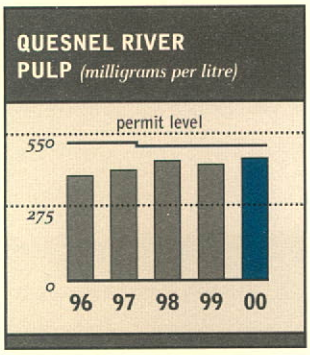


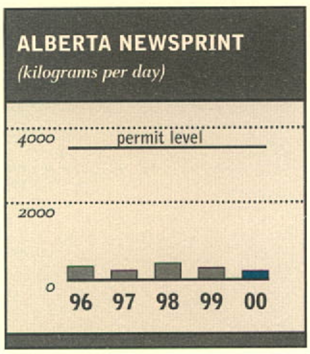


TOTAL SUSPENDED SOLIDS (TSS)

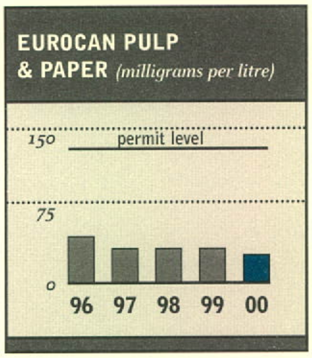


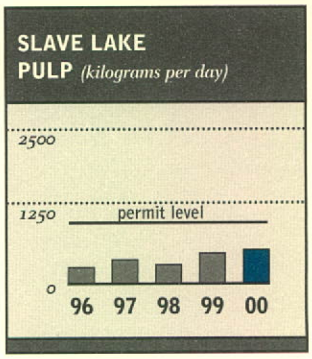


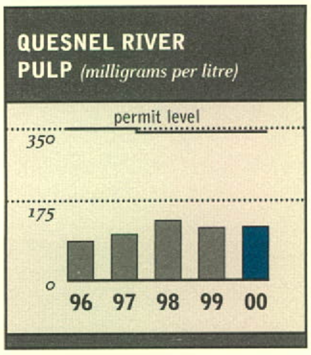


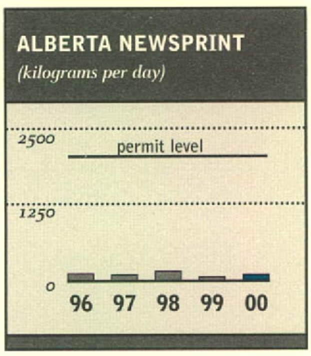


BIOCHEMICAL OXYGEN DEMAND (BOD)









Ten-Year Review

	2000	1999	1998	1997
FINANCIAL				
Sales & Earnings *($ millions)*				
Net Sales	**2,309.4**	2,204.1	1,863.4	1,869.8
Cost of Product Sold	**1,834.2**	1,705.1	1,551.6	1,480.6
Amortization	**137.0**	125.1	127.8	129.1
Selling, General and Administrative	**59.4**	52.5	65.1	78.4
Operating Earnings	**278.8**	321.4	118.9	181.7
Financing Expense	**54.8**	59.4	80.2	68.2
Other	**12.0**	7.4	11.4	(2.9)
Income Taxes	**80.5**	107.2	21.7	46.9
Net Earnings	**131.5**	147.4	5.6	69.5
Cash Provided from Operations *($ millions)*	**162.4**	373.7	140.8	233.2
Cash Dividends Declared *($ millions)*				
Common Shares	**16.9**	16.2	15.7	14.5
Preferred Shares	**–**	0.6	2.5	2.5
Capital Asset Additions and Acquisitions *($ millions)*	**218.1**	181.1	157.7	156.2
Financial Position *($ millions)*				
Working Capital	**314.3**	343.7	324.5	353.0
Capital Assets, Net	**1,562.5**	1,414.8	1,371.1	1,415.7
Long-Term Debt	**570.6**	589.9	718.4	660.6
Non-Recourse Debt	**–**	–	–	101.1
Future Income Taxes	**248.5**	139.5	142.3	140.3
Preferred Shares	**–**	–	49.9	49.9
Common Shareholders' Equity	**1,127.3**	1,026.3	847.7	843.2
Per Common Share *(dollars)*				
Diluted Earnings	**4.14**	4.82	0.05	2.30
Cash Dividends Declared	**0.56**	0.54	0.54	0.50
Common Shareholders' Equity	**36.51**	33.27	29.16	29.10
Price Range — High	**38.50**	40.00	41.00	47.00
— Low	**21.00**	29.00	19.05	30.65
Return on Net Assets Employed[2]	**4.6%**	8.2%	0.3%	3.9%
Return on Net Sales	**5.7%**	6.7%	0.3%	3.7%
Return on Average Common Shareholders' Equity	**12.1%**	15.8%	0.2%	8.2%
Net Debt to Capitalization	**38.4%**	35.7%	46.5%	45.6%
Number of Employees (year-end)	**8,478**	8,320	7,269	6,511
OPERATIONS				
Production *(figures in thousands)*				
Lumber (Mfbm)	**1,713**	1,638	1,513	1,544
Linerboard (tonnes)	**318**	331	311	310
Kraft Paper (tonnes)	**111**	103	104	102
BCTMP (tonnes)	**363**	337	288	300
Newsprint (tonnes)	**123**	124	123	125
MDF (Msf)	**240**	215	181	161
Plywood (Msf)	**246**	37	–	–

(1) Prior years' figures restated to reflect stock dividends. (2) Net of Deferred Foreign Exchange (Gain) Loss.

Ten-Year Review

1996	1995	1994	1993	1992	1991
1,641.8	1,491.8	1,280.5	904.0	677.3	533.9
1,262.8	1,128.9	975.4	687.2	554.0	474.5
113.5	95.2	74.4	57.3	48.9	42.9
66.3	63.8	54.6	35.7	29.6	28.8
199.2	203.9	176.1	123.8	44.6	(12.3)
61.4	57.1	47.3	31.0	25.4	21.3
(0.5)	(5.5)	(61.6)	(1.7)	0.2	1.7
46.0	56.4	71.9	41.0	8.8	(18.8)
92.3	95.9	118.5	53.5	10.2	(16.5)
254.7	185.2	108.0	114.8	89.5	37.1
13.0	10.7	9.1	7.9	6.8	6.5
2.5	1.1	–	–	–	–
219.8	602.8	218.2	235.0	41.9	33.3
321.4	226.3	164.9	125.7	143.6	134.7
1,415.9	1,322.6	875.6	743.9	567.2	575.5
650.3	578.9	245.3	207.4	169.0	154.8
120.4	149.5	177.2	178.0	181.0	176.2
128.5	112.1	116.3	109.1	101.9	104.4
49.9	49.9	–	–	–	–
790.5	673.7	532.2	393.6	276.0	272.6
3.11	3.51	4.71	2.28	0.45	(0.77)
0.455	0.40	0.40	0.40	0.40	0.40
27.29	24.30	21.21	15.68	12.17	12.02
44.00	36.36	39.88	41.12	23.67	16.90
28.50	28.50	30.00	21.60	15.03	12.77
5.2%	6.1%	11.1%	6.1%	1.4%	(2.3%)
5.6%	6.4%	9.3%	5.9%	1.5%	(3.1%)
12.3%	15.8%	26.4%	16.7%	3.7%	(6.1%)
48.4%	54.2%	51.1%	53.1%	54.1%	55.8%
5,425	5,099	4,070	3,560	2,654	2,632
1,562	1,380	1,320	1,133	999	971
330	312	316	188	125	141
80	96	84	58	39	41
250	187	152	146	146	141
119	119	117	112	110	87
102	14	–	–	–	–
–	–	–	–	–	–

Glossary

The following are definitions of certain terms used throughout this Annual Report:

AAC means allowable annual cut, being the volume of timber that may be harvested annually from a specific timber tenure

BCTMP means bleached chemi-thermomechanical pulp

BURNER means a wood waste incinerator

DIMENSION LUMBER means standard commodity lumber ranging from 1 x 3's to 2 x 12's, in varying lengths

ENVIRONMENTAL AUDIT means a systematic examination of an industrial operation used to measure compliance with regulations, policy and with good industrial practice

FMA means a forest management agreement granted by the Alberta government which entitles the holder to establish, grow and harvest timber on specified lands

FOREST MANAGEMENT UNIT means an area of forest land designated by the Minister of Environmental Protection of Alberta as a management unit

M^3 means a solid cubic metre, a unit of measure for timber, equal to approximately 35 cubic feet.

MDF means medium density fibreboard, a composite wood product made from wood residue

MFBM means one thousand board feet (equivalent to one thousand square feet of lumber, one inch thick), and MMfbm means one million board feet

MSF is a unit of measure for MDF equal to one thousand square feet on a 3/4 inch basis, and MMsf means one million square feet on a 3/4 inch basis for MDF and on a 3/8 inch basis for plywood

NBSK means Northern Bleached Softwood Kraft pulp

OSB means Oriented Strand Board

SPF means spruce/pine/balsam fir species of trees

SUSTAINED YIELD means 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

TFL means a tree farm license granted by the Ministry of Forests of British Columbia to a licencee who undertakes to manage an area of timberland to yield an annual harvest on a sustained yield basis

TIMBER SUPPLY AREA means an area of forest land designated by the Ministry of Forests of British Columbia and allocated an AAC from which non-area based timber tenures are granted

TONNE is a unit of weight in the metric system equal to 1,000 kilograms or approximately 2,204 pounds

TOXICITY means a measure of lethality used to test effluent. To pass the test, 50% of young rainbow trout must survive exposure in undiluted effluent for 96 hours

DIRECTORS:

Henry H. Ketcham	Chairman of the Board, President and Chief Executive Officer
Clark S. Binkley	Chief Investment Officer, Hancock Timber Resource Group, Inc.
J. Duncan Gibson	Vice-Chairman, Commercial Banking Division, The Toronto-Dominion Bank
Janet W. Ketcham	Investor
William P. Ketcham	President, Henry H. Ketcham Lumber Co. Inc.
C. Calvert Knudsen	Retired Chairman and Chief Executive Officer, MacMillan Bloedel Ltd.
Harald H. Ludwig	President, Macluan Capital Corporation
Brian F. MacNeill	Chairman, Petro-Canada Inc.
F. David Radler	President and Chief Operating Officer, Hollinger Inc.

OFFICERS:

Henry H. Ketcham	Chairman of the Board, President and Chief Executive Officer
Russell J. Clinton	Senior Vice-President, Corporate Development
D. Wayne Clogg	Vice-President, Woodlands
Carl L. Grittner	Vice-President, Building Supplies; President, Revy
William H. LeGrow	Vice-President, Transportation and Energy
Gerald J. Miller	Vice-President, Pulp and Administration
Lon M. Schroeder	Vice-President, Kitimat Operations
Martti Solin	Vice-President, Finance and Chief Financial Officer
Zoltan F. Szucs	Vice-President, Panelboard
Ernest M. Thony	Vice-President, Lumber Sales
Gary W. Townsend	Vice-President, Lumber Operations
C. Paul Daniels, Q.C.	Secretary
Larry S. Hughes	Assistant Secretary

SHAREHOLDER INFORMATION

Annual General Meeting
The Annual General Meeting of the shareholders of the Company will be held in Edmonton, Alberta, April 25, 2001

Auditors
PricewaterhouseCoopers LLP
Vancouver, British Columbia

Legal Counsel
Lang Michener Lawrence & Shaw
Vancouver, British Columbia

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

Shares Listed
The Toronto Stock Exchange
Symbol: WFT

Number of Common Shares Outstanding
30,344,572 shares, as at December 31, 2000

Investor Contact
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Vice-President, Finance and Chief Financial Officer
Tel: (604) 895-2700
Fax: (604) 681-6061
e-mail: shareholder@westfrasertimber.ca

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Fax: (250) 992-9233

SALES:

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

P.O. Box 1376
West Monroe, Louisiana
U.S.A. 71294
Tel: (318) 340-6016
Fax: (318) 340-6053

Linerboard and Kraft Paper
1000–1100 Melville Street
Vancouver, British Columbia
Canada V6E 4A6
Tel: (604) 895-2750
Fax: (604) 685-2441

Pulp
1000–1100 Melville Street
Vancouver, British Columbia
Canada V6E 4A6
Tel: (604) 895-2700
Fax: (604) 683-2097

Newsprint
650–375 Water Street
Vancouver, British Columbia
Canada V6B 5C6
Tel: (604) 681-8817
Fax: (604) 681-8861

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

Plywood
140–6325 103 Street
Edmonton, Alberta
Canada T6H 5H6
Tel: (780) 468-3311
Fax: (780) 778-7070

OPERATIONS:

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

West Fraser (South), Inc.
P.O. Box 1376
West Monroe, Louisiana
U.S.A. 71294
Tel: (318) 340-6000
Fax: (318) 340-6030

Ranger Board
P.O. Box 1079
Whitecourt, Alberta
Canada T7S 1P9
Tel: (780) 648-6333
Fax: (780) 648-6397

WestPine MDF
P.O. Box 6300
Quesnel, British Columbia
Canada V2W 3J5
Tel: (250) 991-7100
Fax: (250) 991-7115

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

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

Quesnel River Pulp Company
1000 Finning Road
Quesnel, British Columbia
Canada V2J 5C3
Tel: (250) 992-8919
Fax: (250) 992-2612

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

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

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Calgary, Alberta
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Fax: (403) 253-1313

Regional Office
1170 Martin Grove Rd.
Etobicoke, Ontario
Canada M9W 4X1
Tel: (416) 241-5129
Fax: (416) 246-5261

DESIGNED BY: parallelvancouver


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