

For immediate release: May 5, 2010

TimberWest Forest Corp. Announces 2010 First Quarter Results

Summary Comments on the First Quarter Results

Vancouver (BC) – TimberWest’s first quarter results for 2010 show improvement in distributable cash over the same quarter last year and the fourth quarter of 2009. With log prices in all Asian markets improving through the quarter, the Company was able to ship higher volumes into those markets. Q1, 2010 log sales revenue was \$49.4 million, up from \$29.3 million in the same quarter last year, and showing steady improvement over the fourth quarter of 2009 when log sales revenue was \$40.1 million. As indicated at the end of the fourth quarter, TimberWest anticipated real estate sales to be weak for Q1 and in fact only generated revenue of \$1.0 million. However, subsequent to quarter end the Company generated an additional \$6.8 million of real estate sales at approximately \$3,000/acre.

EBITDA for the quarter was positive at \$3.4 million, compared to an EBITDA loss for the first quarter of 2009 of \$2.4 million. The Company generated negative distributable cash of \$2.9 million in Q1, 2010 compared to negative \$15.3 million, or negative \$6.4 million after adjusting for the financing costs in the first quarter of 2009. Excluding \$3.5 million of interest on the convertible debentures that the Company paid in kind for the first quarter, distributable cash was positive \$0.6 million. In spite of the fact that TimberWest is paying the interest on the convertible debentures in kind, the Company has decided to maintain consistency with its definition of distributable cash and continue to deduct all of its interest obligations from the distributable cash calculation. EBITDA and distributable cash improved due to higher log sales volumes and improvements in production costs, which declined \$6/m³ due to higher volumes logged at competitive contract rates.

Equity Offering

On April 27, 2010 the Company announced its intention to raise additional equity through a stapled unit bought deal offering. The public offering is 12,000,000 Stapled Units at a price of \$5.00 per Stapled Unit for gross proceeds of \$60 million plus a 15% over allotment option. The offering is scheduled to close on May 18, 2010.

In conjunction with this offering, the Company has amended its credit agreement to allow for the payment of interest on the convertible debentures to be made in cash and it is the Company’s intention to begin paying in cash on July 15, 2010. The new equity will enable TimberWest to reduce its revolving credit facility, giving the Company an estimated \$110 million of liquidity upon closing, and enable it to pay the convertible debenture interest in cash, instead of continuing the current level of dilution by paying these in kind.

The lack of visibility on a recovery in US housing, the uncertain timing of non-core land sales and the resulting uncertainty in the Company’s near term earnings prospects continue to cause the Company concern. “Therefore we believe taking this opportunity to bolster our liquidity is a prudent course of action. Continuing to pay the convertible debenture interest in kind resulted in considerable dilution with the conversion price of the debentures at \$3.50 per Stapled Unit,” said Paul McElligott, President and Chief Executive Officer, TimberWest Forest Corp.

Safety

TimberWest had a BC Forest Safety Council SAFE Re-Certification audit during the first quarter and achieved an overall score of 96%. This achievement is a strong reflection of the safety culture at TimberWest. The successful completion of this audit has renewed the Company’s SAFE certification status for another three year period. TimberWest’s 2010 score of 96% compares favourably to its 2007 score of 94%.

During the quarter there were three reportable incidents, generating a Medical Incident Rate (MIR) of 0.51 for production contractors. This compares to two reportable incidents and an MIR of 0.64 for the first quarter of 2009.

Timberlands

Over the past few years, the Company has been indicating that there would be opportunities created in Asian log markets as a result of declining export volumes from Russia due, in part, to escalating Russian log export taxes. The 2010 first quarter results confirm the optimism that the Company had for these markets. Due to reduced supply from Russia, volumes and prices in US dollars increased significantly.

Log sales revenue of \$49.4 million in Q1, 2010 was dominated by Asia where the Company generated \$31.7 million. Strong markets in Japan, China and Korea all contributed to TimberWest's sales success this quarter. Sales into the US continue to be weak and only totaled \$0.6 million for the quarter. Total sales volumes for the quarter totaled 683,600 m³, with 370,700 m³ shipped to Asia. This more than doubles the Company's Asian sales volumes over Q1 2009. Sales to Korea and China were at a record pace with both of those economies showing considerable growth in the quarter. Sales to Korea were 76,400 m³ and sales to China were 69,600 m³. For all of 2009, TimberWest sold 103,600 m³ to Korea and 106,400 m³ to China. The Company is anticipating selling record volumes to both of those markets this year and finding alternative markets to the US is a priority for TimberWest at this time. Wood based housing in Japan has begun to recover slowly and is anticipated to be up about 7.5% by the end of this year.

While volumes were higher, sales realizations were down compared to the first quarter of 2009, primarily as a result of currency and a significant change in species mix compared to the same quarter in 2009. This quarter TimberWest focused more on hemlock markets in Korea and China and in spite of a 17% increase in the value of the Canadian dollar against the US dollar, the Company achieved an average sales realization of \$86 per m³ for its sales to Asia. Average sales realizations for the quarter for all markets were \$72 per m³ with production costs of \$62 per m³ compared to sales realizations of \$77 per m³ and production costs of \$68 per m³ for the same period last year. As a result timberland margins improved from 3% in Q1 2009 to 11% in Q1 2010, an 8% improvement in costs over the same quarter in 2009. Lower costs are a result of higher volume over fixed costs, lower road construction spending as well as competitive contract rates on the Company's public and private land operations, resulting in higher margins compared to the first quarter of 2009. The savings from the sub-division of the Company's harvesting and road building contracts are more apparent at these volume levels.

ISO 14001 and SFI environmental certifications require TimberWest to undertake an annual internal audit. This year's audit was completed during the first quarter. Due to the high number of contractors new to TimberWest's public and private land operations, this internal audit was the most complete undertaken in the Company's history. The Timberlands portion included auditor visits to 18 contractors, 33 audit points and interviews with 82 crew members. The Audit findings identified a total of nine minor non conformances, all easily remedied.

Couverdon

As indicated last quarter, TimberWest did not anticipate sales activity picking up until the second quarter, and so far in Q2 the Company has closed \$6.8 million in sales. The Company also has work underway on a number of other conditional offers at this time. While the real estate market has picked up on Vancouver Island, the large acreage lot market, which is what all of TimberWest's product at the moment represents, is a relatively small market. As a result, sales in this market are challenging to predict.

TimberWest continues to work on planning and rezoning at many locations across the Company's portfolio and are pleased with the progress the Company is making. The more significant work on the core development land will take a number of years to successfully complete. In the meantime TimberWest will continue to deliver large acreage lots and non-core land sales to the market.

Carbon Sequestration Proposal to Pacific Carbon Trust and Other Initiatives

TimberWest engaged Carbon Credit Corp. to develop a carbon credit proposal which was submitted to the Pacific Carbon Trust (PCT) at the end of the first quarter. PCT is a provincial Crown corporation established in 2008 to deliver BC-based greenhouse gas offsets to help clients meet their carbon reduction goals and to support the growth of BC's low-carbon economy. TimberWest's project is specific to the conservation of old growth timber on the Company's private timberlands.

Due to the rapidly evolving nature of carbon offset protocol development in BC, BC currently does not have an approved forest conservation protocol and consequently the project will be developed with the intent of being compliant with two separate protocols. The first, the Voluntary Carbon Standard (VCS) is an existing protocol which allows projects to be sold on the voluntary market. The second, Climate Action Reserve (CAR) is a protocol developed for California which PCT is considering for adaptation for use in BC. PCT has indicated it will accept projects developed under protocols from other jurisdictions as long as they can be adapted to comply with BC regulatory requirements. TimberWest anticipates being able to share the results of this with the public later in the year.

Pre-feasibility studies on wind and run-of-river power projects on the Company's land base are expected to be completed in Q2 and Q3, 2010, respectively. Finally, during the quarter TimberWest initiated a three month pilot project involving detailed measurements of the volume of bio-mass remaining at road side post harvest. As part of this, the Company is evaluating the productivity and costs of two options for the conversion of road side debris into bio-mass materials suitable for either power generation or wood pellet production.

Other First Quarter 2010 Updates

Finally, on behalf of the Board and management, the Company would like to thank Conrad Pinette who retires from the Board today, for his contributions to TimberWest. Conrad's depth of forest industry knowledge and vast business experience have been very valuable to the Company. He will be missed at the Board table and the Company wishes him all the very best in the future.

Outlook

“While we anticipate continued strength in our Asian log markets for the balance of the year, a return to meaningful profitability for our company relies on a recovery in US housing starts. Forecasts are predicting a steady although gradual improvement in US housing starts over the next two to three years before we reach sustainable levels,” said Paul McElligott. “As a result, we are continuing our deferred harvest strategy and expect to harvest less than our long term economic harvest level until the US market recovers further”. As noted in previous communications, an attractive feature of this asset class is the trees that are not harvested during the downturn continue to increase in size and value as they are left to grow on the stump. “Reducing harvest levels now preserves unitholder value for when better days return, as they no doubt will”.

“Once supply and demand are in balance, TimberWest will be well-positioned geographically to benefit as we expect our markets will continue to be BC, US, Japan, China and Korea. In addition to supply restrictions in Russia, we have frequently referred to the BC interior mountain pine beetle epidemic in previous unitholder materials. A report issued by the International Wood Market Group during Q1, 2010 concluded that the volume of sawlogs available to BC interior sawmills will decline by 33% from the peak year of 2006 and, as a result, we will likely witness the permanent closure of an additional 16 timber processing facilities during this decade and we expect to see the impact on North American log prices by the middle of the decade. As this region has traditionally represented 18% of US lumber supply, TimberWest continues to be optimistic about the impact of this supply dislocation on our mid and longer term log pricing in North America,” said Paul McElligott.

Financial Highlights

Selected financial information

| | Three months ended | |
|--|--------------------|---------|
| | March 31 | |
| (in millions of dollars except where otherwise noted) | 2010 | 2009 |
| Sales | \$ 58.7 | \$ 30.4 |
| Operating earnings (loss) from continuing operations | 2.0 | (3.1) |
| Operating earnings (loss) from continuing operations - % of sales | 3.4% | (10.2)% |
| Net loss from continuing operations | (24.7) | (7.6) |
| Net loss from continuing operations excluding unusual items ¹ | (6.7) | (12.8) |
| Net loss | (24.7) | (7.7) |
| Net loss excluding unusual items ¹ | (6.7) | (12.9) |
| EBITDA from continuing operations ² | 3.4 | (2.3) |
| EBITDA ² | 3.4 | (2.4) |
| Distributable cash from continuing operations ² | (2.9) | (15.2) |
| Distributable cash ² | (2.9) | (15.3) |
| Per Stapled Units – basic and diluted (in dollars) | | |
| Net loss from continuing operations | (0.32) | (0.10) |
| Net loss from continuing operations excluding unusual items ¹ | (0.09) | (0.17) |
| EBITDA from continuing operations ² | 0.04 | (0.03) |
| EBITDA ¹ | 0.04 | (0.03) |
| Distributable cash from continuing operations ² | (0.04) | (0.20) |
| Distributable cash ² | (0.04) | (0.20) |
| Timberlands sales | 57.7 | 30.2 |
| Real estate sales | 1.0 | 0.2 |
| Stapled Units (thousands) | | |
| At period-end | 77,938 | 77,765 |
| Basic weighted average | 77,795 | 77,765 |
| Diluted weighted average | 78,386 | 77,766 |

1 Net loss from continuing operations excluding unusual items and net loss excluding unusual items are non-GAAP measures. Unusual items are defined as the following, net of their associated income tax impact: (i) gain on modification of Series A Subordinate Notes; (ii) accretion expense on the Series A Subordinate Notes; and (iii) change in fair value of financial instruments held for trading. These unusual items, net of their income tax impact, are quantified in the following table:

| (in millions of dollars) | 2010 | 2009 |
|---|-----------|----------|
| Accretion expense on Series A Subordinate Notes | \$ (1.6) | \$ (1.6) |
| Change in fair value of financial instruments held for trading | (16.7) | 2.0 |
| Total unusual items | (18.3) | 0.4 |
| Income tax recognized on unusual items | 0.3 | 4.8 |
| Total unusual items, net of income tax | \$ (18.0) | \$ 5.2 |
| Total unusual items per common share – basic and diluted (in dollars) | \$ (0.23) | \$ 0.07 |

2 Distributable cash and earnings before interest, tax, depreciation and amortization (“EBITDA”) do not have a standardized meaning prescribed by Canadian generally accepted accounting principles and may not be comparable to similar measures presented by other companies. The Company’s calculation of EBITDA and distributable cash are provided in the unaudited interim financial statements for the three months ending March 31, 2010 as filed on SEDAR.

Highlights and Significant Transactions

Cash distribution on the Stapled Units

As announced in November, 2008, the January 15, 2009 distribution payment was deferred for up to 27 months pursuant to the terms of the Note Indenture and all 2009 distribution payments, payable at 2%, were deferred for 18 months. The Company has set the variable interest rate at 2% for 2010 and intends to defer cash distribution payments for the foreseeable future. As deferred distributions become payable, the Company intends to make payment in kind by the issuance of additional Stapled Units. The first deferred distribution becomes payable on October 15, 2010.

During 2010, the Company will review the current Stapled Unit structure to determine its relevance for the business for the long term.

Interest payment on the convertible debentures

The Company made cash interest payments up to July 15, 2009, and commenced paying interest on the convertible debentures in kind starting with the October 15, 2009 interest payment. As a result, convertible debentures with a face value of \$3.5 million were issued on January 15, 2010. Interest on the convertible debentures accrued and payable at March 31, 2010 was paid by issuing additional convertible debentures with a face value of \$3.5 million on April 15, 2010. The face value of the convertible debentures is \$156.8 million at March 31, 2010 on which interest accrues at 9%.

The Company intends to make cash interest payments on the convertible debentures commencing in July as it expects to close an equity issue totaling gross proceeds of \$60.0 million on May 18, 2010. At the Annual General Meeting on May 5, 2010, the Company will seek approval from unitholders to make future interest payments in kind by the issuance of additional convertible debentures should this be necessary again in the future.

Property taxes

During 2009 the City of Campbell River increased its property tax rate on Class 7 managed forest lands. TimberWest filed a petition with the B.C. Supreme Court on June 9, 2009 to challenge this tax increase and a court hearing was held in September. TimberWest paid the full assessed taxes of \$1.2 million. On December 31, 2009, the British Columbia Supreme Court ruled in the Company's favour and declared the tax was unlawfully levied by the City of Campbell River. The Company received a refund of over \$1.0 million in January 2010 and received the remainder in April 2010. The Company awaits the resetting of the 2009 property tax rate on Class 7 managed forests by the City of Campbell River.

Subsequent event

On April 27, 2010 the Company announced its intention to raise additional equity through a stapled unit bought deal offering. The public offering is 12,000,000 Stapled Units at a price of \$5.00 per Stapled Unit for gross proceeds of \$60 million plus a 15% over allotment option. The offering is scheduled to close on May 18, 2010.

In conjunction with this offering, the Company has amended its credit agreement to allow for the payment of interest on the convertible debentures to be made in cash and the Company intends to begin paying in cash on July 15, 2010. The proceeds will enable the Company to reduce the revolving credit facility, resulting in an estimated \$110 million of liquidity upon closing, and the Company will pay the convertible debenture interest in cash, instead of continuing the current level of dilution by paying these in kind.

The lack of visibility on a recovery in US housing, the uncertain timing of non-core land sales and the resulting uncertainty in the Company's near term earnings prospects continue to cause the Company concern. Therefore the Company believes that taking this opportunity to strengthen the balance sheet is a prudent course of action.

Operating Highlights

Timberlands

| | Three months ended | |
|--|--------------------|---------|
| | March 31 | |
| | 2010 | 2009 |
| Log sales (in millions of dollars) | | |
| Domestic | \$ 17.1 | \$ 12.6 |
| Export – Asia | 31.7 | 14.4 |
| Export – USA | 0.6 | 2.3 |
| Total log sales | \$ 49.4 | \$ 29.3 |
| Log sales realizations (\$/m ³) | | |
| Domestic | \$ 57 | \$ 57 |
| Export – Asia | 86 | 107 |
| Export – USA | 62 | 83 |
| Total log sales realizations | \$ 72 | \$ 77 |
| Log sales volume (thousand m ³) | | |
| Domestic | 302.6 | 219.9 |
| Export – Asia | 370.7 | 134.6 |
| Export – USA | 10.3 | 27.8 |
| Total log sales volume | 683.6 | 382.3 |
| Log sales mix (thousand m ³) | | |
| Fir | 396.3 | 248.2 |
| Hembal | 227.8 | 75.4 |
| Cedar | 28.8 | 26.7 |
| Other | 30.7 | 32.0 |
| Total log sales mix | 683.6 | 382.3 |
| Log production volume (thousand m ³) | | |
| Public tenures | 168.7 | 13.5 |
| Private timberlands | 415.5 | 298.2 |
| Total production volume | 584.2 | 311.7 |
| Log production costs (\$/m ³) | \$ 62 | \$ 68 |
| Timberland cost of sales (\$/m ³) | 64 | 73 |
| Timberland operating margin (% of log sales) | 11% | 3% |

Log sales revenues for the three months ended March 31, 2010 increased by 69% from the same quarter last year due to a 79% increase in the sales volumes offset by a \$5 per m³ decrease in average log sales realizations. Log sales revenue of \$49.4 million in Q1, 2010 was dominated by Asia which generated \$31.7 million. Strong markets in Japan, China and Korea all contributed to sales success this quarter. Sales into the US continue to be weak and only totaled \$0.6 million for the quarter. Sales volumes for the quarter totaled 683,600 m³, with 370,700 m³ shipped to Asia. This more than doubles Asian sales volumes over Q1 2009. Sales to Korea and China were at a record pace with both of those economies showing considerable growth in the quarter. Sales to Korea were 76,400 m³ and sales to China were 69,600 m³. For all of 2009, sales volumes were 103,600 m³ to Korea and 106,400 m³ to China. The Company anticipates selling record volumes to both of those markets this year and finding alternative markets to the US is a priority at this time. Wood based housing in Japan has begun to recover slowly and is anticipated to grow moderately this year.

Timberland sales include other sales of \$8.3 million in Q1 2010, compared to \$0.9 million in Q1 2009. These sales in Q1, 2010 include \$6.7 million of shipping services to Asian customers which include ocean freight and ship loading as a result of vessels TimberWest chartered to ship to Asian markets (Q1, 2009 - nil). These other sales are offset by ocean freight and ship loading costs reported in cost of sales and result in no margin.

While volumes were higher, sales realizations were down compared to the first quarter of 2009, primarily as a result of currency and a significant change in species mix compared to the same quarter in 2009. This quarter the focus was more on hemlock markets in Korea and China and in spite of a 17% increase in the value of the Canadian

dollar against the US dollar, the average sales realization was \$86 per m³ for sales to Asia. Average sales realizations for the quarter were \$72 per m³ with production costs of \$62 per m³ versus \$68 per m³ in the first quarter of 2009. Lower costs are a result of higher volume over fixed costs as well as competitive contract rates on public and private land operations, resulting in higher margins compared to the first quarter of 2009.

The operating margin for Q1, 2010 was 11% compared to 3% in Q1, 2009.

Real estate

| (in millions of dollars except where otherwise noted) | Three months ended | |
|---|--------------------|--------|
| | March 31 | |
| | 2010 | 2009 |
| Sales | \$ 1.0 | \$ 0.2 |
| Price per acre (\$/acre) | - | 4,452 |

The Company's real estate division, Couverdon, sells non-core landholdings, pursues entitlements and markets properties.

During Q1, 2010, costs of \$0.4 million were deferred related to entitlement and planning activities (Q1, 2009 - \$0.2 million).

Real estate sales generally vary from year to year and quarter to quarter reflecting the variable nature and timing of real estate sales activity.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended March 31, 2010

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

| Unaudited (in millions of dollars, except per share amounts) | Three months ended March 31 | |
|---|--------------------------------|---------------|
| | 2010 | 2009 |
| Sales | \$ 58.7 | \$ 30.4 |
| Operating costs and expenses: | | |
| Cost of sales | 52.5 | 29.7 |
| Selling, administrative and other | 3.1 | 2.9 |
| Depreciation, depletion and amortization | 1.1 | 0.9 |
| | 56.7 | 33.5 |
| Operating earnings (loss) from continuing operations | 2.0 | (3.1) |
| Interest expense: | | |
| Series A Subordinate Notes owned by unitholders | 5.3 | 5.0 |
| Convertible debentures | 3.5 | 1.7 |
| Long-term bank debt | 2.6 | 2.1 |
| Short-term bank debt | - | 0.5 |
| | 11.4 | 9.3 |
| Financing transaction costs | - | 5.4 |
| Amortization of deferred financing costs | 1.0 | 0.5 |
| Change in fair value of financial instruments held for trading | 16.7 | (2.0) |
| Other expense (income) | 0.1 | 0.1 |
| | 29.2 | 13.3 |
| Loss before income taxes from continuing operations | (27.2) | (16.4) |
| Income tax expense (recovery) | (2.5) | (8.8) |
| Net loss and comprehensive loss from continuing operations | (24.7) | (7.6) |
| Net loss and comprehensive loss from discontinued operations | - | (0.1) |
| Net loss and comprehensive loss | \$ (24.7) | \$ (7.7) |
| Basic and diluted loss from continuing operations per share | \$ (0.32) | \$ (0.10) |
| Basic and diluted loss from discontinued operations per share | - | - |
| Basic and diluted loss per share | (0.32) | (0.10) |

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)

| Unaudited (in millions of dollars) | Three months ended March 31 | |
|--|--------------------------------|----------|
| | 2010 | 2009 |
| Retained earnings, beginning of period | \$ 195.0 | \$ 250.8 |
| Net loss and comprehensive loss for the period | (24.7) | (7.7) |
| Retained earnings, end of period | \$ 170.3 | \$ 243.1 |

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended March 31, 2010

CONSOLIDATED BALANCE SHEETS

| | March 31, | December 31, |
|---|-------------------|--------------|
| | 2010 | 2009 |
| (in millions of dollars) | Unaudited | |
| Assets | | |
| Current assets: | | |
| Cash | \$ 4.0 | \$ 1.8 |
| Accounts receivable | 7.1 | 5.8 |
| Inventories | 29.3 | 27.2 |
| Prepaid expenses and other current assets | 3.4 | 3.0 |
| Future income taxes | 1.7 | 1.6 |
| | 45.5 | 39.4 |
| Property, plant and equipment | 1,212.4 | 1,213.0 |
| Other assets | 10.3 | 12.0 |
| | \$ 1,268.2 | \$ 1,264.4 |
| Liabilities and Unitholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 27.1 | \$ 23.9 |
| Deferred distribution payable | 6.7 | 3.3 |
| Discontinued operations | - | 0.2 |
| | 33.8 | 27.4 |
| Revolving credit facilities | 154.6 | 152.6 |
| Convertible debentures | 226.8 | 207.8 |
| Long-term silviculture liability | 3.2 | 3.0 |
| Employee future benefits | 37.2 | 37.1 |
| Deferred distribution payable | 29.0 | 28.8 |
| Stapled Unit option plan | 1.6 | 1.5 |
| Future income taxes | 169.2 | 171.1 |
| | 655.4 | 629.3 |
| Series A Subordinate Notes owned by unitholders | 249.5 | 247.1 |
| | 904.9 | 876.4 |
| Unitholders' equity | | |
| Share capital, consisting of common shares | 191.0 | 191.0 |
| Contributed surplus | 2.0 | 2.0 |
| Retained earnings | 170.3 | 195.0 |
| | 363.3 | 388.0 |
| | \$ 1,268.2 | \$ 1,264.4 |

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended March 31, 2010

CONSOLIDATED STATEMENTS OF CASH FLOWS

| Unaudited (in millions of dollars) | Three months ended March 31 | |
|--|--------------------------------|---------------|
| | 2010 | 2009 |
| Cash provided by (used in): | | |
| Operating activities: | | |
| Net loss from continuing operations | \$ (24.7) | \$ (7.6) |
| Items not involving cash: | | |
| Depreciation, depletion and amortization | 2.1 | 1.4 |
| Accretion on Series A Subordinate Notes | 1.6 | 1.6 |
| Gain on sale of property, plant and equipment | - | 0.2 |
| Future income tax expense (recovery) | (2.0) | (8.8) |
| Change in deferred distribution payable | 3.6 | 3.4 |
| Change in fair value of financial instruments held for trading | 16.7 | (2.0) |
| Convertible debenture interest paid in kind | 3.5 | - |
| Other non-cash items | 0.7 | 0.3 |
| | 1.5 | (11.5) |
| Changes in non-cash working capital: | | |
| Accounts receivable | (1.3) | (2.2) |
| Inventories | (2.1) | (2.1) |
| Prepaid expenses and other working capital | (0.4) | 0.7 |
| Accounts payable and accrued liabilities | 2.6 | (5.7) |
| | (1.2) | (9.3) |
| | 0.3 | (20.8) |
| Financing activities: | | |
| Issuance of Stapled Units on exercise of options: | | |
| Series A Subordinate Notes | 0.5 | - |
| Convertible debentures | - | 150.0 |
| Revolving credit facilities | 2.0 | (45.8) |
| Term credit facilities | - | (108.3) |
| Financing transaction costs | - | (3.5) |
| | 2.5 | (7.6) |
| Investing activities: | | |
| Proceeds from sale of property, plant and equipment | - | 0.2 |
| Additions to property, plant and equipment | (0.5) | (0.3) |
| Other assets | (0.1) | (1.2) |
| | (0.6) | (1.3) |
| Cash provided by (used in) continuing operations | 2.2 | (29.7) |
| Cash provided by (used in) discontinued operations | - | (0.6) |
| Increase (decrease) in cash and cash equivalents | 2.2 | (30.3) |
| Cash and cash equivalents, beginning of period | 1.8 | 30.8 |
| Cash and cash equivalents, end of period | \$ 4.0 | \$ 0.5 |
| Supplemental information: | | |
| Interest on Series A Subordinate Notes paid to unitholders | \$ - | \$ - |
| Interest on the convertible debentures paid in cash | \$ - | \$ - |
| Other interest paid | \$ 2.7 | \$ 4.1 |
| Financing costs paid | \$ - | \$ 8.9 |

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended March 31, 2010

CONSOLIDATED BUSINESS SEGMENTS

| Unaudited (in millions of dollars) | Three months ended March 31, 2010 | | | |
|--|-----------------------------------|-------------|-------|---------|
| | Timberlands | Real Estate | Other | Total |
| Sales | \$ 57.7 | \$ 1.0 | \$ - | \$ 58.7 |
| Operating earnings (loss) | 5.5 | - | (3.5) | 2.0 |
| Total assets | 983.5 | 264.7 | 20.0 | 1,268.2 |
| Additions to property, plant and equipment | 0.1 | 0.4 | - | 0.5 |

| Unaudited (in millions of dollars) | Three months ended March 31, 2009 | | | |
|--|-----------------------------------|-------------|-------|---------|
| | Timberlands | Real Estate | Other | Total |
| Sales | \$ 30.2 | \$ 0.2 | \$ - | \$ 30.4 |
| Operating earnings (loss) | 0.8 | (0.9) | (3.0) | (3.1) |
| Total assets | 988.4 | 270.2 | 16.2 | 1,274.8 |
| Additions to property, plant and equipment | 0.1 | 0.2 | - | 0.3 |

In 2009, the Company commenced reporting its operating results on a segmented basis in order to disclose the results of its two significant operating segments, timberlands and real estate. Prior to 2009, the Company operated in one operating segment, timberlands, and any real estate sales were incidental to the timberland operations. Effective January 1, 2009, the Company has formed a real estate division and the activities of this division are managed separately from the timberlands operation. Sales and operating earnings reflect the income and expenses of each segment. Private land of approximately 134,000 acres identified as having a higher and better use is reported as real estate assets at its carrying value. All other assets have been reported under the segment in which they are managed. The 'other' segment reflects those costs and assets that are allocated for general corporate purposes.

Additional information relating to TimberWest, including the Company's Annual Information Form and other statutory reports, can be found on the System for Electronic Document Analysis and Retrieval (SEDAR) at <http://www.sedar.com>, and on our website www.timberwest.com.

Forward Looking Statements

The statements which are not historical facts contained in this report are forward-looking statements that involve risks and uncertainties. TimberWest's actual results could differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to general economic conditions, variations in TimberWest's product prices and changes in commodity prices generally, changes in market conditions, variations in harvest levels, changes in log transportation costs, actions of competitors, interest rate and foreign currency fluctuations, regulatory, harvesting fee and trade policy changes and other actions by governmental authorities including real estate zoning approvals, the ability to implement business strategies and pursue business opportunities, labour relations, weather conditions, forest fires, insect infestation, disease and other natural phenomena and other risks and uncertainties described in TimberWest's public filings with securities regulatory authorities.

Quarterly Conference Call

TimberWest will hold a conference call at 8:00am (Pacific) on Thursday, May 6, 2010, to discuss results of the first quarter. To access the conference call, listeners should dial 1-800-901-1807. For those unable to participate in the live call, a recording of the call will be available until May 20, 2010, and can be accessed at 1-800-558-5253 using code 21464835. The conference call will also be broadcast live over the internet via TimberWest's website home page at <http://www.timberwest.com>. The webcast will be archived and available for an additional 90 days.

About TimberWest

TimberWest Forest Corp. is uniquely positioned as western Canada's largest private timber and land management company. The Company owns in fee simple approximately 320,000 hectares or 791,000 acres of private land and is in the business of selling timber products and real estate.

Investor Relations Contact

Bev Park

Executive Vice President and
Chief Financial Officer

Telephone: 604-654-4600

Facsimile: 604-654-4662

Email: invest@timberwest.com

Stapled Units of TimberWest Forest Corp. are traded on the Toronto Stock Exchange under the symbol: TWF.UN



TimberWest Forest Corp.
Suite 2300, 1055 West Georgia Street
PO Box 11101
Vancouver, BC V6E 3P3
Telephone: 604-654-4600
Facsimile: 604-654-4571
www.timberwest.com