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SECOND QUARTER INTERIM REPORT

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2003

TimberWest Forest Corp.

TIMBERWEST FOREST CORP.

To Our Unitholders,

Second quarter results in our public land logging and sawmilling business were unusually weak; however, thanks to an excellent start to the year in Q1 and continued strength in our private timberland business, we have generated strong operating cash flow on a year-to-date basis.

For the quarter, the Company generated distributable cash of \$4.7 million, or \$0.06 per weighted average Stapled Unit, compared to distributable cash of \$10.6 million, or \$0.14 per Stapled Unit for the same period in 2002.

Keeping in mind that the 2002 second quarter results included a one-time, pre-tax restructuring charge of \$9.8 million recorded during the period to cover the cost of severance, early retirement programs and closure of facilities associated with the restructuring, there are two major reasons for the current year decrease in distributable cash:

First, in accordance with our definition of distributable cash, we have deducted the \$6 million in major capital expenditures we made in Elk Falls during the quarter directly from distributable cash and, on a year-to-date basis, we have deducted \$12 million for the major capital expenditures at Elk Falls and the North Island dryland sort from distributable cash. Distributable cash before these major capital expenditures was \$10.7 million, or \$0.14 per Stapled Unit, for the second quarter and \$42.4 million, or \$0.56 per unit, on a year-to-date basis.

Second, oversupplied markets for logs and lumber in both Japan and the US, the unprecedented pace of appreciation in the Canadian dollar in the quarter, and the ongoing softwood lumber dispute with the US combined to create the most significant downturn the public land logging and sawmilling industry on the coast of BC has experienced in more than 20 years.

With the exception of Elk Falls, almost every major sawmill on the coast took market related downtime in the second quarter. The effect of these extensive shutdowns also reached the forests. We made the decision to curtail our Johnstone Strait, Beaver Cove and Honeymoon Bay operations in May and June and are currently doing only minimal work on public land. By the end of the second quarter, all major coastal companies had extensively curtailed their public land logging operations. We need to take inventory out of the system and better balance supply with demand and that means curtailing operations.

Our Elk Falls lumbermill completed its capital upgrade program during the quarter. This included installing three new lumber drying kilns, replacing the trimmer optimizer and other productivity improvement projects. The mill also started operating its third shift in May. Unfortunately, market conditions are not cooperating with plans to shift into high gear with higher valued products and, while it was one of the last coastal mills to go down, Elk shut down in mid-July.

On a more positive note, our private timberland operations, which typically represent two-thirds of our total annual harvest, continue to perform well. Both sales volumes and log sales realizations for the first half of 2003 are ahead of the equivalent prior year period and operating cash is higher. Deteriorating conditions in all major log markets resulted in lower realizations in Q2 relative to both Q1 and the equivalent prior year period. The strengthening of the Canadian dollar also placed downward pressure on realizations for all US log sales as well as many end use sorts sold in Japan.

Our management team remains strongly committed to our Operations Excellence strategy with its focus on reducing costs and improving productivity. This will ensure that our business model will continue to be sustainable with a stronger Canadian dollar.

Throughout the quarter we made solid progress on cost reduction, although a higher proportion of more costly logging systems in our harvest mix and higher-cost purchased logs have had the effect of offsetting some of these gains in logging cost of sales.

Despite curtailments in our public land harvest, which adversely impact unit costs of production, and the use of more costly logging systems, we still expect to achieve our Company-wide cost reduction target of \$4.50 per m³ for the year.

A foundation of Operations Excellence is that we continually improve the way we do things. It has never been more important for us to embrace innovation and change, while keeping in mind that two things don't change no matter what: our focus on working safely and taking care of the environment.

The Coast Master Agreement between coastal forest companies and the IWA expired June 15th. TimberWest is a member of Forest Industrial Relations (FIR), an industry-wide employers association of coastal forest companies. FIR bargains on behalf of all its individual members. Negotiations between FIR and the IWA began during the second quarter but, after an initial meeting, further talks were delayed until collective bargaining was concluded between the IWA and industry associations in the interior of the province. FIR has proposed a one year extension to the existing collective agreement so as to allow the parties time to jointly address costs and to plan for the orderly restructuring of the coastal industry. Negotiations on the coast are expected to resume in July.

While the Canada / US softwood lumber dispute continues, progress towards a durable solution was achieved in the quarter when the US Department of Commerce published its long-awaited Policy Bulletin. The Bulletin outlines policy changes individual provinces would need to make for a successful "changed circumstances" ruling by the Department of Commerce which, in turn, would result in the reduction or elimination of countervailing duties on softwood lumber exported from those provinces. The Bulletin promotes free market forces and refers to the beneficial impact of allowing free trade in private land

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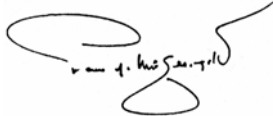
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logs, providing a strong incentive for the Government of Canada to rescind Notice 102 and harmonize its log export policy in BC with the rest of the country.

Now that the framework for a long term solution to softwood has been established, the parties have turned their attention to negotiating an interim border tax and quota arrangement. While meetings and discussions continue, it is unknown whether a deal can be concluded.

The management team and I thank you for your continued support and interest in our Company – particularly in these challenging times.

On behalf of the Board of Directors



Paul J. McElligott
President and Chief Executive Officer

Vancouver, British Columbia
July 24, 2003

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Management's Discussion and Analysis

For the three and six months ended June 30, 2003

Management's Discussion and Analysis supplements, but does not form part of, the unaudited interim consolidated financial statements of TimberWest Forest Corp. ("TimberWest" or "the Company") and the notes thereto for the second quarter of 2003. This discussion and analysis provides an overview of significant developments that have affected TimberWest's performance during the second quarter and year to date of 2003 relative to the second quarter and year to date of 2002, and that have affected the Company's financial position as at June 30, 2003, relative to December 31, 2002. Factors that could affect future operations are also discussed. These factors may be affected by known and unknown risks and uncertainties that may cause the actual future results of the Company to be materially different than those expressed or implied in this discussion. These risks and uncertainties are described herein and in the Management's Discussion and Analysis contained in the Company's 2002 Annual Report.

Distributable Cash

In compliance with recent changes to CICA Handbook Section 1540 – *Cash Flow Statements*, TimberWest will no longer be including separate statements of distributable cash in its financial statements. Information previously presented in the statements of distributable cash will now be included in the Management's Discussion and Analysis and in a note to the consolidated financial statements (see note 6).

	Three months ended		Six months ended	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
<i>(in millions of dollars, except per Stapled Unit amounts)</i>				
Net earnings	\$ 1.5	\$ 1.8	\$ 19.2	\$ 9.5
Income tax benefit related to distributions	4.9	2.2	12.6	8.4
Earnings available for distribution	6.4	4.0	31.8	17.9
Future income tax expense	-	1.3	0.9	2.3
Earnings available for distribution before provision for future income tax expense	6.4	5.3	32.7	20.2
Add (deduct):				
Depreciation, depletion and amortization	2.9	3.6	5.9	8.2
Proceeds from sale of capital assets	0.8	1.9	3.9	2.7
Gain on sale of capital assets	(0.3)	(0.4)	(1.3)	(0.6)
Capital expenditures	(7.5)	(1.4)	(15.0)	(1.7)
Other non-cash items	2.4	1.6	4.2	3.0
	(1.7)	5.3	(2.3)	11.6
Distributable cash	\$ 4.7	\$ 10.6	\$ 30.4	\$ 31.8
<i>Basic and diluted distributable cash per weighted average Stapled Unit</i>	\$ 0.06	\$ 0.14	\$ 0.40	\$ 0.43
<i>Cash distributions paid per Stapled Unit</i>	\$ 0.27	\$ 0.27	\$ 0.54	\$ 0.54

Distributable cash includes consolidated earnings before income taxes less cash income taxes, plus depreciation, depletion and amortization, plus proceeds from the sale of capital assets net of their gain (loss) on sale, less maintenance capital expenditures and, from time to time, adjustments for other items deemed appropriate by the Board of Directors.

Distributable cash and earnings available for distribution are measures that do not have a standardized meaning prescribed by Canadian generally accepted accounting principles ("GAAP") and may not be comparable to similar measures presented by other companies. A reconciliation between net earnings as determined in accordance with GAAP and both distributable cash and earnings available for distribution is provided in the preceding table and in note 6 to the accompanying consolidated financial statements.

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Quarterly comparison of distributable cash generated:

	2003	2002	2001	2000	1999	1998
Distributable Cash (in millions of dollars)						
First	\$ 25.7	\$ 21.2	\$ 25.9	\$ 28.4	\$ 24.5	\$ 13.2
Second	4.7	10.6	26.7	28.2	25.1	24.0
Third		34.1	14.1	14.1	14.0	11.5
Fourth		24.2	16.8	18.5	19.7	19.6
	\$ 30.4	\$ 90.1	\$ 83.5	\$ 89.2	\$ 83.3	\$ 68.3
Distributable Cash per Stapled Unit (in dollars)						
First	\$ 0.34	\$ 0.30	\$ 0.40	\$ 0.41	\$ 0.36	\$ 0.19
Second	0.06	0.14	0.41	0.42	0.36	0.34
Third		0.45	0.22	0.22	0.20	0.17
Fourth		0.32	0.26	0.29	0.28	0.28
	\$ 0.40	\$ 1.21	\$ 1.29	\$ 1.34	\$ 1.20	\$ 0.98

Quarterly Financial Highlights

TimberWest generated distributable cash of \$4.7 million or basic and diluted distributable cash of \$0.06 per weighted average Stapled Unit for the quarter ended June 30, 2003, compared to distributable cash of \$10.6 million, or basic and diluted distributable cash of \$0.14 per weighted average Stapled Unit for the same period in 2002. Second quarter 2003 distributable cash reflects \$7.5 million in capital expenditures, while second quarter 2002 results reflect only \$1.4 million in capital expenditures, but do include a one-time, pre-tax restructuring charge of \$9.8 million recorded during the period to cover the cost of severance, early retirement programs and closure of facilities associated with the restructuring. Earnings available for distribution for the quarter, before provision for future income taxes, were \$6.4 million or \$0.08 per basic and diluted weighted average Stapled Unit compared to \$5.3 million or \$0.07 per basic and diluted weighted average Stapled Unit for the same quarter in 2002. Net sales for the second quarter of 2003 were \$109.3 million compared to net sales of \$120.7 million reported for the second quarter of 2002. Operating earnings were \$10.4 million for the second quarter of 2003 compared to \$19.3 million for the same quarter in 2002. Earnings before interest, taxes, depreciation and amortization ("EBITDA")¹ for the quarter ended June 30, 2003, were \$13.3 million or \$0.17 per basic and diluted weighted average Stapled Unit compared to \$12.7 million or \$0.17 per basic and diluted weighted average Stapled Unit for the same period in 2002. The \$9.8 million restructuring charge recorded in 2002 resulted in a direct reduction to distributable cash, earnings available for distribution before provision for future income tax expense and EBITDA for the second quarter of 2002 and had the effect of reducing all of these measures by \$0.13 on a per Stapled Unit basis for this period.

On May 28, 2003, the Company completed and received short-term financing from a Canadian bank in the amount of \$40.0 million pursuant to an unsecured 364-day committed revolving facility due on May 26, 2004. Under this facility, funds are available to the Company in both Canadian and US dollars by way of prime rate-based loans, LIBOR loans and Canadian dollar bankers' acceptances.

On June 27, 2003, the Company completed a two-year extension to its \$125.0 million unsecured revolving facility. This facility is now due on June 30, 2006, and continues to provide funding to the Company in both Canadian and US dollars by way of adjusted prime rate-based loans, bankers' acceptances, US rate-based loans, LIBOR loans and letters of credit or guarantee.

Year to Date Financial Highlights

TimberWest generated distributable cash of \$30.4 million or basic and diluted distributable cash of \$0.40 per weighted average Stapled Unit for the six months ended June 30, 2003, compared to distributable cash of \$31.8 million, or basic and diluted distributable cash of \$0.43 per weighted average Stapled Unit for the same period in 2002. Year to date 2003 distributable cash reflects \$15.0 million of capital expenditures (\$0.20 per Stapled Unit), while year to date 2002 distributable cash reflects only \$1.7 million in capital expenditures, but does include a one-time, pre-tax restructuring charge of \$9.8 million recorded during the second quarter of 2002. Earnings available for distribution for the first half of 2003, before provision for future income taxes, were \$32.7 million, or \$0.43 per basic and diluted weighted average Stapled Unit

¹ EBITDA is a measure that does not have a standardized meaning prescribed by Canadian generally accepted accounting principles ("GAAP") and may not be comparable to similar measures presented by other companies. A reconciliation between net earnings as determined in accordance with GAAP and EBITDA is provided in the supplemental information appended to this interim report.

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compared to \$20.2 million, or \$0.28 per basic and diluted weighted average Stapled Unit for the same period in 2002. Net sales for the first six months of 2003 were \$235.9 million compared to net sales of \$209.6 million reported for the first half of 2002. Operating earnings were \$40.9 million for the first two quarters of 2003 compared to \$40.3 million for the same period in 2002. EBITDA for the six months ended June 30, 2003, were \$46.8 million or \$0.61 per basic and diluted weighted average Stapled Unit compared to \$36.4 million, or \$0.50 per basic and diluted weighted average Stapled Unit for the same period in 2002. The \$9.8 million restructuring charge recorded in 2002 resulted in a direct reduction to distributable cash, earnings available for distribution before provision for future income tax expense and EBITDA and, year to date, had the effect of reducing all of these measures by \$0.13 on a per Stapled Unit basis.

As noted above, during the second quarter of 2003, the Company completed short-term financing of \$40.0 million in the form of an unsecured revolving facility due May 26, 2004, and completed a two-year extension to its \$125.0 million unsecured revolving facility now due June 30, 2006.

During the first quarter of 2003, the Company completed and received additional short-term financing from a Canadian bank in the amount of \$40.0 million pursuant to an unsecured 364-day committed revolving facility due on March 1, 2004, providing funding in both Canadian and US dollars by way of adjusted prime rate-based loans and Canadian dollar bankers' acceptances.

In addition, during the first quarter of 2003, the Company retired \$106.5 million aggregate principal amount of its 6.5% debentures when they matured on March 3, 2003.

Cash Distribution

On July 24, 2003, TimberWest announced a distribution of \$0.269 per Stapled Unit, payable October 15, 2003, to unitholders of record on October 1, 2003. Since TimberWest's inception in July 1997, including the distribution paid on July 15, 2003, the Company has distributed \$443.3 million to unitholders.

Due to the seasonal and cyclical nature of TimberWest's business, cash flows may fluctuate from quarter to quarter and from year to year. One of the objectives of TimberWest's cash distribution policy is to make even distributions to unitholders, which may differ from actual cash generated during the period.

Operating Highlights

Log sales for the three months ended June 30, 2003, were \$90.3 million, down 12% from log sales of \$102.9 million for the quarter ended June 30, 2002. This decrease primarily reflects a 11% decrease in the volume of logs sold, with 916.1 thousand m³ sold in the second quarter of 2003 compared with 1,025.5 thousand m³ sold in the comparative period of 2002. This decrease can be attributed to a significant decline in domestic sales, which saw volumes drop 17% to 511.6 thousand m³ from 615.7 thousand m³ for the second quarter of 2002. This effect reflects weak domestic demand following temporary market-related shutdowns at most mills on the BC coast during the quarter in response to continued weakness in global lumber markets. Second quarter export sales volumes remained relatively stable year-over-year, coming in at 404.5 thousand m³ compared to 409.8 thousand m³ in 2002, with volumes into US markets representing 57% of total export sales for the three months ended June 30, 2003. Overall log sales realizations averaged \$99 per m³ for the second quarter of 2003, comparable to the \$100 per m³ realized in the second quarter of 2002, with domestic realizations up just over 1% and export realizations down 7% compared to those in the comparative quarter of 2002.

The operating margin from timberland operations for the second quarter of 2003 averaged 18% of log sales compared to 22% of log sales for the second quarter of 2002. The continued focus on cost reduction and a decrease in harvests from higher-cost public lands resulted in a decrease in production costs for the second quarter of 2003, dropping to \$62 per m³ from \$65 per m³ for the comparative period in 2002. However, a high volume of more costly log purchases made during the quarter contributed to an overall increase in the average cost of log sales, putting downward pressure on log sales margins in the second quarter of 2003.

Log sales for the six months ended June 30, 2003, were \$194.1 million, up 10% from log sales of \$175.9 million for the comparative period in 2002. This increase is primarily due to a 10% increase in the volume of logs sold in the first six months of 2003 over the comparative period in 2002 and reflects very strong first quarter log sales volumes which were 41% greater than the comparative quarter in 2002. Most notably, domestic market sales more than doubled in the first quarter of 2003, and are up 22% for the first six months of 2003 over the comparative period in 2002. Favourable weather and market conditions early in the first quarter allowed the Company to increase harvests from both its private timberlands and its Crown tenures, with proportionately more harvested from public lands to take advantage of demand in the domestic market. 2003 year to date export sales volumes fell 4% compared to 2002, to 757,500 m³, with 2003 year to date volumes sold to Asian markets increasing to 51% of total export sales from 43% in 2002. Overall log sales realizations for the first half of 2003 averaged \$106 per m³, up slightly from \$105 per m³ for the comparative period in 2002, with realizations on both domestic and export sales improving by 3% over the prior year.

The timberland operations' operating margin for the first half of 2003 was 26%, down 1% from 27% of log sales for the first six months of 2002. This result reflects the net impact of a considerably greater volume of higher-cost log purchases and

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higher stumpage charges, despite reduced logging activity on public lands, more than offsetting cost reductions achieved in the timberland operations during the first half of the 2003 fiscal year.

Lumber sales for the quarter ended June 30, 2003, of \$14.7 million were slightly ahead of sales of \$13.0 million for the quarter ended June 30, 2002. This improvement reflects the net effect of a 17% increase in the volume of lumber sold, rising to 33.5 million board feet for the second quarter of 2003 from 28.7 million board feet for the second quarter of 2002, and a 3% decline in average lumber sales realizations, falling to \$439 per mfbm from \$454 per mfbm for the comparative period in 2002. Oversupply in the Japanese market, increased transportation costs and the strengthening of the Canadian dollar had an adverse effect on operating results at the mill for the second quarter of 2003.

Lumber sales for the six months ended June 30, 2003, of \$31.2 million were 21% greater than sales of \$25.7 million for the comparative period in 2002. This improvement reflects a 16% increase in the volume of lumber sold, rising to 64.6 million board feet for the first half of 2003 from 55.5 million board feet for the first half of 2002, and a 5% increase in average lumber sales realizations, rising to \$484 per mfbm from \$463 per mfbm for the comparative period in 2002. Adverse market and economic conditions continued through the second quarter and have resulted in the lumbermill reporting an operating loss for the first six months of 2003.

Wood chip sales for both the three and six month periods ended June 30, 2003, of \$3.8 million and \$7.4 million, respectively, were ahead of sales for the comparative periods in 2002, primarily due to increased chip sales volumes resulting from increased production at the Company's lumbermill facility. Overall weakness in the forest products sector contributed to a decrease in wood chip sales realizations for both the second quarter and the first six months of 2003 compared to the same periods in 2002.

Real estate sales activity for the second quarter of 2003 lagged behind that of the second quarter of 2002, however, combined with more typical activity reported for the first quarter, have resulted in year to date real estate sales of \$3.2 million, \$0.8 million ahead of sales for the first six months of 2002.

Financial Position

Current assets increased \$9.6 million to \$111.9 million at June 30, 2003, from \$102.3 million as at December 31, 2002. This increase can be attributed in part to an increase in accounts receivable of \$6.0 million during the first six months of 2003, up from \$27.0 million at December 31, 2002, primarily due to higher sales volumes late in the second quarter relative to sales volumes late in the fourth quarter of 2002, which were low due to slow markets during the 2002 holiday season. An overall increase in inventories of \$5.5 million during the first half of 2003 also contributed to the increase in current assets, with log inventory increasing \$3.0 million to \$60.0 million and lumber inventory increasing \$2.4 million to \$10.9 million. The increase in log inventory is due to seasonal increases in production through the second quarter of the year. Lumber inventory volumes at the end of the second quarter are above planned levels and reflect increased productivity at Elk Falls and weak, oversupplied markets for this operation's products.

Capital assets of \$1,362.8 million as at June 30, 2003, were \$7.2 million greater than at December 31, 2002, reflecting \$15.0 million in capital expenditures during the first half of 2003, partially offset by the year to date provision for depreciation, depletion and amortization of \$5.2 million and the sale of capital assets for proceeds of \$3.9 million. Major capital expenditures made during the first half of 2003 include \$3.3 million to complete the North Island log sort, and \$9.0 million towards the purchase of three new lumber drying kilns, the replacement of the trimmer optimizer and other productivity improvement projects at the Elk Falls lumbermill.

Current liabilities at the end of the second quarter of 2003 were \$142.9 million, down \$30.1 million from \$173.0 million as at December 31, 2002. This decrease can be primarily attributed to the net effect of the retirement of \$106.5 million aggregate principal amount of 6.5% debentures upon their maturation in the first quarter of 2003, offset in part by drawings of \$80.0 million on two separate unsecured 364-day revolving facilities, including \$40.0 million drawn on the unsecured 364-day committed \$40.0 million revolving facility that was completed and received from a Canadian bank during the second quarter of 2003. Accounts payable and accrued liabilities decreased \$3.7 million during the first six months of 2003, to \$42.3 million at June 30, 2003. The distribution payable at the end of the second quarter of 2003 of \$20.6 million is consistent with the \$20.5 million payable at December 31, 2002, and reflects a consistent per unit distribution and no significant change in the number of Stapled Units outstanding during the first six months of 2003.

In addition to drawings of \$52.8 million on the Company's \$125.0 million unsecured revolving facility, long-term liabilities as at June 30, 2003 included \$130.0 million aggregate principal amount of 7.0% unsecured senior debentures, a silviculture liability of \$4.6 million, a \$24.2 million liability relating to non-pension post retirement benefits and a future income tax liability of \$232.2 million. These liabilities have not changed materially from balances reported at December 31, 2002.

During the quarter ended June 30, 2003, options to purchase 6,667 Stapled Units were exercised for proceeds of \$0.1 million, no options were granted and 2,734 options were cancelled. During the six months ended June 30, 2003, options to purchase 53,334 Stapled Units were exercised for proceeds of \$0.5 million, 267,047 options were granted and 8,001 options were cancelled.

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Cash Flow and Liquidity

Net cash generated from operations before changes in non-cash working capital for the three months ended June 30, 2003, was \$9.3 million or \$0.12 per weighted average Stapled Unit compared to \$8.5 million or \$0.11 per weighted average Stapled Unit for the corresponding quarter in 2002. Year to date, net cash generated from operations before changes in non-cash working capital was \$37.6 million or \$0.49 per weighted average Stapled Unit compared to \$29.7 million or \$0.41 per weighted average Stapled Unit for the comparative period in 2002. During the second quarter of 2003, non-cash working capital increased by \$9.1 million compared to a \$19.5 million decrease reported for the same period in 2002. Year to date non-cash working capital increased by \$15.0 million compared to a \$16.8 million decrease reported for the same period in 2002. Current year increases in non-cash working capital reflect higher inventory and accounts receivable levels, as well as lower accrued liabilities than as at June 30, 2002, which included a \$9.8 million restructuring charge recorded in the second quarter of 2002.

Net cash provided by financing activities during the second quarter of 2003 was \$5.7 million compared to \$29.2 million used for financing activities in the comparative period of 2002. In the second quarter of 2003 the Company made a \$20.5 million distribution to unitholders compared to a \$20.4 million distribution in the second quarter of 2002. During the three months ended June 30, 2003, the Company issued 6,667 Stapled Units for net proceeds of \$0.1 million on the exercise of Stapled Unit options. This compares to \$1.1 million received on the exercise of options for 126,730 Stapled Units in the comparative period of 2002. In the second quarter of 2003, the Company increased drawings on its credit facilities by \$26.1 million. In the second quarter of 2002, cash flow from operations was in excess of the quarterly distribution payment and excess cash of \$9.9 million was used to repay amounts owing on credit facilities. Net cash used for financing activities during the first six months of 2003 was \$14.2 million, a decrease of \$33.3 million over the same year to date period in 2002. Year to date 2003, the Company made distributions of \$41.0 million to unitholders compared to distributions of \$37.8 million in the first six months of 2002. The \$3.2 million year-over-year increase in distributions paid reflects the increase in the number of Stapled Units outstanding in the current year as a result of the public equity offering completed after the first quarter distribution date in 2002. During the first half of 2003, the Company issued 53,334 Stapled Units for net proceeds of \$0.5 million on the exercise of Stapled Unit options. This compares to \$1.7 million received on the exercise of options for 190,981 Stapled Units in the comparative period of 2002. In the first six months of 2003, the Company drew \$132.8 million on available credit facilities, primarily to retire the Company's 6.5% debentures for \$106.5 million in the first quarter of 2003. In the first half of 2002, excess cash of \$10.5 million generated from operations was used to repay amounts owing on credit facilities. Further, a public equity offering was completed during the first quarter of 2002, providing net proceeds of \$136.1 million, which were used to settle amounts outstanding on the Company's previously outstanding non-revolving credit facility.

Net cash used in investing activities during the second quarter of 2003 was \$5.9 million compared to net cash provided by investing activities of \$1.2 million for the same quarter of 2002. This year-over-year variance is due to greater capital expenditures and fewer proceeds from real estate sales in the second quarter of 2003 relative to the same period in 2002. Second quarter 2003 capital expenditures totalled \$7.5 million and consisted primarily of \$6.1 million for improvements at the Elk Falls lumbermill. For the six months ended June 30, 2003, net cash used in investing activities was \$9.4 million compared to net cash provided by investing activities of \$1.0 million for the comparative period in 2002. The variance from 2002 can be attributed to \$15.0 million in capital expenditures in 2003 of which \$12.3 million represent major capital items, including \$3.3 million to complete the North Island log sort and \$9.0 million towards the purchase of new dry kilns and other improvements at the Elk Falls lumbermill.

As at June 30, 2003, TimberWest's consolidated debt was \$262.8 million compared to total debt outstanding of \$236.5 million as at December 31, 2002. The Company's consolidated debt-to-total capitalization ratio as at June 30, 2003 was 22:78, consistent with the ratio of 21:79 as at December 31, 2002. Total debt facilities available to the Company as at June 30, 2003, were \$335.0 million, comprised of \$40.0 million available under the 364-day revolving facility due February 27, 2004, \$40.0 million available under the 364-day revolving facility due May 26, 2004, \$125.0 million available under the revolving credit facility maturing on June 30, 2006, and \$130.0 million of 7.0% debentures maturing on October 1, 2007.

Accounting Policy Change

In October 2002, the CICA Accounting Standards Board (AcSB) activated a project that would require the recognition of stock-based compensation expenses using the fair value method for all stock-based compensation transactions. In this regard, an exposure draft was issued in December 2002 proposing amendments to Section 3870, requiring recognition of expenses for all stock-based compensation transactions for fiscal years beginning on or after January 1, 2004.

In May 2003, upon review of respondent's comments to the exposure draft, the AcSB confirmed that all goods and services received in exchange for stock-based compensation and other payments result in expenses that should be recognized in financial statements. The AcSB also agreed that share-based transactions should be measured on a fair value based measurement basis.

In anticipation of the acceptance of the recommendations of this exposure draft, the Company adopted, effective January 1, 2003, a change in its policy of accounting for stock-based compensation and now recognizes a stock-based compensation expense using the fair value method for all stock-based compensation transactions entered into on or after January 1, 2003,



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including both awards of Stapled Unit options and awards under the Distribution Equivalent Plan. The Company adopted the AcSB recommendations on a prospective basis and has not applied the fair value based method of accounting to Stapled Unit options granted between January 1, 2002, and December 31, 2002.

Normal Course Issuer Bid

Pursuant to a normal course issuer bid, TimberWest may repurchase, in the open market through the facilities of the Toronto Stock Exchange, up to 3,809,201 Stapled Units, representing approximately 5% of the Company's issued and outstanding Stapled Units as of the date of acceptance of the bid, in the 12 months commencing November 6, 2002. As at June 30, 2003, TimberWest had not repurchased any of its Stapled Units under this bid.

Outlook

There is no question that this has been one of the weakest periods the Company has experienced in lumber demand in Japan in recent memory. While these conditions are expected to continue in the near term, TimberWest remains optimistic that demand will firm up as we near the last quarter of 2003. Considerable sawmill curtailments on the BC coast are expected to continue through the third quarter and this, in part, will contribute to reducing the oversupply of lumber inventory in Japan. While the Company expects lower lumber shipments and sales realizations in the near term to Japan, log sales are expected to continue at normal levels, although overall at lower prices than experienced in the first half of the year.

Conditions in the US lumber market have improved recently as a result of widespread curtailments earlier this year, but log pricing remains weaker than last year due, in part, to the strengthening Canadian dollar. Log supply in the Pacific Northwest has been stimulated by several large timberland transactions in the last few years. However, further deterioration of the market is not expected given very strong lumber consumption in the US.

The Canadian dollar remains an uncertainty as we enter the last half of the year. Recent signs suggest it may be stabilizing. We maintain our policy of not hedging our US dollar sales. Our focus is on working to bring our costs down to offset the rise in the value of the Canadian dollar.

Cost reduction through Operations Excellence is our cornerstone strategy to offset a rising Canadian dollar and weak log prices. The Company has many initiatives underway that are reducing costs and we expect to achieve our cost reduction target of \$4.50 per m³ for the year. We need stability in the Canadian dollar and in log prices to give our cost reduction strategy time to catch up.

The contract with the IWA expired on June 15th and we will be resuming negotiations soon. These are an important set of negotiations given the well-documented cost problems facing the coastal industry and the need for restructuring.

Despite challenging business conditions, the Company's private timberlands provide harvesting and marketing flexibility to mitigate these business conditions. TimberWest expects its operating cash performance in the second half of the year to be similar to the first half of the year, however, we expect Q3 to be weaker than Q4. This expectation, combined with significantly lower capital expenditures and higher proceeds from real estate sales, gives us confidence that the Company should generate sufficient distributable cash for the year to support the current level of distributions to our unitholders.

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, actions of competitors, interest rate and foreign currency fluctuations, regulatory and harvesting fee changes and other actions by governmental authorities, the ability to implement business strategies and pursue business opportunities, labour relations, weather conditions, forest fires and other natural phenomena and other risks and uncertainties described in TimberWest's public filings with securities regulatory authorities.

TIMBERWEST FOREST CORP.

Consolidated Statements of Operations

(in millions of dollars)
Unaudited

	Three months ended		Six months ended	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
Net sales	\$ 109.3	\$ 120.7	\$ 235.9	\$ 209.6
Operating costs and expenses:				
Cost of products sold	92.1	94.4	181.8	155.7
Depreciation, depletion and amortization	2.6	3.1	5.2	5.7
Selling, administrative and other	4.2	3.9	8.0	7.9
	98.9	101.4	195.0	169.3
Operating earnings	10.4	19.3	40.9	40.3
Interest expense	3.8	3.5	7.8	7.5
Amortization of deferred financing costs	0.3	0.5	0.7	2.5
Other income	(0.3)	(0.1)	(0.7)	(0.2)
Restructuring charge (note 3)	-	9.8	-	9.8
	3.8	13.7	7.8	19.6
Earnings before income taxes	6.6	5.6	33.1	20.7
Income tax expense (note 4)	5.1	3.8	13.9	11.2
Net earnings for the period	\$ 1.5	\$ 1.8	\$ 19.2	\$ 9.5
Basic and diluted loss per common share (note 5)	\$ (0.19)	\$ (0.22)	\$ (0.12)	\$ (0.31)
Cash distributions paid per Stapled Unit (note 6)	\$ 0.27	\$ 0.27	\$ 0.54	\$ 0.54
Stapled Units outstanding at the end of the period (000's)	76,246	76,072	76,246	76,072

See accompanying notes to unaudited interim consolidated financial statements.

TIMBERWEST FOREST CORP.

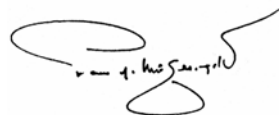
Consolidated Balance Sheets

(in millions of dollars)

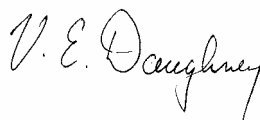
	As at June 30, 2003 <i>Unaudited</i>	As at December 31, 2002
Assets		
Current assets:		
Cash	\$ -	\$ 1.0
Accounts receivable	33.0	27.0
Inventories	72.8	67.3
Prepaid expenses and other current assets	2.7	2.9
Future income taxes	3.4	4.1
	111.9	102.3
Capital assets, net	1,362.8	1,355.6
Other assets	18.0	20.4
	\$ 1,492.7	\$ 1,478.3
Liabilities and Unitholders' Equity		
Current liabilities:		
Revolving credit facilities (note 7)	\$ 80.0	\$ -
Debentures (note 8)	-	106.5
Accounts payable and accrued liabilities	42.3	46.0
Distribution payable	20.6	20.5
	142.9	173.0
Revolving credit facility (note 7)	52.8	-
Debentures (note 8)	130.0	130.0
Long-term silviculture liability	4.6	4.8
Non-pension post-retirement benefits	24.2	23.7
Future income taxes	232.2	232.0
	586.7	563.5
Unitholders' equity:		
Stapled Units, consisting of Series A Subordinate Notes, preferred shares and common shares	870.7	870.2
Retained earnings	35.3	44.6
	906.0	914.8
	\$ 1,492.7	\$ 1,478.3

See accompanying notes to unaudited interim consolidated financial statements.

On behalf of the Board of Directors:



Paul J. McElligott
Director



V. Edward Daughney
Director

TIMBERWEST FOREST CORP.

Consolidated Statements of Cash Flows

(in millions of dollars)
Unaudited

	Three months ended		Six months ended	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
Cash provided by (used in):				
Operating activities:				
Earnings before income taxes	\$ 6.6	\$ 5.6	\$ 33.1	\$ 20.7
Cash income taxes (note 4)	(0.2)	(0.3)	(0.4)	(0.5)
	6.4	5.3	32.7	20.2
Items not involving cash:				
Depreciation, depletion and amortization	2.9	3.6	5.9	8.2
Gain on sale of capital assets	(0.3)	(0.4)	(1.3)	(0.6)
Other non-cash items	0.3	-	0.3	1.9
	9.3	8.5	37.6	29.7
Changes in non-cash working capital:				
Accounts receivable	(2.0)	1.1	(6.0)	4.1
Inventories	3.2	1.8	(5.5)	0.4
Prepaid expenses and other working capital	(0.3)	0.5	0.2	(0.7)
Accounts payable and accrued liabilities	(10.0)	16.1	(3.7)	13.0
	0.2	28.0	22.6	46.5
Financing activities:				
Distributions paid to unitholders	(20.5)	(20.4)	(41.0)	(37.8)
Issuance of Stapled Units on exercise of options	0.1	1.1	0.5	1.7
Issuance of Stapled Units, net	-	-	-	136.1
Decrease in overdraft facility	-	(4.0)	-	(3.6)
Increase (decrease) in revolving credit facilities	26.1	(5.9)	132.8	(6.9)
Retirement of 6.5% debentures	-	-	(106.5)	-
Decrease in non-revolving credit facility	-	-	-	(137.0)
	5.7	(29.2)	(14.2)	(47.5)
Investing activities:				
Capital expenditures	(7.5)	(1.4)	(15.0)	(1.7)
Proceeds from sale of capital assets	0.8	1.9	3.9	2.7
Decrease in other assets	0.8	0.7	1.7	-
	(5.9)	1.2	(9.4)	1.0
Increase (decrease) in cash	-	-	(1.0)	-
Cash, beginning of period	-	-	1.0	-
Cash, end of period	\$ -	\$ -	\$ -	\$ -
Supplemental information:				
Interest paid	\$ 6.2	\$ 1.5	\$ 10.3	\$ 7.1
Income taxes paid	\$ 0.3	\$ 0.5	\$ 0.5	\$ 0.8

See accompanying notes to unaudited interim consolidated financial statements.

TIMBERWEST FOREST CORP.

Consolidated Statements of Unitholders' Equity

(in millions of dollars)
Unaudited

	Stapled Units		Retained earnings	Total Unitholders' equity
	Number	Amount		
For the six months ended June 30, 2003				
Balance, December 31, 2002	76,192,788	\$ 870.2	\$ 44.6	\$ 914.8
Issuance of Stapled Units on exercise of options	53,334	0.5	-	0.5
Net earnings	-	-	19.2	19.2
Interest on Series A Subordinate Notes	-	-	(41.1)	(41.1)
Income tax benefit thereon (note 4)	-	-	12.6	12.6
Balance, June 30, 2003	76,246,122	\$ 870.7	\$ 35.3	\$ 906.0
For the six months ended June 30, 2002				
Balance, December 31, 2001	64,690,867	\$ 728.1	\$ 60.4	\$ 788.5
Issuance of Stapled Units, net	11,190,650	138.9	-	138.9
Issuance of Stapled Units on exercise of options	190,981	1.7	-	1.7
Net earnings	-	-	9.5	9.5
Interest on Series A Subordinate Notes	-	-	(40.7)	(40.7)
Income tax benefit thereon (note 4)	-	-	8.4	8.4
Balance, June 30, 2002	76,072,498	\$ 868.7	\$ 37.6	\$ 906.3

See accompanying notes to unaudited interim consolidated financial statements.

TIMBERWEST FOREST CORP.

Notes to Unaudited Interim Consolidated Financial Statements

For the three and six months ended June 30, 2003

Financial figures presented in the tables that follow are in millions of dollars, except for amounts per Stapled Unit and components thereof.

1. Significant Accounting Policies

These unaudited interim consolidated financial statements include the accounts of TimberWest Forest Corp. and its subsidiaries. Not all disclosures required by Canadian generally accepted accounting principles for annual financial statements are presented, and accordingly, these interim financial statements should be read in conjunction with the Company's most recent annual consolidated financial statements. These interim financial statements follow the same accounting policies and methods of application used in the Company's audited annual consolidated financial statements of December 31, 2002, except for a change in accounting for stock-based compensation transactions as detailed below. Certain figures for previous periods have been reclassified to conform to the current period's financial statement presentation.

2. Accounting Policy Change

In implementing Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870 – *Stock-based Compensation and Other Stock-based Payments*, effective January 1, 2002, the Company elected to continue with its previously established policy that no compensation cost was recorded on the grant of Stapled Unit options to directors, officers or employees who are in active service or employment of the Company or of any of its subsidiaries, and complied with the requirement to provide additional disclosure of the effect of stock-based awards on net income and earnings per Stapled Unit on a pro forma basis. For awards granted under the Company's supplemental Distribution Equivalent Plan, the principles of the fair value based method of accounting for stock-based compensation were applied, and awards were accrued on a basis equal to actual distributions paid on the Company's issued and outstanding Stapled Units and are being charged to income as the underlying Stapled Unit options vest.

In October 2002, the CICA Accounting Standards Board (AcSB) activated a project that would require the recognition of stock-based compensation expenses using the fair value method for all stock-based compensation transactions. In this regard, an exposure draft was issued in December 2002 proposing amendments to Section 3870, requiring recognition of expenses for all stock-based compensation transactions for fiscal years beginning on or after January 1, 2004.

In May 2003, upon review of respondent's comments to the exposure draft, the AcSB confirmed that all goods and services received in exchange for stock-based compensation and other payments result in expenses that should be recognized in financial statements. The AcSB also agreed that share-based transactions should be measured on a fair value based measurement basis.

In anticipation of the acceptance of the recommendations of this exposure draft, the Company has changed its policy of accounting for stock-based compensation and recognizes a stock-based compensation expense using the fair value method for all stock-based compensation transactions entered into on or after January 1, 2003, including both awards of Stapled Unit options and awards under the Distribution Equivalent Plan (see note 9). The Company has adopted the recommendations of the exposure draft on a prospective basis and has not applied the fair value based method of accounting to Stapled Unit options granted between January 1, 2002, and December 31, 2002.

3. Restructuring Charge

During the quarter ended June 30, 2002, the Company commenced a restructuring of operations with an estimated cost of \$9.8 million. As a result, a one-time, pre-tax charge of \$9.8 million was recorded in the second quarter of 2002 relating to severance and facilities closure costs.

TIMBERWEST FOREST CORP.

Notes to Unaudited Interim Consolidated Financial Statements For the three and six months ended June 30, 2003

4. Income Taxes

	Three months ended		Six months ended	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
Current income tax expense				
Large corporation tax	\$ 0.2	\$ 0.3	\$ 0.4	\$ 0.5
Income tax benefit on interest on Series A Subordinate Notes charged directly to distributions	4.9	2.2	12.6	8.4
	5.1	2.5	13.0	8.9
Future income tax expense	-	1.3	0.9	2.3
	\$ 5.1	\$ 3.8	\$ 13.9	\$ 11.2

5. Earnings per Share

	Three months ended		Six months ended	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
Net earnings	\$ 1.5	\$ 1.8	\$ 19.2	\$ 9.5
Less: Distributions on Series A Subordinate Notes	(20.6)	(20.5)	(41.1)	(40.7)
Tax benefit thereon	4.9	2.2	12.6	8.4
	(15.7)	(18.3)	(28.5)	(32.3)
Loss attributable to common shares	(14.2)	(16.5)	(9.3)	(22.8)
Basic weighted average number of common shares	76,242,019	75,971,285	76,222,657	73,195,021
Incremental common shares from potential exercise of options	74,289	168,619	81,070	163,465
Diluted weighted average number of common shares	76,316,308	76,139,904	76,303,727	73,358,486
Basic and diluted loss per common share	\$ (0.19)	\$ (0.22)	\$ (0.12)	\$ (0.31)

The Company may elect to pay the interest on, and the principal amount of, Series A Subordinate Notes in common or preferred shares of the Company.

6. Distributable Cash

Distributable cash includes consolidated earnings before income taxes less cash income taxes, plus depreciation, depletion and amortization, plus proceeds from the sale of capital assets net of their gain (loss) on sale, less maintenance capital expenditures and, from time to time, adjustments for other items deemed appropriate by the Board of Directors.

Distributable cash is a measure that does not have a standardized meaning prescribed by Canadian generally accepted accounting principles ("GAAP") and may not be comparable to similar measures presented by other companies. The table that follows provides a reconciliation between net earnings as determined in accordance with GAAP and distributable cash as defined by the Company.

TIMBERWEST FOREST CORP.

Notes to Unaudited Interim Consolidated Financial Statements For the three and six months ended June 30, 2003

6. Distributable Cash (continued)

	Three months ended		Six months ended	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
Net earnings	\$ 1.5	\$ 1.8	\$ 19.2	\$ 9.5
Income tax benefit related to distributions	4.9	2.2	12.6	8.4
Earnings available for distribution	6.4	4.0	31.8	17.9
Future income tax expense	-	1.3	0.9	2.3
Earnings available for distribution before provision for future income tax expense	6.4	5.3	32.7	20.2
Add (deduct):				
Depreciation, depletion and amortization	2.9	3.6	5.9	8.2
Proceeds from sale of capital assets	0.8	1.9	3.9	2.7
Gain on sale of capital assets	(0.3)	(0.4)	(1.3)	(0.6)
Capital expenditures	(7.5)	(1.4)	(15.0)	(1.7)
Other non-cash items	2.4	1.6	4.2	3.0
	(1.7)	5.3	(2.3)	11.6
Distributable cash	\$ 4.7	\$ 10.6	\$ 30.4	\$ 31.8

7. Revolving Credit Facilities

On March 3, 2003, the Company completed and received short-term financing from a Canadian bank in the amount of \$40.0 million pursuant to an unsecured 364-day committed revolving facility due on March 1, 2004. Under this facility, funds are available to the Company in both Canadian and US dollars by way of adjusted prime rate-based loans and Canadian dollar bankers' acceptances.

On May 28, 2003, the Company completed and received short-term financing from a Canadian bank in the amount of \$40.0 million pursuant to an unsecured 364-day committed revolving facility due on May 26, 2004. Under this facility, funds are available to the Company in both Canadian and US dollars by way of prime rate-based loans, LIBOR loans and Canadian dollar bankers' acceptances.

On June 27, 2003, the Company completed a two-year extension to its \$125.0 million unsecured revolving facility. This facility is now due on June 30, 2006, and continues to provide funding to the Company in both Canadian and US dollars by way of adjusted prime rate-based loans, bankers' acceptances, US rate-based loans, LIBOR loans and letters of credit or guarantee.

As at June 30, 2003, drawings on available credit facilities included \$80.0 million under the Company's two \$40.0 million unsecured 364-day revolving facilities and \$52.8 million under the \$125.0 million unsecured revolving facility.

TIMBERWEST FOREST CORP.

Notes to Unaudited Interim Consolidated Financial Statements For the three and six months ended June 30, 2003

8. Debentures

	Maturity	As at June 30, 2003	As at December 31, 2002
7.0% debentures	October 1, 2007	\$ 130.0	\$ 130.0
6.5% debentures	March 3, 2003	-	106.5
		130.0	236.5
Less: Due within one year		-	(106.5)
		\$ 130.0	\$ 130.0

The Company retired \$106.5 million aggregate principal amount of its 6.5% debentures when they matured on March 3, 2003.

9. Stock-based Compensation Plans

Under the Company's Stapled Unit Option Plan, the Company may grant options for the purchase of Stapled Units to directors, officers or employees who are in active service or employment of the Company or of any of its subsidiaries. Prior to January 1, 2003, the Company's policy was that no compensation cost was recorded on stock-based compensation awards granted to employees under this plan. Effective January 1, 2003, the Company changed its policy of accounting for awards under this plan and now applies the principles of the fair value based method of accounting for all stock-based compensation transactions (see note 2). The Company has made this change in accounting policy on a prospective basis and has not applied the fair value based method of accounting to Stapled Unit options granted between January 1, 2002, and December 31, 2002. The compensation cost for the 55,200 Stapled Unit options granted during the 2002 fiscal year, determined using the fair value method of accounting, is immaterial and would not have resulted in an adjustment to the Company's net earnings and earnings per common share reported for the three and six month periods ended June 30, 2003.

The compensation cost for the 267,047 Stapled Unit options granted under the Stapled Unit Option Plan between January 1, 2003, and June 30, 2003, determined using the fair value method of accounting for stock-based compensation, is \$285,000. This amount is amortized against income over the three-year vesting period of the underlying options, resulting in a charge against earnings for the three and six month periods ending June 30, 2003, of \$23,800 and \$39,600, respectively. The fair value of each option grant was estimated at the grant date using the Black-Scholes option pricing model with the following average assumptions: distribution yield of 9.0%; expected volatility of 25.3%; risk-free interest rate of 4.24%; and expected option life of 5 years.

Under the Company's Distribution Equivalent Plan, the Company awards Stapled Unit option holders an amount equal to actual distributions paid on the Company's Stapled Units. Awards granted under the Distribution Equivalent Plan vest under the same terms that apply to the corresponding options and can only be exercised at the time of exercise of the corresponding options. For awards granted under the supplemental Distribution Equivalent Plan, the Company applies the principles of the fair value based method of accounting for stock-based compensation. Awards are accrued on a basis equal to actual distributions paid on the Company's issued and outstanding Stapled Units and are charged to income as the underlying Stapled Unit options vest. For the three months ended June 30, 2003, \$0.3 million has been accrued for awards granted under this plan and \$0.2 million has been amortized against income for the quarter. For the six months ended June 30, 2003, \$0.5 million has been accrued for awards granted under this plan and \$0.5 million has been amortized against income for the quarter.

During the quarter ended June 30, 2003, a total of 6,667 Stapled Unit options with an exercise price of \$8.91 were exercised, no Stapled Unit options were granted, and 2,734 options with an exercise price of \$12.84 were cancelled. For the six months ended June 30, 2003, a total of 53,334 Stapled Unit options with an exercise price of \$8.91 were exercised, 267,047 Stapled Unit options with exercise prices ranging from \$11.90 to \$12.28 and exercisable for a period of five years from grant date were granted, and 8,001 options with exercise prices ranging from \$12.84 to \$13.03 were cancelled.

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TIMBERWEST FOREST CORP.

Notes to Unaudited Interim Consolidated Financial Statements For the three and six months ended June 30, 2003

10. Forestry Revitalization Plan

In March 2003, the Government of BC (the "Crown") introduced its Forestry Revitalization Plan (the "Plan"), including enabling legislation through the new Forest Revitalization Act, the new Forest and Range Practices Act, and amendments to the existing Forest Act. The Plan provides for significant changes to Crown forest policy and to the existing allocation of Crown timber tenures to licensees. The changes prescribed in the Plan include the relaxing of minimum cut control regulations, the elimination of appurtenancy and timber processing regulations, more flexibility to consolidate and subdivide forest tenures, increased freedom to transfer forest tenures without restriction or penalty and a new market-based stumpage system. As well, licensees, including the Company, will be required to return 20% of their aggregate allowable annual cut to the Crown, with the first 200,000 m³ exempt. The Plan states that approximately half of this volume will be redistributed to open up opportunities for woodlots, community forests and First Nations and the other half will be made available for public auction. The Crown has acknowledged that licensees will be fairly compensated for lost harvesting rights, for improvements on Crown land and for one-time costs associated with the termination of employees and contractors.

The effect of the timber take-back is expected to result in a reduction of approximately 200,000 m³ of the Company's existing allowable annual cut on replaceable tenures. The effect of the Plan on the Company's financial position and results of operations cannot be determined at this time. The Company will record the effects of the Plan when they are determinable.

TIMBERWEST FOREST CORP.

Supplemental Information

Unaudited

	Three months ended		Six months ended	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
Sales by Product				
<i>(in millions of dollars)</i>				
Logs	\$ 90.3	\$ 102.9	\$ 194.1	\$ 175.9
Lumber	14.7	13.0	31.2	25.7
Wood chips and other	3.8	3.1	7.4	5.6
Real estate	0.5	1.7	3.2	2.4
	\$ 109.3	\$ 120.7	\$ 235.9	\$ 209.6
Sales Volume				
Logs (<i>thousand m³</i>)	916.1	1,025.5	1,835.4	1,675.3
Lumber (<i>million fbm</i>)	33.5	28.7	64.6	55.5
Production Volume				
Logs (<i>thousand m³</i>)	852.1	1,023.9	1,744.9	1,731.4
Lumber (<i>million fbm</i>)	39.5	30.9	75.0	56.9
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)*				
<i>(in millions of dollars)</i>				
Net earnings	\$ 1.5	\$ 1.8	\$ 19.2	\$ 9.5
Add:				
Interest expense	3.8	3.5	7.8	7.5
Income tax expense	5.1	3.8	13.9	11.2
Depreciation, depletion and amortization	2.6	3.1	5.2	5.7
Amortization of deferred financing costs	0.3	0.5	0.7	2.5
EBITDA	\$ 13.3	\$ 12.7	\$ 46.8	\$ 36.4

* EBITDA does not have a standardized meaning prescribed by Canadian generally accepted accounting principles and may not be comparable to similar measures presented by other companies.

TIMBERWEST FOREST CORP.

About TimberWest

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 2.1 million to 2.5 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 of logs, a lumbermill, and holds about 6,000 hectares of properties that are progressively being made available for higher uses.

TimberWest Forest Corp.

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

Visit us at our web site: www.timberwest.com

