



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 third 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 Chemi-thermomechanical 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 October 23, 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 softwood lumber 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 \$31 million during the current quarter and \$65 million for the first nine months of 2017.

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 by November 13, 2017. The USITC is expected to make a ruling on “injury” not later than January 4, 2018. The requirement that we pay countervailing duties was suspended on August 24, 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 2017 wildfire season is considered to have been one of the worst in British Columbia’s history with the provincial state of emergency lasting from July 7 to September 15, 2017. Many communities were evacuated including those where our 100 Mile, Williams Lake and Chasm facilities are located. We were fortunate that our facilities were undamaged but the disruption caused us to lose 55 MMFBM of lumber production and 15 MSF of plywood production while the mills were closed.

Throughout this period our British Columbia facilities faced logging restrictions, transportation delays and many of our employees were displaced. By the end of September we had returned to normal production and transportation schedules and were in the process of ramping back up to pre-interruption production levels.

The province of British Columbia estimates that approximately 1 million hectares of timber has been lost due to the forest fires. We are working with the government to revise our current and long-term logging plans, including plans to salvage burnt timber. At this time it is too early to gauge the long-term impact on lumber operations in British Columbia.

Hurricanes in the U.S. South

The 2017 hurricane season was more severe than normal causing significant damage to areas in South East Texas in August and Florida in September. We were fortunate that our facilities were undamaged and that disruptions to our operations were minimal.

Markets were interrupted while communities dealt with the storms and their aftermath but by the end of September activity had returned to more normal levels.

Gilman Acquisition

On August 31, 2017 we completed the acquisition of six sawmills and a finger-joint mill (the “Gilman Acquisition”) for net cash consideration of \$525 million (US\$418 million). These SYP mills are located in Florida and Georgia and have an annual lumber production capacity of approximately 700 million board feet. After considering estimated tax benefits, the purchase price represents approximately six times trailing 12 months EBITDA of the acquired operations.

The Gilman Acquisition was financed with cash on hand, borrowings under our revolving credit facility, and a new \$250 million (US\$200 million) acquisition term loan which matures on August 25, 2022, and is pre-payable at the Company’s option without penalty.

This acquisition represents an important step in increasing our geographic diversification through an expansion of our U.S. lumber operations. We are pleased to have acquired a group of high quality sawmills in a good timber basket, with high operating margins, close to a large customer base and with a strong management team that is excited to join West Fraser. Integration of the acquired mills is well underway with the migration of most major information technology systems and organizational alignment completed during the quarter.

Summary Information

(\$ millions)	Q3-17	Q2-17	YTD-17	Q3-16	YTD-16
Sales	1,247	1,322	3,758	1,155	3,343
Adjusted EBITDA	269	305	819	213	481
Export duties	(31)	(34)	(65)	-	-
Equity-based compensation	(10)	(5)	(26)	(7)	21
Amortization	(51)	(49)	(151)	(50)	(147)
Operating earnings	177	217	577	156	355
Finance expense	(8)	(8)	(23)	(7)	(22)
Other	(2)	(1)	(3)	1	(8)
Tax provision	(47)	(62)	(162)	(43)	(78)
Earnings	120	146	389	107	247
CAD\$1.00 converted to US\$ – average	0.798	0.744	0.766	0.767	0.757

Selected Quarterly Information

(\$ millions, except earnings per share (“EPS”) amounts which are in \$)

	Q3-17	Q2-17	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15
Sales	1,247	1,322	1,189	1,107	1,155	1,111	1,077	1,013
Earnings	120	146	123	79	107	98	42	(15)
Basic EPS	1.53	1.86	1.58	1.01	1.35	1.22	0.51	(0.18)
Diluted EPS	1.53	1.86	1.58	1.01	1.35	0.86	0.50	(0.18)

Discussion & Analysis of Non-Operational Items

Adjusted Earnings and Adjusted Basic Earnings Per Share¹

(\$ millions, except EPS amounts which are in \$)	Q3-17	Q2-17	YTD- 17	Q3-16	YTD- 16
Earnings	120	146	389	107	247
Adjustments:					
Export duties	31	34	65	-	-
Equity-based compensation	10	5	26	7	(21)
Exchange on long-term financing	(5)	(4)	(10)	2	(8)
Loss on power agreements	-	-	-	-	19
Insurance gain on disposal of equipment	-	-	-	-	(5)
Net tax effect on the above adjustments	(6)	(7)	(12)	(1)	(3)
Adjusted earnings	150	174	458	115	229
Adjusted basic EPS²	1.93	2.23	5.87	1.45	2.84

1. Adjusted earnings and Adjusted basic EPS are Non-IFRS measures. We believe that, in addition to earnings, earnings per share and cash flow, these measures are useful performance indicators. Refer to the heading “Non-IFRS measures in this MD&A.”

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

Export duties of \$31 million were expensed in the quarter compared to \$34 million in the previous quarter and nil in the third quarter of 2016. 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 each quarter 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 each quarter and the resulting gain or loss is included in equity-based compensation. 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 table above lists the exchange gains recorded on long-term financing during the periods presented. Exchange gains or losses realized on working capital are identified under “Other Non-operation Items” below.

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. This termination resulted in a \$19 million loss that was recorded other income 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. A \$5 million gain on disposal, related to estimated insurance proceeds, was recorded in other income in the second quarter of 2016.

Other Non-operational Items

Other income includes an exchange loss on working capital of \$7 million compared to \$4 million in the previous quarter and an exchange gain of \$2 million in the third quarter of 2016.

The results of the current quarter include a provision for income tax of \$47 million compared to \$62 million in the previous quarter and \$43 million for the third quarter of 2016. The effective tax rate was 28% in the current quarter compared to 30% in the previous quarter and 29% in the third quarter of 2016. Note 10 to the Financial Statements provides a reconciliation of income taxes calculated at the statutory rate to the income tax expense. The province of British Columbia has announced an increase to the corporate tax rate from 11% to 12%. If enacted, we estimate this change will result in a one-time adjustment to future income tax expense in the period of \$4 million associated with the re-measurement of future income tax assets and liabilities.

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 7 to the Financial Statements, is determined by subtracting the value of plan assets from the value of plan obligations. An increase in the discount rate used to calculate plan liabilities from the beginning of the current period and an actual rate of return on assets that was higher than the discount rate, resulted in a third quarter after-tax actuarial gain of \$39 million which is included in other comprehensive earnings.

Discussion & Analysis by Product Segment

Lumber Segment

	Q3-17	Q2-17	YTD-17	Q3-16	YTD-16
SPF (MMfbm)					
Production	924	1,011	2,906	954	2,899
Shipments	934	971	2,810	986	2,935
SYP (MMfbm)					
Production	602	562	1,718	541	1,640
Shipments	621	558	1,694	546	1,637
Sales (\$ millions)					
Lumber	782	839	2,343	709	2,051
Wood chips and other residuals	84	86	247	81	245
Logs and other	23	21	81	24	71
	889	946	2,671	814	2,367
Adjusted EBITDA (\$ millions)	195	240	626	151	364
Export duties	(31)	(34)	(65)	-	-
Amortization (\$ millions)	(38)	(35)	(112)	(37)	(109)
Operating earnings (\$ millions)	126	171	449	114	255
Adjusted EBITDA margin (%)	22	25	23	19	15
Benchmark prices (per Mfbm)					
SPF #2 & Better 2 x 4 ¹ - US\$	406	388	380	322	302
SPF #3 Utility ¹ - US\$	326	332	315	245	233
SYP #2 West 2 x 4 ² - US\$	382	455	431	410	401
SPF #2 & Better 2 x 4 - CAD\$ ³	509	522	497	420	399
SPF #3 Utility - CAD\$ ³	408	447	412	320	308
SYP #2 West 2 x 4 - CAD\$ ³	479	612	563	535	530

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.

As discussed previously, we completed the acquisition of six sawmills and a finger-joint mill on August 31, 2017 for net cash consideration of \$525 million (US\$418 million). During the month of September, these mills generated sales of \$31 million. Purchase price accounting requires that acquired inventory is valued at fair value, which approximates selling prices. After accounting for the increased value assigned to the acquired inventory and costs associated with the rapid integration of systems, the acquired operations did not make a material contribution to operating earnings in the one month following acquisition. Acquisition costs of \$1 million were expensed during the quarter.

Operating earnings were lower for the current quarter compared to the previous quarter due primarily to lower Canadian dollar sales prices, SYP in particular, and lower SPF production as a result of the British Columbia forest fires.

Operating earnings were higher for the current quarter compared to the third quarter of 2016 due primarily to higher SPF prices. This was partially offset by export duties of \$31 million and higher Canadian log costs. Canadian log costs increased due to an increase in purchase log costs and higher stumpage rates associated with the logging of green-wood as we continue to transition away from beetle-killed timber. Lower SYP prices were offset by lower log costs.

Operating earnings were higher for the first nine months of the year compared to the same period of 2016 due primarily to higher lumber prices. SYP benefited from lower log costs while SPF incurred export duties of \$65 million and higher log costs.

Our 2017 shipments were disrupted by forest fires in British Columbia, hurricanes in Southeast U.S. and other weather related delays, resulting in shipments being lower than production on a year-to-date basis.

Panels Segment

	Q3-17	Q2-17	YTD-17	Q3-16	YTD-16
Plywood (MMsf 3/8" basis)					
Production	205	215	629	212	619
Shipments	195	217	618	212	619
MDF (MMsf 3/4" basis)					
Production	55	47	135	36	125
Shipments	53	43	131	35	134
LVL (Mcf)					
Production	616	729	2,019	548	1,631
Shipments	653	657	1,975	611	1,670
Sales (\$ millions)					
Finished products	163	143	428	132	386
Wood chips and other residuals	4	5	13	5	14
Logs and other	1	1	4	2	5
	168	149	445	139	405
Adjusted EBITDA (\$ millions)	48	26	89	33	69
Amortization (\$ millions)	(3)	(3)	(9)	(3)	(9)
Operating earnings (\$ millions)	45	23	80	30	60
Adjusted EBITDA margin (%)	29	17	20	24	17
Benchmark price					
Plywood (per Msf 3/8" basis) ¹ -	640	488	520	471	436
CAD\$					

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

Our panels segment is comprised of our plywood, MDF and LVL operations. Our WestPine MDF plant, which was closed March 9, 2016 due to a fire, began producing board on April 29, 2017 and is progressing as expected.

Operating earnings increased for all comparative periods presented due primarily to higher plywood pricing.

We increased LVL production for the first nine months of 2017 to meet increased market demand. LVL is primarily used in new single family home construction.

Pulp & Paper Segment

	Q3-17	Q2-17	YTD-17	Q3-16	YTD-16
BCTMP (Mtonnes)					
Production	167	166	502	169	493
Shipments	139	177	502	181	505
NBSK (Mtonnes)					
Production	117	120	376	137	394
Shipments	121	131	390	127	387
Newsprint (Mtonnes)					
Production	31	30	92	31	95
Shipments	32	29	92	31	97
Sales (\$ millions)	221	260	735	230	656
Adjusted EBITDA (\$ millions)	30	42	112	31	49
Amortization (\$ millions)	(9)	(10)	(28)	(9)	(27)
Operating earnings (\$ millions)	21	32	84	22	22
Adjusted EBITDA margin (%)	14	16	15	13	7
Benchmark price (per tonne)					
NBSK U.S. – US\$ ^{1,3}	1,110	1,093	1,079	998	974
NBSK China – US\$ ^{2,3}	670	670	662	595	601
Newsprint - US\$ ⁴	575	575	575	575	554
NBSK U.S. - CAD\$ ⁵	1,391	1,470	1,411	1,302	1,287
NBSK China – CAD\$ ⁵	839	901	865	776	794
Newsprint - CAD\$ ⁵	720	773	752	750	732

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 for the current quarter were lower than previous quarter due to lower Canadian dollar pulp prices and higher maintenance spending from the Hinton Pulp mill major maintenance shutdown. When compared to the prior quarter, NBSK production was slightly down but after adjusting both quarters for the major maintenance shutdown at our Hinton and Cariboo Pulp mills, production would have risen approximately 5% on a comparative basis.

Operating earnings were essentially flat compared to the third quarter of 2016 as higher pulp prices, particularly BCTMP, offset increased NBSK maintenance costs associated with the current quarter shutdown. NBSK production was down substantially in the current quarter due to the Hinton Pulp mill major maintenance shutdown.

When compared to the prior year-to-date period, NBSK production was down modestly, about half of which was due to lost production due to maintenance shutdowns. However, operating earnings were up substantially due to increased pulp pricing, particularly BCTMP, partially offset by increased fibre costs and higher electricity pricing.

Business Outlook

Markets

We expect demand for softwood lumber to continue to improve as U.S. new home construction gradually returns to normal levels, spending on repair and renovation remains steady with potential hurricane related rebuilding efforts and export markets stabilize. There is however, the risk of a significant disruption to the regular flow of lumber from Canada to the U.S. as a result of the ongoing softwood lumber investigations by the USDOC which could be an impediment to spending in the U.S. housing market. The uncertainty created by the softwood lumber trade dispute has resulted in greater volatility and unpredictability in both demand and pricing in lumber markets which may continue until the situation is resolved.

Plywood pricing peaked in the third quarter but has retreated in the fourth quarter. Global pulp prices are expected to increase in the fourth quarter.

Operations

Our lumber production in the third quarter of 2017 exceeded production in the same quarter of 2016 by 31 MMfbm and exceeded production in the prior year to date period by 85 MMfbm. In the aggregate, we estimate that we lost approximately 65 MMfbm of production due to interruptions from the wildfires in British Columbia and the hurricanes in the US South. Order patterns continue to be more volatile than usual given the uncertainty caused by recent events including fires, hurricanes and the softwood lumber trade dispute. We project that we will exceed 2016 annual lumber production in 2017 by approximately 300 MMfbm, including the impact of the recently completed acquisition of the Gilman mills. Log costs are expected to continue to escalate in Canada for the balance of 2017. U.S. log costs are expected to remain relatively flat over the same period although there may be some pricing pressure in Texas and Louisiana as a result of the hurricanes. Approximately 1 million hectares of timber was burned during the wildfires this season in British Columbia. We are working with the British Columbian government to revise our current and long-term logging plans, including plans to salvage burnt timber. At this time it is too early to gauge the long term impact on lumber operations in British Columbia.

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

Hinton's restart in the fourth quarter of 2017 was delayed due to availability of contractors, additional unscheduled repairs and start-up difficulties. Through October 23, the facility had lost production of approximately 13,000 additional tonnes following the start up as normal operations were being restored.

Cash Flows

We ended the quarter with a net debt to total capital ratio of 16%. 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 recently increased dividend and investment grade rating. Our strategy has been to maintain a strong financial position so we can withstand the punitive (and unwarranted) softwood lumber duties and be in a position to take advantage of any future growth opportunities that may arise. We renewed our Normal Course Issuer Bid in September 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.

On August 28, 2017 we were advanced a \$250 million (US\$200 million) 5 year term loan that matures on August 25, 2022 to fund the Gilman Acquisition. Interest is payable at floating rates based on Base Rate Advances or LIBOR Advances at our option. This loan is repayable at any time, in whole or in part, at our option and without penalty but cannot be redrawn after payment.

We also extended the maturity date of our \$500 million committed operating revolving credit facility to August 25, 2022. Our operating facilities include a \$500 million committed revolving credit facility, a \$31 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 credit of which US\$7 million is committed to our U.S. operations. These facilities are available to meet our funding requirements.

All debt is unsecured except the \$8 million joint operation demand line of credit, which is secured by that joint operation's current assets.

On September 30, 2017, there were no funds drawn under our operating facilities. Letters of credit in the amount of \$47 million were supported by our facilities, leaving \$551 million of credit available for further use.

Our outstanding Common share equity consists of 75,643,251 Common shares and 2,281,478 Class B Common shares for a total of 77,924,729 shares issued and outstanding as at October 23, 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.

On September 12, 2017, we announced the renewal of our Normal Course Issuer Bid program which allows us to acquire up to 3,794,375 Common shares for cancellation until the expiry of the bid on September 18, 2018. We purchased 552,404 shares at an average price of 55.85 under the program that expired September 18, 2017 and 85,094 shares at an average price of 68.52 under the new program that expires September 18, 2018.

As of October 23, 2017, there were 1,768,115 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)	Q3-17	Q4-16	Q3-16
Cash ¹	132	50	52
Current assets	1,108	938	937
Current liabilities	562	459	494
Ratio of current assets to current liabilities	2.0	2.0	1.9
Net debt ²	497	376	433
Shareholders' equity	2,554	2,241	2,101
Net debt to total capital ³	16%	14%	17%

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))	Q3-17	Q2-17	YTD-17	Q3-16	YTD-16
Operating Activities					
Earnings	120	146	389	107	247
Amortization	51	49	151	50	147
Loss on power agreements, net of settlement costs	-	-	-	-	11
Change in inventories	22	156	17	5	89
Change in other working capital	75	(4)	(20)	51	(36)
Other	15	19	65	36	49
	283	366	602	249	507
Financing Activities					
Debt and operating loans	250	(110)	250	(99)	(133)
Finance expense paid	(1)	(10)	(12)	(3)	(14)
Common share repurchases	(17)	-	(17)	(58)	(170)
Dividends and other	(11)	(6)	(22)	(2)	(14)
	221	(126)	199	(162)	(331)
Investing Activities					
Acquisition	(525)	-	(525)	-	-
Additions to capital assets	(90)	(78)	(224)	(76)	(182)
Other	2	3	6	2	9
	(613)	(75)	(743)	(74)	(173)
Increase (decrease) in cash	(109)	165	58	13	3

Operating Activities

Positive operating cash flows were produced from all of our operating segments, most significantly, the lumber segment. Seasonal inventory variations related to logging activities in the first and second quarter of each year influenced changes in working capital but returned closer to expected levels for the third quarter of 2017.

Financing Activities

The Gilman Acquisition was financed with cash on hand, borrowings under our revolving credit facility, and a new \$250 million (US\$200 million) acquisition term loan which matures on August 25, 2022, and is pre-payable at the Company's option without penalty. The revolving loan was repaid by the end of the current quarter.

The Board of Directors of West Fraser increased the quarterly dividend on the Common shares and Class B Common shares of the Company from \$0.07 per share to \$0.11 per share beginning the third quarter of 2017. Dividend payments are under the discretion of the Board of Directors.

Investing Activities

As discussed previously, we completed the Gilman Acquisition of six sawmills and a finger-joint mill on August 31, 2017 for net cash consideration of \$525 million (US\$418 million).

Additions to capital assets in the current quarter include \$75 million for the lumber segment, \$1 million for the panels segment, \$12 million for the pulp & paper segment and \$2 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)	Q3-17	Q2-17	YTD-17	Q3-16	YTD-16
Earnings	120	146	389	107	247
Add:					
Amortization	51	49	151	50	147
Finance expense	8	8	23	7	22
Tax provision	47	62	162	43	78
EBITDA	226	265	725	207	494
Add:					
Equity-based compensation	10	5	26	7	(21)
Export duty	31	34	65	-	-
Other	2	1	3	(1)	8
Adjusted EBITDA	269	305	819	213	481

Adjusted EBITDA by Segment

(\$ millions)	Q3-17	Q2-17	YTD-17	Q3-16	YTD-16
Lumber					
Earnings before tax	118	166	432	111	240
Add:					
Amortization	38	35	112	37	109
Finance expense	5	5	14	4	13
EBITDA	161	206	558	152	362
Add:					
Export duties	31	34	65	-	-
Other	3	-	3	(1)	2
Adjusted EBITDA	195	240	626	151	364
Panels					
Earnings before tax	44	22	77	29	60
Add:					
Amortization	3	3	9	3	9
Finance expense	1	1	3	1	3
EBITDA	48	26	89	33	72
Add:					
Other	-	-	-	-	(3)
Adjusted EBITDA	48	26	89	33	69
Pulp & Paper					
Earnings before tax	16	27	73	21	(5)
Add:					
Amortization	9	10	28	9	27
Finance expense	2	2	6	2	6
EBITDA	27	39	107	32	28
Add:					
Other	3	3	5	(1)	21
Adjusted EBITDA	30	42	112	31	49
Corporate and Other					
Earnings before tax	(11)	(7)	(31)	(11)	30
Add:					
Amortization	1	1	2	1	2
EBITDA	(10)	(6)	(29)	(10)	32
Add:					
Equity-based compensation	10	5	26	7	(21)
Other	(4)	(2)	(5)	1	(12)
Adjusted EBITDA	(4)	(3)	(8)	(2)	(1)
Total Adjusted EBITDA	269	305	819	213	481

Adjusted Earnings and Adjusted Basic Earnings Per Share

(\$ millions, except EPS)	Q3-17	Q2-17	YTD-17	Q3-16	YTD-16
Earnings	120	146	389	107	247
Adjustments:					
Export duties	31	34	65	-	-
Equity-based compensation	10	5	26	7	(21)
Exchange on long-term financing	(5)	(4)	(10)	2	(8)
Loss on power agreements	-	-	-	-	19
Insurance gain on disposal of equipment	-	-	-	-	(5)
Net tax effect on the above adjustments	(6)	(7)	(12)	(1)	(3)
Adjusted earnings	150	174	458	115	229
Adjusted basic EPS ¹	1.93	2.23	5.87	1.45	2.84

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)	Q3-17	Q4-16	Q3-16
Net debt			
Cash and short-term investments	(132)	(50)	(52)
Deferred financing costs ¹	(8)	(6)	(7)
Cheques issued in excess of funds on deposit	-	15	36
Operating loan	-	-	49
Long-term debt (includes current portion)	637	417	407
	497	376	433
Shareholders' equity	2,554	2,241	2,101
Total capital	3,051	2,617	2,534
Net debt to total capital	16%	14%	17%

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 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 reductions 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 September 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.