



TimberWest



SECOND QUARTER INTERIM REPORT

For the three months ended June 30, 2001

TimberWest Forest Corp.

TIMBERWEST FOREST CORP.

To our unitholders

Dear fellow unitholders:

I'm pleased to present our results for the second quarter of 2001.

Our financial performance has been strong, despite deteriorating markets. Our ability to continue to generate steady returns is the direct result of our success in developing new markets in the U.S. for our products. For us, there has been a significant shift in relative importance away from the Japanese and domestic markets and into the U.S. market. Given the continued weakness of the Japanese market and resulting deterioration in the domestic market, our results would not be as favourable if we had not shifted so much of our log sales into the U.S. – and we wouldn't be keeping our employees working.

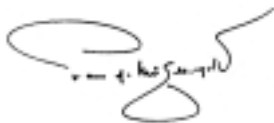
Distributable cash is tracking closely with the results we achieved in 2000, which was a year of record distributable cash for us. The challenge is to keep going at this pace. The market outlook is not favourable and the Coastal industry continues to struggle with a range of issues, including a stumpage system that is broken, a tenure system that is inadequate and the uncertainty caused by the expiration of the Softwood Lumber Agreement. I'm confident we can work cooperatively with government to resolve some of these issues, including establishing more market sensitive charges on the harvest of Crown timber on the Coast.

I'd like to take this opportunity to update you on the progress we're making in our internal planning process to update our business and operating strategy. As I announced in this report last quarter, the goal is to identify ways in which we can continue to achieve year-over-year improvements to the level of distributable cash and enhance unitholder value. We have set up task groups to investigate lumber and log markets, competition, customer needs, provincial forest policy, operating excellence, finance, environmental trends and the private land long-term harvest level. We have also had input from external experts on several key areas to ensure our plan is developed within a broad regional and global context. We will present the completed strategic plan to the Board for its review and approval at our annual planning meeting in the fall of this year.

Finally, no report would be complete without a review of our safety results, which have been very encouraging this year. Nothing we do as an organization is more important than providing a safe and healthy workplace for our employees and everyone else who comes into contact with our operations. We must strive to have the best safety record in our industry. We are off to an excellent start this year. For the first six months of 2001, our logging operations achieved a Medical Incident Rate of 8.61 – exceeding their target of 12.51. Our Elk Falls Lumbermill recorded an MIR of 1.09 against a target of 6.02. These results are a tribute to our employee-led safety programs and to the focus and commitment of all TimberWest employees.

Meanwhile, we will continue to focus on safety, the pursuit of new markets to ensure we receive the highest value for our products, cost reduction and productivity enhancement.

On behalf of the Board of Directors

A handwritten signature in black ink, appearing to read "Paul J. McElligott".

Paul J. McElligott
President and Chief Executive Officer

Vancouver, British Columbia
July 16, 2001

TIMBERWEST FOREST CORP.

Management's Discussion and Analysis

For the three months ended June 30, 2001

The Management's Discussion and Analysis supplements, but does not form part of, the unaudited interim consolidated financial statements of TimberWest and the notes thereto for the second quarter of 2001. This discussion and analysis provides an overview of significant developments that have impacted TimberWest's performance during the second quarter and year-to-date of 2001 relative to the second quarter and year-to-date of 2000, and that have impacted the Company's financial position as at June 30, 2001 relative to December 31, 2000. Factors that could impact future operations are also discussed. These factors may be impacted 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 2000 Annual Report.

Quarterly Financial Highlights

TimberWest generated distributable cash of \$26.7 million, or \$0.41 per Stapled Unit for the quarter ended June 30, 2001 compared to distributable cash of \$28.2 million, or \$0.42 per weighted average Stapled Unit for the same period in 2000. Earnings available for distribution for the quarter, before provision for future income taxes, were \$20.1 million, or \$0.31 per Stapled Unit compared to \$21.2 million, or \$0.31 per weighted average Stapled Unit for the same quarter in 2000. Net sales for the second quarter were \$130.2 million, a decrease of 8.1% from net sales of \$141.7 million reported for the same period in 2000. Operating earnings were \$26.3 million for the second quarter of 2001 compared to \$29.2 million for the same quarter in 2000. EBITDA for the quarter ended June 30, 2001 was \$30.4 million, or \$0.47 per Stapled Unit compared to \$32.4 million, or \$0.48 per weighted average Stapled Unit for the same period in 2000.

Year-to-Date Financial Highlights

For the six month period ended June 30, 2001, TimberWest generated distributable cash of \$52.6 million, or \$0.81 per weighted average Stapled Unit compared to distributable cash of \$56.6 million, or \$0.83 per weighted average Stapled Unit for the same period in 2000. Earnings available for distribution, before provision for future income taxes, were \$41.3 million, or \$0.64 per weighted average Stapled Unit in the first six months of fiscal 2001, compared to \$41.4 million, or \$0.60 per weighted average Stapled Unit for the same period in 2000. Net sales in the first half of the 2001 fiscal year were \$240.9 million, a 2.6% decrease from net sales of \$247.3 million reported for the same period in 2000. 2001 year-to-date operating earnings were \$54.3 million compared to \$55.9 million for the first six months in 2000. EBITDA for the six months ended June 30, 2001 was \$62.0 million, or \$0.95 per weighted average Stapled Unit compared to \$62.8 million, or \$0.92 per weighted average Stapled Unit for the same period in 2000.

Cash Distributions

On July 16, 2001, TimberWest announced a distribution of \$0.269 per Stapled Unit, payable October 15, 2001 to Unitholders of record on October 1, 2001. On a year-to-date basis, TimberWest has distributed \$34.9 million or \$0.538 per Stapled Unit. 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, 2001 were \$109.1 million, comparing favourably to log sales of \$107.0 million for the quarter ended June 30, 2000. The increase in log sales over the prior year can be attributed to significantly increased activity in the US market during the second quarter, which more than offset weaker prices in the domestic log market and continued price weakness in the Japanese market. Log shipments for the quarter were 960.9 mm³, a 24.2 mm³ increase in shipments over the comparative period in 2000. Second quarter average log sales realizations were \$114 per m³ for both 2001 and 2000. The stability in overall log realizations reflects a favourable mix of log inventory coming into the most recent quarter and the relative pricing strength for many of the Company's higher valued sorts.

TIMBERWEST FOREST CORP.

While log sales realizations for the three months ended June 30, 2001 remained stable relative to the second quarter of 2000, TimberWest's logging cost of sales was higher by \$5.7 million, at \$76.8 million or 70.4% of log sales, compared to \$71.1 million or 66.4% of log sales for the same quarter in the prior year. An increase in production costs for the current quarter over those of the comparative period in the prior year contributed to this increase in cost of sales, primarily due to an increase in the use of higher cost helicopter yarding and higher sorting costs. A 58.2% increase in the volume of log purchases also contributed to the increased cost of sales in the quarter ended June 30, 2001, though this impact was partially mitigated by a 13.6% decrease in the average cost of purchases over the second quarter of 2000.

Log sales for the six months ended June 30, 2001 were \$190.2 million compared to \$175.9 million for the prior period, an improvement of 8.1%. Increased log sales resulted from an overall increase in log shipments of 7.1% which includes a 53.8% increase in the volume of export sales, primarily to the US Pacific Northwest. Demand from our international customers, particularly in the US, has allowed us to stay at harvest levels and employment levels above that of many other operators on the coast of BC. Average premiums on export sales were \$49 per m³ for the first six months of 2001, up slightly from \$47 per m³ for the comparative period in the prior year. The benefit of increased export sales activity was partially offset by a weakening of the domestic market, with average domestic realizations for the first six months of 2001 dropping 5.4% from average domestic realizations for the comparative period in 2000.

Lumber sales were \$13.4 million for the quarter ended June 30, 2001, down from \$28.6 million for the same period in 2000. This decrease reflects the impact of the closure of the Cowichan Lake lumbermill and the removal of production from this operation from the Company's sales mix. Year over year, the volume of lumber sold in the second quarter of 2001 decreased by 41.3% to 30.8 million board feet, while lumber sales realizations fell 20.2%, dropping to \$435 per mfbm for the quarter ended June 30, 2001 from \$545 per mfbm for the corresponding quarter of 2000. Economic conditions continue to worsen in Japan and all indicators suggest a recession is in place, with little prospect for increased demand in this market. Lower realizations for the current quarter also reflect a lower value inventory mix remaining from the closure of the Cowichan Lake lumbermill.

Lumber sales for the six months ended June 30, 2001 were impacted by the closure of the Cowichan Lake lumbermill and market price volatility, dropping to \$35.5 million compared to \$56.4 million for the same period in 2000. Lumber shipments for the first six months of 2001 were 77.4 million board feet, down 24.3% over the comparative period in the prior year. Lumber sales realizations for the six month period ended June 30, 2001 averaged \$458 per mfbm, down 16.9% from sales realizations for the corresponding period in 2000, further contributing to the decline in lumber sales.

Financial Position

Working capital, excluding changes in the operating loan, increased by \$9.4 million during the quarter ended June 30, 2001, and increased by \$22.6 million during the six month period ended June 30, 2001. These increases are primarily attributed to a seasonal increase in log and lumber inventories and an increase in accounts receivable over these periods.

Capital assets as at June 30, 2001 were \$5.3 million lower than at March 31, 2001, and \$11.1 million lower than at December 31, 2000. These reductions are the result of provisions for depreciation, depletion and amortization and the sale of capital assets, partially offset by capital expenditures made during these periods.

During the second quarter of 2001, the Company received a committed offer for unsecured long-term financing in the amount of \$325.0 million. The offer has been underwritten by two Canadian banks and consists of two facilities, a \$125.0 million Revolving Facility and a \$200.0 million Non-revolving Facility. These facilities closed on July 10, 2001 and funded on July 12, 2001, at which time the Company repaid its existing Operating Loan of \$52.8 million and Term Loan of \$201.8 million. The Operating Loan and the Term Loan have accordingly been excluded from the current portion of long-term debt at the end of the current quarter.

No stock options were exercised during the second quarter of 2001. Options were exercised during the first quarter of the fiscal year for proceeds of \$1.3 million, contributing to an increase in unitholder's equity for the six month period ended June 30, 2001.

Cash Flow and Liquidity

TIMBERWEST FOREST CORP.

Cash generated from operations during the quarter, before changes in working capital, was \$23.4 million or \$0.36 per Stapled Unit compared to \$26.5 million or \$0.39 per weighted average Stapled Unit for the corresponding quarter in 2000. Non-cash working capital, excluding changes in the operating loan, increased by \$9.4 million compared to a \$0.6 million decrease during the same period in 2000.

During the second quarter of 2001, the Company paid a distribution of \$17.4 million, or \$0.269 per Stapled Unit compared to a distribution of \$18.7 million, or \$0.269 per Stapled Unit paid during the corresponding period in 2000.

Capital expenditures for the quarter ended June 30, 2001 were \$1.8 million compared to those in the second quarter of 2000 of \$1.4 million. Proceeds from the sale of capital assets were \$4.8 million for the three month period ended June 30, 2001, compared to \$1.2 million for the same period of the prior year.

As at June 30, 2001, TimberWest's total consolidated debt was \$379.6 million, consisting of \$52.8 million drawn on its Operating Loan facility, \$201.8 million drawn on its Term Loan facility and \$125.0 million of debentures. This is comparable to total debt outstanding as at December 31, 2000 of \$375.1 million. As noted previously, upon closing of the new long-term financing arrangements in early July, the Company repaid its Operating Loan of \$52.8 million and its Term Loan of \$201.8 million. The Company's consolidated debt-equity ratio of 32:68 as at June 30, 2001 is consistent with that as at December 31, 2000. As at June 30, 2001, under the new financing arrangements, total debt facilities available to the Company were \$450.0 million.

Final Results from Normal Course Issuer Bid

Pursuant to a normal course issuer bid in effect for the twelve month period commencing July 7, 2000, TimberWest was in a position to repurchase up to 3,241,267 Stapled Units, being no greater than 5.0% of the issued and outstanding Stapled Units of the Company, in the open market through the facilities of the Toronto Stock Exchange (the "TSE"). As at July 6, 2001, the expiration date of the normal course issuer bid, TimberWest had not repurchased any of its Stapled Units through this instrument.

Outlook

TimberWest has had a very successful first half of 2001 and anticipates the remainder of the year to be somewhat weaker. Typically in the second half of the year seasonal shutdowns and the seasonal shift to more hemlock harvesting result in lower overall distributable cash. End markets continue to be weak with the Japanese economy nearing a full-blown recession with rising unemployment and reduced consumer confidence causing continued weakness in Japanese lumber markets. In addition, US lumber prices have fallen off from earlier in the year when supply shortages pushed pricing on SPF 2x4's to \$376 per mfbm and they now sit at \$260 per mfbm. Confusion still dominates the US lumber market as the Canada/US softwood lumber dispute continues to be unresolved. Global pulp markets continue to decline, and with them pulp log and chip prices continue to be under downward pressure.

In spite of the general market weakness, TimberWest will continue to pursue new log markets and expand its business where possible to ensure that the highest value is received for its products, and will continue its efforts with cost reduction and productivity improvement in the back half of the year.

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, 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 Distributable Cash (in millions of dollars, except per Stapled Unit amounts) Unaudited

For the three
months ended
June 30, 2001

For the three
months ended
June 30, 2000

For the six
months ended
June 30, 2001

For the six
months ended
June 30, 2000

Net earnings for the period	\$ 11.0	\$ 13.5	\$ 23.2	\$ 78.9
Income tax benefit related to distributions	7.8	4.9	15.6	13.7
Earnings available for distribution	18.8	18.4	38.8	92.6
Future income tax expense (recovery)	1.3	2.8	2.5	(51.2)
Earnings available for distribution before provision for future income tax expense (recovery)	20.1	21.2	41.3	41.4
Add (deduct):				
Depreciation, depletion and amortization	3.9	4.7	7.7	9.4
Proceeds from sale of real estate and other assets	4.6	3.1	8.2	8.8
Gain on sale of real estate and other capital assets	(0.9)	(0.3)	(1.7)	(1.2)
Capital expenditures	(1.8)	(1.4)	(2.2)	(2.7)
Other non-cash items	0.8	0.9	(0.7)	0.9
	6.6	7.0	11.3	15.2
Distributable cash	\$ 26.7	\$ 28.2	\$ 52.6	\$ 56.6
Basic and diluted distributable cash per Stapled Unit	\$ 0.41	\$ 0.42	\$ 0.81	\$ 0.83
Cash distributions declared per Stapled Unit	\$ 0.27	\$ 0.27	\$ 0.54	\$ 0.54
<i>Basic weighted average number of Stapled Units outstanding (000's)</i>	64,975	67,453	64,944	68,525
<i>Diluted weighted average number of Stapled Units outstanding (000's)</i>	65,184	67,572	65,117	68,580
<i>Stapled Units outstanding at the end of the period (000's)</i>	64,975	64,825	64,975	64,825

Quarterly Comparison of Distributable Cash

2001

2000

1999

1998

Distributable Cash (in millions of dollars)

First	\$ 25.9	\$ 28.4	\$ 24.5	\$ 13.2
Second	26.7	28.2	25.1	24.0
Third	-	14.1	14.0	11.5
Fourth	-	18.5	19.7	19.6
	\$ 52.6	\$ 89.2	\$ 83.3	\$ 68.3

Distributable Cash per Stapled Unit (in dollars)

First	\$ 0.40	\$ 0.41	\$ 0.36	\$ 0.19
Second	0.41	0.42	0.36	0.34
Third	-	0.22	0.20	0.17
Fourth	-	0.29	0.28	0.28
	\$ 0.81	\$ 1.34	\$ 1.20	\$ 0.98

See accompanying notes to unaudited interim consolidated financial statements.

TIMBERWEST FOREST CORP.

Consolidated Balance Sheet (in millions of dollars)

As at
June 30, 2001
(Unaudited)

As at
December 31, 2000
(Audited)

Assets

Current assets:

Accounts receivable	\$ 32.1	\$ 26.5
Inventories	68.7	55.2
Prepaid expenses and other current assets	4.2	0.8
Future income taxes	3.5	3.5
	<u>108.5</u>	<u>86.0</u>

Capital assets, net	1,373.2	1,384.3
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Other assets	36.0	35.0
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	<u>\$ 1,517.7</u>	<u>\$ 1,505.3</u>
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Liabilities and Unitholders' Equity

Current liabilities:

Operating Loan	\$ -	\$ 48.3
Bank term loan	-	201.8
Accounts payable and accrued liabilities	48.8	48.9
Distribution payable	17.5	17.5
	<u>66.3</u>	<u>316.5</u>

Long-term bank debt (Note 3)	254.6	-
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Debentures	125.0	125.0
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Long-term silviculture liability	4.2	4.3
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Non-pension post-retirement benefits	22.6	22.2
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Future income taxes	252.1	249.6
	<u>724.8</u>	<u>717.6</u>

Unitholders' equity

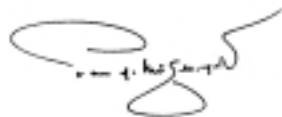
Stapled Units, consisting of Series A Subordinated Notes, preferred shares and common shares	732.7	731.4
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Retained earnings	60.2	56.3
	<u>792.9</u>	<u>787.7</u>

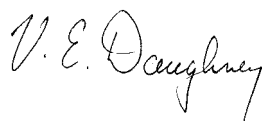
	<u>\$ 1,517.7</u>	<u>\$ 1,505.3</u>
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See accompanying notes to unaudited interim consolidated financial statements.

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

For the three
months ended
June 30, 2001

For the three
months ended
June 30, 2000

For the six
months ended
June 30, 2001

For the six
months ended
June 30, 2000

Cash provided by (used in):

Operating activities:

Earnings before income taxes	\$ 20.6	\$ 21.8	\$ 42.2	\$ 42.2
Current income taxes	(0.5)	(0.6)	(0.9)	(0.8)
	<u>20.1</u>	<u>21.2</u>	<u>41.3</u>	<u>41.4</u>
Items not involving cash:				
Depreciation, depletion and amortization	3.9	4.7	7.7	9.4
Gain on sale of capital assets	(1.2)	(0.3)	(2.0)	(1.3)
Other non-cash items	0.6	0.9	0.5	1.3
	<u>23.4</u>	<u>26.5</u>	<u>47.5</u>	<u>50.8</u>
Changes in non-cash working capital:				
Accounts receivable	(6.3)	(10.8)	(5.6)	(3.6)
Inventories	(6.1)	7.1	(13.5)	(12.1)
Prepaid expenses and other working capital	(0.5)	3.0	(3.4)	-
Accounts payable and accrued liabilities	3.5	1.3	(0.1)	5.5
	<u>14.0</u>	<u>27.1</u>	<u>24.9</u>	<u>40.6</u>

Financing activities:

Issuance of Stapled Units	-	-	1.3	-
Repurchase of Stapled Units	-	(52.4)	-	(52.4)
Increase in operating loan	0.8	47.5	4.5	48.8
Distributions paid to unitholders	(17.4)	(18.7)	(34.9)	(37.5)
	<u>(16.6)</u>	<u>(23.6)</u>	<u>(29.1)</u>	<u>(41.1)</u>

Investing activities:

Additions to capital assets	(1.8)	(1.4)	(2.2)	(2.7)
Proceeds from sale of capital assets	4.8	1.2	8.4	5.3
Increase in other assets	(0.4)	(3.3)	(2.0)	(2.1)
	<u>2.6</u>	<u>(3.5)</u>	<u>4.2</u>	<u>0.5</u>

Increase in cash

- - - -

Cash, beginning of period

- - - -

Cash, end of period

\$ - \$ - \$ - \$ -

Supplemental information :

Interest paid	\$ 3.5	\$ 3.8	\$ 11.6	\$ 12.2
Income taxes paid	\$ 0.9	\$ 1.8	\$ 1.5	\$ 2.3

See accompanying notes to unaudited interim consolidated financial statements.

TIMBERWEST FOREST CORP.

Consolidated Statements of Operations

(in millions of dollars)
Unaudited

	For the three months ended June 30, 2001	For the three months ended June 30, 2000	For the six months ended June 30, 2001	For the six months ended June 30, 2000
Net sales	\$ 130.2	\$ 141.7	\$ 240.9	\$ 247.3
Operating costs and expenses:				
Cost of products sold	95.7	105.0	170.9	176.8
Depreciation, depletion and amortization	3.5	3.8	7.0	7.6
Selling, administrative and other	4.7	3.7	8.7	7.0
	<u>103.9</u>	<u>112.5</u>	<u>186.6</u>	<u>191.4</u>
Operating earnings	26.3	29.2	54.3	55.9
Interest expense	5.9	5.9	12.1	11.2
Amortization of debt issue costs	0.4	0.9	0.7	1.8
Other (income) expense	(0.6)	0.6	(0.7)	0.7
	<u>5.7</u>	<u>7.4</u>	<u>12.1</u>	<u>13.7</u>
Earnings before income taxes	20.6	21.8	42.2	42.2
Income tax expense (recovery)	9.6	8.3	19.0	(36.7)
Net earnings for the period	\$ <u>11.0</u>	\$ <u>13.5</u>	\$ <u>23.2</u>	\$ <u>78.9</u>
<i>Basic and diluted earnings (loss) per common share</i> <i>(Note 4)</i>	\$ <u>0.02</u>	\$ <u>(0.01)</u>	\$ <u>0.06</u>	\$ <u>0.80</u>

Consolidated Statements of Unitholders' Equity

(in millions of dollars)
Unaudited

	Stapled Units		Retained earnings (distributions in excess of earnings)	Total unitholders' equity
	Number	Amount		
For the six months ended June 30, 2001				
Balance December 31, 2000	64,825,336	\$ 731.4	\$ 56.3	\$ 787.7
Issuance of Stapled Units	150,000	1.3	-	1.3
Net earnings	-	-	23.2	23.2
Interest on Series A Subordinated Notes	-	-	(34.9)	(34.9)
Income tax benefit thereon	-	-	15.6	15.6
Balance, June 30, 2001	<u>64,975,336</u>	<u>\$ 732.7</u>	<u>\$ 60.2</u>	<u>\$ 792.9</u>
For the six months ended June 30, 2000				
Balance December 31, 1999	69,608,360	\$ 783.2	\$ (109.3)	\$ 673.9
Repurchase of Stapled Units	(4,783,024)	(52.4)	-	(52.4)
Net earnings	-	-	78.9	78.9
Interest on Series A Subordinated Notes	-	-	(36.1)	(36.1)
Income tax benefit thereon	-	-	13.7	13.7
Balance, June 30, 2000	<u>64,825,336</u>	<u>\$ 730.8</u>	<u>\$ (52.8)</u>	<u>\$ 678.0</u>

See accompanying notes to unaudited interim consolidated financial statements.

TIMBERWEST FOREST CORP.

Notes to Unaudited Interim Consolidated Financial Statements

For the three months ended June 30, 2001

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, 2000, except for those standards which have changed subsequent to that date, as detailed below. Certain figures for previous periods have been reclassified to conform with the current period's financial statement presentation.

2. Accounting Policy Change

Effective January 1, 2001, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") relating to new CICA handbook Section 3500 on earnings per share. This new standard is mandatory for fiscal years beginning on or after January 1, 2001, and is to be given retroactive application. In addition, the Section requires that earnings per common share be disclosed on the face of the income statement and that a reconciliation of the numerator and denominator for both basic and diluted earnings per share computations be disclosed (see Note 4).

3. Long-Term Bank Debt

<i>(in millions of dollars)</i>	As at June 30, 2001	As at December 31, 2000
Operating Loan	\$ 52.8	\$ -
Term Loan	201.8	-
	<u>\$ 254.6</u>	<u>\$ -</u>

In June 2001, the Company received a committed offer for long-term financing in the amount of \$325.0 million providing unsecured credit facilities consisting of: (i) a \$125.0 million Revolving Facility due on June 30, 2004, and (ii) a \$200.0 million Non-revolving Facility due on December 31, 2002. The credit facilities have been co-underwritten by two Canadian chartered banks.

Under these facilities, funds are available to the Company in both Canadian and US dollars by way of adjusted prime rate-based loans, bankers acceptances, US base rate-based loans, LIBOR loans and letters of credit or guarantees.

These facilities closed on July 10, 2001 and funded on July 12, 2001, at which time the Company repaid its Operating Loan of \$52.8 million and its Term Loan of \$201.8 million. The Operating Loan and the Term Loan have accordingly been excluded from the current portion of long-term debt at the end of the current quarter.

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4. Earnings Per Stapled Unit and Components Thereof

	For the three months ended June 30		For the six months ended June 30	
	2001	2000	2001	2000
Net Earnings: <i>(in millions of dollars)</i>				
Net earnings	\$ 11.0	\$ 13.5	\$ 23.2	\$ 78.9
Less: Distributions on Series A Subordinated Notes	(17.4)	(18.7)	(34.9)	(37.5)
Tax benefit thereon	7.8	4.9	15.6	13.7
	<u>(9.6)</u>	<u>(13.8)</u>	<u>(19.3)</u>	<u>(23.8)</u>
Earnings (loss) attributable to common shares	1.4	(0.3)	3.9	55.1
– re: basic and diluted earnings available for distribution				
Earnings attributable to Series A Subordinated Notes	17.4	18.7	34.9	37.5
– re: basic and diluted earnings available for distribution				
Earnings attributable to Stapled Units	\$ 18.8	\$ 18.4	\$ 38.8	\$ 92.6
– re: basic and diluted earnings available for distribution				
	<u><u>18.8</u></u>	<u><u>18.4</u></u>	<u><u>38.8</u></u>	<u><u>92.6</u></u>
Weighted Average Number of Stapled Units:				
Basic number of Stapled Units	64,975,336	67,453,371	64,943,844	68,524,913
Incremental Stapled Units from potential exercise of stock options	208,904	118,193	172,900	54,682
Diluted number of Stapled Units	<u><u>65,184,240</u></u>	<u><u>67,571,564</u></u>	<u><u>65,116,744</u></u>	<u><u>68,579,595</u></u>
Per Stapled Unit Amounts:				
Basic and diluted earnings (loss) per common share	\$ 0.02	\$ (0.01)	\$ 0.06	\$ 0.80
Basic and diluted earnings per Series A Subordinated Note	0.27	0.28	0.54	0.55
Basic and diluted earnings per Stapled Unit	<u><u>\$ 0.29</u></u>	<u><u>\$ 0.27</u></u>	<u><u>\$ 0.60</u></u>	<u><u>\$ 1.35</u></u>

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

5. Share Capital – Stapled Unit Options

The Company has a Stapled Unit Option Plan for directors, officers and selected employees of the Company. During the quarter ended June 30, 2001, no options were granted or exercised, and none of the options outstanding expired.

6. Financial Instruments

The Company realizes a significant portion of its sales in foreign currencies, principally US\$, and enters into various types of foreign exchange instruments in managing its foreign exchange risk. At June 30, 2001, the Company has entered into forward exchange contracts totaling US\$21.0 million at an average rate of 1.5411 expiring at various dates through January 2002, and Canadian dollar call options totaling US\$8.0 million with an average strike price of 1.5063 expiring at various dates through January 2002. At June 30, 2001 the forward exchange contracts had a mark-to-market value of \$0.5 million and the options had a mark-to-market value of \$0.1 million. These amounts will offset foreign exchange on US dollar revenues in the contract period.

TIMBERWEST FOREST CORP.

Supplemental Information Unaudited

For the three
Months ended
June 30, 2001

For the three
months ended
June 30, 2000

For the six
months ended
June 30, 2001

For the six
months ended
June 30, 2000

Sales by Product

(in millions of dollars)

Logs	\$ 109.1	\$ 107.0	\$ 190.2	\$ 175.9
Lumber	13.4	28.6	35.5	56.4
Wood Chips and Other	3.2	4.9	7.0	9.4
Real Estate	4.5	1.2	8.2	5.6
	<u>\$ 130.2</u>	<u>\$ 141.7</u>	<u>\$ 240.9</u>	<u>\$ 247.3</u>

Sales Volume

Logs (thousand m ³)	<u>960.9</u>	<u>936.7</u>	<u>1,628.1</u>	<u>1,520.0</u>
Lumber (million fbm)	<u>30.8</u>	<u>52.5</u>	<u>77.4</u>	<u>102.3</u>

Production Volume

Logs (thousand m ³)	<u>1,007.3</u>	<u>998.3</u>	<u>1,880.6</u>	<u>1,934.3</u>
Lumber (million fbm)	<u>34.0</u>	<u>51.5</u>	<u>70.0</u>	<u>104.8</u>

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

TimberWest Forest Corp.

Suite 2300, 1055 West Georgia Street
P.O. Box 11101
Vancouver, BC V6E 3P3
Telephone: (604) 654-4600
Visit us at our web site: www.timberwest.com

Investor Relations Contact:
Bev Park, Vice President Finance,
Chief Financial Officer and Secretary
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.

