



TimberWest Forest Corp.
January 16, 2009

Suite 2300, 1055 West Georgia Street
P.O. Box 11101
Vancouver, British Columbia
Canada V6E 3P3

Telephone: (604) 654.4600
www.timberwest.com

NON-RESIDENT WITHHOLDING PROCEDURE ON DISTRIBUTION OF RIGHTS

We are writing to inform you of the correct withholding procedure for distributions of Rights (as defined in the TimberWest Short Form Prospectus dated December 23, 2008) to a Unitholder who is a non-resident of Canada for Canadian income tax purposes (a “**Non-Resident**”). For purposes of Canadian withholding tax, the fair market value on January 7, 2009, the day which the Rights were received by Unitholders, of a Right that was issued to a Non-Resident was deemed for purposes of the *Income Tax Act* (Canada) to be a dividend paid to the Non-Resident on that day. The withholding tax rates normally applicable to dividends paid to a Non-Resident will apply to such deemed dividend.

The fair market value of a Right as determined by TimberWest (based on the weighted average trading price for the 5 day period following the issuance of the Rights) was CAN\$0.09. The withholding tax rate applicable to any particular Non-Resident should be multiplied by the aggregate fair market value of the Rights received by that Non-Resident to determine the amount of withholding tax owed by the Non-Resident. You should then sell an amount of Rights sufficient to net, after selling commissions and other selling costs, of sufficient funds to pay the amount of withholding tax owed by the Non-Resident. This amount should be remitted to the Canadian government in accordance with the usual procedure for withholding tax on dividends. Because TimberWest was deemed to have paid a dividend to the Non-Resident on January 7, 2009, the related withholding tax must be received by the Canadian government on or before February 15, 2009. The remaining Rights and any cash remaining from the sale of Rights to fund withholding tax may then be distributed to the Non-Resident.

For example, if a Non-Resident is a resident of the United States for purposes of the *Canada-US Income Tax Convention* and does not hold more than 10% of the voting shares of TimberWest, the withholding tax rate would be 15%. If the fair market value of the Rights received by the Non-Resident were \$100, the withholding tax liability would be \$15. In this case, you would need to sell sufficient Rights issued to the Non-Resident to net \$15 and the Non-Resident would receive the remaining Rights and any cash received on the sale of Rights in excess of \$15.

Yours truly,
TIMBERWEST FOREST CORP.

Bev Park
Executive Vice President & Chief Financial Officer

