



**For immediate release: April 28, 2005**

## **TIMBERWEST GENERATES POSITIVE FIRST QUARTER RESULTS; COMPANY ANNOUNCES JULY 2005 DISTRIBUTION OF \$0.269 PER STAPLED UNIT**

### **Company Successful in Transition to Contractor Model**

Vancouver (BC) – TimberWest began the new year with all of its harvesting and road building functions contracted out, bringing the Company's operating model into line with most other North American jurisdictions. Despite challenging weather conditions at the start of the year, the Company is pleased with how smoothly the transition to a contractor model progressed.

"This important initiative is expected to result in lower costs and improved flexibility, which will improve the competitiveness of the organization over time," said President and CEO Paul McElligott. "All in all, this transition has been successful, a result that can be attributed to the extensive planning and organization carried out by our timberland group, the caliber of employees throughout the organization who embraced this change, and a competent group of independent contractors."

The Company begins the year with positive financial results, generating \$23.9 million of distributable cash, or \$0.31 per Stapled Unit in the first quarter of 2005, compared to \$27.7 million or \$0.36 per Stapled Unit for the same period of 2004. The weakening in results from the prior year reflects the change in the mix of products sold and the adverse effect of market conditions in the quarter, but these have been offset in part by approximately \$8.1 million, or \$0.10 per Stapled Unit, of one time gains.

"The lumber market in Japan remained oversupplied through the quarter, pulp markets continued to be poor and the demand for cedar lumber in North America was down – all placing downward pressure on log sales realizations," said McElligott.

Other factors affecting results included a weaker sales mix for the quarter and a Canadian dollar that was 7% stronger compared to the same period in 2004. However, the Company's costs were lower than this time last year, primarily as a result of lower stumpage, partially offsetting negative developments.

"Oversupplied lumber markets in Japan, and the continuing softwood lumber dispute with the US, contributed to poor financial performance at our Elk Falls lumbermill for the quarter. We do not see market conditions improving in the near term and, just as other mills on the coast have taken downtime during the first quarter, Elk Falls will be taking downtime during the second quarter," added McElligott.

One-time gains in the quarter included surplus equipment sales as a result of the move to a contractor model and the Company's settlement with the Provincial government on its tenure take-back program. The Company has reported proceeds from the sale of property, plant and equipment of \$26.8 million for the quarter, an unusually high amount due to the purchase of company-operated leased equipment and the subsequent sale of this and other company-owned logging equipment to the Company's new contractors for \$21.4 million. Additions to property, plant and equipment for the quarter of \$17.8 million are also unusually high as this amount includes \$17.0 million as the cost of the lease buyouts.

Also included in the total proceeds from the sale of property, plant and equipment of \$26.8 million is the compensation of \$3.7 million TimberWest received for the tenure take-back from TFL 47 and several Timber Licences and for improvements such as roads and bridges associated with areas being reallocated from these tenures.

"A noteworthy development on the coast during the quarter was Weyerhaeuser Company's announcement that it concluded a definitive agreement for the divestiture of its coastal BC assets – private timberland, public tenures and sawmills – with Brascan," said McElligott. "As a strategic buyer, TimberWest was keenly interested in acquiring Weyerhaeuser's private timberlands – our core business is private timberlands and the Weyerhaeuser properties are immediately adjacent to our own, providing synergistic benefits. The Company made a bid on Weyerhaeuser's private timberlands in a strategic alliance with another BC-based company which bid on Weyerhaeuser's public land logging and sawmilling business. We believe this transaction provides

# TIMBERWEST FOREST CORP.

validation of TimberWest's value and while it has not yet closed, we look forward to working with Brascan as a new participant in our coastal industry and exploring opportunities to add value to both of our asset bases going forward."

Effective January 1, 2005, the Company was required to adopt an amendment to CICA Handbook Section 3860 – Financial Instruments: Disclosure and Presentation. Section 3860 establishes standards for the balance sheet presentation of financial instruments or their components as liabilities or equity. The amendment to Section 3860 has resulted in a considerable change to the financial statement presentation of the components of the Company's Stapled Unit and the distributions paid thereon. The subordinate debt component of the Company's Stapled Units is now presented as a liability rather than equity, and distributions paid on the Stapled Units are now presented as an interest expense rather than a direct charge to retained earnings. As we have discussed in previous quarters, absolutely nothing in the Company's capital structure has changed. The Company will continue to report distributable cash as always. Going forward, we will also provide other financial information on a before and after adjustment basis to assist in reading our financial statements.

TimberWest also announced its quarterly distribution of \$0.269 per Stapled Unit, payable on July 15, 2005, to unitholders of record on July 1, 2005. Since TimberWest's inception in July 1997, including the \$20.8 million distribution paid on April 15, 2005, the Company has distributed \$587.6 million to unitholders.

## Quarterly Financial Highlights

TimberWest generated distributable cash<sup>1</sup> of \$23.9 million or basic and diluted distributable cash of \$0.31 per weighted average Stapled Unit for the three months ended March 31, 2005, compared to distributable cash of \$27.7 million or basic and diluted distributable cash of \$0.36 per weighted average Stapled Unit for the same period in 2004. The decrease in distributable cash from the prior year period can be attributed to lower operating earnings in the first quarter of 2005, reflecting lower average realizations on log and lumber sales, offset in part by higher net proceeds on the sale of property, plant and equipment. Earnings available for distribution<sup>1</sup> for the first quarter of 2005, before provision for future income taxes, were \$19.6 million or \$0.25 per basic and diluted weighted average Stapled Unit compared to \$23.6 million or \$0.31 per basic and diluted weighted average Stapled Unit for the same quarter in 2004. Sales for the first quarter of 2005 were \$98.6 million compared to sales of \$105.4 million reported for the first quarter of 2004. Operating earnings were \$17.3 million or 18% of sales for the first quarter of 2005 compared to \$28.0 million or 27% of sales for the same period in 2004. As noted previously, the year over year softening of the operating margin primarily reflects lower average realizations on log and lumber sales, which were off 13% and 15% compared to the same period last year, respectively. Earnings before interest, taxes, depreciation and amortization (EBITDA)<sup>1</sup> for the quarter ended March 31, 2005, were \$25.5 million or \$0.33 per basic and diluted weighted average Stapled Unit compared to \$31.1 million or \$0.41 per basic and diluted weighted average Stapled Unit for the same period in 2004. The quarter ended March 31, 2005 had a net loss of \$2.4 million, equating to a basic and diluted net loss of \$0.03 per weighted average common share, compared to net earnings of \$3.8 million or basic and diluted net earnings of \$0.05 per weighted average common share for the same period in 2004.

---

<sup>1</sup> Distributable cash, earnings available for distribution and 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. Management believes that the presentation of these measures will enhance an investor's understanding of the Company's operating performance. A reconciliation of net earnings as determined in accordance with GAAP and distributable cash and earnings available for distribution is provided in the Summary of Financial Results and a reconciliation of net earnings as determined in accordance with GAAP and EBITDA is provided in the Supplemental Information included in this press release.

# TIMBERWEST FOREST CORP.

## Summary of Financial Position

(In millions of dollars, except as otherwise indicated)

	As at March 31, 2005	As at December 31, 2004 (restated)
<i>Unaudited</i>		
Net non-cash working capital (excluding cash, short-term borrowings and distribution payable)	\$ 48.6	\$ 52.5
Cash	\$ —	\$ 1.6
Total assets	\$ 1,435.2	\$ 1,434.5
Total debt <sup>2</sup>	\$ 208.6	\$ 217.0
Series A Subordinate Notes owned by unitholders	\$ 692.3	\$ 690.5
Unitholders' equity	\$ 215.0	\$ 216.6
Total capitalization <sup>2</sup>	\$ 1,115.9	\$ 1,124.1
Debt-to-total capitalization ratio <sup>2</sup>	18.7%	19.3%
Stapled Units outstanding (thousands)	77,112	76,907
Basic weighted average Stapled Units (thousands)	76,989	76,524
Diluted weighted average Stapled Units (thousands)	77,201	76,629

---

<sup>2</sup> Total debt, total capitalization and debt-to-total capitalization 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.

# TIMBERWEST FOREST CORP.

## Summary of Financial Results

*(In millions of dollars, except as otherwise indicated)*

<i>Unaudited</i>	<b>Three Months Ended March 31, 2005</b>	Three Months Ended March 31, 2004 (restated)
Sales	\$ 98.6	\$ 105.4
Operating earnings	\$ 17.3	\$ 28.0
Net earnings (loss)	\$ (2.4)	\$ 3.8
Distributable cash		
Net earnings (loss)	\$ (2.4)	\$ 3.8
Interest on Series A Subordinate Notes owned by unitholders	20.8	20.6
Earnings available for distribution	18.4	24.4
Future income tax (recovery) expense	1.2	(0.8)
Earnings available for distribution before provision for future income taxes	19.6	23.6
Add (deduct):		
Depreciation, depletion and amortization	2.1	3.2
Proceeds from the sale of real estate	1.7	0.9
Proceeds from sale of other property, plant and equipment	25.1	0.5
Gain on sale of property, plant and equipment	(6.8)	(0.5)
Additions to property, plant and equipment	(17.8)	(0.5)
Other non-cash items	—	0.5
	4.3	4.1
Distributable cash	\$ 23.9	\$ 27.7
Distributions paid	\$ 20.7	\$ 20.5
Per weighted average Stapled Unit amounts: <i>(Dollars per Stapled Unit)</i>		
<i>Basic and diluted earnings available for distribution before     provision for future income taxes</i>	\$ 0.25	\$ 0.31
<i>Basic and diluted distributable cash</i>	\$ 0.31	\$ 0.36
<i>Distributions paid</i>	\$ 0.27	\$ 0.27
Per weighted average common share amounts: <i>(Dollars per common share)</i>		
<i>Basic and diluted net earnings (loss)</i>	\$ (0.03)	\$ 0.05

# TIMBERWEST FOREST CORP.

## Outlook

TimberWest continues to approach 2005 with caution. Economic reports to date are mixed on the strength of the US housing market for the balance of the year and with housing starts for March 2005 showing some decline, there is concern that housing starts may drop further as the year advances. Such a situation would result in an oversupply of logs and lumber in that market, thereby further depressing prices. The Company expects that fir and hemlock log prices will continue to be stable in this market throughout the second quarter. While cedar logs have been oversupplied in the US Pacific Northwest, volumes and pricing are expected to recover somewhat in the second quarter of the year.

While log prices in Japan are holding up reasonably well, Japanese sawmillers continue to struggle to maintain profitability. In conjunction with a weaker Yen, this situation is expected to place downward pressure on log pricing in the second quarter. With depressed conditions in the coastal sawmilling industry, it is unlikely that prices in the BC coastal market will improve in the near term.

TimberWest expects both Japan and North American lumber markets to remain oversupplied in the near term. In Japan, lumber consumption remains steady and while lumber inventories have declined in recent months, it will take until the third quarter before supply and demand comes back into balance. In North America, lumber consumption remains strong but lumber inventories are high. This has resulted in near term price pressure, particularly for fir and green hemlock markets and we expect this to continue through the second quarter. As a result, we will be taking downtime at Elk Falls during the second quarter.

The Company is off to a good start with respect to production volumes and costs. Up to March 2005 there had been concern of an early fire season, however, a stretch of wet weather and some snow in early April in our operating region has tempered this view. As a result, the Company expects a normal pattern of production for the year and expects its production costs to remain in line with 2004 costs.

The Company expects 2005 capital expenditures to be lower than 2004 and anticipates real estate sales to be about the same level as reported in 2004.

TimberWest expects to generate sufficient distributable cash in the year to fund its 2005 cash distributions.

## Quarterly Conference Call

TimberWest will hold a conference call at 8:00am PDT (11:00am EDT) on Friday, April 29, 2005, to discuss results of the first quarter of 2005. To access the conference call, listeners should dial 1-800-404-8949. For those unable to participate in the live call, a recording of the call will be available until May 13, 2005, and can be accessed at 1-800-558-5253 using code 21235679. 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.

# TIMBERWEST FOREST CORP.

## Consolidated Statements of Operations

(in millions of dollars)  
Unaudited

	Three months ended March 31, 2005	Three months ended March 31, 2004 (restated – note 2)
Sales	\$ 98.6	\$ 105.4
Operating costs and expenses:		
Cost of sales	75.9	71.0
Selling, administrative and other	3.5	3.5
Depreciation, depletion and amortization	1.9	2.9
	<b>81.3</b>	<b>77.4</b>
Operating earnings	17.3	28.0
Interest expense:		
Series A Subordinate Notes owned by unitholders (note 2)	20.8	20.6
Long-term debt	3.1	3.4
Short-term debt	0.5	0.7
	<b>24.4</b>	<b>24.7</b>
Amortization of deferred financing costs	0.2	0.3
Other income (note 3)	(6.3)	(0.2)
	<b>18.3</b>	<b>24.8</b>
Earnings (loss) before income taxes	(1.0)	3.2
Income tax expense (recovery) (note 4)	1.4	(0.6)
Net earnings (loss)	\$ (2.4)	\$ 3.8
<i>Basic and diluted net earnings (loss) per common share (note 5)</i>	\$ (0.03)	\$ 0.05

## Consolidated Statements of Retained Earnings

(in millions of dollars)  
Unaudited

	Three months ended March 31, 2005	Three months ended March 31, 2004 (restated – note 2)
Retained earnings, beginning of period	\$ 28.4	\$ 4.7
Net earnings (loss) for the period	(2.4)	3.8
Retained earnings, end of period	\$ 26.0	\$ 8.5

See accompanying notes to unaudited interim consolidated financial statements.

# TIMBERWEST FOREST CORP.

## Consolidated Balance Sheets

(in millions of dollars)

	As at March 31, 2005 <i>Unaudited</i>	As at December 31, 2004 (restated – note 2)
<b>Assets</b>		
Current assets:		
Cash	\$ –	\$ 1.6
Accounts receivable	28.3	14.7
Inventories	55.3	62.2
Prepaid expenses and other current assets	5.6	5.7
Future income taxes	3.0	3.8
	92.2	88.0
Property, plant and equipment, net (note 6)	1,330.2	1,334.3
Other assets	12.8	12.2
	\$ 1,435.2	\$ 1,434.5
<b>Liabilities and Unitholders' Equity</b>		
Current liabilities:		
Revolving credit facilities (note 7)	\$ 13.6	\$ 22.0
Accounts payable and accrued liabilities	43.6	35.5
Distribution payable	20.8	20.7
	78.0	78.2
Debentures	195.0	195.0
Long-term silviculture liability	2.8	2.8
Non-pension post-retirement benefits	27.4	27.1
Future income taxes	224.7	224.3
	527.9	527.4
Series A Subordinate Notes owned by unitholders (note 2 and note 8)	692.3	690.5
	1,220.2	1,217.9
Unitholders' equity:		
Share capital, consisting of common and preferred shares (note 8)	188.5	187.8
Contributed surplus	0.5	0.4
Retained earnings	26.0	28.4
	215.0	216.6
	\$ 1,435.2	\$ 1,434.5

See accompanying notes to unaudited interim consolidated financial statements.

# TIMBERWEST FOREST CORP.

## Consolidated Statements of Cash Flows

(in millions of dollars)  
Unaudited

Three months ended  
March 31, 2005

Three months ended  
March 31, 2004  
(restated – note 2)

	Three months ended March 31, 2005	Three months ended March 31, 2004 (restated – note 2)
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Net earnings (loss)	\$ (2.4)	\$ 3.8
Items not involving cash:		
Depreciation, depletion and amortization	2.1	3.2
Gain on sale of property, plant and equipment	(6.8)	(0.5)
Future income tax expense (recovery)	1.2	(0.8)
Other non-cash items	0.4	(1.0)
	(5.5)	4.7
Changes in non-cash working capital:		
Accounts receivable	(13.6)	(11.2)
Inventories	6.9	(13.9)
Prepaid expenses and other working capital	0.1	1.6
Accounts payable and accrued liabilities	8.1	23.0
Distribution payable	0.1	0.1
	(3.9)	4.3
<b>Financing activities:</b>		
Issuance of Stapled Units on exercise of options:		
Series A Subordinate Notes	1.8	1.3
Share capital	0.7	0.6
	2.5	1.9
Revolving credit facilities	(8.4)	(7.0)
	(5.9)	(5.1)
<b>Investing activities:</b>		
Proceeds from sale of property, plant and equipment	26.8	1.4
Additions to property, plant and equipment	(17.8)	(0.5)
Other assets	(0.8)	(0.1)
	8.2	0.8
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(1.6)</b>	<b>–</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>1.6</b>	<b>–</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ –</b>	<b>\$ –</b>
<b>Supplemental information:</b>		
Interest on Series A Subordinate Notes paid to unitholders	\$ 20.7	\$ 20.5
Other interest paid	\$ 0.4	\$ 0.8
Income taxes paid	\$ 0.1	\$ 0.2

See accompanying notes to unaudited interim consolidated financial statements.

# TIMBERWEST FOREST CORP.

## Notes to Unaudited Interim Consolidated Financial Statements For the three months ended March 31, 2005 and 2004

*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 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, 2004, except for the accounting policy change as described in note 2.

### 2. Change in Accounting Policy

Liabilities and equity:

Effective January 1, 2005, the Company was required to adopt an amendment to CICA Handbook Section 3860 – *Financial Instruments: Disclosure and Presentation*. Section 3860 establishes standards for the balance sheet presentation of financial instruments or their components as liabilities or equity. The amendment to Section 3860 requires obligations that may be settled at the issuer's option by a variable number of the issuer's own equity instruments to be presented as liabilities. This amendment is effective for the Company's 2005 fiscal year and has been adopted on a retroactive basis.

The Company's Stapled Units are a unique equity instrument, consisting of one common share, 100 preferred shares and approximately \$8.98 face amount of Series A Subordinate Notes. These components are "stapled" together as a single unit and trade together on the Toronto Stock Exchange as Stapled Units. Components cannot be transferred except with each other as part of a Stapled Unit. The Company has historically classified all components of the Stapled Unit as equity on its balance sheet as the Company's Subordinate Notes have a "Common and/or Preferred Shares Payment Election". This election provides the Company with the option to satisfy its obligation to pay any interest on the Subordinate Notes by delivering common and/or preferred shares, and with the option to pay the principal amount of the outstanding Subordinate Notes by delivering common shares.

Given that the number of shares required to retire the Subordinate Note component is not fixed, the Series A Subordinate Note component of the Stapled Unit is no longer classified as equity and is now presented as a liability on the Company's consolidated balance sheets. As at March 31, 2005, the reclassification from equity to liabilities was \$692.3 million (December 31, 2004 – \$690.5 million).

Further, holders of the Company's Stapled Units are entitled to annual interest payments on the Subordinate Note component of approximately \$1.08 per Stapled Unit. For the same reason that the Subordinate Note component was previously classified as equity on the Company's consolidated financial statements, interest payments on Stapled Units have historically been recorded as a distribution to unitholders and charged directly to retained earnings, on an after-tax basis, similar to dividends on common shares. The amendment to Section 3860 requires that the interest on Series A Subordinate Notes paid to unitholders be reported, on a pre-tax basis, as interest expense in the statement of operations. This revision also requires the tax benefit provided by the distributions to be reported as a component of the income tax provision in the statement of operations. For the three months ended March 31, 2005, interest payments on the Series A Subordinate Notes of \$20.8 million (2004 – \$20.7 million) have been reported as an interest expense in the consolidated statements of operations and the income tax benefit thereon of \$7.4 million (2004 – \$7.3 million) have been reported as a reduction in the income tax expense in the consolidated statements of operations, whereas both had previously been reported in retained earnings.

# TIMBERWEST FOREST CORP.

## Notes to Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2005 and 2004

### 3. Business Transformation

The Company completed the final phase of its business transformation initiative early in the first quarter of 2005, with the buy-out of leases on Company operated logging equipment for \$17.0 million, and the subsequent sale of this leased equipment and other company-owned logging equipment to long-term contractors for proceeds of approximately \$21.4 million. Other income for the three months ended March 31, 2005 includes a gain on disposal of the logging equipment of approximately \$4.4 million.

### 4. Income Taxes

	Three months ended March 31, 2005	Three months ended March 31, 2004 (restated – note 2)
Current income tax expense – large corporation tax	\$ 0.2	\$ 0.2
Future income tax expense (recovery)	1.2	(0.8)
	\$ 1.4	\$ (0.6)

### 5. Earnings per Share

	Three months ended March 31, 2005	Three months ended March 31, 2004 (restated – note 2)
Net earnings (loss)	\$ (2.4)	\$ 3.8
Basic weighted average number of common shares	76,988,877	76,308,086
Incremental common shares from potential exercise of options	211,659	106,660
Diluted weighted average number of common shares	77,200,536	76,414,746
Basic and diluted net earnings (loss) per common share	\$ (0.03)	\$ 0.05

### 6. Property, Plant and Equipment

Property, plant and equipment at December 31, 2004 includes private timberlands with a carrying value of \$1,214.0 million. This amount includes a valuation increase adjustment of \$389.8 million recorded in the year ended December 31, 2000 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.

# TIMBERWEST FOREST CORP.

## Notes to Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2005 and 2004

### 7. Revolving Credit Facilities

On February 28, 2005, the Company completed and received an extension of short-term financing from a Canadian bank that was previously due on March 1, 2005. This financing consists of an unsecured demand bank guarantee facility in the amount of \$16.0 million and an unsecured 364-day committed revolving facility in the amount of \$40.0 million, both now due on June 1, 2005. Under the 364-day facility, funds are available to the Company in both Canadian and US dollars by way of adjusted prime rate-based loans, Canadian dollar bankers' acceptances and letters of credit or guarantee.

As at March 31, 2005, the Company had combined borrowings of \$13.6 million on its two \$40.0 million unsecured 364-day revolving facilities, and commitments of \$15.9 million relating to outstanding letters of credit issued under its available credit facilities. As at March 31, 2005, there were no borrowings on the Company's \$125.0 million unsecured revolving credit facility.

### 8. Stapled Units

	Stapled Unit Components			Total
	Number	Series A Subordinate Notes	Share Capital (consisting of common and preferred shares)	
Three months ended March 31, 2004:				
Balance, December 31, 2003	76,246,122	\$ 684.6	\$ 186.0	\$ 870.6
Issuance of Stapled Units on exercise of options	150,200	1.3	0.6	1.9
<b>Balance, March 31, 2004</b>	<b>76,396,322</b>	<b>\$ 685.9</b>	<b>\$ 186.6</b>	<b>\$ 872.5</b>
Three months ended March 31, 2005:				
Balance, December 31, 2004	76,907,017	\$ 690.5	\$ 187.8	\$ 878.3
Issuance of Stapled Units on exercise of options	<b>205,329</b>	<b>1.8</b>	<b>0.7</b>	<b>2.5</b>
<b>Balance, March 31, 2005</b>	<b>77,112,346</b>	<b>\$ 692.3</b>	<b>\$ 188.5</b>	<b>\$ 880.8</b>

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.

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, and the principal amount of, Series A Subordinate Notes in common or preferred shares of the Company.

# TIMBERWEST FOREST CORP.

## Notes to Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2005 and 2004

### 9. Employee Benefits

The Company, through its subsidiaries, maintains pension plans that include defined benefit and defined contribution segments available to all salaried employees and to hourly employees not covered by union pension plans. For the three months ended March 31, 2005, the Company recorded an expense of \$0.4 million for pension benefit costs (2004 – \$0.7 million) and made cash payments of \$0.8 million to fund current and future service costs (2004 – \$0.3 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 March 31, 2005, the Company recorded an expense of \$0.9 million for non-pension benefit costs (2004 – \$0.9 million) and made cash payments of \$0.5 million to fund current and future benefit costs (2004 – \$0.4 million).

### 10. 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 March 31, 2005, 342,998 Stapled Unit options were granted at an exercise price of \$15.80 (2004 – 313,220 Stapled Unit options were granted at an average exercise price of \$12.21).

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:

	2005	2004
Risk-free interest rate	3.5%	3.5%
Expected life (years)	5.0	5.0
Expected volatility	20.0%	20.6%
Dividend yield	6.8%	8.6%
Number of options granted	342,998	313,220
Fair value of each option granted	\$1.31	\$0.86

The compensation cost for the 342,998 Stapled Unit options granted between January 1, 2005 and March 31, 2005 is \$449,000 (2004 – 313,220 Stapled Unit options were granted with a compensation cost of \$269,000). 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 \$65,000 has been recognized in net earnings for the three month period ended March 31, 2005 (2004 – \$33,000) for option awards made during fiscal 2005, 2004 and 2003, with a corresponding credit to contributed surplus.

Had the Company used the fair value method to account for Stapled Unit options granted during 2002, there would have been no adjustment to net earnings and earnings per common share reported for the three month periods ended March 31, 2005 and 2004, as the stock-based compensation cost related to these options was nominal.

# TIMBERWEST FOREST CORP.

## Notes to Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2005 and 2004

### 10. 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 March 31, 2005, \$0.3 million has been accrued for awards granted under this plan (2004 – \$0.3 million) and \$0.3 million has been amortized against earnings for the quarter (2004 – \$0.3 million).

During the three months ended March 31, 2005, a total of 205,329 Stapled Unit options with an average exercise price of \$12.27 were exercised and 23,207 Stapled Unit options with an average exercise price of \$14.03 were cancelled (2004 – 150,200 Stapled Unit options with an average exercise price of \$12.59 were exercised and no options were cancelled).

### 11. Comparative Figures

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

# TIMBERWEST FOREST CORP.

## Supplemental Information

Unaudited

Three months ended  
March 31, 2005

Three months ended  
March 31, 2004

	Three months ended March 31, 2005	Three months ended March 31, 2004
<b>Sales by Product</b>		
<i>(in millions of dollars)</i>		
Log sales		
Domestic	\$ 37.1	\$ 45.8
Export – Asia	24.0	23.5
Export – US	11.5	10.0
Total log sales	72.6	79.3
Lumber	18.6	20.0
Wood chips and other	5.5	5.1
Real estate	1.9	1.0
	\$ 98.6	\$ 105.4
<b>Sales Volume</b>		
<i>Logs (million m<sup>3</sup>)</i>		
Domestic	0.5	0.5
Export – Asia	0.2	0.2
Export – US	0.1	0.1
	0.8	0.8
Lumber ( <i>million fbm</i> )	35.0	32.0
<b>Log Sales Mix (million m<sup>3</sup>)</b>		
Fir	0.4	0.5
Hembal	0.2	0.1
Cedar	0.1	0.1
Other	0.1	0.1
	0.8	0.8
<b>Production Volume</b>		
<i>Logs (million m<sup>3</sup>)</i>		
Public tenures	0.1	0.3
Private timberlands	0.6	0.6
	0.7	0.9
Lumber ( <i>million fbm</i> )	46.9	40.2
<b>Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)*</b>		
<i>(in millions of dollars)</i>		
Net earnings (loss)	\$ (2.4)	\$ 3.8
Add (deduct):		
Interest on Series A Subordinate Notes paid to unitholders	20.8	20.6
Interest on long-term debt	3.1	3.4
Interest on short-term debt	0.5	0.7
Income tax expense (recovery)	1.4	(0.6)
Depreciation, depletion and amortization	1.9	2.9
Amortization of deferred financing costs	0.2	0.3
EBITDA	\$ 25.5	\$ 31.1

\* EBITDA does not have a standardized meaning prescribed by Canadian generally accepted accounting principles and may not be comparable to similar measures presented by other companies. Management believes that the presentation of this measure will enhance an investor's understanding of the Company's operating performance.

# TIMBERWEST FOREST CORP.

## 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 2.5 million m<sup>3</sup> of logs, are located on Vancouver Island and predominantly support the growth of Douglas fir forests, a premium species used for structural purposes. TimberWest runs fully-contracted harvesting operations. With approximately 70% of the Company's logging now being done in second-growth stands, TimberWest leads the industry in the harvest of second-growth timber. Third party auditors have certified that the management of the Company's private forest land conforms to the objectives and performance measures of the American Forest and Paper Association's Sustainable Forestry Initiative (SFI®). The computation of the Company's recently revised long-run sustainable yield will be validated by the Company's external SFI® auditor, KPMG Performance Registrar Inc., in the first half of 2005. TimberWest also owns renewable Crown harvest rights to 0.8 million m<sup>3</sup> of logs per year and operates a lumbermill located near Campbell River, BC. In addition, approximately 6,000 hectares of the Company's private forest lands have been identified as having greater value as real estate properties and 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, 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.

## Additional Information

TimberWest Stapled Units are listed on the Toronto Stock Exchange under the symbol "TWF.UN".

For further information please contact:

Bev Park  
Vice-President, Finance and Chief Financial Officer  
Telephone: (604) 654-4600  
Facsimile: (604) 654-4662  
Email: [invest@timberwest.com](mailto:invest@timberwest.com)

Visit our website at: <http://www.timberwest.com>.