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TIMBERWEST REPORTS RECORD THIRD QUARTER DISTRIBUTABLE CASH AND ANNOUNCES QUARTERLY DISTRIBUTION

“Operations excellence” produces outstanding Q3 results

Vancouver (BC) – TimberWest generated distributable cash of \$34.1 million, or \$0.45 per weighted average Stapled Unit for the third quarter of 2002. This brings distributable cash generated year to date to \$65.9 million, or \$0.89 per weighted average Stapled Unit. The Company also announced its quarterly distribution of \$0.269 per Stapled Unit, payable on January 15, 2003 to unitholders of record on January 1, 2003. On a year to date basis, including the distribution paid on October 15, 2002, TimberWest has distributed \$78.8 million or \$1.08 per Stapled Unit to its unitholders.

“I am very pleased to report that TimberWest delivered its best third quarter results ever, in spite of weak Japanese and North American lumber markets and a protracted fire season,” said Paul McElligott, President and CEO.

“Excluding the impacts of a \$5.0 million loss recognized during the quarter on a bond lock transaction and higher than usual proceeds of \$11.5 million from the sale of our Earle Creek property, distributable cash generated was still better than we have ever achieved in prior third quarters. These results are particularly gratifying given that the third quarter is generally our most challenging one, as we shift our harvesting to stands that are predominantly lower value end use sorts and it is fire season. The third quarter is also typically the highest cost quarter due to seasonal road building and higher elevation logging,” added McElligott.

“Despite getting off to a slow start this year, the Company has managed to catch up, on a year to date basis, with 2001 performance – a real achievement in these markets,” said McElligott.

“TimberWest announced a strategy of ‘operations excellence’ at the beginning of this year – our focus on reducing costs and improving productivity is paying off – permanent cost reductions achieved year to date on the operations side are reflected in these financial results,” McElligott added. “Our results show that our operations excellence strategy is working. We also had some help with pricing – there was a 10 percent increase in both domestic and international prices during the quarter. And we had an increase in sales of logs to Japan in the quarter.”

The Company anticipates achieving its \$4.50 per m³ cost reduction target for 2002 by year-end. However, stumpage payments to the government are higher than the comparative period in the prior year. On a year to date basis, stumpage payments to the government have increased by \$2.91 per m³ over our combined private and public land harvest, which represents an 83% increase over the comparative period in 2001.

“We are also pleased with a turnaround at our Elk Falls Lumbermill, which, over the last few months, has been contributing positive cash earnings. The mill’s new management team has implemented numerous improvements to productivity at Elk Falls, including modifications to existing equipment in the mill to streamline production flow, adding smaller cross-section products to the mill’s programs to improve lumber recovery, and the introduction of a management style which focuses on events and areas that directly affect the bottom line,” McElligott said.

“I’m also pleased with our consistently improving safety performance. Year to date, the Company is ahead of the 2002 MIR safety target of 6. Timberland Operations completed the first nine months of the year with an MIR of 5.71, Elk Falls Lumbermill’s year to date MIR is 4.04, and Stuart Channel Wharves has completed two full years of operations accident and medical-aid free,” said McElligott.

The Company has made additional changes to the composition of its executive management team during the quarter. TimberWest is pleased to announce Mark Stock as its new Vice President, Human Resources. Mark holds a Masters Degree in industrial relations and has worked at CN Rail, BF Goodrich Aerospace and Crystal Decisions. The Company is also pleased to announce that Virginia Aulin, who has lead the Company’s communications activities for two years, has been appointed to the newly created position of Vice President, Public Affairs and Government Relations.

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Quarterly Financial Highlights

TimberWest generated distributable cash¹ of \$34.1 million, or basic and diluted distributable cash of \$0.45 per weighted average Stapled Unit for the quarter ended September 30, 2002, compared to distributable cash of \$14.1 million, or basic and diluted distributable cash of \$0.22 per weighted average Stapled Unit for the same period in 2001. Earnings available for distribution¹ for the quarter, before provision for future income taxes, were \$22.0 million or \$0.29 per weighted average Stapled Unit compared to \$9.7 million, or \$0.15 per weighted average Stapled Unit for the same quarter in 2001. Net sales for the third quarter were \$130.4 million, compared to net sales of \$105.4 million reported for the third quarter of 2001. Operating earnings were \$30.7 million for the third quarter of 2002 compared to \$17.0 million for the same quarter in 2001. EBITDA¹ for the quarter ended September 30, 2002 was \$33.7 million, or \$0.44 per basic and diluted weighted average Stapled Unit compared to \$20.8 million, or \$0.32 per basic and diluted weighted average Stapled Unit for the same period in 2001.

In July 2002, the Company sold its Earle Creek property for proceeds of \$11.5 million. This significant real estate transaction had the effect of increasing distributable cash for the quarter by \$0.15 per basic and diluted weighted average Stapled Unit.

In September 2002, TimberWest announced it had entered into an agreement with a syndicate of underwriters for the placement into the Canadian market of \$130.0 million aggregate principal amount of 7.0% unsecured senior debentures due October 1, 2007. The debentures were offered to the underwriters at a price of 99.552% of their principal amount. This public offering closed on October 1, 2002, subsequent to the end of the third quarter, with net proceeds to TimberWest of \$127.8 million. The Company used proceeds of \$101.0 million to repay indebtedness under its existing credit facilities.

In anticipation of this debenture offering, TimberWest entered into a bond lock transaction to protect the Company against rising interest rates over the period of the refinancing. Due to a decline in interest rates, TimberWest realized a \$5.0 million loss on closing out this transaction. TimberWest has chosen a conservative accounting treatment for this cost and has taken a one-time, pre-tax charge of \$5.0 million in the quarter ended September 30, 2002, resulting in a direct reduction to distributable cash and earnings available for distribution before provision for future income taxes. As a result, the Company's future interest costs associated with the bond issue will be lower than if the bond lock loss was amortized over the five year term of the debentures. This transaction has the effect of reducing these measures by \$0.07 per basic and diluted weighted average Stapled Unit for the third quarter of 2002.

Year to Date Financial Highlights

For the nine months ended September 30, 2002, TimberWest generated distributable cash of \$65.9 million, or basic and diluted distributable cash of \$0.89 per weighted average Stapled Unit, compared to distributable cash of \$66.7 million, or basic distributable cash of \$1.03 per weighted average Stapled Unit and diluted distributable cash of \$1.02 per weighted average Stapled Unit for the same period in 2001. Earnings available for distribution for the nine months, before provision for future income taxes, were \$42.2 million or \$0.57 per basic and diluted weighted average Stapled Unit compared to \$51.0 million, or \$0.79 per basic weighted average Stapled Unit and \$0.78 per diluted weighted average Stapled Unit for the same period in 2001. Net sales for first nine months of 2002 were \$340.0 million, compared to net sales of \$346.3 million reported for the same period of 2001. Operating earnings were \$70.9 million for the nine months ended September 30, 2002 compared to \$71.4 million for the comparative period in 2001. EBITDA for the nine months ended September 30, 2002 was \$70.0 million, or \$0.94 per basic and diluted weighted average Stapled Unit compared to \$82.7 million, or \$1.27 per basic and diluted weighted average Stapled Unit for the same period in 2001.

In February 2002, the Company completed an equity offering of 11,190,650 Stapled Units at a price of \$12.85 per Stapled Unit, for gross proceeds of \$143.8 million. Net proceeds of the offering of \$136.1 million were used to reduce the Company's indebtedness under its non-revolving credit facility. On a year to date basis, this transaction had the effect of reducing interest expense by an estimated \$6.2 million or \$0.09 per basic and diluted weighted average Stapled Unit.

In the second quarter of 2002, a one-time, pre-tax restructuring charge of \$9.8 million was recorded to cover costs associated with a strategic cost reduction program focused on streamlining operations and increasing operational efficiencies. This restructuring charge results in a direct reduction to distributable cash, earnings available for

¹ Distributable cash, earnings available for distribution and earnings before interest, taxes, depreciation and amortization ("EBITDA") 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 distributable cash and earnings available for distribution is provided in the Consolidated Statements of Distributable Cash included in the Company's 2002 Third Quarter Interim Report. A reconciliation between net earnings as determined in accordance with GAAP and EBITDA is provided in the supplemental information included below.

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distribution before provision for future income tax expense and EBITDA, and has the effect of reducing all of these measures by \$0.13 per basic and diluted weighted average Stapled Unit on a year to date basis.

As noted above, in July 2002, the Company sold its Earle Creek property for proceeds of \$11.5 million. This significant real estate transaction had the effect of increasing distributable cash on a year to date basis by \$0.15 per basic and diluted weighted average Stapled Unit.

In September 2002, TimberWest announced an agreement for the placement of \$130.0 million of 7.0% unsecured senior debentures, due October 1, 2007, into the Canadian market. This public offering closed on October 1, 2002, subsequent to the end of the third quarter, with net proceeds to TimberWest of \$127.8 million, \$101.0 million of which was used to repay indebtedness under existing credit facilities.

In connection with the debenture offering described above, TimberWest took a one-time, pre-tax charge of \$5.0 million during the third quarter of 2002 to account for the loss on a bond lock transaction entered into in anticipation of the refinancing. Before provision for future income taxes, on a year to date basis, this transaction has the effect of reducing distributable cash and earnings available for distribution by \$0.07 per basic and diluted weighted average Stapled Unit.

Summary of Results

In millions of dollars, except as otherwise indicated

Unaudited

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Net sales	\$ 130.4	\$ 105.4	\$ 340.0	\$ 346.3
Operating earnings	\$ 30.7	\$ 17.0	\$ 70.9	\$ 71.4
Earnings available for distribution before provision for future income tax expense	\$ 22.0	\$ 9.7	\$ 42.2	\$ 51.0
Distributable cash, before restructuring charge	\$ 34.1	\$ 14.1	\$ 75.7	\$ 66.7
Restructuring charge	\$ -	\$ -	\$ (9.8)	\$ -
Distributable cash, after restructuring charge	\$ 34.1	\$ 14.1	\$ 65.9	\$ 66.7
Proceeds from sale of capital assets	\$ 14.5	\$ 1.8	\$ 17.2	\$ 10.0
Maintenance capital expenditures	\$ 4.3	\$ 2.3	\$ 6.0	\$ 4.5
Distributions paid	\$ 20.5	\$ 17.5	\$ 58.3	\$ 52.4
\$ per weighted average Stapled Unit: (unless otherwise noted)				
Basic earnings available for distribution before provision for future income taxes	\$ 0.29	\$ 0.15	\$ 0.57	\$ 0.79
Diluted earnings available for distribution before provision for future income taxes	\$ 0.29	\$ 0.15	\$ 0.57	\$ 0.78
Basic distributable cash, before restructuring charge	\$ 0.45	\$ 0.22	\$ 1.02	\$ 1.03
Diluted distributable cash, before restructuring charge	\$ 0.45	\$ 0.22	\$ 1.02	\$ 1.02
Restructuring charge	\$ -	\$ -	\$ (0.13)	\$ -
Basic distributable cash, after restructuring charge	\$0.45	\$0.22	\$0.89	\$1.03
Diluted distributable cash, after restructuring charge	\$0.45	\$0.22	\$0.89	\$1.02
Distributions paid	\$0.27	\$0.27	\$0.81	\$0.81

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Outlook

For the balance of the year, the Company does not anticipate improvement in our Japanese and North American lumber markets from where they are today. The Japanese lumber market remains stable with housing starts largely unchanged from where they have been over the last few years. As a result, both demand and pricing for our products in this market are expected to hold through the end of the fiscal year. In the US lumber market, even with housing starts at historically high levels, prices are low and are expected to remain low as a result of chronic oversupply of lumber products in this market. Despite these conditions, demand and pricing for our logs in this market are also expected to hold for the balance of the year. The domestic log market, which is dependent on both Japanese and US markets, is showing stability in whitewood pricing, however, there is concern that the seasonal downturn in demand for cedar lumber, combined with the lumber duties imposed this spring, will negatively impact cedar log pricing.

Going into the fourth quarter, the Company anticipates a more typical sales mix than the last two quarters. The Company expects sales realizations to be close to year to date averages, and anticipates volumes will come in at normal fourth quarter levels.

The Company remains hopeful that meaningful public policy change on Crown tenure in BC will be implemented in the fourth quarter of 2002. However, the positive effect of any change will not be realized until 2003. As a result, the Company does not anticipate any relief from stumpage charges on harvests from Crown lands during the balance of the year. Year to date, stumpage on public land harvests has increased by \$10.49 per m³, or 120%, over 2001. At an average cost of sales level, this has the impact of increasing logging cost of sales by \$2.91 per m³ across our combined private and public land harvest, offsetting cost reductions achieved throughout the organization. Apart from this adverse effect, the Company anticipates achieving its cost reduction target of \$4.50 per m³ by the end of fiscal 2002.

In conclusion, the Company expects to achieve typical fourth quarter performance and to remain on track to deliver another consistent year of distributable cash performance to our unitholders.

Supplemental Information

In millions of dollars, except as otherwise indicated

Unaudited

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2002	2001	2002	2001
Operations				
Net sales	\$ 130.4	\$ 105.4	\$ 340.0	\$ 346.3
Operating costs and expenses:				
Cost of products sold	93.4	81.9	249.2	252.7
Depreciation, depletion and amortization	2.6	3.6	8.2	10.6
Selling, administrative and other	3.7	2.9	11.7	11.6
	99.7	88.4	269.1	274.9
Operating earnings	30.7	17.0	70.9	71.4
Interest expense	3.5	6.1	10.9	18.1
Amortization of deferred financing costs	0.5	1.0	3.1	1.7
Loss on bond lock transaction	5.0	-	5.0	-
Other income, net	(0.4)	(0.2)	(0.7)	(0.7)
Restructuring charge	-	-	9.8	-
Earnings before income taxes	\$ 22.1	\$ 10.1	\$ 42.8	\$ 52.3
Earnings before interest, taxes, depreciation and amortization (EBITDA)				
Earnings before income taxes	\$ 22.1	\$ 10.1	\$ 42.8	\$ 52.3
Add: Interest expense	3.5	6.1	10.9	18.1
Loss on bond lock transaction	5.0	-	5.0	-
Depreciation, depletion and amortization	2.6	3.6	8.2	10.6
Amortization of deferred financing costs	0.5	1.0	3.1	1.7
EBITDA	\$ 33.7	\$ 20.8	\$ 70.0	\$ 82.7

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Earnings available for distribution before provision for future income taxes	\$ 22.0	\$ 9.7	\$ 42.2	\$ 51.0
Distributable cash	\$ 34.1	\$ 14.1	\$ 65.9	\$ 66.7
Cash generated from operations before changes in non-cash working capital	\$ 22.7	\$ 14.3	\$ 52.4	\$ 61.7
Sales by Product				
Logs	\$ 99.0	\$ 87.7	\$ 274.8	\$ 278.0
Lumber	14.1	13.5	39.9	49.0
Wood chips and other	3.3	2.4	8.9	9.3
Real estate	14.0	1.8	16.4	10.0
	\$ 130.4	\$ 105.4	\$ 340.0	\$ 346.3
Sales Volume				
Logs (thousand m ³)	830.0	835.3	2,505.3	2,463.4
Lumber (million fbm)	27.2	27.4	82.7	104.8
Production Volume				
Logs (thousand m ³)	859.4	948.7	2,590.8	2,829.3
Lumber (million fbm)	31.3	15.7	88.2	85.7
Financial Position	As at	As at	As at	As at
	09-30-02	12-31-01	09-30-01	12-31-00
Net working capital (excluding short-term borrowings and distribution payable)	\$ 41.6	\$ 50.4	\$ 70.2	\$ 37.1
Total assets	\$ 1,464.7	\$ 1,487.2	\$ 1,521.8	\$ 1,505.3
Total debt	\$ 224.5	\$ 378.6	\$ 397.9	\$ 375.1
Unitholders' equity	\$ 909.2	\$ 788.5	\$ 803.7	\$ 787.7
Total capitalization	\$ 1,133.7	\$ 1,167.1	\$ 1,201.6	\$ 1,162.8
Debt to total capitalization	20%	32%	33%	32%
Stapled Units outstanding (thousands)	76,184	64,691	65,047	64,825
Basic weighted average Stapled Units (thousands)	74,180	64,984	64,967	66,590
Diluted weighted average Stapled Units (thousands)	74,326	65,128	65,140	66,685

The information outlined below may be of use in analysing how the Company has performed on a year to date basis, excluding items of a one-time nature that have been incurred in 2002. While disclosure of this information is not required under GAAP, management believes this data assists in demonstrating that TimberWest continues to deliver consistent financial results to its unitholders.

Normalized Year to Date Distributable Cash

In millions of dollars, except as otherwise indicated

	Nine Months Ended September 30	
	2002	2001
Distributable Cash	\$ 65.9	\$ 66.7
One-time adjustments:		
Benefit of reduced interest expense from equity issue	(6.2)	-
Restructuring charge	9.8	-
Effect of normalizing real estate proceeds	(6.0)	-
Effect of normalizing stumpage	6.7	-
Loss on bond lock transaction	5.0	-
Adjusted Distributable Cash	\$ 75.2	\$ 66.7
Basic adjusted distributable cash per weighted average Stapled Unit	\$1.01	\$1.03
Diluted adjusted distributable cash per weighted average Stapled Unit	\$1.01	\$1.02

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Quarterly Conference Call

TimberWest will hold a conference call at 8:00am PST (11:00am EST) on Wednesday, October 16, 2002, to discuss results of the third quarter. To access the conference call, listeners should dial 1-888-433-1680. For those unable to participate in the live call, a recording of the call will be available until October 30, 2002, and can be accessed at 1-800-558-5253 using code 20922386. For those unable to participate in the live call, TimberWest will also broadcast the conference live on the internet via its website home page at www.timberwest.com. The webcast will be archived on the Company's website and will be available for an additional 90 days.

Corporate Profile

TimberWest Forest Corp. is uniquely positioned as the largest owner of private forest lands in western Canada. The Company's 334,000 hectares, providing a sustainable annual harvest of 2.1 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 for 1.2 million m³ of logs, a lumbermill, and about 6,500 hectares of properties that are progressively being made available for higher uses.

Forward Looking Statements

The statements which are not historical facts contained in this release 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.

Additional Information

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