MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction and Interpretation

This discussion and analysis by West Fraser's management ("MD&A") of the Company's financial performance during the second quarter of 2017 should be read in conjunction with the unaudited condensed consolidated interim financial statements and accompanying notes ("Financial Statements") included in this quarterly report and the 2016 annual MD&A included in the Company's 2016 Annual Report. Dollar amounts are expressed in Canadian currency, unless otherwise indicated.

The financial information contained in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") except as otherwise disclosed.

This MD&A contains historical information, descriptions of current circumstances and statements about potential future developments and anticipated financial results. The latter, which are forward-looking statements, are presented to provide reasonable guidance to the reader but their accuracy depends on a number of assumptions and are subject to various risks and uncertainties. Forward-looking statements are included under the headings "Business Outlook," and "Recent Developments" (concerning the softwood lumber dispute and forest fires in British Columbia). Actual outcomes and results of these statements will depend on a number of factors including those matters described under "Risks and Uncertainties" in the 2016 annual MD&A, and may differ materially from those anticipated or projected. Accordingly, readers should exercise caution in relying upon forward-looking statements and we undertake no obligation to publicly revise them to reflect subsequent events or circumstances except as required by applicable securities laws.

Throughout this MD&A reference is made to Adjusted EBITDA, Adjusted earnings, Adjusted basic earnings per share and net debt to total capital ratio (collectively "these measures"), calculated as shown under the heading "Non-IFRS Measures" in this report. We believe that, in addition to earnings, earnings per share and cash flow, these measures are useful performance indicators. None of these measures is a generally accepted earnings measure under IFRS and none has a standardized meaning prescribed by IFRS. Investors are cautioned that none of these measures should be considered as an alternative to earnings, earnings per share or cash flow, as determined in accordance with IFRS. As there is no standardized method of calculating any of these measures, our method of calculating each of them may differ from the methods used by other entities and, accordingly, our use of any of these measures may not be directly comparable to similarly titled measures used by other entities.

This MD&A uses the following terms that are defined in the Company's 2016 Annual Report: "SPF" (spruce-pine-fir lumber); "SYP" (southern yellow pine lumber); "MDF" (medium density fibreboard); "LVL" (laminated veneer lumber); "BCTMP" (bleached chemithermomechanical pulp) and "NBSK" (northern bleached softwood kraft pulp).

This MD&A includes references to benchmark prices over selected periods for products of the type produced by West Fraser. These benchmark prices do not necessarily reflect the prices obtained by West Fraser for those products during such period. The information in this MD&A is as at July 20, 2017 unless otherwise indicated.

Recent Developments

Softwood lumber dispute

On November 25, 2016 a coalition of U.S. lumber producers petitioned the U.S. Department of Commerce ("USDOC") and the U.S. International Trade Commission ("USITC") to investigate alleged subsidies to Canadian producers and levy countervailing and antidumping duties against Canadian imports. We were chosen by the USDOC as a "mandatory respondent" to both the countervailing and antidumping investigations and as a result were assigned a unique company specific preliminary countervailing duty rate of 24.12% effective April 28, 2017 and a preliminary antidumping duty rate of 6.76% effective June 30, 2017, resulting in an expense of $34 million during the current quarter.

Together with other Canadian forest product companies, the federal government and Canadian provincial governments ("Canadian Interests") we categorically deny the allegations by the coalition of U.S. lumber producers and disagree with the preliminary countervailing and antidumping determinations by the USDOC. Depending on the outcome of the final phase of the investigations, Canadian Interests may appeal the decision of the USDOC and USITC to the appropriate courts, North America Free Trade Agreement panels and/or the World Trade Organization.

The USDOC is expected to announce final rates as early as September 6, 2017 but with extensions the announcement could be as late as November 13, 2017. The USITC is expected to make a ruling on "injury" as early as October 30, 2017 but with extensions the ruling could be as late as January 4, 2018. The requirement that we pay countervailing duties will be suspended on September 2, 2017 until final determination is published by the USITC. Notwithstanding the rates assigned under the investigations, our final liability for the assessment of countervailing and antidumping duties will not be determined until each annual administrative review process is complete.

Forest fires in British Columbia

The Province of British Columbia declared a provincial state of emergency due to wildfire activity in the interior region on July 7, 2017.

We temporarily suspended operations in 100 Mile House on July 6, 2017 and Williams Lake and Chasm on July 7, 2017. The health and safety of all our West Fraser families is of paramount importance. Extraordinary efforts by our highly professional and dedicated employees have helped safeguard our assets and communities.

The affected facilities represent annual production capacity of 800 million board feet of lumber and 270 million square feet of plywood. At this time, we are uncertain how long the impacted operations will be suspended and we are unable to assess the impact on future lumber and plywood production.

In addition to the direct impacts from curtailed operations, the region is experiencing transportation delays both for incoming raw materials and outgoing finished products. To date our operating facilities in the region have been able to source raw materials to continue to operate. There has been some delay in the transportation of finished products but the supply of railcars and trucks is expected to return to normal levels once the fires are under control.

Summary Information

($ millions)	**Q2-17**	Q1-17	YTD-17	Q2-16	YTD-16
Sales	**1,322**	1,189	2,511	1,111	2,188
Adjusted EBITDA	**305**	245	550	138	268
Export duties	**(34)**	-	(34)	-	-
Equity-based compensation	**(5)**	(11)	(16)	30	28
Amortization	**(49)**	(51)	(100)	(48)	(97)
Operating earnings	**217**	183	400	120	199
Finance expense	**(8)**	(7)	(15)	(7)	(15)
Other	**(1)**	-	(1)	7	(9)
Tax provision	**(62)**	(53)	(115)	(22)	(35)
Earnings	**146**	123	269	98	140
CAD$1.00 converted to US$ – average	**0.744**	0.756	0.749	0.776	0.752

Selected Quarterly Information

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

	Q2-17	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15
Sales	**1,322**	1,189	1,107	1,155	1,111	1,077	1,013	1,044
Earnings	**146**	123	79	107	98	42	(15)	56
Basic EPS	**1.86**	1.58	1.01	1.35	1.22	0.51	(0.18)	0.67
Diluted EPS	**1.86**	1.58	1.01	1.35	0.86	0.50	(0.18)	0.05

Adjusted Earnings and Adjusted Basic Earnings Per Share

($millions except EPS amounts which are in $)

	Q2-17	Q1-17	YTD-17	Q2-16	YTD-16
Earnings	**146**	123	269	98	140
Adjustments:					
Export duties	**34**	-	34	-	-
Equity-based compensation	**5**	11	16	(30)	(28)
Exchange gain on long-term financing	**(4)**	(1)	(5)	(1)	(10)
Loss on power agreements	**-**	-	-	-	19
Insurance gain on disposal of equipment	**-**	-	-	(5)	(5)
Net tax effect on the above adjustments	**(7)**	1	(6)	2	(3)
Adjusted earnings	**174**	134	308	64	113
Adjusted basic EPS[1]	**2.23**	1.71	3.94	0.80	1.40

1. Adjusted basic EPS is calculated by dividing Adjusted earnings by the basic weighted average shares outstanding.

Discussion & Analysis of Non-Operational Items

In the current quarter we generated earnings of $146 million compared to earnings of $123 million in the previous quarter and $98 million in the second quarter of 2016. For a description of operational results see “Discussion & Analysis by Product Segment” which follows this section. Our results include several significant non-operational items which are identified as adjustments in the table above this section and shown under the heading “Non-IFRS Measures” in this MD&A. After taking into account these adjustments, we generated Adjusted earnings of $174 million compared to Adjusted earnings of $134 million in the previous quarter and $64 million in the second quarter of 2016.

Export duties of $34 million expensed in the quarter have been included in Adjusted earnings in the table above. We believe that the U.S allegations of subsidy and dumping are unwarranted and that the preliminary rates applied will be adjusted. See “Softwood lumber dispute” under the heading “Recent Developments” in this MD&A for further information.

Our equity-based compensation includes our share purchase option, phantom share unit, and directors’ deferred share unit plans (the “Plans”), all of which have been partially hedged by an equity derivative contract. The Plans are fair valued at each balance sheet date and the resulting expense or recovery is recorded over the related vesting period. Our fair valuation models consider various factors with the most significant being the change in the market value of our shares from the beginning to the end of the relevant period. In the fourth quarter of 2016, we entered into an equity derivative contract that had the effect of hedging 1,000,000 equity-based securities at a share price of $46.02. The hedge is marked-to-market at each balance sheet date and the resulting gain or loss is included in equity-based compensation. This quarter we recorded a net equity-based compensation expense of $5 million, which is included in the

Adjusted earnings table above. The expense or recovery does not necessarily represent the actual value which will ultimately be received by the holders of share purchase options and units.

Any change in the value of the Canadian dollar relative to the value of the U.S. dollar results in the revaluation of our U.S. dollar-denominated assets and liabilities. The result of these revaluations is included in other income. The above Adjusted earnings table lists the exchange gains recorded on long-term financing during the periods presented. In addition, we recorded an exchange loss on working capital of $4 million in the current quarter, $1 million in the previous quarter and nil in the second quarter of 2016.

During 2016 we terminated and finalized the settlement for our three-year power strip agreement and our Power Purchase Agreements. These agreements had provided us with a portion of the electricity generated from two power plants in Alberta at substantially predetermined prices. The above Adjusted earnings table includes the loss of $19 million that was recorded in the first quarter of 2016.

Our WestPine MDF facility experienced a fire during the first quarter of 2016 resulting in production being suspended while the mill was repaired. In the second quarter of 2016 we recorded a gain on disposal of $5 million based on insurance proceeds.

The results of the current quarter include a provision for income tax of $62 million compared to $53 million in the previous quarter and $22 million for the second quarter of 2016. The effective tax rate was 30% in the current quarter compared to 30% in the previous quarter and 18% in the second quarter of 2016. Note 9 to the Financial Statements provides a reconciliation of income taxes calculated at the statutory rate to the income tax expense.

The funded position of our defined benefit pension plans and other retirement benefit plans is estimated at the end of each quarter. The funded position, as shown in Note 6 to the Financial Statements, is determined by subtracting the value of plan assets from the value of plan obligations. A decrease in the discount rate used to calculate plan liabilities from the beginning of the current period, partially offset by a rate of return on assets that was higher than the discount rate, resulted in a second quarter after-tax actuarial loss of $44 million which is included in other comprehensive earnings.

Discussion & Analysis by Product Segment

Lumber Segment

	Q2-17	Q1-17	YTD-17	Q2-16	YTD-16
SPF (MMfbm)					
Production	**1,011**	971	1,982	982	1,945
Shipments	**971**	905	1,876	997	1,949
SYP (MMfbm)					
Production	**562**	554	1,116	552	1,099
Shipments	**558**	515	1,073	562	1,091
Sales ($ millions)					
Lumber	**839**	722	1,561	697	1,342
Wood chips and other residuals	**86**	77	163	80	164
Logs and other	**21**	37	58	18	47
	946	836	1,782	795	1,553
Adjusted EBITDA ($ millions)	**240**	191	431	113	213
Export duties	**(34)**	-	(34)	-	-
Amortization ($ millions)	**(35)**	(39)	(74)	(35)	(72)
Operating earnings ($ millions)	**171**	152	323	78	141
Adjusted EBITDA margin (%)	**25**	23	24	14	14
Benchmark prices (per Mfbm)					
SPF #2 & Better 2 x 4[1] - US$	**388**	348	368	311	292
SPF #3 Utility[1] - US$	**332**	288	310	247	228
SYP #2 West 2 x 4[2] - US$	**455**	456	456	406	397
SPF #2 & Better 2 x 4 - CAD$[3]	**522**	461	491	401	388
SPF #3 Utility - CAD$[3]	**447**	381	414	318	303
SYP #2 West 2 x 4 - CAD$[3]	**612**	604	608	523	527

1. Source: Random Lengths –Net FOB mill.
2. Source: Random Lengths –Net FOB mill Westside.
3. Calculated by applying the average Canadian/U.S. dollar exchange rate for the period to the U.S. dollar benchmark price.

Our operating earnings for the current quarter and first half of the year were higher than the first quarter of 2017, the second quarter of 2016 and the first half of 2016, respectively. The most significant contributors to these improvements were higher U.S. dollar lumber pricing and a weaker Canadian dollar relative to the U.S. dollar. This was partially offset by export duties beginning this quarter as a result of the softwood lumber dispute.

Increased log costs in Canada also partially offset improved lumber pricing compared to the second quarter and first half of 2016. The primary reasons for the increase in Canadian log costs are higher British Columbia stumpage rates associated with the logging of green-wood as we continue to transition away from beetle-killed timber and increased prices for purchase logs.

Production at both our Canadian and U.S. sawmills is gradually improving as a result of our extensive modernization program. Shipments continue to be lower than production during 2017 as uncertainties surrounding export duties have increased market volatility and disrupted normal order patterns. There were also weather related shipment delays during the first several months of 2017.

Panels Segment

	Q2-17	Q1-17	YTD-17	Q2-16	YTD-16
Plywood (MMsf 3/8" basis)					
Production	**215**	209	424	205	407
Shipments	**217**	206	423	210	407
MDF (MMsf 3/4" basis)					
Production	**47**	33	80	37	89
Shipments	**43**	35	78	40	98
LVL (Mcf)					
Production	**729**	674	1,403	513	1,083
Shipments	**657**	665	1,322	497	1,059
Sales ($ millions)					
Finished products	**143**	122	265	122	254
Wood chips and other residuals	**5**	4	9	5	9
Logs and other	**1**	2	3	1	3
	149	128	277	128	266
Adjusted EBITDA ($ millions)	**26**	15	41	21	36
Amortization ($ millions)	**(3)**	(3)	(6)	(3)	(6)
Operating earnings ($ millions)	**23**	12	35	18	30
Adjusted EBITDA margin (%)	**17**	12	15	16	14
Benchmark price					
Plywood (per Msf 3/8" basis)[1] - CAD$	**488**	433	461	430	418

1. Source: Crow's Market Report – Delivered Toronto.

Our panels segment is comprised of our plywood, MDF and LVL operations.

Operating earnings increased in the quarter compared to the previous quarter due primarily to improved plywood pricing. Our Westpine MDF plant, which was closed March 9, 2016 due to a fire, began producing board April 29, 2017 and is progressing as expected.

Operating earnings also increased in the current quarter and first half of 2017 compared to the same periods in 2016. Improved plywood prices were the primary reason for the increase, but this was partially offset by increased resin costs for both plywood and MDF.

We have increased LVL production during the quarter and for the first half of 2017 to meet increased market demand. LVL is primarily used in new single family home construction.

Pulp & Paper Segment

	Q2-17	Q1-17	YTD-17	Q2-16	YTD-16
BCTMP (Mtonnes)					
Production	**166**	169	335	161	324
Shipments	**177**	186	363	156	324
NBSK (Mtonnes)					
Production	**120**	139	259	131	257
Shipments	**131**	138	269	142	260
Newsprint (Mtonnes)					
Production	**30**	31	61	31	64
Shipments	**29**	31	60	32	66
Sales ($ millions)	**260**	253	513	214	426
Adjusted EBITDA ($ millions)	**42**	40	82	4	18
Amortization ($ millions)	**(10)**	(9)	(19)	(9)	(18)
Operating earnings ($ millions)	**32**	31	63	(5)	-
Adjusted EBITDA margin (%)	**16**	16	16	2	4
Benchmark price (per tonne)					
NBSK U.S. – US$[1,3]	**1,093**	1,033	1,063	980	962
NBSK China – US$[2,3]	**670**	645	658	617	603
Newsprint - US$[4]	**575**	575	575	550	544
NBSK U.S. - CAD$[5]	**1,470**	1,367	1,418	1,263	1,279
NBSK China – CAD$[5]	**901**	854	878	795	802
Newsprint - CAD$[5]	**773**	761	767	709	723

1. Source: Resource Information Systems, Inc. – U.S. list price delivered U.S.
2. Source: Resource Information Systems, Inc. – China list price delivered China
3. The differences between the U.S. and China NBSK list prices are largely attributable to the customary sales practice of applying material discounts from the U.S. list price for North American sales compared to relatively small discounts from the China list price for sales into China.
4. Source: Resource Information Systems, Inc. – delivered 48.8 gram newsprint.
5. Calculated by applying the average Canadian/U.S. dollar exchange rate for the period to the U.S. dollar benchmark price.

The pulp & paper segment is comprised of our NBSK, BCTMP and newsprint businesses.

Operating earnings were comparable to the previous quarter as increased pulp prices offset the increase in maintenance costs associated with our planned shutdown at our jointly-owned Cariboo pulp mill. Maintenance costs were also higher as Cariboo pulp had subsequent operational issues and our Hinton NBSK mill ran poorly in April and May but ran at target production levels in June. Lost NBSK production for the quarter is estimated to be 20,000 tonnes compared to the planned reduction of 6,000 tonnes. Fibre costs also increased in the quarter, a product of higher Canadian dollar NBSK prices on which chip prices are based.

Operating earnings increased in the quarter compared to the second quarter of 2016, due primarily to improved product prices and a weaker Canadian dollar. This was partially offset by increased fibre costs. The second quarter of 2016 experienced production issues for both

BCTMP and NBSK, resulting in comparable maintenance costs per unit compared to the current quarter.

Operating earnings also increased in the first half of the year compared to the same period in the previous year reflecting improved pulp and newsprint prices and a weaker Canadian dollar. BCTMP production was higher for the current period compared to 2016 due to operational improvements and to fewer power related curtailments.

Business Outlook

Markets

We expect U.S. demand for softwood lumber to continue to improve as U.S. new home construction gradually returns to normal levels. Unfortunately, the possibility exists for a significant disruption to the flow of lumber from Canada to the U.S. as a result of the ongoing softwood lumber investigations by the USDOC and USITC. The imposition of duties, including retroactive duties for some producers and the ongoing process to determine final duty rates, on softwood lumber exports to the U.S. has resulted in greater volatility and unpredictability in both demand and pricing in lumber markets, which may continue until the situation is resolved, and has exposed Canadian lumber producers to significant economic uncertainty and risk.

Operations

We temporarily suspended operations in 100 Mile House on July 6, 2017 and Williams Lake and Chasm on July 7, 2017. The affected facilities represent annual production capacity of 800 million board feet of lumber and 270 million square feet of plywood. At this time, we are uncertain how long the impacted operations will be suspended and we are unable to assess the impact on future lumber and plywood production.

Our lumber production in the second quarter of 2017 exceeded production in the same quarter of 2016 by 39 MMfbm and exceeded production in the first quarter of 2017 by 48 MMfbm. Order patterns were more volatile than usual around the time of the imposition of the preliminary countervailing duties. Log costs are expected to continue to escalate in Canada for the balance of 2017. U.S. log costs are expected to be relatively flat over the same period.

The restart of our WestPine MDF plant took place in the second quarter and we expect it to reach targeted production levels by the end of 2017.

Our Hinton pulp mill will undergo a 16-day scheduled maintenance shutdown in September which will reduce normal annual production by approximately 19,000 tonnes.

Cash flows

We ended the quarter with a net debt to total capital ratio of 6%. Despite the cash deposits required for the U.S. imposed softwood lumber export duties, we continue to project strong cash flows sufficient to support our $300 million capital investment plan for 2017 as well as to maintain our current dividend and investment grade rating. Our strategy has been to ensure that we maintain a strong financial position during the current softwood lumber dispute in order that we not only have the ability to withstand punitive (and unwarranted) duties but also to be able to take advantage of internal and external growth opportunities that may arise. Our Normal Course Issuer Bid remains in effect and we will continue to consider share repurchases if circumstances are supportive of such actions.

Capital Structure and Liquidity

Our capital structure consists of Common share equity and long-term debt. Our operating facilities include a $500 million committed revolving credit facility, a $32 million (US$25 million) demand line of credit dedicated to our U.S. operations and an $8 million demand line of credit dedicated to our jointly-owned newsprint operation. In addition, we have demand lines of credit totalling $59 million dedicated to letters of credits of which US$7 million is committed to our U.S. operations. These facilities are available to meet our funding requirements.

On June 30, 2017, there were no funds drawn under our credit facilities. Letters of credit in the amount of $46 million were supported by our facilities, leaving $553 million of credit available for further use.

Our outstanding Common share equity consists of 75,886,024 Common shares and 2,281,478 Class B Common shares for a total of 78,167,502 shares issued and outstanding as at July 20, 2017.

Each Class B Common share may be, at any time, exchanged for one Common share. The rights attached to the Common shares and Class B Common shares are equal in all other respects, including the right to dividends and the right to vote. The Common shares are listed and traded on the Toronto Stock Exchange under the symbol WFT while our Class B Common shares are not. Certain circumstances or corporate transactions may require the approval of the holders of our Common shares and Class B Common shares on a separate class by class basis.

As of July 20, 2017 there were 1,914,970 share purchase options outstanding with exercise prices ranging from $12.36 to $73.99 per Common share.

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

Summary of Financial Position

($ millions, except as otherwise indicated)	**Q2-17**	Q4-16	Q2-16
Cash[1]	**231**	50	27
Current assets	**1,221**	938	944
Current liabilities	**463**	459	543
Ratio of current assets to current liabilities	**2.6**	2.0	1.7
Net debt[2]	**166**	376	548
Shareholders' equity	**2,445**	2,241	2,021
Net debt to total capital[3]	**6%**	14%	21%

1. Cash consists of cash and short-term investments.
2. Total debt less deferred financing costs less cash plus cheques issued in excess of funds on deposit.
3. Non-IFRS measure. See "Non-IFRS Measures" in this MD&A.

Debt Ratings

As shown in the table below, we are rated by three leading rating agencies. All three ratings are considered investment grade.

Agency	**Rating**	**Outlook**
Dominion Bond Rating Service	BBB(low)	Stable
Moody's	Baa3	Stable
Standard & Poor's	BBB-	Stable

These ratings are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating agencies.

Selected Cash Flow Items ($ millions)

(cash provided by (used in))	**Q2-17**	Q1-17	YTD-17	Q2-16	YTD-16
Operating Activities					
Earnings	**146**	123	269	98	140
Amortization	**49**	51	100	48	97
Loss on power agreements, net of settlement costs	**-**	-	-	-	11
Change in inventories	**156**	(161)	(5)	180	84
Change in other working capital	**(4)**	(91)	(95)	(51)	(87)
Other	**19**	31	50	6	13
	366	(47)	319	281	258
Financing Activities					
Debt and operating loans	**(110)**	110	-	(150)	(34)
Finance expense paid	**(10)**	(1)	(11)	(10)	(11)
Common share repurchases	**-**	-	-	(62)	(112)
Dividends and other	**(6)**	(5)	(11)	(6)	(12)
	(126)	104	(22)	(228)	(169)
Investing Activities					
Additions to capital assets	**(78)**	(56)	(134)	(57)	(106)
Other	**3**	1	4	3	7
	(75)	(55)	(130)	(54)	(99)
Increase (decrease) in cash	**165**	2	167	(1)	(10)

Operating Activities

Cash used in operating activities during the first quarter of each year generally increases substantially as logging activity in Canada increases during the winter season and log inventories are built to sustain production activities during the second quarter. Following the normal cycle, cash is then generated during the second quarter as logging is curtailed and the log inventory is consumed in operations.

Investing Activities

Additions to capital assets in the current quarter include $57 million for the lumber segment, $6 million for the panels segment, $12 million for the pulp & paper segment and $3 million for our corporate segment.

Non-IFRS Measures

The following summarizes the Non-IFRS Measures we use in this MD&A. None of these measures is a generally accepted measure under IFRS and none has a standardized meaning prescribed by IFRS. Investors are cautioned that none of these measures should be considered as an alternative to earnings, earnings per share or cash flow, as determined in accordance with IFRS. As there is no standardized method of calculating any of these measures, our method of calculating each of them may differ from the methods used by other entities and, accordingly, our use of any of these measures may not be directly comparable to similarly titled measures used by other entities.

Adjusted EBITDA

($ millions)	**Q2-17**	Q1-17	YTD-17	Q2-16	YTD-16
Earnings	**146**	123	269	98	140
Add:					
Amortization	**49**	51	100	48	97
Finance expense	**8**	7	15	7	15
Tax provision	**62**	53	115	22	35
EBITDA	**265**	234	499	175	287
Add:					
Equity-based compensation	**5**	11	16	(30)	(28)
Export duty	**34**	-	34	-	-
Other	**1**	-	1	(7)	9
Adjusted EBITDA	**305**	245	550	138	268

Adjusted EBITDA by Segment

($ millions)	**Q2-17**	Q1-17	YTD-17	Q2-16	YTD-16
Lumber					
Earnings before tax	**166**	148	314	76	129
Add:					
Amortization	**35**	39	74	35	72
Finance expense	**5**	4	9	4	9
EBITDA	**206**	191	397	115	210
Add:					
Export duties	**34**	-	34	-	-
Other	**-**	-	-	(2)	3
Adjusted EBITDA	**240**	191	431	113	213
Panels					
Earnings before tax	**22**	11	33	22	31
Add:					
Amortization	**3**	3	6	3	6
Finance expense	**1**	1	2	1	2
EBITDA	**26**	15	41	26	39
Add:					
Other	**-**	-	-	(5)	(3)
Adjusted EBITDA	**26**	15	41	21	36
Pulp & Paper					
Earnings before tax	**27**	30	57	(6)	(26)
Add:					
Amortization	**10**	9	19	9	18
Finance expense	**2**	2	4	2	4
EBITDA	**39**	41	80	5	(4)
Add:					
Other	**3**	(1)	2	(1)	22
Adjusted EBITDA	**42**	40	82	4	18
Corporate and Other					
Earnings before tax	**(7)**	(13)	(20)	28	41
Add:					
Amortization	**1**	-	1	1	1
EBITDA	**(6)**	(13)	(19)	29	42
Add:					
Equity-based compensation	**5**	11	16	(30)	(28)
Other	**(2)**	1	(1)	1	(13)
Adjusted EBITDA	**(3)**	(1)	(4)	-	1
Total Adjusted EBITDA	**305**	245	550	138	268

Adjusted Earnings and Adjusted Basic Earnings Per Share

($ millions, except EPS)	**Q2-17**	Q1-17	YTD-17	Q2-16	YTD-16
Earnings	**146**	123	269	98	140
Adjustments:					
Export duties	**34**	-	34	-	-
Equity-based compensation	**5**	11	16	(30)	(28)
Exchange gain on long-term financing	**(4)**	(1)	(5)	(1)	(10)
Loss on power agreements	**-**	-	-	-	19
Insurance gain on disposal of equipment	**-**	-	-	(5)	(5)
Net tax effect on the above adjustments	**(7)**	1	(6)	2	(3)
Adjusted earnings	**174**	134	308	64	113
Adjusted basic EPS[1]	**2.23**	1.71	3.94	0.80	1.40

1. Adjusted basic EPS is calculated by dividing Adjusted earnings by the basic weighted average shares outstanding.

Net Debt to Total Capital Ratio

($ millions except where indicated)	**Q2-17**	Q4-16	Q2-16
Net debt			
Cash and short-term investments	**(231)**	(50)	(27)
Deferred financing costs[1]	**(6)**	(6)	(7)
Cheques issued in excess of funds on deposit	**-**	15	36
Operating loan	**-**	-	147
Long-term debt (includes current portion)	**403**	417	399
	166	376	548
Shareholders' equity	**2,445**	2,241	2,021
Total capital	**2,611**	2,617	2,569
Net debt to total capital	**6%**	14%	21%

1. For our balance sheet presentation, these costs are applied to reduce the associated debt or, in instances when the operating loan is undrawn, these costs are included in other assets.

Risks and Uncertainties

For a review of the risks and uncertainties to which our Company is subject, see the 2016 annual MD&A which is included in our 2016 Annual Report. See also the discussion of risks relating to the softwood lumber dispute and forest fires in British Columbia described above under the heading "Recent Developments."

Significant Management Judgments Affecting Financial Results

For a review of significant management judgments affecting financial results and critical accounting estimates, see the 2016 annual MD&A which is included in our 2016 Annual Report.

Export duties

The current softwood lumber dispute is the fifth such dispute since 1982. In the case of previous disputes, the preliminary duties levied were subject to significant adjustments in the periods following the initial application. In the absence of any additional information, we have accrued countervailing and antidumping duties at our Company specific rates designated by the USDOC. These rates are subject to change based on administrative reviews and appeals available to us. Changes to the rates may be material and our results may be adjusted as new information becomes available. This may include adjustments to amounts already recorded as well as adjustments to the rates (if any) applicable to future periods.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Our management, including the President and Chief Executive Officer and the Vice-President, Finance and Chief Financial Officer, acknowledge responsibility for the design of disclosure controls and procedures and internal controls over financial reporting.

There has been no change in our internal controls over financial reporting during the three months ended June 30, 2017 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Additional Information

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