TIMBERWEST FOREST CORP.

For immediate release: February 7, 2008

TIMBERWEST ANNOUNCES 2007 FOURTH QUARTER RESULTS AND SAWMILL CLOSURE

Vancouver (BC) – TimberWest generated distributable cash of $55.4 million, or $0.71 per stapled unit, in Q4, 2007 and $90.3 million, or $1.16 per unit, for the year overall. This compares to $27.5 million, or $0.35 per unit, in Q4, 2006 and $103.8 million, or $1.34 per unit, in the year 2006. A large, $64.7 million conservation land sale this quarter helped to offset a challenging year in our core forestry business.

"Conditions in the fourth quarter continued to be difficult in both our timberland and sawmill businesses," said President and CEO Paul McElligott. "As in Q3, we faced weak markets in the US, oversupplied markets in Japan, a strong Canadian dollar and escalating contractor costs." With both prices and margins depressed this quarter, the Company scaled back its private land harvest to 212,000 m^3. This represents approximately 30% of average historic fourth quarter volumes at TimberWest. The private land harvest for the year was 2.2 million m^3, which was approximately 500,000 m^3 lower than 2006. Log sales revenue was also lower with sales volumes at 323,000 m^3 during the quarter, half of the Q4, 2006 volume. For the year as a whole, sales volumes were lower than 2006 by 446,000 m^3.

Log sales realizations in the fourth quarter were $94 per m^3 compared to $96 per m^3 in the fourth quarter of 2006. Strong cedar prices continued to positively influence average sales realizations. However, fir prices remained lower in all markets, while hemlock prices were steady. Average sales realizations for the year were $93 per m^3 compared to $98 per m^3 in 2006. Average export realizations were 14% lower for the year.

The cost side of the timberland business was negatively affected in the quarter by higher contractor costs and by the reduction in harvest, which is reflected in the higher unit costs of production. We continue to work on achieving reduced contractor costs and improved safety by sub-dividing our larger, stump-to-dump contracts.

"The safety of our own employees and contractor employees working on our land base remains our top concern," said McElligott. "Very early in 2007, TimberWest was the first major company on the BC coast to become SAFE certified by the BC Forest Safety Council. In 2007 we required that all of our contractors be registered for their safety certification and many went beyond and actually achieved SAFE company status. We made great progress and expect that all of our remaining contractors will achieve their safety certifications in 2008. We also achieved our goal of a 30% Medical Incident Rate ("MIR") improvement over 2006, a result that we are very proud of."

Our Elk Falls sawmill struggled again in 2007, facing the same challenges as our timberland operations with the dollar, pricing, and weak end markets. The sawmill has been for sale for over two years without an offer. Due to the lack of interested buyers, we ended the sale process, took an $18.4 million write-down related to these assets and effective May 9, 2008, the sawmill will be permanently closed.

"This news has been very tough for our Company to deal with," said McElligott. "257 jobs will be lost, creating hardship for the individuals and their families. While these decisions are very difficult because of the people involved, we have concluded that the mill is not viable and that closing it permanently is the right decision. TimberWest will honour all of its legal obligations to its employees as a result of this decision."

In December, we closed on the sale of the Leech Creek property to the Capital Regional District ("CRD") which includes the city of Victoria, for $64.7 million. It represents 9,700 hectares of land, less than 3% of our land base, and this transaction provides important insight into how our lands have the potential to benefit both Vancouver Island communities and our unitholders. The land is a critical part of the Leech Creek watershed and with this purchase the CRD was able to double its water supply area. From TimberWest's perspective, the Leech Creek lands had a higher and better use as conservation land. This was clearly reflected in the per hectare pricing of approximately $6,700/hectare or $2,700/acre.

We were pleased to work with the CRD to help them achieve their watershed goals while adding substantially to the region's park system. This transaction stands as an excellent example of how we continue to work collaboratively with local communities and stakeholders to enhance value for them and for our unitholders.

Our non-core, higher and better use ("HBU") real estate sales for the quarter were lower than we had hoped. This was the result primarily of listing delays, the extension of auction bid dates into the new year, and the ramping up of our new real estate organization rather than any indication of weakness in the Vancouver Island market.

Real Estate Strategy

John Hendry, our Vice President, Real Estate, added to his group's in-house capabilities during the quarter with the addition of key personnel in the areas of marketing and sales, zoning and entitlement, and public affairs and communications. We also made tremendous progress in understanding the potential highest and best use of TimberWest's land. We engaged EDAW, an internationally recognized planning firm, to assist us with a strategic review and to our knowledge, EDAW has completed the most comprehensive land analysis ever conducted on Vancouver Island. The quality and depth of information they have assembled will be invaluable as we move forward with discussions with regional districts, municipalities and others on the Island.

Vancouver Island is changing. Increasingly, it is being recognized provincially, nationally – and even internationally – as a leading place to live, work and play. Communities, for their part, are trying to adapt to, and take advantage of, this change by diversifying their economies, something that is all the more critical given the ongoing challenges of the coastal forest industry.

TimberWest is itself part of the changing landscape of Vancouver Island. For decades, we have carefully managed our landholdings to create jobs and economic benefits for communities.

Now, in looking at how Vancouver Island is changing, TimberWest is reflecting on the role we will play. We own more than 322,000 hectares (about 796,000 acres) on the Island, our landholdings are diverse and located where the majority of the population currently lives.

As a large landholder with concentrated landholdings and a proud history, TimberWest feels a strong sense of responsibility to both current and future generations on Vancouver Island. We want to – need to – play a significant role in how the Island evolves.

In 2006, the Colliers study identified 93,000 acres of land with real estate potential and valued it "as is" in the range of $300 - $450 million. The EDAW study has identified a further 41,000 acres of real estate land for a total of 134,000 acres. This represents a significant lift in value from the original Colliers study as the size of the portfolio has grown, the market value of real estate on the Island has increased and the area identified for core development has been expanded.

Of the 134,000 acres, which represents approximately 17% of the Company's landholdings, the land classification process has begun and we are focusing our planning and zoning resources on the highest value portion of this land which represents 39,000 acres. These 39,000 acres are what we call our core development lands. This is the portion of the land base that we think has the highest potential value which would be realized as a result of planning and zoning changes. An initial classification of these lands shows that we have core development lands suitable for residential development, commercial development, mixed use development, resort development and public use.

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Additionally, there are 41,000 acres of land adjacent to these core development lands. Their value should increase as the development lands are entitled and they will be subject to further study and reclassification. In addition to these core development lands, there are about 54,000 acres of higher and better use properties that will likely be sold "as is" over time.

While the analysis done to date is a significant accomplishment, it is really just the starting point. This land classification process is complex and ongoing. Though we have been working on it for some time, we are really just beginning to appreciate our land's potential.

That's why in the months and years ahead, we will be working closely with Vancouver Island communities to determine the best use of our lands. We want to manage our lands in a way that helps meet the changing needs of communities on Vancouver Island. Our landholdings can help us do that. Working together, for example, we can:

- plan in creative and flexible ways to meet the particular needs of local communities;
- provide for new Island-wide linkages;
- unlock opportunities for conservation and preservation of special lands;
- use our landholdings in a way that helps communities achieve sustainable growth that brings with it jobs, homes, infrastructure and recreation for generations to come; and
- ensure that only high quality, sustainable, conservation-minded developments occur on our land base.

By taking a thoughtful approach and working together, we can develop a shared vision for the future of our land and local communities.

As we move forward, we will continue to help diversify local economies, support sustainable and growing communities, respect the environment and enhance the quality of life that makes Vancouver Island such a special place to live and visit.

Outlook

We fully expect to continue facing very difficult log and lumber market conditions throughout 2008 with ongoing weakness in the US housing market, lack of expansion and the oversupply situation in the Japanese market and the continued strength of the Canadian dollar. As a result, we have started off 2008 maintaining low harvest levels and therefore expect in this first quarter to harvest only about 30% of our historic volumes. Our trees will continue to grow in size and value and, accordingly, we believe they will be worth considerably more when harvested in the future than if we were to harvest them today. With the combination of higher projected future log prices, the volume growth of the trees and our expectation of lower harvesting costs, we believe unitholder value is enhanced by leaving trees to grow today. By reducing harvests when margins are low and increasing harvests when margins are high, the net asset value of the company will increase.

We are beginning the year with low log inventories of 462,000 m^3 and anticipate ending the first quarter with even lower levels. We are planning for and managing our harvest levels on a month-by-month basis with our usual tight controls over costs, inventory and other working capital items.

We are also starting the year with two of our long term, stump-to-dump contractors in financial difficulty: one has filed for creditor protection under the Companies' Creditors Arrangement Act ("CCAA") and is working on a restructuring plan while the other has filed for bankruptcy and a trustee has been appointed. Together these two contractors produce about 36% of TimberWest's private land harvest. With respect to the employees who worked for the company now in bankruptcy, we will work with the union to provide employment opportunities for them with the new contractors who ultimately take over these operations. Our plans are to award the harvesting work to mid-sized contracting firms and reduce our reliance on large, stump-to-dump contractors.

With the reduced harvest levels this year, our remaining contractors should be able to produce the desired level of production as we get new contractors established.

We believe that our strategy of reducing the harvest in these times of extremely poor market conditions is a superior long term value creation strategy for our unitholders. Looking beyond the immediate market challenges, we expect to see demand and pricing for log and lumber products in our region improve dramatically. This view is based upon our assessment of the positive demographics in the US, which should result in the return to a strong housing market, our expectations regarding continuing growth in demand for wood products in Asia, the impact of inevitable future supply shortages caused by the Mountain Pine Beetle infestation in the BC interior and further harvest reductions in eastern Canada. When margins improve, we will go back and harvest the trees that we left behind last year and those we will leave behind in 2008.

We also believe that our real estate strategy is the right long term one for unitholders. Planning and zoning will enhance real estate values dramatically on our core development lands. As a matter of corporate policy, we will not divest of these core development properties before their time. That is, not before the required consultations have occurred with communities and regional districts and the follow up planning and entitlement changes have occurred.

In 2008, we do not expect to generate sufficient distributable cash to cover our distribution obligations. We will assess our financial situation carefully and update unitholders quarterly as we manage through this downturn. The Company has a strong balance sheet and one of our goals will be to preserve it as we manage through these challenging business conditions and continue to focus on growing long-term unitholder value.

Distributable Cash

(in millions of dollars)	Three months ended December 31		Twelve months ended December 31	
	2007	2006	**2007**	2006
Net earnings (loss)	**$ (0.1)**	$ 14.8	**$ (31.8)**	$ 17.1
Interest on Series A Subordinate Notes owned by unitholders	**21.0**	20.9	**83.7**	83.6
Earnings available for distribution	**20.9**	35.7	**51.9**	100.7
Write-down of property, plant and equipment	**18.4**	–	**18.4**	–
Future income tax recovery	**(23.7)**	(13.2)	**(27.1)**	(38.2)
Earnings available for distribution before provision for future income taxes , and write-down of property, plant and equipment	**15.6**	22.5	**43.2**	62.5
Add (deduct):				
Depreciation, depletion and amortization	**1.7**	2.0	**8.7**	8.8
Proceeds from sale of property, plant and equipment	**65.1**	13.9	**71.9**	33.0
Gain on sale of property, plant and equipment	**(22.3)**	(10.9)	**(28.5)**	(14.9)
Additions to property, plant and equipment	**(1.2)**	(0.6)	**(3.4)**	(4.3)
Other non-cash items	**(3.5)**	0.6	**(1.6)**	18.7
	39.8	5.0	**47.1**	41.3
Distributable cash	**$ 55.4**	$ 27.5	**$ 90.3**	$ 103.8
Per Stapled Unit amounts: *(in dollars)*				
Basic earnings available for distribution before provision for future income taxes and write-down of property, plant and equipment per weighted average Stapled Unit	***$ 0.20***	*$ 0.29*	***$ 0.56***	*$ 0.81*
Diluted earnings available for distribution before provision for future income taxes and write-down of property, plant and equipment per weighted average Stapled Unit	***$ 0.20***	*$ 0.29*	***$ 0.55***	*$ 0.81*
Basic and diluted distributable cash per weighted average Stapled Unit	***$ 0.71***	*$ 0.35*	***$ 1.16***	*$ 1.34*
Cash distributions paid per Stapled Unit	***$ 0.27***	*$ 0.27*	***$ 1.08***	*$ 1.08*

The following table provides a reconciliation of cash flow from operations to distributable cash:

(in millions of dollars)	Three months ended December 31		Twelve months ended December 31	
	2007	2006	**2007**	2006
Cash flow from operations	**$ (23.3)**	$ (15.4)	**$ (70.2)**	$ 11.1
Add (deduct):				
Change in non-cash working capital	**(5.9)**	8.6	**8.0**	(19.6)
Interest on Series A Subordinate Notes owned by unitholders	**21.0**	20.9	**83.7**	83.6
Proceeds from sale of property, plant and equipment	**65.1**	13.9	**71.9**	33.0
Additions to property, plant and equipment	**(1.2)**	(0.6)	**(3.4)**	(4.3)
Other non-cash items	**(0.3)**	0.1	**0.3**	–
	78.7	42.9	**160.5**	92.7
Distributable cash	**$ 55.4**	$ 27.5	**$ 90.3**	$ 103.8

Distributable cash includes consolidated net earnings (loss), plus interest expensed on Series A Subordinate Notes owned by unitholders, plus non-cash income taxes, plus depreciation, depletion and amortization, plus proceeds from the sale of property, plant and equipment net of their gain (loss) on sale, less additions to property, plant and equipment and, from time to time, adjustments for other items deemed appropriate by the Board of Directors. Earnings available for distribution is comprised of consolidated net earnings (loss) plus interest expensed on Series A Subordinate Notes. The Series A Subordinate Notes are owned by the unitholders and interest thereon is paid to the unitholders, therefore, earnings available for distribution to unitholders reflects earnings before this interest charge.

Earnings available for distribution and distributable cash are measures that do not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. Management believes that the presentation of these measures will enhance an investor's understanding of the Company's operating performance. Reconciliations of net earnings (loss) and cash flow from operations, as determined in accordance with GAAP, and earnings available for distribution and distributable cash are provided in the preceding tables.

The following tables present a quarterly comparison of distributable cash generated, in total and on a per Stapled Unit basis:

	2007	2006	2005	2004	2003	2002
Distributable Cash *(in millions of dollars)*						
First quarter	**$ 26.9**	$ 31.5	$ 23.9	$ 27.7	$ 25.7	$ 21.2
Second quarter	**13.6**	35.5	15.4	43.5	4.7	10.6
Third quarter	**(5.6)**	9.3	(1.7)	35.9	12.0	34.1
Fourth quarter	**55.4**	27.5	29.7	18.1	9.0	24.2
	$ 90.3	$ 103.8	$ 67.3	$ 125.2	$ 51.4	$ 90.1
Distributable Cash per Stapled Unit[1] *(in dollars)*						
First quarter	**$ 0.35**	$ 0.41	$ 0.31	$ 0.36	$ 0.34	$ 0.30
Second quarter	**0.17**	0.46	0.20	0.57	0.06	0.14
Third quarter	**(0.07)**	0.12	(0.02)	0.47	0.15	0.45
Fourth quarter	**0.71**	0.35	0.38	0.24	0.12	0.32
	$ 1.16	$ 1.34	$ 0.87	$ 1.64	$ 0.67	$ 1.21

[1] Per Stapled Unit amounts by quarter do not necessarily add to the total of the year and year-to-date due to changes in the weighted average number of Stapled Units outstanding during the year.

Financial Highlights

(in millions of dollars)	Three months ended December 31		Twelve months ended December 31	
	2007	2006	**2007**	2006
Sales	**$ 119.6**	$ 110.6	**$ 409.0**	$ 478.1
Operating earnings	**0.7**	25.5	**34.0**	94.7
Write-down of property, plant and equipment	**18.4**	–	**18.4**	–
Operating earnings before write-down of property, plant and equipment	**19.1**	25.5	**52.4**	94.7
Operating earnings before write-down of property, plant and equipment - % of sales	**16.0%**	23.1%	**12.8%**	19.8%
Pension plan annuitization	–	–	–	17.7
EBITDA[2]	**2.4**	27.9	**48.3**	85.9
EBITDA per basic and diluted weighted average Stapled Unit	**0.03**	0.36	**0.62**	1.11
Income tax recovery	**23.7**	13.4	**27.2**	38.2
Net earnings (loss)	**(0.1)**	14.8	**(31.8)**	17.1
Earnings (loss) per common share:				
Basic	**(0.00)**	0.19	**(0.41)**	0.22
Diluted	**(0.00)**	0.19	**(0.41)**	0.22
Distributable cash	**$ 55.4**	$ 27.5	**$ 90.3**	$ 103.8

Sales revenues for the three months ended December 31, 2007 were up compared to the fourth quarter of 2006. However, the sales mix differed from the fourth quarter of 2006 with significant decreases in log and lumber sales which were more than offset by the Leech Creek conservation land sale. Operating earnings before the write-down of property, plant and equipment as a percentage of sales decreased compared to the fourth quarter of 2006 as a result of significantly lower log and lumber sales volumes combined with lower average sales realizations and higher operating costs for both logs and lumber.

The Canadian dollar continued to strengthen this year, which negatively affected sales realizations. During the quarter and for the year 2007 overall, the dollar appreciated significantly against the US dollar.

Highlights and Significant Transactions

Adoption of New Accounting Policies – Financial Instruments

During the first quarter, the Company adopted new accounting policies issued by the Canadian Institute of Chartered Accountants (“CICA”) and changed its policy of accounting for financial instruments. Prior to January 1, 2007, TimberWest recognized financial liabilities at carrying value. Effective January 1, 2007, the Company measures its debentures and Series A Subordinate Notes owned by unitholders at amortized cost using the effective interest method. The effective interest method establishes the rate which equates the estimated future cash flows with the net carrying amount of the financial liability. The embedded derivative arising from the option to extend the Series A Subordinate Notes for a further 10 year period is measured at fair value. TimberWest adopted the new accounting policies on a retroactive basis but prior years have not been restated.

The adoption of new accounting policies for financial instruments has not resulted in any significant changes to TimberWest’s financial statements.

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[2] Earnings (loss) before interest, taxes, depreciation and amortization is a measure that does not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. Management believes that the presentation of this measure will enhance an investor’s understanding of the Company’s operating performance. A reconciliation of net earnings (loss) as determined in accordance with GAAP and Earnings (loss) before interest, taxes, depreciation and amortization is provided in the supplemental information appended to this interim report.

Refinancing of Credit Facilities

During the third quarter, the Company finalized arrangements for new credit facilities. On September 25, 2007, the Company completed and received two credit facilities pursuant to unsecured revolving facilities underwritten by a syndicate of Canadian chartered banks. The first facility, Tranche A, is long-term financing in the amount of $200.0 million, due on September 24, 2012. The second facility, Tranche B, is short term financing in the amount of $100.0 million, due on September 24, 2008. Under both facilities funds are available to the Company in both Canadian and US dollars by way of adjusted prime rate-based loans, bankers' acceptances, LIBOR plus 0.9% loans and letters of credit or guarantee. At any time prior to maturity of the facilities and provided no event of default has occurred, the Company may request an increase to the credit facility apportioned proportionally between Tranche A and Tranche B up to the aggregate amount of $350.0 million. On October 19, 2007, the Company requested and received additional financing in the amount of $25.0 million to the credit facility, apportioned proportionally between Tranche A and Tranche B for a total aggregate amount of $325.0 million.

On completion of this financing, the Company's long-term financing in the amount of $65.0 million pursuant to an unsecured revolving facility underwritten by a Canadian chartered bank, due on July 7, 2010 and the Company's long-term financing in the amount of $100.0 million pursuant to an unsecured revolving facility underwritten by a syndicate of Canadian chartered banks, due on July 27, 2010, were cancelled. The Company had an unsecured demand facility of $10.0 million which was cancelled in November 2007.

Cash Distribution

On February 7, 2008, TimberWest announced a distribution of $0.269 per Stapled Unit, payable April 15, 2008, to unitholders of record on April 1, 2008. From inception to December 31, 2007, the Company has generated distributable cash of $858.2 million while, including the January 15, 2008 distribution of $21.0 million, the Company has paid out $817.4 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.

Redemption of Debentures

On October 1, 2007, the Company used the Tranche A credit facility to pay out the maturity of the $195.0 million of 7.0% debentures on October 1, 2007.

Leech Creek Conservation Land Sale

In December, 2007, the Company completed the sale of 9,700 hectares or 24,000 acres of forest land to the Capital Regional District, which includes the city of Victoria, for proceeds of $64.7 million.

Elk Falls Sawmill

The Company commenced a sales process for the Elk Falls sawmill in late 2005. This sales process concluded at the end of 2007 without any bid from prospective buyers. Management determined the value of the sawmill is impaired and the Company recorded an impairment charge of $18.4 million, writing down the sawmill assets to fair value of zero. On February 7, 2008, the Company announced effective May 9, 2008, the sawmill will be permanently closed.

Quarterly Conference Call

TimberWest will hold a conference call at 9:00am PDT (12:00pm EDT) on Friday, February 8, 2008, to discuss results of the fourth quarter. To access the conference call, listeners should dial 1-800-954-1053. For those unable to participate in the live call, a recording of the call will be available until February 22, 2008, and can be accessed at 1-800-558-5253 using code 21372756 . The conference call will also be broadcast live over the internet via TimberWest's website home page at http://www.timberwest.com. The webcast will be archived and available for an additional 90 days.

Operating Highlights

Timberland Operations:	Three months ended December 31				Twelve months ended December 31			
		2007		2006		**2007**		2006
Log Sales Revenue *(in millions of dollars)*								
Domestic	**$**	**17.2**	$	31.6	**$**	**122.1**	$	127.8
Export – Asia		**11.8**		25.5		**82.4**		127.6
Export – US		**1.4**		4.8		**41.9**		47.8
	$	**30.4**	$	61.9	**$**	**246.4**	$	303.2
Log Sales Realizations *($/m³)*								
Domestic		**92**		83		**86**		79
Export – Asia		**96**		121		**112**		129
Export – US		**108**		91		**85**		97
		94		96		**93**		98
Log Sales Volume (*thousand m³*)								
Domestic		**187.5**		381.3		**1,417.8**		1,609.5
Export – Asia		**123.0**		209.9		**734.5**		985.2
Export – US		**12.5**		53.0		**488.9**		492.5
		323.0		644.2		**2,641.2**		3,087.2
Log Sales Mix (*thousand m³*)								
Fir		**151.8**		308.7		**1,697.7**		1,893.7
Hembal		**99.7**		221.5		**573.8**		662.9
Cedar		**44.8**		61.5		**204.9**		283.3
Other		**26.7**		52.5		**164.8**		247.3
		323.0		644.2		**2,641.2**		3,087.2
Log Production Volume (*thousand m³*)								
Public tenures		**75.9**		76.3		**452.4**		711.2
Private timberlands		**212.4**		742.3		**2,226.6**		2,723.9
		288.3		818.6		**2,679.0**		3,435.1
Log Production Costs *($/m³)*		**97.12**		70.17		**73.23**		66.87
Timberland operating margin (% of log sales)		**(3)%**		23%		**20%**		30%

Log sales revenues for the three months and year-to-date ended December 31, 2007, were down compared to log sales revenues for the fourth quarter of 2006 due to lower log sales volumes and lower average log realizations as a result of weak log markets in the US and Japan, and the higher Canadian dollar.

Average domestic realizations for the fourth quarter of 2007 and year-to-date were higher than the fourth quarter of 2006 as domestic prices were firm in the fourth quarter due to tighter supply primarily of cedar as a result of the prolonged United Steelworkers strike. Average export realizations were lower in the fourth quarter of 2007 and year-to-date compared to the fourth quarter of 2006 due to further weakening in log and lumber markets in the US Pacific NW, and in Japan and the continued impact of the strong Canadian dollar.

Unit production costs for the fourth quarter of 2007 increased over the fourth quarter of 2006 due to lower production volumes and higher contractor costs. Unit production costs on a year-to-date basis were higher as a result of the strike, higher contractor rates, and market related shutdowns.

Elk Falls Sawmill:	Three months ended December 31 2007	2006	Twelve months ended December 31 2007	2006
Sales Revenue by Product *(in millions of dollars)*				
Lumber	**$ 20.1**	$ 29.5	**$ 76.0**	$ 117.3
Wood chips and residuals	**2.5**	3.2	**12.4**	12.9
Sales Realizations				
Lumber (*$/mfbm*)	**582**	666	**606**	635
Wood chips *($/m^3)*	**49**	38	**49**	36
Sales Volume				
Lumber (*million fbm*)	**34.4**	44.3	**125.3**	184.6
Wood chips *(thousand m^3)*	**51.7**	82.8	**254.3**	361.7
Lumber Production Volume (*million fbm*)	**23.4**	41.5	**122.7**	183.4

Sales realizations for the three months ended December 31, 2007, were lower relative to sales realizations for the fourth quarter of 2006 due to the strong Canadian dollar and weaker markets generally. During the quarter, lumber markets experienced oversupply in all areas. The sawmill took six weeks of market related downtime during the fourth quarter of 2007, compared to no downtime during the same period in 2006. Year-to-date, the mill has taken sixteen weeks of market-related downtime resulting in a sharp decline in revenues.

Wood chips and residuals sales for the three month period ended December 31, 2007 were down for the comparative period in 2006, reflecting the reduction in chips produced due to downtime during the fourth quarter of 2007.

The sawmill had negative earnings and cash for the quarter and for this year overall.

Real Estate:	Three months ended December 31 2007	2006	Twelve months ended December 31 2007	2006
Real Estate Sales *(in millions of dollars)*	**$ 65.3**	$ 15.0	**$ 67.1**	$ 36.0
Leech Creek Net Proceeds *(in millions of dollars)*	**64.6**	--	**64.6**	--
Leech Creek Net Proceeds *($/acre)*	**2,691**	--	**2,691**	--
Real Estate Net Proceeds, excluding Leech Creek *(in millions of dollars)*	**0.4**	13.9	**1.9**	32.9
Real Estate Net Proceeds, excluding Leech Creek *($/acre)*	**4,160**	11,936	**3,636**	10,314

Real estate sales for the fourth quarter of 2007 and the twelve months ending December 31, 2007 were comprised of one significant conservation land sale to the Capital Regional District, which includes the city of Victoria. Proceeds from the sale of real estate for the twelve months ended December 31, 2006 included $9.5 million for the sale of waterfront property on Lake Cowichan, which was previously a sawmill site.

	Three months ended December 31		Twelve months ended December 31	
	2007	2006	**2007**	2006
Earnings (loss) Before Interest, Taxes, Depreciation and Amortization (EBITDA)[2] *(in millions of dollars)*				
Net earnings (loss)	**$ (0.1)**	$ 14.8	**$ (31.8)**	$ 17.1
Add (deduct):				
Interest on Series A Subordinate Notes paid to unitholders	**21.0**	20.9	**83.7**	83.6
Interest on long-term debt	**2.5**	0.2	**3.7**	11.2
Interest on short-term debt	**1.0**	3.4	**11.2**	3.4
Income tax recovery	**(23.7)**	(13.4)	**(27.2)**	(38.2)
Depreciation, depletion and amortization	**1.6**	1.8	**7.8**	8.2
Amortization of deferred financing costs	**0.1**	0.2	**0.9**	0.6
EBITDA	**2.4**	27.9	**48.3**	85.9

Financial Position

Summary of Financial Position *(in millions of dollars)*	**As at December 31, 2007**	As at December 31, 2006
Cash and cash equivalents	**$ 1.2**	$ 9.3
Current assets	**64.4**	83.1
Current liabilities	**40.4**	253.8
Current liabilities (excluding credit facility and debentures)	**40.4**	58.8
Long-term debt	**187.5**	–
Long-term liabilities	**159.6**	189.2
Series A Subordinate notes owned by unitholders	**698.1**	697.0
Unitholder’s equity	**210.8**	241.6

Cash and cash equivalents decreased to $1.2 million as at December 31, 2007, reflecting an increase in non-cash working capital. Trade accounts receivable decreased to $13.4 million at December 31, 2007, compared to $16.9 million at the end of 2006, reflecting the effect of decreased log and lumber sales revenue due to weaker pricing and lower sales volumes. Inventories were $41.1 million at December 31, 2007, compared to $49.0 million at the end of 2006. Prepaid expenses and other current assets were $6.6 million at December 31, 2007, compared to $5.6 million at the end of 2006, reflecting increased balances in non-trade receivables.

Property, plant and equipment were $1,230.0 million as at December 31, 2007, $66.3 million less than as at December 31, 2006. This decrease primarily reflects the sale of Leech Creek conservation land (See “Highlights & Significant Transactions – Leech Creek Conservation Land Sale.”) with a net book value of $42.6 million, the impairment charge of $18.4 million to write-down the Elk Falls sawmill to fair value (See “Highlights & Significant Transactions – Elk Falls Sawmill.”), the sale of other property, plant and equipment with a net book value of $0.9 million and the provision for depreciation of capital assets of $7.8 million recorded during this period. These items were offset in part by capital additions of $3.4 million, comprised primarily of new information technology and logging roads.

Current liabilities as at December 31, 2007 were $40.4 million compared to $253.8 million as at December 31, 2006, which included the $195.0 million aggregate net carrying value ($195.0 million principal amount) of 7.0% unsecured senior debentures. The debentures were reclassified from long-term to current liabilities in the fourth quarter of 2006. The Company used the Tranche A long-term unsecured revolving credit facility to pay out the maturity of the $195.0 million principal amount of 7.0% unsecured senior debentures on October 1, 2007. The year over year variance in current liabilities (excluding credit facility and debentures) can be attributed to an $18.4 million decrease in accounts payable and accrued liabilities which is primarily attributed to lower harvest levels in the fourth quarter of 2007 and reduced compensation-related accruals at the end of 2007 compared to December 2006.

As at December 31, 2007, the Company had borrowings of $187.5 million on its Tranche A $216.7 million long-term unsecured revolving facility. In addition, the Company had commitments of $17.5 million relating to outstanding letters of credit, including $16.1 million issued under its demand bank guarantee facility and $1.4 million issued under its Tranche A $216.7 million long-term unsecured revolving facility.

The $195.0 million aggregate net carrying value ($195.0 million principal amount) of the 7.0% unsecured senior debentures matured on October 1, 2007, and the Company used the Tranche A $216.7 million long-term unsecured revolving credit facility to pay out the maturity.

Other long-term liabilities as at December 31, 2007, included a silviculture liability of $3.2 million, a $37.2 million liability relating to employee future benefits and a future income tax liability of $119.2 million. The silviculture liability and the liability relating to employee future benefits are comparable to balances as at December 31, 2006. The decrease in the liability for future income taxes from the balance of $146.4 million at December 31, 2006, is primarily attributable to a $16.9 million future income tax recovery to reflect the effects of changes in Canadian federal income tax rates that were substantively enacted during 2007.

The Series A Subordinate Note component of the Company's Stapled Unit is presented as a liability on the Company's consolidated balance sheets. Effective January 1, 2007, the Series A Subordinate Note liability is recorded at amortized cost using the effective interest method from adoption of new accounting policies. (See "Highlights and Significant Transactions – *Adoption of New Accounting Policies - Financial Instruments"*) As at December 31, 2007, the carrying value of the Series A Subordinate Note liability was $698.1 million.

During the quarter ended December 31, 2007, 300 Stapled Unit options were granted and options to purchase 11,910 Stapled Units were exercised for proceeds of $0.2 million. During the twelve months ended December 31, 2007, 339,670 Stapled Unit options were granted, options to purchase 114,889 Stapled Units were exercised for proceeds of $1.7 million and 8,160 options were cancelled. As at February 7, 2008, the Company had 1,150,655 granted and outstanding Stapled Unit option awards and 77,750,143 issued and outstanding Stapled Units.

Cash Flow and Liquidity

Selected Cash Flow Items *(in millions of dollars)*	**Three months ended December 31** **2007**	2006	**Twelve months ended December 31** **2007**	2006
Cash provided by (used in):				
Operating activities:				
Cash provided by (used in) operations before changes in non-cash working capital	**$ (29.2)**	$ (6.8)	**$ (62.2)**	$ (8.5)
Changes in non-cash working capital	**5.9**	(8.6)	**(8.0)**	19.6
	(23.3)	(15.4)	**(70.2)**	11.1
Financing activities:				
Issuance of Stapled Units on exercise of options	**0.2**	0.7	**1.7**	1.9
Credit facilities	**154.5**	–	**187.5**	(37.0)
Debentures	**(195.0)**	–	**(195.0)**	–
	(40.3)	0.7	**(5.8)**	(35.1)
Investing activities:				
Proceeds from sale of other assets	**65.1**	13.9	**71.9**	33.0
Additions to property, plant and equipment	**(1.2)**	(0.6)	**(3.4)**	(4.3)
Other assets	**(0.1)**	0.4	**(0.6)**	1.6
	63.8	13.7	**67.9**	30.3
Increase (decrease) in cash and cash equivalents	$ **0.2**	$ (1.0)	$ **(8.1)**	$ 6.3

During the three months ended December 31, 2007, the Company issued 11,910 Stapled Units on the exercise of Stapled Unit options for net proceeds of $0.2 million, compared to the issuance of 52,166 Stapled Units on the exercise of Stapled Unit options for net proceeds of $0.7 million in the comparative quarter in 2006. During the fourth quarter of 2007, $40.5 million was applied to reduce amounts borrowed on available credit facilities, compared to no change in borrowings on available credit facilities during the same period in 2006.

For the twelve months ended December 31, 2007, the Company issued 114,889 Stapled Units for net proceeds of $1.7 million on the exercise of Stapled Unit options, compared to the issuance of 147,683 Stapled Units for net proceeds of $1.9 million on the exercise of Stapled Unit options in comparative period in 2006. In 2007, $7.5 million was applied to reduce amounts borrowed on available credit facilities compared to a $37.0 million decrease in amounts borrowed on available credit facilities during the same period in 2006.

In the fourth quarter of 2007, the Company received net proceeds of $65.1 million from the sale of other assets, primarily from the sale of the Leech Creek conservation land (See "Highlights & Significant Transactions – Leech Creek Conservation Land Sale."), and incurred $1.2 million for capital expenditures primarily for new information technology. For the twelve months ended December 31, 2007, the Company received net proceeds of $71.9 million from the sale of other assets. In addition to the gross proceeds of $64.7 million from the sale of the Leech Creek conservation land, proceeds include $5.0 million from the disposition of a subsidiary trust and $1.9 million from the sale of higher and better use properties. The Company incurred $3.4 million for capital expenditures primarily for the construction of logging roads and new information technology.

As at December 31, 2007, the principal amount of TimberWest's total debt[3] outstanding was $187.5 million compared to total principal amount of debt outstanding of $195.0 million as at December 31, 2006. The Company's consolidated debt-to-total capitalization ratio[3] as at December 31, 2007 was 17:83, the same as at December 31, 2006.

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[3] Total debt and the debt-to-total capitalization ratio are measures that do not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. As the Company's Series A Subordinate Notes trade only as part of the Company's equity instrument, the Stapled Unit, they are not included in the Company's definition of debt. Management believes that the presentation of these measures will enhance an investor's understanding of the Company's financial resources and capital structure.

As at December 31, 2007, the Company had combined borrowings of $187.5 million on its two available unsecured revolving facilities, including borrowing of $187.5 million on its $216.7 Tranche A and borrowing of nil on its $108.3 million Tranche B facility. In addition, the Company had commitments of $1.4 million relating to outstanding letters of credit issued under its Tranche A credit facility, and $16.1 million relating to outstanding letters of credit issued under its $16.3 million demand bank guarantee facility.

Quarterly Financial Information

The following table presents selected unaudited quarterly financial information for each of the Company's last eight quarters. This data has been derived from unaudited interim consolidated financial statements that have been prepared on the same basis as the 2006 annual audited consolidated financial statements. In the Company's opinion, the amounts include all normal recurring adjustments necessary for the fair presentation of such information. These financial results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

(in millions of dollars, except per common share and per Stapled Unit amounts)	2006				**2007**			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	**Q4**
Sales	$ 125.7	$ 145.0	$ 96.8	$ 110.6	$ 112.3	$ 104.0	$ 73.1	**$ 119.6**
Operating earnings (loss)	$ 25.3	$ 32.6	$ 11.3	$ 25.5	$ 27.2	$ 9.8	$ (3.7)	**$ 0.7**
Net earnings (loss)	$ 2.9	$ 12.2	$ (12.8)	$ 14.8	$ 3.7	$ (7.3)	$ (28.1)	**$ (0.1)**
Earnings (loss) available for distribution	$ 23.8	$ 33.1	$ 8.1	$ 35.7	$ 24.6	$ 13.6	$ (7.2)	**$ 20.9**
Earnings (loss) available for distribution before provision for future income taxes, and write-down of property, plant and equipment	$ 21.2	$ 11.5	$ 7.3	$ 22.5	$ 24.3	$ 11.3	$ (8.0)	**$ 15.6**
Distributable cash	$ 31.5	$ 35.5	$ 9.3	$ 27.5	$ 26.9	$ 13.6	$ (5.6)	**$ 55.4**
Distributions paid	$ 20.9	$ 20.9	$ 20.9	$ 20.9	$ 20.9	$ 20.9	$ 20.9	**$ 20.9**
$ per common share [4]								
Basic net earnings (loss)	$ 0.04	$ 0.16	$ (0.17)	$ 0.19	$ 0.05	$ (0.09)	$ (0.36)	**$ (0.00)**
Diluted net earnings (loss)	$ 0.04	$ 0.16	$ (0.16)	$ 0.19	$ 0.05	$ (0.09)	$ (0.36)	**$ (0.00)**
$ per Stapled Unit [4]								
Basic and diluted earnings (loss) available for distribution	$ 0.31	$ 0.43	$ 0.10	$ 0.46	$ 0.32	$ 0.17	$ (0.09)	**$ 0.27**
Basic and diluted earnings (loss) available for distribution before provision for future income taxes, and write-down of property, plant and equipment	$ 0.27	$ 0.15	$ 0.09	$ 0.29	$ 0.31	$ 0.15	$ (0.10)	**$ 0.20**
Basic and diluted distributable cash	$ 0.41	$ 0.46	$ 0.12	$ 0.35	$ 0.35	$ 0.17	$ (0.07)	**$ 0.71**
Distributions paid	$ 0.27	$ 0.27	$ 0.27	$ 0.27	$ 0.27	$ 0.27	$ 0.27	**$ 0.27**

[4] Per common share and per Stapled Unit amounts presented for each quarter have been determined based on the weighted average number of common shares or weighted average number of Stapled Units outstanding during the quarter. Per common share and per Stapled Unit amounts by quarter do not necessarily add to the total of the year due to changes in the weighted average number of common shares and Stapled Units outstanding during the year.

Internal Controls over Financial Reporting

During the quarter ended December 31, 2007, the Company did not make any changes to its internal controls over financial reporting that would have materially affected, or would reasonably likely materially affect, such controls.

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, harvesting fee and trade policy changes and other actions by governmental authorities, the ability to implement business strategies and pursue business opportunities, labour relations, weather conditions, forest fires, insect infestation, disease and other natural phenomena and other risks and uncertainties described in TimberWest's public filings with securities regulatory authorities.

TIMBERWEST FOREST CORP.

Notice

The accompanying unaudited interim consolidated financial statements of TimberWest Forest Corp. (the "Company") have not been reviewed by the Company's auditors.

TIMBERWEST FOREST CORP.

Consolidated Statements of Operations and Comprehensive Income

(in millions of dollars)
Unaudited

	Three months ended December 31		Twelve months ended December 31	
	2007	2006	**2007**	2006
Sales	**$ 119.6**	$ 110.6	**$ 409.0**	$ 478.1
Operating costs and expenses:				
Cost of sales	**95.1**	82.8	**331.8**	364.1
Selling, administrative and other	**3.8**	3.5	**17.0**	14.1
Depreciation, depletion and amortization	**1.6**	1.8	**7.8**	8.2
Write-down of property, plant and equipment (note 3)	**18.4**	–	**18.4**	–
Countervailing and antidumping duty refund (note 4)	–	(3.0)	–	(3.0)
	118.9	85.1	**375.0**	383.4
Operating earnings	**0.7**	25.5	**34.0**	94.7
Interest expense:				
Series A Subordinate Notes owned by unitholders	**21.0**	20.9	**83.7**	83.6
Long-term debt	**2.5**	0.2	**3.7**	11.2
Short-term debt	**1.0**	3.4	**11.2**	3.4
	24.5	24.5	**98.6**	98.2
Amortization of deferred financing costs (note 2(a))	**0.1**	0.2	**0.9**	0.6
Other income	**(0.1)**	(0.6)	**(6.5)**	(0.7)
Pension plan annuitization (note 5)	–	–	–	17.7
	24.5	24.1	**93.0**	115.8
Earnings (loss) before income taxes	**(23.8)**	1.4	**(59.0)**	(21.1)
Income tax recovery (note 6)	**(23.7)**	(13.4)	**(27.2)**	(38.2)
Net earnings (loss) and comprehensive income (loss)	**$ (0.1)**	$ 14.8	**$ (31.8)**	$ 17.1
Earnings (loss) per common share (note 7)				
Basic	***$ (0.00)***	*$ 0.19*	***$ (0.41)***	*$ 0.22*
Diluted	***$ (0.00)***	*$ 0.19*	***$ (0.41)***	*$ 0.22*

Consolidated Statements of Retained Earnings

(in millions of dollars)
Unaudited

	Three months ended December 31		Twelve months ended December 31	
	2007	2006	**2007**	2006
Retained earnings, beginning of period, as previously reported	**$ 18.4**	$ 35.5	**$ 50.1**	$ 33.2
Change in accounting policy for stock-based compensation (note 2(c))	–	(0.2)	–	(0.2)
Retained earnings, beginning of period, as restated	**18.4**	35.3	**50.1**	33.0
Net earnings (loss) for the period	**(0.1)**	14.8	**(31.8)**	17.1
Retained earnings, end of period	**$ 18.3**	$ 50.1	**$ 18.3**	$ 50.1

See accompanying notes to unaudited interim consolidated financial statements.

TIMBERWEST FOREST CORP.

Consolidated Balance Sheets

(in millions of dollars)

	As at December 31, 2007 *Unaudited*	As at December 31, 2006
Assets		
Current assets:		
Cash	**$ 1.2**	$ 9.3
Accounts receivable	**13.4**	16.9
Inventories	**41.1**	49.0
Prepaid expenses and other current assets	**6.6**	5.6
Future income taxes	**2.1**	2.3
	64.4	83.1
Property, plant and equipment, net (note 8)	**1,230.0**	1,296.3
Other assets (note 9)	**2.0**	2.2
	$ 1,296.4	$ 1,381.6
Liabilities and Unitholders' Equity		
Current liabilities:		
Debentures (note 10)	**$ –**	$ 195.0
Accounts payable and accrued liabilities	**19.4**	37.9
Distribution payable	**21.0**	20.9
	40.4	253.8
Revolving credit facilities (note 11)	**187.5**	–
Long-term silviculture liability	**3.2**	3.6
Employee future benefits (note 12)	**37.2**	39.2
Future income taxes	**119.2**	146.4
	387.5	443.0
Series A Subordinate Notes owned by unitholders (note 2 and 13)	**698.1**	697.0
	1,085.6	1,140.0
Unitholders' equity:		
Share capital, consisting of common and preferred shares (note 13)	**191.0**	190.4
Contributed surplus	**1.5**	1.1
Retained earnings	**18.3**	50.1
	210.8	241.6
	$ 1,296.4	$ 1,381.6

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 December 31		Twelve months ended December 31	
	2007	2006	**2007**	2006
Cash provided by (used in):				
Operating activities:				
Net earnings (loss)	**$ (0.1)**	$ 14.8	**$ (31.8)**	$ 17.1
Items not involving cash:				
Depreciation, depletion and amortization	**1.7**	2.0	**8.7**	8.8
Write-down of property, plant and equipment	**18.4**	–	**18.4**	–
Gain on sale of property, plant and equipment	**(22.3)**	(10.9)	**(28.5)**	(14.9)
Future income tax recovery	**(23.7)**	(13.2)	**(27.1)**	(38.2)
Other non-cash items	**(3.2)**	0.5	**(1.9)**	18.7
	(29.2)	(6.8)	**(62.2)**	(8.5)
Changes in non-cash working capital:				
Accounts receivable	**(1.3)**	(3.8)	**3.5**	7.0
Inventories	**8.9**	(6.6)	**7.9**	(0.8)
Prepaid expenses and other working capital	**4.6**	3.1	**(1.0)**	5.6
Accounts payable and accrued liabilities	**(6.4)**	(1.3)	**(18.5)**	7.8
Interest payable	**0.1**	–	**0.1**	–
	(23.3)	(15.4)	**(70.2)**	11.1
Financing activities:				
Issuance of Stapled Units on exercise of options:				
Series A Subordinate Notes	**0.1**	0.4	**1.1**	1.3
Share capital	**0.1**	0.3	**0.6**	0.6
	0.2	0.7	**1.7**	1.9
Revolving credit facilities	**154.5**	–	**187.5**	(37.0)
Debentures	**(195.0)**	–	**(195.0)**	–
	(40.3)	0.7	**(5.8)**	(35.1)
Investing activities:				
Proceeds from sale of property, plant and equipment	**65.1**	13.9	**71.9**	33.0
Additions to property, plant and equipment	**(1.2)**	(0.6)	**(3.4)**	(4.3)
Other assets	**(0.1)**	0.4	**(0.6)**	1.6
	63.8	13.7	**67.9**	30.3
Increase (decrease) in cash and cash equivalents	**0.2**	(1.0)	**(8.1)**	6.3
Cash and cash equivalents, beginning of period	**1.0**	10.3	**9.3**	3.0
Cash and cash equivalents, end of period	**$ 1.2**	$ 9.3	**$ 1.2**	$ 9.3
Supplemental information:				
Interest on Series A Subordinate Notes paid to unitholders	**$ 20.9**	$ 20.9	**$ 83.6**	$ 83.6
Other interest paid	**$ 10.7**	$ 7.1	**$ 18.8**	$ 14.6
Income taxes paid	**$ –**	$ (0.2)	**$ –**	$ –

See accompanying notes to unaudited interim consolidated financial statements.

Notes to Unaudited Interim Consolidated Financial Statements

For the three and twelve months ended December 31, 2007 and 2006

Financial figures presented in the tables that follow are in millions of dollars, except per common share amounts.

1. Significant Accounting Policies

The accompanying unaudited interim consolidated financial statements include the accounts of TimberWest Forest Corp. and its subsidiaries ("the Company"), have been prepared in accordance with Canadian generally accepted accounting principles and are expressed in Canadian dollars. Not all disclosures required by Canadian generally accepted accounting principles ("GAAP") for annual financial statements are presented and, accordingly, these interim consolidated financial statements should be read in conjunction with the Company's most recent annual consolidated financial statements. These interim consolidated financial statements follow the same accounting policies and methods of application used in the Company's audited annual consolidated financial statements of December 31, 2006, except for the adoption of new accounting policies as described in note 2.

2. Adoption of New Accounting Policies

(a) Financial Instruments

Effective January 1, 2007, the Company adopted the following new accounting standards and related amendments to other standards on financial instruments issued by The Canadian Institute of Chartered Accountants ("CICA") that are applicable for annual or interim periods beginning on or after October 1, 2006. Prior periods have not been restated.

Section 3855, *Financial Instruments – Recognition and Measurement;*

Section 3861, *Financial Instruments – Disclosure and Presentation;*

Section 3865, *Hedges; and*

Section 1530, *Comprehensive Income.*

Sections 3855 and 3861 require all financial assets, financial liabilities and non-financial derivatives to be recognized on the balance sheet at the appropriate measurement and properly disclosed in the notes to the consolidated financial statements. All financial instruments and derivatives are measured at fair value on initial recognition; subsequent measurement depends on the classification of the instrument. Section 3865 sets out hedge accounting prerequisites and rules and builds on existing Canadian GAAP guidance by specifying how hedge accounting is applied and disclosed. Section 1530 introduces new standards for the presentation and disclosure of components of comprehensive income. Comprehensive income is defined as the change in net assets of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources.

As a result of adopting the new financial instruments standards, the Company has classified its cash and cash equivalents as held-for-trading and recorded them at fair value. Accounts receivable, and receivables on the sale of property, plant and equipment, are classified as loans and receivables and measured at amortized cost. The Company's drawings on available credit facilities, accounts payable and accrued liabilities, distribution payable, including interest payable, are classified as other liabilities, all of which are measured at amortized cost.

Section 3855 also provides guidance on accounting for transaction costs incurred upon the issuance of debt instruments or modification of a financial liability. Transaction costs are now deducted from the financial liability and are amortized using the effective interest method over the expected life of the related liability.

As a result of adopting Section 3855, the Company measured its Series A Subordinate Notes owned by unitholders at amortized cost using the effective interest method. The effective interest method establishes the rate which equates the estimated future cash flows with the net carrying amount of the financial liability. The embedded derivative arising from the option to extend the Series A Subordinate Notes for a further 10 year period is measured at fair value.

The adoption of new accounting policies for financial instruments has not resulted in any significant changes to TimberWest's consolidated financial statements.

Notes to Unaudited Interim Consolidated Financial Statements

For the three and twelve months ended December 31, 2007 and 2006

Financial figures presented in the tables that follow are in millions of dollars, except per common share amounts.

2. Adoption of New Accounting Policies (continued)

(b) Accounting Changes, Section 1506

Effective January 1, 2007, the Company adopted the revised CICA Section 1506, Accounting Changes, which requires that: (i) a voluntary change in accounting principles can be made if, and only if, the changes result in more reliable and relevant information, (ii) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change, and (iii) for changes in estimates, the nature and amount of the change should be disclosed.

The Company has not made any voluntary change in accounting principles since the adoption of the revised standard.

(c) Compensation Cost for Stock-based Compensation Awards

Prior to October 1, 2006, the Company recognized compensation cost for stock-based compensation awards to all employees over the vesting period of the awards. Effective October 1, 2006, the Company changed its policy of accounting for awards and now recognizes the compensation cost for employees eligible to retire at the grant date rather than over the vesting period. For employees who become eligible for retirement during the vesting period, compensation cost is recognized over the period from the grant date to the date of eligibility for retirement.

The Company made this change in accounting policy on a retroactive basis but prior years have not been restated. The cumulative adjustment to the opening balance of retained earnings is a decrease of $0.2 million. In 2006, the effect on compensation was nil, deferred stock based compensation costs decreased $0.1 million and contributed surplus increased $0.1 million.

3. Write-down of property, plant and equipment and subsequent event - Elk Falls sawmill

In the fourth quarter of 2007, the Company wrote down the fixed assets of Elk Falls sawmill to fair value, as the carrying value of the assets is not expected to be recoverable from future cashflows. This resulted in a pre-tax impairment charge of $18.4 million. On February 7, 2008, the Company announced effective May 9, 2008, the sawmill will be permanently closed.

4. Countervailing and Antidumping Duty Refund

In 2006, the Company received a net refund of $3.4 million. The refund consisted of Countervailing and Antidumping duty refunds in the amount of $3.0 million and accrued interest in the amount of $0.4 million. Pursuant to the Softwood Lumber Products Export Charge Act, a charge of 18.06% in the amount of $0.8 million was imposed on the total refunds of $4.2 million.

5. Pension Plan Annuitization

In 2006, the Company entered into an agreement with a financial institution to purchase annuities for all retirees in the Company's salaried employee defined benefit pension plans. As a result of this transaction, the Company recorded a $17.2 million non-cash pension expense in the second quarter of 2006, representing the unamortized net actuarial loss associated with retiree pension obligations at the transaction date that would have otherwise been amortized over the expected life of the pension plan.

In 2006, the Company entered into an agreement with a financial institution to purchase annuities for members of one of the Company's remaining small defined benefit pension plans. As a result of this transaction, approximately $1.0 million of pension obligations and $1.4 million of pension assets were transferred to the financial institution. As this pension plan was in a surplus position at the time of this transaction there was no cash cost to the Company, however, the Company recorded a $0.5 million non-cash pension expense in the third quarter of 2006, representing the settlement loss on finalization of this transaction.

Notes to Unaudited Interim Consolidated Financial Statements

For the three and twelve months ended December 31, 2007 and 2006

Financial figures presented in the tables that follow are in millions of dollars, except per common share amounts.

6. Income Taxes

	Three months ended December 31		Twelve months ended December 31	
	2007	2006	**2007**	2006
Current income tax expense – large corporation tax	**$ –**	$ (0.2)	**$ (0.1)**	$ –
Future income tax recovery	**(23.7)**	(13.2)	**(27.1)**	(38.2)
	$ (23.7)	$ (13.4)	**$ (27.2)**	$ (38.2)

In the fourth quarter of 2007, federal tax legislation was substantively enacted, resulting in the reduction of the federal general corporate income tax rate to 19.5% for 2008, 19% for 2009, 18% for 2010, 16.5% for 2011 and 15% for 2012 and subsequent years. These rate changes resulted in a future income tax recovery of $16.9 million for the twelve months ended December 31, 2007.

In the second quarter of 2006, a number of changes to Canadian federal income tax rates were substantively enacted, including: elimination of the Large Corporations Tax (LCT) effective January 1, 2006; elimination of the 4% surtax effective January 1, 2008; and the reduction of the federal general corporate income tax rate to 20.5% for 2008, 20% for 2009, and 19% for 2010 and subsequent years. These rate changes resulted in a future income tax recovery of $14.8 million for the twelve months ended December 31, 2006.

The Company's future income tax liability was reduced by $5.8 million for the twelve months ended December 31, 2006 as a result of the Company entering into an agreement with a financial institution to purchase annuities for all retirees in the Company's salaried employee defined benefit pension plans in the second quarter of 2006.

7. Earnings (loss) per Share

	Three months ended December 31		Twelve months ended December 31	
	2007	2006	**2007**	2006
Net earnings (loss)	**$ (0.1)**	$ 14.8	**$ (31.8)**	$ 17.1
Basic weighted average number of common shares	**77,744,554**	77,605,496	**77,720,298**	77,544,968
Incremental common shares from potential exercise of options	**79,755**	79,041	**127,585**	73,526
Diluted weighted average number of common shares	**77,824,309**	77,684,537	**77,847,883**	77,618,494
Basic net earnings (loss) per common share	**$ (0.00)**	$ 0.19	**$ (0.41)**	$ 0.22
Diluted net earnings (loss) per common share	**$ (0.00)**	**$** 0.19	**$ (0.41)**	**$** 0.22

Notes to Unaudited Interim Consolidated Financial Statements

For the three and twelve months ended December 31, 2007 and 2006

Financial figures presented in the tables that follow are in millions of dollars, except per common share amounts.

8. Property, Plant and Equipment

Property, plant and equipment at December 31, 2007, includes private timberlands with a carrying value of $1,172.3 million. This amount includes a valuation increase adjustment of $376.4 million recorded resulting from the adoption of Section 3465 – Income Taxes of the CICA Handbook, which was mandatory for fiscal years ending on or after January 1, 2000.

9. Other Assets

	As at December 31, 2007	As at December 31, 2006
Deferred debt issue costs (note 2)	**$ 0.5**	$ 0.8
Receivable on sale of property, plant and equipment	**0.5**	0.5
Other	**1.0**	0.9
	$ 2.0	$ 2.2

10. Debentures

On October 1, 2007, the Company used the Tranche A credit facility to pay out the maturity of the $195.0 million of 7.0% debentures.

The Company's $195.0 million aggregate principal amount of debentures bore interest at 7% per annum, were unsecured and unsubordinated, and ranked senior in priority to the Series A Subordinate Notes held by unitholders and equally with indebtedness of the Company under its credit facilities.

11. Revolving credit facilities

On September 25, 2007, the Company completed and received two credit facilities pursuant to unsecured revolving facilities underwritten by a syndicate of Canadian chartered banks. The first facility, Tranche A, is long-term financing in the amount of $200.0 million, due on September 24, 2012. The second facility, Tranche B, is short term financing in the amount of $100.0 million, due on September 24, 2008. Under both facilities, funds are available to the Company in both Canadian and US dollars by way of adjusted prime rate-based loans, bankers' acceptances, LIBOR plus 0.9% loans and letters of credit or guarantee. At any time prior to maturity of the facilities and provided no event of default has occurred, the Company may request an increase to the credit facility apportioned proportionally between Tranche A and Tranche B up to the aggregate amount of $350.0 million. On October 19, 2007, the Company requested and received additional financing in the amount of $25.0 million to the credit facility, apportioned proportionally between Tranche A and Tranche B for a total aggregate amount of $325.0 million.

On completion of this financing, the Company's long-term financing in the amount of $65.0 million pursuant to an unsecured revolving facility underwritten by a Canadian chartered bank, due on July 7, 2010 and the Company's long-term financing in the amount of $100.0 million pursuant to an unsecured revolving facility underwritten by a syndicate of Canadian chartered banks, due on July 27, 2010, were cancelled. The Company had an unsecured demand operating facility of $10.0 million which was cancelled in November 2007.

As at December 31, 2007, the Company had combined borrowings of $187.5 million on its two available unsecured revolving facilities, including borrowing of $187.5 million on its $216.7 Tranche A and borrowing of nil on its $108.3 million Tranche B facility. In addition, the Company had commitments of $1.4 million relating to outstanding letters of credit issued under its Tranche A credit facility, and $16.1 million relating to outstanding letters of credit issued under its $16.3 million demand bank guarantee facility.

Notes to Unaudited Interim Consolidated Financial Statements

For the three and twelve months ended December 31, 2007 and 2006

Financial figures presented in the tables that follow are in millions of dollars, except per common share amounts.

12. Employee Benefits

	As at December 31, 2007	As at December 31, 2006
Pension benefits	**$ 8.8**	$ 8.4
Non-pension benefits	**28.4**	30.8
	$ 37.2	$ 39.2

The Company, through its subsidiaries, maintains pension plans that include defined benefit and defined contribution segments available to all salaried employees and a small number of hourly retirees not covered by union pension plans. For the three months ended December 31, 2007, the Company recorded an expense of $0.7 million for pension benefit costs (2006 – $0.5 million) and made cash payments of $0.4 million to fund current service costs (2006 – $0.1 million). For the twelve months ended December 31, 2007, the Company recorded an expense of $2.2 million for pension benefit costs (2006 – $19.8 million including $17.7 million representing the non-cash cost related to the annuitization transactions completed during 2006 (see note 5)) and made cash payments of $1.8 million to fund current service costs (2006 – $3.2 million).

The Company also provides non-pension benefits consisting of group life insurance and medical benefits to eligible retired employees, which the Company funds on an as-incurred basis. For the three months ended December 31, 2007, the Company recorded a net gain of $3.4 million for non-pension benefit costs (2006 – $1.0 million expense) and made cash payments of $0.5 million to fund current benefit costs (2006 – $0.4 million). For the twelve months ended December 31, 2007, the Company recorded a net gain of $0.3 million for non-pension benefit costs (2006 – $4.0 million expense) and made cash payments of $2.1 million to fund current benefit costs (2006 – $1.8 million).

13. Stapled Units

		Stapled Unit Components		
	Number	**Series A Subordinate Notes**	**Share Capital (consisting of common and preferred shares)**	**Total**
Twelve months ended December 31, 2006:				
Balance, December 31, 2005	77,487,571	$695.7	$189.8	$885.5
Issuance of Stapled Units on exercise of options	147,683	1.3	0.6	1.9
Balance, December 31, 2006	77,635,254	$697.0	$190.4	$887.4
Twelve months ended December 31, 2007:				
Balance, December 31, 2006	77,635,254	$697.0	$190.4	$887.4
Issuance of Stapled Units on exercise of options	**114,889**	**1.1**	**0.6**	**1.7**
Balance, December 31, 2007	**77,750,143**	**698.1**	**191.0**	**889.1**

The Company issues equity by way of Stapled Units, each Stapled Unit consisting of approximately $8.98 face amount of Series A Subordinate Notes, 100 preferred shares and one common share. The securities comprising a Stapled Unit trade together as Stapled Units and cannot be transferred except with each other as part of a Stapled Unit until the date of maturity of the Series A Subordinate Notes or the payment of the principal amount of the Series A Subordinate Notes following an event of default and expiration of a remedies blockage period.

Notes to Unaudited Interim Consolidated Financial Statements

For the three and twelve months ended December 31, 2007 and 2006

Financial figures presented in the tables that follow are in millions of dollars, except per common share amounts.

13. Stapled Units (continued)

Each Series A Subordinate Note has been issued with a face amount of $8.978806569, entitling the holder to an interest payment per unit of $1.077456788 per annum (12%). The Series A Subordinate Notes are unsecured and subordinate to all credit facilities and debentures. The principal amount of the Series A Subordinate Notes plus accrued and unpaid interest thereon are due on August 31, 2038, unless such date is extended by the Company at the time of the issuance of additional Subordinate Notes to a date not later than the earlier of: (i) the date of maturity of such additional Subordinate Notes; and (ii) August 31, 2048, and will be payable by cash or, at the option of the Company, by delivery of common shares to the Subordinate Note Trustee for the benefit of the holders of the Subordinate Notes.

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

14. 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. During the quarter ended December 31, 2007, 300 Stapled Unit options were granted at an average price of $14.71 (2006 – nil). For the twelve months ended December 31, 2007, 339,670 Stapled Unit options were granted at an average price of $16.46 (2006 – 245,238 Stapled Unit options were granted at an average exercise price of $13.94).

The Company has applied the fair value method of accounting for Stapled Unit option grants awarded on or after January 1, 2003. The fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model using the following weighted average assumptions:

	2007	2006
Risk-free interest rate	4.1%	4.1%
Expected life (years)	5.0	5.0
Expected volatility	21.6%	20.3%
Dividend yield	6.5%	8.0%
Number of options granted	339,670	245,238
Fair value of each option granted	$1.85	$0.92

The compensation cost for the 339,670 Stapled Unit options granted between January 1, 2007 and December 31, 2007 is $628,000 (2006 – 245,238 Stapled Unit options were granted with a compensation cost of $226,000). The compensation cost of Stapled Unit option awards is amortized against earnings over the three-year vesting period of the underlying options and an expense of $92,000 and $551,000 has been recognized in net earnings for the three and twelve months ended December 31, 2007 (2006 – $53,000 and $277,000, respectively) with a corresponding credit to contributed surplus.

Notes to Unaudited Interim Consolidated Financial Statements

For the three and twelve months ended December 31, 2007 and 2006

Financial figures presented in the tables that follow are in millions of dollars, except per common share amounts.

14. Stock-based Compensation Plans (continued)

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. The Company applies the principles of the fair value-based method of accounting for stock-based compensation to awards granted under this plan.

Awards are accrued on a basis equal to actual distributions paid on the Company's issued and outstanding Stapled Units and are charged to earnings as the underlying Stapled Unit options vest. For the three months ended December 31, 2007, $0.3 million has been accrued for awards granted under this plan (2006 – $0.2 million) and $0.3 million has been amortized against earnings for the quarter (2006 – $0.3 million). For the twelve months ended December 31, 2007, $1.1 million has been accrued for awards granted under the plan (2006 – $1.0 million) and $1.2 million has been amortized against earnings for this period (2006 – $1.0 million).

During the three months ended December 31, 2007, a total of 11,910 Stapled Unit options with an average exercise price of $12.04 were exercised and no Stapled Unit options were cancelled (2006 – 52,166 Stapled Unit options with an average exercise price of $12.40 were exercised and 11,863 Stapled Unit options with an average exercise price of $14.52 were cancelled). For the twelve months ended December 31, 2007, a total of 114,889 Stapled Unit options with an average exercise price of $13.55 were exercised and 8,160 Stapled Unit options with an average exercise price of $15.41 were cancelled (2006 – 147,683 Stapled Unit options with an average exercise price of $12.52 were exercised and 17,500 Stapled Unit options with an average exercise price of $14.93 were cancelled).

15. Comparative figures

Certain comparative figures have been reclassified to conform to the current year presentation.

TIMBERWEST FOREST CORP.

Supplemental Information
Unaudited

	Three months ended December 31		Twelve months ended December 31	
	2007	2006	**2007**	2006
Sales Revenue by Product *(in millions of dollars)*				
Log sales				
Domestic	**$ 17.2**	$ 31.6	**$ 122.1**	$ 127.8
Export – Asia	**11.8**	25.5	**82.4**	127.6
Export – US	**1.4**	4.8	**41.9**	47.8
Total log sales	**30.4**	61.9	**246.4**	303.2
Lumber	**20.1**	29.5	**76.0**	117.3
Wood chips and other	**3.8**	4.2	**19.5**	21.6
Real estate	**65.3**	15.0	**67.1**	36.0
	$ 119.6	$ 110.6	**$ 409.0**	$ 478.1
Sales Volume				
Logs (*thousand m^3*)				
Domestic	**187.5**	381.3	**1,417.8**	1,609.5
Export – Asia	**123.0**	209.9	**734.5**	985.2
Export – US	**12.5**	53.0	**488.9**	492.5
	323.0	644.2	**2,641.2**	3,087.2
Lumber (*million fbm*)	**34.4**	44.3	**125.3**	184.6
Log Sales Mix (*thousand m^3*)				
Fir	**151.8**	308.7	**1,697.7**	1,893.7
Hembal	**99.7**	221.5	**573.8**	662.9
Cedar	**44.8**	61.5	**204.9**	283.3
Other	**26.7**	52.5	**164.8**	247.3
	323.0	644.2	**2,641.2**	3,087.2
Production Volume				
Logs (*thousand m^3*)				
Public tenures	**75.9**	76.3	**452.4**	711.2
Private timberlands	**212.4**	742.3	**2,226.6**	2,723.9
	288.3	818.6	**2,679.0**	3,435.1
Lumber (*million fbm*)	**23.4**	41.5	**122.7**	183.4
Earnings Before Interest, Taxes, Depreciation and Amortization* *(in millions of dollars)*				
Net earnings (loss)	**$ (0.1)**	$ 14.8	**$ (31.8)**	$ 17.1
Add (deduct):				
Interest on Series A Subordinate Notes paid to unitholders	**21.0**	20.9	**83.7**	83.6
Interest on long-term debt	**2.5**	0.2	**3.7**	11.2
Interest on short-term debt	**1.0**	3.4	**11.2**	3.4
Income tax recovery	**(23.7)**	(13.4)	**(27.2)**	(38.2)
Depreciation, depletion and amortization	**1.6**	1.8	**7.8**	8.2
Amortization of deferred financing costs	**0.1**	0.2	**0.9**	0.6
Earnings before interest, taxes, depreciation and amortization	**$ 2.4**	$ 27.9	**$ 48.3**	$ 85.9

* Earnings (loss) before interest, taxes, depreciation and amortization is a measure that 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. Management believes that the presentation of this measure will enhance an investor's understanding of the Company's operating performance.

TIMBERWEST FOREST CORP.

About TimberWest

TimberWest Forest Corp. is uniquely positioned as Western Canada's largest private land management company. The Company owns in fee simple approximately 322,000 hectares or 796,000 acres of private land, including 75 kilometres of waterfront, that over the previous five years, have provided an annual average timber harvest of 2.565 million m^3 of logs and have an approximate annual growth rate of 8.0 m^3 per hectare per year on the productive land base. These lands are located on Vancouver Island and the majority of the land base supports the growth of Douglas fir, a premium tree species sought after for structural purposes. TimberWest runs fully-contracted harvesting operations. With almost 80% of the Company's annual private land logging now being done in second-growth stands, TimberWest leads the Coastal industry in the growing and harvesting of second-growth timber.

TimberWest also owns renewable Crown harvest rights to 0.7 million m^3 of logs per year and operates a sawmill located near Campbell River, BC.

The Company's independent auditor, KPMG Performance Registrar Inc., periodically certifies that the forest management practices on both the Company's private and public timberlands continue to meet all Sustainable Forestry Initiative (SFI®) requirements. SFI requirements specify that forest harvesting is integrated with environmental and conservation goals for soil, wildlife, water quality protection, conservation of biodiversity, protection of special sites and aesthetics in a manner that ensures a sustainable harvest over the long-term.

In addition, approximately 54,000 hectares, or 134,000 acres (approximately 17% of the Company's landholdings) of the Company's lands have been identified as having greater value as real estate properties and will progressively be made available for higher uses over the next ten to fifteen years. Five land classifications have been developed for the Company's 39,000 acres of core development lands. An additional 41,000 acres adjacent to our core development lands have yet to be classified for specific development opportunities, and some 54,000 acres of non-core higher and better use lands will be sold "as is" over time with no additional planning or zoning work undertaken. The Company reviews its land base on a periodic basis to update the size of its portfolio of higher use properties.

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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