



January 31, 2001

**TIMBERWEST GENERATED \$89.2 MILLION IN DISTRIBUTABLE CASH
FOR 2000; EXCEEDS EXPECTATIONS**

Company turns in strong performance despite tough markets

Fourth quarter distributable cash generated totalled \$18.5 million

First quarter cash distribution announced

Vancouver (B.C.) - TimberWest generated distributable cash of \$18.5 million (\$0.29 per weighted average Stapled Unit) for the fourth quarter 2000, to finish the year with \$89.2 million distributable cash generation (\$1.34 per weighted average Stapled Unit). This compares to \$19.7 million of distributable cash in the fourth quarter 1999, and an \$83.3 million total for 1999 as a whole.

"We're extremely pleased that we are performing well at the bottom of the business cycle. In an extremely tough market, and at a time when many parts of the Canadian forest industry have struggled with poor returns, TimberWest has emerged as a strong and consistent performer," says Paul McElligott, President and CEO. "This is the third year of our existence and the third year that we have increased our distributable cash." The Company also announced a distribution of \$0.269 per Stapled Unit, payable April 15, 2001 to Unitholders of record on April 1, 2001.

Earnings available for distribution before write-down of capital assets and non-cash future income tax recovery were \$13.7 million, or \$0.21 per weighted average Stapled Unit compared to \$17.3 million, or \$0.25 per Stapled Unit for the same quarter in 1999. Net sales did not change significantly from the comparative period in 1999. Operating earnings were \$20.7 million for the quarter compared to \$21.8 million for the same quarter in 1999. EBITDA for the quarter ended December 31, 2000, was \$24.7 million or \$0.38 per weighted average Stapled Unit compared to \$25.3 million or \$0.36 per Stapled Unit for the same period in 1999.

Earnings available for distribution, before a \$170.8 million non-cash future income tax recovery and capital asset write-down, for the twelve month period were \$68.0 million, or \$1.02 per weighted average Stapled Unit, compared to \$63.1 million, or \$0.91 per Stapled Unit and equivalent for 1999. Net sales were \$487.0 million, a 6.7% improvement over the same period in 1999. Operating earnings also improved 6.3% compared to the same period in 1999. EBITDA for the year ended December 31, 2000

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was \$110.4 million or \$1.66 per weighted average Stapled Unit compared to \$104.9 million or \$1.51 per Stapled Unit and equivalent for the comparable period in 1999.

Outlook

Conditions in the forest industry are expected to be challenging in 2001. Economic reports indicate an anticipated continuing deterioration in the North American and Japanese macro-economic outlook. In addition, the North American pulp market continues to struggle with excess capacity and high inventory levels going into 2001.

The downward pressure on prices is expected to continue into the first part of the year, with the current oversupply of product anticipated to be offset by increased home building later in 2001 due to interest rate reductions in North America. Hemlock has been the species hardest hit by pricing pressure in end lumber markets and this has backed up into hemlock log prices. This species has remained oversupplied and the cost of drying has increased with the rise in natural gas prices. This condition is not expected to change in the near term and as a result it will remain a challenge to sell hemlock logs. One species that has continued to perform well, and an important species for TimberWest, is Douglas fir because it is a predominant species. It has benefited from the flight away from hemlock and benefits from a diversity of end uses. Douglas fir log prices have remained strong and are anticipated to remain stable into the first part of the year. Cedar continues to sell at stable prices into the US market and is expected to remain stable into 2001.

There continues to be uncertainty in the Japanese lumber markets due to the new Housing Quality Assurance laws imposed during 2000. These new laws have resulted in a continued shift to more kiln dried and engineered wood products and they are expected to continue to cause challenges for hemlock programs. Douglas fir has shown price stability in Japan that is expected to continue into 2001.

On the BC coast there is an ample supply of pulp logs, which will result in continued low pulp log prices into 2001.

A BC provincial government election will take place in the first half of 2001, and it is expected to impact forest policy and the business climate in the province. As well, the Canada/US Softwood Lumber Agreement expires on March 31, 2001. While the impact of this change has already been felt in pricing for lumber, this is likely to cause more uncertainty in the first part of the year for suppliers to that market.

While the outlook for 2001 is tougher than 2000, TimberWest will continue to focus its efforts on getting the right tree to the right customer at the right time and use the flexibility provided by being the largest private timberland owner in the province to take full advantage of market opportunities as they arise.

TimberWest will hold a conference call on Feb. 1 to discuss results of the fourth quarter at 8:00 a.m. PST (11:00 a.m. EST). To access the conference call, listeners should dial

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1-888-873-1932. Replays of the call will be available until Feb. 9, 2001 following completion of the live call and can be accessed at 1-800-558-5253, with code 17685202. The call may also be accessed live via TimberWest's Internet site at www.timberwest.com and the webcast will be archived and available for viewing for an additional 90 days.

Corporate profile

TimberWest Forest Corp. is uniquely positioned as the largest owner of private forest lands in western Canada. The company's 334,000 hectares, providing a sustainable annual harvest of 2.4 million m³ of logs, are largely located on Vancouver Island and contain some of the best coniferous forest growing sites in the world. The American Forest & Paper Association has certified that the company is committed to managing these private lands according to sustainable forestry standards under its Sustainable Forestry Initiative (SFI)SM Program. TimberWest also owns annual Crown harvest rights of 1.2 million m³ per year, a lumbermill, and about 6,500 hectares of properties that are progressively being made available for higher uses.

	Three Months Ended December 31		Twelve Months Ended December 31	
	2000	1999	2000	1999
	\$ millions		\$ millions	
Sales	123.3	125.2	487.0	456.6
Operating earnings	20.7	21.8	96.2	90.5
Earnings available for distribution before writedown of capital assets and related costs and future income tax recovery	13.7	17.3	68.0	63.1
Distributable cash	18.5	19.7	89.2	83.3
Proceeds from real estate sales and other assets	3.8	0.4	15.2	10.6
Capital expenditures	3.1	2.2	10.3	6.6
Distributions paid	17.4	18.8	73.0	75.0
<u>\$ per weighted average Stapled unit: (unless otherwise noted)</u>				
Earnings available for distribution before writedown of capital assets and related costs and future income tax recovery	0.21	0.25	1.02	0.91
Distributable cash	0.29	0.28	1.34	1.20
Distributions paid per outstanding unit	0.27	0.27	1.08	1.08

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Consolidated Statements of Distributable Cash <i>(in millions of dollars, except per stapled unit amounts)</i> <i>Unaudited</i>	For the Quarter ended December 31, 2000	For the Quarter ended December 31, 1999 (restated – see note)	For the twelve months ended December 31, 2000	For the twelve months ended December 31, 1999 (restated – see note)
Net earnings (loss) for the period	\$ 118.8	\$ (5.9)	\$ 204.9	\$ 20.7
Income tax benefit related to distributions	13.9	5.3	32.6	26.6
Earnings (loss) available for distribution	132.7	(0.6)	237.5	47.3
Write-down of capital assets and related costs	1.3	24.7	1.3	24.7
Less future income tax recovery	(120.3)	(6.8)	(170.8)	(8.9)
Earnings available for distribution before write-down of capital assets and related costs and future income tax recovery	13.7	17.3	68.0	63.1
Add (deduct):				
Depreciation, depletion and amortization	4.2	4.7	17.1	18.7
Proceeds from sale of real estate and other assets	3.8	0.4	15.2	10.6
Gain on sale of real estate and other capital assets	(0.3)	(0.5)	(2.0)	(2.3)
Capital expenditures	(3.1)	(2.2)	(10.3)	(6.6)
Other non-cash items	0.2	-	1.2	(0.2)
	4.8	2.4	21.2	20.2
Distributable cash	\$ 18.5	\$ 19.7	\$ 89.2	\$ 83.3
Distributable cash per weighted average stapled unit	\$ 0.29	\$ 0.28	\$ 1.34	\$ 1.20
Cash distributions declared per stapled unit	\$ 0.27	\$ 0.27	\$ 1.08	\$ 1.08
<i>Weighted average number of stapled units outstanding (000's)</i>	64,825	69,608	66,590	69,608
<i>Stapled units outstanding at the end of the period (000's)</i>	64,825	69,608	64,825	69,608

Quarterly Comparisons

Distributable Cash <i>(in millions of dollars, except per stapled unit amounts)</i>	2000	1999	1998
First	\$ 28.4	\$ 24.5	\$ 13.2
Second	28.2	25.1	24.0
Third	14.1	14.0	11.5

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Fourth	<u>18.5</u>	<u>19.7</u>	<u>19.6</u>
	\$ <u>89.2</u>	\$ <u>83.3</u>	\$ <u>68.3</u>
Distributable Cash (per weighted average unit (\$))			
First	\$ 0.41	\$ 0.36	\$ 0.19
Second	0.42	0.36	0.34
Third	0.22	0.20	0.17
Fourth	<u>0.29</u>	<u>0.28</u>	<u>0.28</u>
	\$ <u>1.34</u>	\$ <u>1.20</u>	\$ <u>0.98</u>

Consolidated Balance Sheets

(in millions of dollars)

<i>Unaudited</i>	As at December 31, 2000	As at December 31, 1999 (restated – see note)
Assets		
Accounts receivable	\$ 26.5	\$ 32.2
Inventories	55.2	59.1
Prepaid expenses & other current assets	<u>4.3</u>	<u>5.4</u>
	86.0	96.7
Capital assets, net	1384.3	1,396.8
Other assets	<u>35.0</u>	<u>36.0</u>
	\$ <u>1505.3</u>	\$ <u>1,529.5</u>
Liabilities and Unitholders' Equity		
Operating Loan	\$ 48.3	\$ 15.2
Bank term loan	201.8	-
Accounts payable and accrued liabilities	48.9	48.7
Distribution payable	<u>17.5</u>	<u>18.8</u>
	316.5	82.7
Bank term loan	-	201.8
Debentures	125.0	125.0
Non-pension post-retirement benefits	22.2	21.8
Long-term silviculture liability	4.3	4.1
Future income taxes	<u>249.6</u>	<u>420.2</u>
	717.6	855.6
Unitholders' equity		
Stapled units: consisting of Series A Subordinated Notes, preferred shares, and common shares	731.4	783.2
Distributions (in excess of) less than earnings	<u>56.3</u>	<u>(109.3)</u>
	787.7	673.9
	\$ <u>1505.3</u>	\$ <u>1,529.5</u>

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Consolidated Statements of Cash Flows <i>(in millions of dollars)</i> <i>Unaudited</i>	For the Quarter ended December 31, 2000	For the Quarter ended December 31, 1999 (restated – see note)	For the twelve months ended December 31, 2000	For the twelve months ended December 31, 1999 (restated – see note)
Cash provided by (used in):				
Operations:				
Earnings (loss) before income taxes	\$ 12.6	\$ (9.8)	\$ 67.5	\$ 39.7
Current income taxes	(0.1)	(0.5)	(0.8)	(1.3)
	<u>12.5</u>	<u>(10.3)</u>	<u>66.7</u>	<u>38.4</u>
Items not involving cash:				
Depreciation, depletion and amortization	4.2	4.7	17.1	18.7
Write-down of capital assets	1.3	24.7	1.3	24.7
Gain on sale of capital assets	(0.2)	(0.6)	(2.0)	(2.7)
Other non-cash items	(4.2)	1.2	(3.2)	1.6
	<u>13.6</u>	<u>19.7</u>	<u>79.9</u>	<u>80.7</u>
Decrease (increase) in non-cash working capital	9.9	0.8	9.8	(22.3)
	<u>23.5</u>	<u>20.5</u>	<u>89.7</u>	<u>58.4</u>
Financing:				
Increase (decrease) in operating loan	(9.9)	(21.9)	33.1	(47.7)
Increase in term loan	-	21.2	-	63.3
Repurchase of Stapled Units, net	-	-	(51.8)	-
Distributions paid to unitholders	(17.4)	(18.8)	(73.0)	(75.0)
	<u>(27.3)</u>	<u>(19.5)</u>	<u>(91.7)</u>	<u>(59.4)</u>
Investing:				
Additions to capital assets	(3.1)	(2.2)	(10.3)	(6.6)
Increase in other assets	3.4	0.6	1.0	(2.1)
Proceeds from sale of capital assets	3.5	0.6	11.3	9.7
	<u>3.8</u>	<u>(1.0)</u>	<u>2.0</u>	<u>1.0</u>
Decrease in cash	-	-	-	-
Cash, beginning of period	-	-	-	-

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Cash, end of period	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
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Supplemental information:

Interest paid	\$ 4.3	\$ 3.5	\$ 23.5	\$ 21.8
Income taxes paid	\$ 0.2	\$ 0.2	\$ 1.8	\$ 12.9

Consolidated Statements of Operations

(in millions of dollars)
Unaudited

	For the Quarter ended December 31, 2000	For the Quarter ended December 31, 1999 (restated – see note)	For the twelve months ended December 31, 2000	For the twelve months ended December 31, 1999 (restated – see note)
Net sales	\$ 123.3	\$ 125.2	\$ 487.0	\$ 456.6
Operating costs and expenses:				
Cost of products sold	95.2	96.1	363.1	337.0
Depreciation, depletion and amortization	3.3	3.8	13.6	15.2
Selling, administrative and other	4.1	3.5	14.1	13.9
	<u>102.6</u>	<u>103.4</u>	<u>390.8</u>	<u>366.1</u>
Operating earnings	20.7	21.8	96.2	90.5
Interest expense	(6.6)	(5.7)	(24.5)	(21.8)
Amortization of debt issue costs	(0.9)	(0.9)	(3.5)	(3.5)
Write-down of capital assets and related costs	(1.3)	(24.7)	(1.3)	(24.7)
Other income(expense)	0.7	(0.3)	0.6	(0.8)
	<u>(8.1)</u>	<u>(31.6)</u>	<u>(28.7)</u>	<u>(50.8)</u>
Earnings (loss) before income taxes	12.6	(9.8)	67.5	39.7
Income tax recovery (expense)	106.2	3.9	137.4	(19.0)
Net earnings (loss) for the period	\$ <u>118.8</u>	\$ <u>(5.9)</u>	\$ <u>204.9</u>	\$ <u>20.7</u>

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Product Shipments and Sales

Unaudited

For the Quarter
ended
December 31, 2000

For the Quarter
ended
December 31, 1999

For the twelve
months ended
December 31, 2000

For the twelve
months ended
December 31, 1999

Product Shipments

Logs (thousand m ³)	<u>813.8</u>	<u>847.6</u>	<u>3,107.6</u>	<u>3,036.6</u>
Lumber (million fbm)	<u>36.2</u>	<u>47.4</u>	<u>175.0</u>	<u>186.6</u>

Product Sales

(in millions of dollars)

Logs	\$ 95.6	\$ 93.7	\$ 362.9	\$ 327.1
Lumber	19.9	26.0	96.0	102.4
Real Estate	3.3	0.4	11.2	9.1
Wood Chips and Other	4.5	5.1	16.9	18.0
	<u>\$ 123.3</u>	<u>\$ 125.2</u>	<u>\$ 487.0</u>	<u>\$ 456.6</u>

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Note to the Financial Statements

Accounting Policy Changes

Effective January 1, 2000, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (the "CICA") relating to Sections 3465 ("Income Taxes") and 3461 ("Employee Future Benefits") of the CICA handbook. These new standards are mandatory for fiscal years beginning on or after January 1, 2000. Both of these standards have been given retroactive application and all comparative financial statements have been restated to reflect the change in policies.

The financial statements for the twelve months ended December 31, 1999 have been restated to comply with the provisions of Section 3465 and Section 3461. The following summarizes the impact of applying these standards to the Company's December 31, 1999 financial statements.

(in millions of dollars) (Unaudited)	As previously stated	Effect of Adopting		As Restated
		Section 3465	Section 3461	
<u>Balance Sheet</u>				
Current Assets	\$ 93.4	\$ 3.3	\$ -	\$ 96.7
Capital Assets	\$ 988.9	\$ 402.3	\$ 5.6	\$ 1,396.8
Other Assets	\$ 33.4	\$ -	\$ 2.6	\$ 36.0
Current Liabilities	\$ 89.7	\$ -	\$ (7.0)	\$ 82.7
Non-pension post-retirement benefits	\$ -	\$ -	\$ 21.8	\$ 21.8
Future Income Taxes (formerly deferred income taxes)	\$ 13.4	\$ 406.8	\$ -	\$ 420.2
Distributions in excess of earnings	\$ (101.5)	\$ (1.2)	\$ (6.6)	\$ (109.3)
<u>Net earnings for the period</u>	\$ 12.5	\$ 9.2	\$ (1.0)	\$ 20.7

During the year ended December 31, 2000, the Federal government of Canada announced that it was lowering the capital gains inclusion rate from 75% to 50% and lowering the federal corporate tax rate by 7% (1% as of January 1, 2001 and a further 2% at each of January 1, 2002, 2003 and 2004). Under Section 3465 of the CICA Handbook, future tax assets and liabilities are adjusted to reflect the effects of enacted or substantively enacted changes in tax rates. The effect of these changes in tax rates are charged or credited to income as part of future tax expense or benefit of the period in which the changes are enacted. The CICA considers all of these tax rate changes to be substantively enacted as of December 31, 2000. The tax rate changes have resulted in a non-cash future income tax recovery of \$179.8 million during the year ended December 31, 2000 and a corresponding decrease in the future income tax liability. The recovery is included within future income tax expense (recovery) for the year ended December 31, 2000. The \$179.8 million future income tax recovery and offsetting reduction to the future income tax liability on the balance sheet is a non-cash item and has no effect on the Company's distributable cash for the period.

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