

Summary of Tax Withholding on Deemed Interest for Non-Resident Unitholders who Tender their Stapled Units in TimberWest Forest Corp. (the “Company”) to 7830327 Canada Inc. (the “Purchaser”) pursuant to the Arrangement

The following is for the information of beneficial owners of Stapled Units who are not resident in Canada for tax purposes and who tender their Stapled Units to the Purchaser pursuant to the arrangement (the “**Arrangement**”) described in the Management Information Circular dated May 13, 2011 (the “**Circular**”).

This information applies only to Non-Resident Holders (as defined in the Circular) and is of a general nature only. This information is not taxation advice provided by the Purchaser or the Company to any holder of Stapled Units or any other person and neither the Purchaser nor the Company accepts any liability to any holder of Stapled Units or any other person relying on this information. The purpose of this summary is to provide information to assist Non-Resident Holders in determining the amount of Canadian withholding tax that the Purchaser intends on withholding.

This information is based on the assumption that the effective date of the Arrangement will be June 29, 2011 (the “**Effective Date**”).

Example 1: The Non-Resident Holder Acquired All Stapled Units Prior to May 18, 2010

The following information applies to a Non-Resident Holder who acquired all of their Stapled Units prior to May 18, 2010. Stapled Units issued to holders as payment-in-kind (PIK) interest payments would be considered to be acquired after May 18, 2010 (see also question #1 below).

A Non-Resident Holder who acquired Stapled Units prior to May 18, 2010 must ensure that the Letter of Transmittal contains the required certification regarding the number of Stapled Units acquired prior to May 18, 2010. If the required certification is not provided, the Non-Resident Holder will be considered to have acquired the Stapled Units on or after May 18, 2010 and should refer to the information in Example 2 below.

Based on an Effective Date of June 29, 2011, the maximum amount of accrued and unpaid interest in respect of a Series A Subordinate Note will be approximately \$0.31327155 at the time that such a Non-Resident Holder disposes of their Stapled Units to the Purchaser. This amount will be treated as being interest (the “**Deemed Interest**”) received by the Non-Resident Holder from the Purchaser on the disposition for Canadian tax purposes and subject to withholding tax.

Twenty-five percent is the maximum withholding tax rate applicable under the Canadian income tax legislation. **A Non-Resident Holder who is resident in a country with which Canada has signed a tax treaty or convention (a “Tax Convention”) may be entitled to be taxed at a lower rate, provided the Non-Resident Holder ensures that the relevant information, forms and certifications, as applicable, are provided to the Depositary along with the Letter of Transmittal.** The Deemed Interest will be treated as “participating debt interest” and, accordingly, the reduced withholding tax rate for residents of the U.S. who are eligible for the benefits of the *Canada-United States Income Tax Convention* (the “**U.S. Convention**”) will be 15%; the reduced withholding tax rate for residents of most other countries with which Canada has entered into a Tax Convention will be 10%.

The following table shows the approximate amount of Canadian withholding tax that will be withheld in respect of the disposition of a Series A Subordinate Note by a Non-Resident Holder (who acquired all of their Stapled Units prior to May 18, 2010) at the maximum withholding tax rate of 25%, at the withholding tax rate of 15% (for a Non-Resident Holder who is eligible for the benefits of the U.S. Convention) and at the withholding tax rate of 10% (for a Non-Resident Holder who is a resident of a country where a Tax Convention reduces withholding to 10%):

Country of Residence of Non-Resident Unitholder	Withholding Tax Rate	Deemed Interest per Series A Subordinate Note	Withholding Tax Payable on each Series A Subordinate Note
No Tax Convention Applicable	25%	\$0.31327155	\$0.07831789
United States	15%	\$0.31327155	\$0.04699073
Country where Tax Convention reduces withholding to 10%	10%	\$0.31327155	\$0.03132715

Non-Resident Holders should multiply this amount by the number of Stapled Units they are disposing of pursuant to the Arrangement to arrive at the total amount of withholding tax that will be withheld in respect of the Deemed Interest. For example, the Canadian tax to be withheld by the Purchaser in respect of a Non-Resident Holder disposing of 100 Stapled Units acquired prior to May 18, 2010 will be as follows:

Country of Residence of Non-Resident Unitholder	Withholding Tax Rate	Withholding Tax Payable on each Series A Subordinate Note	Withholding Tax Payable on 100 Series A Subordinate Notes
No Tax Convention Applicable	25%	\$0.07831789	\$7.831789
United States	15%	\$0.04699073	\$4.699073
Country where Tax Convention reduces withholding to 10%	10%	\$0.03132715	\$3.132715

Example 2: Non-Resident Holder Acquired All Stapled Units On or After May 18, 2010

The following information applies to a Non-Resident Holder who acquired all of their Stapled Units on or after May 18, 2010.

Non-Resident Holders who acquired, or who are assumed to have acquired, their Stapled Units on or after May 18, 2010 will be treated having received interest for Canadian tax purposes (“**Deemed Interest**”) to the extent that the consideration received from the Purchaser on the disposition of their Series A Subordinate Notes exceeds the price for which such notes may have been issued. Canadian withholding tax will then be withheld in respect of this amount of Deemed Interest.

Twenty-five percent is the maximum withholding tax rate applicable under the Canadian income tax legislation. **A Non-Resident Holder who is resident in a country with which Canada has signed Tax Convention may be entitled to be taxed at a lower rate, provided the Non-Resident Holder ensures that the relevant information, forms and certifications, as applicable, are provided to**

the Depository along with the Letter of Transmittal. The Deemed Interest will be treated as “participating debt interest” and, accordingly, the reduced withholding tax rate for residents of the U.S. who are eligible for the benefits of the U.S. Convention will be 15%; the reduced withholding tax rate for residents of most other countries with which Canada has entered into a Tax Convention will be 10%.

Pursuant to the Arrangement, a Non-Resident Holder will receive \$6.15 in respect of each Series A Subordinate Note disposed of. The Purchaser has advised the Company that for Non-Resident Holders who acquired their Stapled Units on or after May 18, 2010, the Purchaser intends to withhold tax on the assumption that the issue price of the Series A Subordinate Notes acquired by the Non-Resident Holder on or after May 18, 2010 is \$3.25746239.

The following table shows the approximate amount of Canadian withholding tax that will be withheld in respect of the disposition of a Series A Subordinate Note by a Non-Resident Holder (who acquired or is assumed to have acquired all of their Stapled Units on or after May 18, 2010) at the maximum withholding tax rate of 25%, at the withholding tax rate of 15% (for a Non-Resident Holder who is eligible for the benefits of the U.S. Convention) and at the withholding tax rate of 10% (for a Non-Resident Holder who is a resident of a country where a Tax Convention reduces withholding to 10%):

Country of Residence of Non-Resident Unitholder	Withholding Tax Rate	Deemed Interest per Series A Subordinate Note (\$6.15 - \$3.25746239)	Withholding Tax Payable on each Series A Subordinate Note
No Tax Convention Applicable	25%	\$2.89253761	\$0.72313440
United States	15%	\$2.89253761	\$0.43388064
Country where Tax Convention reduces withholding to 10%	10%	\$2.89253761	\$0.28925376

Non-Resident Holders should multiply this amount by the number of Stapled Units they are disposing of pursuant to the Arrangement to arrive at the total amount of withholding tax that will be withheld in respect of the deemed interest. For example, the Canadian tax to be withheld by the Purchaser in respect of a Non-Resident Holder disposing of 100 Stapled Units acquired on or after May 18, 2010 will be as follows:

Country of Residence of Non-Resident Unitholder	Withholding Tax Rate	Withholding Tax Payable on each Series A Subordinate Note	Withholding Tax Payable on 100 Series A Subordinate Notes
No Tax Convention Applicable	25%	\$0.72313440	\$72.313440
United States	15%	\$0.43388064	\$43.388064
Country where Tax Convention reduces withholding to 10%	10%	\$0.28925376	\$28.925376

FREQUENTLY ASKED QUESTIONS:

1. What if a Non-Resident Holder Acquired Stapled Units Partly Prior to and Partly After May 18, 2010?

A Non-Resident Holder who has acquired some of their Stapled Units prior to May 18, 2010 and other Stapled Units on or after May 18, 2010 would calculate the withholding tax separately for the Stapled Units acquired during each of these periods, following the examples posted above, and combine this amount to arrive at the total amount that will be withheld.

2. What if a Non-Resident Holder acquired Stapled Units prior to May 18, 2010, but is not able to provide the required certification in the Letter of Transmittal because the Non-Resident Holder is not the registered owner of the Stapled Units?

In this situation, the Non-Resident Holder may want to re-register the Stapled Units in their own name or in the name of their financial advisor to ensure that the certification that Stapled Units were acquired before May 18, 2010 as requested in the Letter of Transmittal can be provided. Non-Resident Holders are urged to consult with their own tax and financial advisors as soon as possible in advance of the Effective Date with respect to whether Stapled Units should be re-registered to ensure that such registration can occur in advance of the Effective Date. If the required certification is not provided, the Non-Resident Holder will be assumed to have acquired the Stapled Units on or after May 18, 2010 and should refer to Example 2 above.

3. What if a Non-Resident Holder is entitled to the benefits of a Tax Convention, but is not able to ensure that the required documentation is provided with the Letter of Transmittal because the Non-Resident Holder is not the registered owner of the Stapled Units?

In this situation, the Non-Resident Holder may want to consider re-registering the Stapled Units in their own name or in the name of their financial advisor to ensure that the documentation requested in the Letter of Transmittal can be provided and the provisions of an applicable Tax Convention applied. Non-Resident Holders are urged to consult with their own tax and financial advisors as soon as possible in advance of the Effective Date with respect to whether Stapled Units should be re-registered to ensure that such registration can occur in advance of the Effective Date. If the required documentation is not provided, a 25% withholding tax rate will be applied.

4. What withholding taxes will apply if a Non-Resident Holder converts Convertible Debentures into Stapled Units and tenders the Stapled Units under the Arrangement?

A Non-Resident Holder converting Convertible Debentures into Stapled Units will be subject to withholding taxes in respect of the conversion (calculated in a manner similar to that described in Example 2 above) and Stapled Units otherwise issuable on conversion will be withheld by the Company in respect of such withholding taxes. Withholding taxes (calculated as described in Example 2 above) will also be withheld by the Purchaser in respect of any remaining Stapled Units tendered by the Non-Resident Holder under the Arrangement. Non-Resident holders of Convertible Debentures who convert their Convertible Debentures for cash after the Effective Date will be

subject to withholding tax only on conversion. Please refer to page 40 of the Circular for a discussion of the treatment of Convertible Debentures in connection with the Arrangement.

5. What if the amount withheld by the Purchaser exceeds the Non-Resident Holder's actual liability for Canadian tax?

The Non-Resident Holder may be eligible for a refund from the Canada Revenue Agency of any Canadian tax that is withheld that exceeds the Non-Resident Holder's actual liability for Canadian tax. Such Non-Resident Holders should contact their own tax advisors for advice on how to obtain such a refund from the Canada Revenue Agency.