For immediate release: February 8, 2006

TIMBERWEST ANNOUNCES 2005 FINANCIAL RESULTS

Company finishes year with strong 4th quarter; progress made on goal of "pure play" timberland management company

Vancouver (BC) – "2005 was another successful year for TimberWest on a number of fronts; we not only achieved many important goals helping to make us one of the best performing timberland companies in North America, we were also successful in improving our cost structure and increasing our operating flexibility in an effort to remain competitive in the face of considerable revenue pressure," said President and CEO Paul McElligott.

TimberWest generated $29.7 million of distributable cash, or $0.38 per Stapled Unit, for the fourth quarter of 2005, compared to $18.1 million or $0.24 per unit for the same period in 2004. The strong results in the current quarter reflect increased real estate activity, with sales proceeds of $9.7 million, and the receipt of $7.4 million in the quarter as the result of a tax recovery related to subsidiary companies.

Fourth quarter results bring distributable cash for the year to $67.3 million or $0.87 per Stapled Unit. Even though the Company did not generate enough cash to cover its annual distributions of $83.1 million or $1.08 per Stapled Unit, our financial condition remains strong, with the Company 20% levered at the end of the year. Additional borrowing required over the year to cover the distribution shortfall and a higher level of working capital was modest at $15 million.

"While we did not achieve targeted levels of distributable cash in 2005, lots of good work was done by TimberWest employees to better position the Company for the future," added McElligott. "Among the more significant accomplishments, our business model was successfully transformed with the transfer of all remaining road building and timber harvesting operations to independent contractors, we once again took costs out of the system, our customer base was further diversified, we removed a major encumbrance on the business, and we moved a step closer to our strategic goal of becoming a "pure play", publicly-traded timberland company."

TimberWest is pleased to announce its next quarterly distribution of $0.269 per Stapled Unit, payable on April 15, 2006, to unitholders of record on April 1, 2006. Since TimberWest's inception in July 1997, including the $20.9 million distribution paid on January 15, 2006, the Company has distributed $650.1 million to unitholders.

A weaker overall species and end use sort mix, weak domestic markets and a stronger Canadian dollar were key factors in our lower distributable cash results for the quarter and the year. Log prices remain depressed on the coast of BC and many mills took market-related downtime in 2005, reflecting the poor financial condition and profitability of the domestic converting industry.

The Company has pursued a strategy of growing export sales to offset domestic market declines, with 2005 proving to be a record year for log export volumes. Unfortunately, log export sales are priced in US dollars and the strength of Canadian dollar has resulted in realization declines that have more than offset the strength in pricing.

We continue to increase the volume of second-growth fibre in our harvest mix and with this comes a higher proportion of smaller diameter fibre. Our challenge for the future is to find the best markets for the changing profile of our forests and to harvest this fibre at the lowest cost possible. An important factor in improving the values that we will receive for the smaller diameter fibre in our forest is the revitalization of the coastal sawmilling industry.

While coastal restructuring is indeed underway, it has yet to enter its revitalization stage with the construction of new low-cost and technologically advanced sawmills to convert second-growth timber. We believe this will come with a trade deal that provides the coast with market access, lower costs and greater certainty over land use issues. While this restructuring is underway, we believe other jurisdictions will continue to provide us with premium pricing on smaller fibre than we could derive from domestic sawmillers.

As noted, real estate was a bright spot for the Company this quarter. We continue to see buoyancy in both demand and pricing for real estate throughout most of Vancouver Island. TimberWest owns some spectacular real estate on Vancouver Island – property that rivals the beauty of prime real estate in jurisdictions around the world – yet it remains reasonably priced by global standards. We are just completing a strategic review of our real estate portfolio and expect that real estate will play a much bigger role in delivering value to our unitholders than it has in the past.

Finally, on a more somber note, safety issues have plagued our industry and have affected some of the contractors working for TimberWest this year. This quarter, one of our contract falling companies experienced a fatality while working at one of our operations. This incident is of great concern to TimberWest, as we have always prided ourselves on our focus on safety. All of our long-term contractors and a portion of our short-term contractors have undergone comprehensive safety program audits in 2005. All deficiencies identified have corrective action plans associated with them with the goal of improving safety performance on our land base. For 2006, we will complete our audit program by having all of our remaining short-term contractors undergo TimberWest safety audits as well. The Company also actively supports and participates in the work of the BC Forest Safety Council. As a member of that organization, TimberWest will only employ safety certified contractors on our land base once the new safety certification program becomes fully operational. The Company looks forward to a better year for safety in 2006 at TimberWest and throughout our industry.

Quarterly Financial Highlights

TimberWest generated distributable cash[1] of $29.7 million or basic and diluted distributable cash of $0.38 per weighted average Stapled Unit for the three months ended December 31, 2005, compared to $18.1 million or basic and diluted distributable cash of $0.24 per weighted average Stapled Unit for the same period in 2004. The positive variance in distributable cash from the prior year period can primarily be attributed to higher operating earnings in the fourth quarter of 2005, as a result of higher log sales volumes. Proceeds from the sale of real estate for the quarter were $9.7 million compared to $7.5 million for the same period in 2004. Earnings available for distribution[1], before provision for future income taxes, for the fourth quarter of 2005 were $24.3 million or $0.31 per basic and diluted weighted average Stapled Unit compared to earnings available for distribution, before provision for future income taxes, of $13.2 million or $0.17 per basic and diluted weighted average Stapled Unit for the same quarter in 2004.

Sales for the fourth quarter of 2005 were $138.2 million, greater than sales of $114.9 million reported for the fourth quarter of 2004. Operating earnings were $21.0 million compared to $15.0 million for the same period in 2004, with the current year operating margin improving to 16%, up from 13% in 2004, reflecting the effect of the higher margins realized on the increased real estate sales for the current year. Earnings before interest, taxes, depreciation and amortization (EBITDA)[1] for the three months ended December 31, 2005, were $26.5 million or $0.34 per basic and diluted weighted average Stapled Unit compared to $20.1 million or $0.26 per basic and diluted weighted average Stapled Unit for the same period in 2004. The Company reported an income tax recovery of $31.6 million for the three months ended December 31, 2005. This recovery is primarily non-cash, with the exception of a current income tax recovery of $4.1 million related to the settlement of an appeal of a prior year income tax assessment. The remaining future income tax recovery of $27.5 million includes a $16.1 million future income tax recovery resulting from the implementation of a number of tax planning strategies with respect to the availability of non-capital losses and $6.0 million related to adjustments to timberland tax values. Net earnings for the three months ended December 31, 2005 were $30.9 million or basic and diluted net earnings of $0.40 per weighted average common share, compared to a net loss of $1.2 million or a basic and diluted net loss of $0.02 per weighted average common share for the same period in 2004.

Year to Date Financial Highlights

TimberWest generated distributable cash of $67.3 million or basic and diluted distributable cash of $0.87 per weighted average Stapled Unit for the year ended December 31, 2005, compared to $125.2 million or basic distributable cash of $1.64 and diluted distributable cash of $1.63 on a per weighted average Stapled Unit basis

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[1] 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.

for 2004. The year-over-year decrease can be attributed to several items, including: lower operating earnings in 2005, reflecting lower average realizations on log and lumber sales compared to 2004; the payment of $15.0 million or $0.19 per Stapled Unit in 2005 to terminate a fibre supply agreement; the receipt in 2004 of cash proceeds of $16.7 million or $0.22 per Stapled Unit from the sale of TFL 46; and the receipt in 2004 of $14.0 million or $0.18 per Stapled Unit as settlement for the expropriation of timber harvesting rights. Also noteworthy are an atypically large number of property, plant and equipment transactions in both 2005 and 2004, including the buy-out of leases on company-operated logging equipment for $21.0 million and the subsequent sale of this leased equipment and other company-owned logging equipment to long-term contractors for proceeds of approximately $25.1 million as part of the 2005 business transformation initiative, and proceeds of $16.7 million from the sale of TFL 46 in 2004. Proceeds from the sale of real estate for 2005 were $13.9 million compared to $10.8 million for 2004. Earnings available for distribution for the year ended December 31, 2005, before provision for future income taxes, were $50.0 million or $0.65 per basic and diluted weighted average Stapled Unit compared to $98.8 million or $1.29 per basic and diluted weighted average Stapled Unit for 2004.

Sales for the year ended December 31, 2005 were $458.2 million compared to $477.0 million for 2004. Operating earnings were $70.1 million for 2005 compared to $94.4 million for 2004. EBITDA for the year ended December 31, 2005, were $71.9 million or $0.93 per basic and diluted weighted average Stapled Unit compared to $112.7 million or $1.47 per basic and diluted weighted average Stapled Unit for 2004. The Company reported an income tax recovery of $41.6 million for the year ended December 31, 2005. As with the fourth quarter of 2005, this recovery is primarily non-cash, with the exception of a current income tax recovery of $4.1 million related to the settlement of an appeal of a prior year income tax assessment. The remaining future income tax recovery of $38.1 million includes a $16.1 million future income tax recovery resulting from the implementation of a number of tax planning strategies with respect to the availability of non-capital losses, a $9.3 million future income tax recovery resulting from a 1.5% reduction in the British Columbia general corporate income tax rate enacted during the year and $6.0 million related to adjustments to timberland tax values. The Company had net earnings of $4.8 million, or basic and diluted net earnings of $0.06 per weighted average common share, for the year ended December 31, 2005, compared to net earnings of $23.7 million or basic and diluted net earnings of $0.31 per weighted average common share for 2004. Net earnings for 2005 reflect the effects of a number of unique transactions, including: a $15.0 million payment to terminate a fibre supply agreement with one of its customers; $3.7 million received in the first quarter of 2005 as compensation for the loss of logging rights under the Forestry Revitalization Plan; a $2.0 million restructuring charge taken in the second quarter of 2005 related to the Company's business transformation initiative; and a considerable income tax recovery reported for the year. Net earnings for 2004 include a $14.0 million expropriation settlement received in that year and disclosed as an extraordinary item.

Summary of Financial Position

(In millions of dollars, except as otherwise indicated) *Unaudited*	**As at December 31, 2005**	As at December 31, 2004
Net non-cash working capital (excluding cash, short-term borrowings and distribution payable)	**$ 55.7**	$ 50.9
Cash	**$ 3.0**	$ 1.6
Total assets	**$ 1,419.1**	$ 1,434.5
Total debt [2]	**$ 232.0**	$ 217.0
Series A Subordinate Notes owned by unitholders	**$ 695.7**	$ 690.5
Unitholders' equity	**$ 223.7**	$ 216.6
Total capitalization [2]	**$ 1,151.4**	$ 1,124.1
Debt-to-total capitalization ratio [2]	**20.1%**	19.3%
Stapled Units outstanding (thousands)	**77,488**	76,907
Basic weighted average Stapled Units (thousands)	**77,207**	76,524
Diluted weighted average Stapled Units (thousands)	**77,315**	76,629

[2] 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. 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)	**Three Months Ended December 31**		**Twelve Months Ended December 31**	
Unaudited	**2005**	2004	**2005**	2004
Sales	**$ 132.8**	$ 114.9	**$ 458.2**	$ 477.0
Operating earnings	**$ 21.0**	$ 15.0	**$ 70.1**	$ 94.4
Earnings (loss) before extraordinary item	**$ 30.9**	$ (1.2)	**$ 4.8**	$ 14.7
Extraordinary item – expropriation settlement proceeds, net of taxes	**-**	-	**-**	9.0
Net earnings (loss)	**$ 30.9**	$ (1.2)	**$ 4.8**	$ 23.7
Distributable cash				
Net earnings (loss)	**$ 30.9**	$ (1.2)	**$ 4.8**	$ 23.7
Interest paid on Series A Subordinate Notes owned by unitholders	**20.9**	20.7	**83.3**	82.5
Earnings available for distribution	**51.8**	19.5	**88.1**	106.2
Future income tax recovery	**(27.5)**	(6.3)	**(38.1)**	(12.4)
Future income tax expense on extraordinary item	**-**	-	**-**	5.0
Earnings available for distribution before provision for future income taxes	**24.3**	13.2	**50.0**	98.8
Add (deduct):				
Depreciation, depletion and amortization	**2.3**	2.6	**9.5**	11.2
Proceeds from the sale of real estate	**9.7**	7.3	**13.9**	10.5
Proceeds from sale of other property, plant and equipment	**0.1**	4.7	**28.9**	22.8
Gain on sale of property, plant and equipment	**(6.8)**	(6.5)	**(13.0)**	(12.4)
Additions to property, plant and equipment	**(0.1)**	(4.0)	**(22.6)**	(8.5)
Other non-cash items	**0.2**	0.8	**0.6**	2.8
	5.4	4.9	**17.3**	26.4
Distributable cash	**$ 29.7**	$ 18.1	**$ 67.3**	$ 125.2
Consists of:				
Distributable cash before extraordinary item	**$ 29.7**	$ 18.1	**$ 67.3**	$ 111.2
Distributable cash from extraordinary item	**-**	-	**-**	14.0
	$ 29.7	$ 18.1	**$ 67.3**	$ 125.2
Reconciliation of cash flow from operations before changes in working capital to distributable cash				
Cash flow from operations before changes in working capital	**$ (0.6)**	$ (8.3)	**$ (34.5)**	$ 17.4
Add (deduct):				
Interest on Series A Subordinate Notes owned by unitholders	**20.9**	20.7	**83.3**	82.5
Proceeds from the sale of real estate	**9.7**	7.3	**13.9**	10.5
Proceeds from sale of other property, plant and equipment	**0.1**	4.7	**28.9**	22.8
Additions to property, plant and equipment	**(0.1)**	(4.0)	**(22.6)**	(8.5)
Other non-cash items	**(0.3)**	(2.3)	**(1.7)**	0.5
Distributable cash	**$ 29.7**	$ 18.1	**$ 67.3**	$ 125.2

Summary of Financial Results *(continued)*

(In millions of dollars, except as otherwise indicated) *Unaudited*	**Three Months Ended December 31**		**Twelve Months Ended December 31**	
	2005	2004	**2005**	2004
Distributions paid	**$ 20.8**	$ 20.6	**$ 83.1**	$ 82.3
Per weighted average Stapled Unit amounts: *(Dollars per Stapled Unit)*				
Basic and diluted earnings available for distribution before provision for future income taxes	***$ 0.31***	*$ 0.17*	***$ 0.65***	$1.29
Basic and diluted distributable cash:				
– before extraordinary item	***$ 0.38***	*$ 0.24*	***$ 0.87***	*$ 1.46*
– from extraordinary item	***-***	*-*	***-***	*0.18*
	$ 0.38	*$ 0.24*	***$ 0.87***	*$ 1.64*
Distributions paid	***$ 0.27***	*$ 0.27*	***$ 1.08***	*$ 1.08*
Per weighted average common share amounts: *(Dollars per common share)*				
Basic and diluted earnings (loss) before extraordinary item	***$ 0.40***	*$ (0.02)*	***$ 0.06***	*$ 0.19*
Extraordinary item, net of taxes	***-***	*-*	***-***	*0.12*
Basic and diluted net earnings (loss)	***$ 0.40***	*$ (0.02)*	***$ 0.06***	*$ 0.31*

Outlook

For 2006, TimberWest anticipates housing markets in both the US and Japan to run at levels consistent with those for 2005 through the first part of the year, with a modest reduction in the US housing market expected in the last half of the year but a stable Japanese housing market throughout the year. Other Asian log markets are expected to be stable in the year ahead.

In the US, 2006 has begun with strong demand for logs and strong prices for all of the Company's products. In addition to the robust housing market, there is also a seasonal shortage of logs as a result of weather-related harvesting curtailments in the US Pacific Northwest. The Company expects these conditions to continue, which will support strong demand and pricing levels in the near term. However, the Canadian dollar is expected to remain strong throughout the year and as a result TimberWest's net sales realizations from this market are expected to be comparable with the sales realizations achieved in the second half of 2005.

In the Japanese market, demand for logs is expected to be stable with the possibility of some improvement in pricing. Even with the weak Japanese Yen and the strong Canadian dollar, in the near term the Company expects that net sales realizations from this market will be slightly ahead of where they were in the back half of 2005.

The Company is increasingly optimistic about its prospects in other Asian markets in the upcoming year and anticipates shipping more volume to these markets than it has in the past. Sales realizations in non-Japanese Asian markets are superior to those available in the domestic market.

TimberWest expects 2006 to be another weak year in the domestic log market with the lumber industry on the BC coast continuing to get smaller and restructure. While this is a necessary prelude to the revitalization process on the coast, the effect will be to keep log prices depressed for most end use sorts in 2006.

On the cost side, the Company expects 2006 costs to be comparable to those for 2005 in our timberland business. Production costs are typically lower during the first half of the year as harvesting is generally at lower elevations and consequently comprised of lower-cost harvest systems. Logging costs for the first half of 2006 are expected to be comparable to those of the first half of 2005.

Despite good export markets and a continued focus on cost containment, the strength of the Canadian dollar – which forecasters suggest will persist throughout 2006 – means that TimberWest is unlikely to generate its distributable cash requirements from timberland and sawmill operations.

However, real estate markets on Vancouver Island remain solid and as a result, the Company expects to generate sufficient cash flow from real estate sales to make up for the shortfall from timberland operations.

TimberWest expects to generate sufficient distributable cash to meet its distribution requirements for 2006 and to maintain its strong financial condition.

Quarterly Conference Call

TimberWest will hold a conference call at 8:00am PT (11:00am ET) on Thursday, February 9, 2006, to discuss results of the fourth quarter. To access the conference call, listeners should dial 1-800-377-5794. For those unable to participate in the live call, a recording of the call will be available until February 23, 2006, and can be accessed at 1-800-558-5253 using code 21280125. 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.

Consolidated Statements of Operations

(in millions of dollars)
Unaudited

	Three months ended December 31		Twelve months ended December 31	
	2005	2004	**2005**	2004
Sales	**$ 132.8**	$ 114.9	**$ 458.2**	$ 477.0
Operating costs and expenses:				
Cost of products sold	**106.3**	93.3	**365.1**	358.0
Depreciation, depletion and amortization	**2.2**	2.4	**8.8**	10.1
Selling, administrative and other	**3.3**	4.2	**14.2**	14.5
	111.8	99.9	**388.1**	382.6
Operating earnings	**21.0**	15.0	**70.1**	94.4
Interest expense:				
Series A Subordinate Notes owned by unitholders (note 2)	**20.9**	20.7	**83.3**	82.5
Long-term debt	**4.0**	3.8	**14.8**	14.3
Short-term debt	**–**	0.4	**1.1**	1.9
	24.9	24.9	**99.2**	98.7
Amortization of deferred financing costs	**0.1**	0.2	**0.7**	1.1
Other (income) expense, net	**(3.3)**	(2.7)	**(8.0)**	(8.2)
Termination of fibre supply agreement (note 4)	**–**	–	**15.0**	–
	21.7	22.4	**106.9**	91.6
Earnings (loss) before income taxes and extraordinary item	**(0.7)**	(7.4)	**(36.8)**	2.8
Income tax recovery (note 5)	**(31.6)**	(6.2)	**(41.6)**	(11.9)
Earnings (loss) before extraordinary item	**30.9**	(1.2)	**4.8**	14.7
Extraordinary item – expropriation settlement proceeds, net of applicable income taxes (note 6)	**–**	–	**–**	9.0
Net earnings (loss)	**$ 30.9**	$ (1.2)	**$ 4.8**	$ 23.7
Basic and diluted earnings (loss) per common share before extraordinary item (note 7)	***$ 0.40***	*$ (0.02)*	***$ 0.06***	*$ 0.19*
Extraordinary item, net of applicable income taxes	***–***	*–*	***–***	*0.12*
Basic and diluted net earnings (loss) per common share (note 7)	***$ 0.40***	*$ (0.02)*	***$ 0.06***	*$ 0.31*

Consolidated Statements of Retained Earnings

(in millions of dollars)
Unaudited

	Three months ended December 31		Twelve months ended December 31	
	2005	2004	**2005**	2004
Retained earnings, beginning of period	**$ 2.3**	$ 29.6	**$ 28.4**	$ 4.7
Net earnings (loss) for the period	**30.9**	(1.2)	**4.8**	23.7
Retained earnings, end of period	**$ 33.2**	$ 28.4	**$ 33.2**	$ 28.4

See accompanying notes to unaudited interim consolidated financial statements.

TIMBERWEST FOREST CORP.

Consolidated Balance Sheets

(in millions of dollars)

	As at December 31, 2005 *Unaudited*	As at December 31, 2004 (restated – note 2)
Assets		
Current assets:		
Cash and cash equivalents	**$ 3.0**	$ 1.6
Accounts receivable	**23.9**	14.7
Inventories	**48.2**	62.2
Prepaid expenses and other current assets	**11.2**	5.7
Future income taxes (note 5)	**2.5**	3.8
	88.8	88.0
Property, plant and equipment, net (note 8)	**1,318.4**	1,334.3
Other assets	**11.9**	12.2
	$ 1,419.1	$ 1,434.5
Liabilities and Unitholders' Equity		
Current liabilities:		
Revolving credit facilities (note 9)	**$ –**	$ 22.0
Accounts payable and accrued liabilities	**30.1**	35.5
Distribution payable	**20.9**	20.7
	51.0	78.2
Revolving credit facilities (note 9)	**37.0**	–
Debentures	**195.0**	195.0
Long-term silviculture liability	**3.2**	2.8
Non-pension post-retirement benefits	**28.6**	27.1
Future income taxes (note 5)	**184.9**	224.3
	499.7	527.4
Series A Subordinate Notes owned by unitholders (notes 2 and 10)	**695.7**	690.5
	1,195.4	1,217.9
Unitholders' equity:		
Share capital, consisting of common and preferred shares (note 10)	**189.8**	187.8
Contributed surplus	**0.7**	0.4
Retained earnings	**33.2**	28.4
	223.7	216.6
	$ 1,419.1	$ 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 December 31		Twelve months ended December 31	
	2005	2004	**2005**	2004
Cash provided by (used in):				
Operating activities:				
Net earnings (loss)	**$ 30.9**	$ (1.2)	**$ 4.8**	$ 23.7
Items not involving cash:				
Depreciation, depletion and amortization	**2.3**	2.6	**9.5**	11.2
Gain on sale of property, plant and equipment	**(6.8)**	(6.5)	**(13.0)**	(12.4)
Future income tax recovery (note 6)	**(27.5)**	(6.3)	**(38.1)**	(7.4)
Other non-cash items	**0.5**	3.1	**2.3**	2.3
	(0.6)	(8.3)	**(34.5)**	17.4
Changes in non-cash working capital:				
Accounts receivable	**(2.7)**	9.0	**(9.2)**	(0.3)
Inventories	**21.7**	(6.0)	**14.0**	(16.5)
Prepaid expenses and other	**1.2**	(1.7)	**(6.7)**	0.4
Accounts payable and accrued liabilities	**(16.3)**	(15.2)	**(5.4)**	6.2
Distribution payable	**0.1**	0.1	**0.2**	0.2
	3.4	(22.1)	**(41.6)**	7.4
Financing activities:				
Issuance of Stapled Units on exercise of options:				
Series A Subordinate Notes	**1.8**	2.9	**5.2**	5.9
Share capital	**0.9**	1.0	**1.9**	1.8
	2.7	3.9	**7.1**	7.7
Demand credit facility	**(0.5)**	–	**–**	–
Revolving credit facilities	**(12.5)**	4.0	**15.0**	(38.0)
	(10.3)	7.9	**22.1**	(30.3)
Investing activities:				
Proceeds from sale of property, plant and equipment (note 3)	**9.8**	12.0	**42.8**	33.3
Additions to property, plant and equipment (note 3)	**(0.1)**	(4.0)	**(22.6)**	(8.5)
Other assets	**0.2**	0.4	**0.7**	(0.3)
	9.9	8.4	**20.9**	24.5
Increase (decrease) in cash	**3.0**	(5.8)	**1.4**	1.6
Cash and cash equivalents, beginning of period	**–**	7.4	**1.6**	–
Cash and cash equivalents, end of period	**$ 3.0**	$ 1.6	**$ 3.0**	$ 1.6
Supplemental information:				
Interest on Series A Subordinate Notes paid to unitholders	**$ 20.8**	$ 20.6	**$ 83.1**	$ 82.3
Other interest paid	**$ 7.4**	$ 7.4	**$ 16.0**	$ 16.0
Income taxes paid	**$ 0.1**	$ 0.2	**$ 0.6**	$ 0.8

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, 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

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 previously classified all components of the Stapled Unit as equity on its balance sheet as the Subordinate Notes and the interest thereon 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 December 31, 2005, the Series A Subordinate Note component liability was $695.7 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 previously 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 December 31, 2005, interest on the Series A Subordinate Notes of $20.9 million has been reported as an interest expense in the consolidated statements of operations, whereas for the same period in 2004 the interest amount of $20.7 million and the income tax benefit thereon of $7.3 million had previously been reported in retained earnings. For the year ended December 31, 2005, interest on the Series A Subordinate Notes of $83.3 million has been reported as an interest expense in the consolidated statements of operations, whereas for the same period in 2004 the interest amount of $82.5 million and the income tax benefit thereon of $29.3 million had previously been reported in retained earnings.

Notes to Unaudited Interim Consolidated Financial Statements

For the three and twelve months ended December 31, 2005 and 2004

3. Business Transformation

The Company completed the final phase of its business transformation initiative early in 2005, with the buy-out of leases on Company operated logging equipment for $21.0 million, and the subsequent sale of this leased equipment and other company-owned logging equipment to long-term contractors for proceeds of approximately $25.1 million. Other income for the year ended December 31, 2005 includes a gain on disposal of the logging equipment of approximately $4.0 million.

During the second quarter of 2005, the Company realigned the roles and responsibilities of personnel under the new business model and eliminated additional salaried positions in the timberland and corporate overhead components of its business. Operating earnings for the year ended December 31, 2005, reflect an expense of $2.0 million in cost of sales relating to this restructuring.

During the second quarter of 2004, the Company completed the sale of its southern Vancouver Island public land operations, referred to as TFL 46. The sale price for these assets was $17.9 million. Other income for the year ended December 31, 2004, includes the gain on the sale of these operations.

4. Termination of Fibre Supply Agreement

During the third quarter of 2005 the Company reached an agreement to terminate a fibre supply agreement with a customer for payment of $15.0 million. This fibre supply agreement was originally entered into in 1997 and required the Company to offer the customer, in perpetuity, an annual volume of 330,000 m^3 of sawlogs at domestic market prices.

5. Income Taxes

	Three months ended December 31		Twelve months ended December 31	
	2005	2004	**2005**	2004
Current income tax expense (recovery)				
Large corporation tax	**$ –**	$ 0.1	**$ 0.6**	$ 0.5
Federal income tax recovery	**(4.1)**	–	**(4.1)**	–
	(4.1)		**(3.5)**	0.5
Future income tax recovery	**(27.5)**	(6.3)	**(38.1)**	(12.4)
	$ (31.6)	$ (6.2)	**$ (41.6)**	$ (11.9)

The provision for current income taxes for the three and twelve months ended December 31, 2005 includes a $4.1 million recovery related to the settlement of an appeal of a prior year income tax assessment relating to one of the Company's subsidiary companies.

In the fourth quarter of 2005, the Company implemented a number of tax planning strategies with respect to the availability of non-capital losses. As a result of these activities, the Company recorded a $16.1 million future income tax recovery in the three and twelve months ended December 31, 2005.

During 2005, a 1.5% reduction in the British Columbia general corporate income tax rate effective July 1, 2005 was enacted, resulting in a reduction in the combined federal and provincial statutory corporate income tax rate from 35.6% to 34.1%. This rate change resulted in a future income tax recovery for the year ended December 31, 2005 of $9.3 million.

The provision for future income taxes for the year ended December 31, 2004 includes a $5.0 million recovery to recognize the benefit of losses utilized to offset the income tax expense that would otherwise be applicable to expropriation settlement proceeds of $14.0 million received during the year (see note 6).

Notes to Unaudited Interim Consolidated Financial Statements

For the three and twelve months ended December 31, 2005 and 2004

6. Extraordinary Item – Expropriation Settlement Proceeds

In the third quarter of 2004, the Company received $14.0 million from the Province of British Columbia as settlement for the 1995 expropriation of timber harvesting rights in the Walbran Valley and Hitchie Creek areas for park creation purposes under the *Park Amendment Act, 1995* (British Columbia). The $14.0 million proceeds from this settlement were recorded as an extraordinary item in the consolidated statements of earnings, net of $5.0 million in income taxes affected at statutory tax rates. As the Company had non-capital losses carried forward from previous taxation years, income taxes were not paid on the proceeds from this settlement. The future income tax expense on earnings before the extraordinary item for the year ended December 31, 2004, was reduced by $5.0 million to recognize the benefit of the losses utilized and fully offset the tax expense charged to the extraordinary item.

7. Earnings per Share

	Three months ended December 31		Twelve months ended December 31	
	2005	2004	**2005**	2004
Earnings (loss) before extraordinary item	**$ 30.9**	$ (1.2)	**$ 4.8**	$ 14.7
Extraordinary item, net of income taxes	**–**	–	**–**	9.0
Net earnings (loss)	**$ 30.9**	$ (1.2)	**$ 4.8**	$ 23.7
Basic weighted average number of common shares	**77,398,008**	76,809,113	**77,207,309**	76,523,531
Incremental common shares from potential exercise of options	**98,492**	181,446	**108,130**	105,755
Diluted weighted average number of common shares	**77,496,500**	76,990,559	**77,315,439**	76,629,286
Basic and diluted net earnings (loss) before extraordinary item per common share	**$ 0.40**	$ (0.02)	**$ 0.06**	$ 0.19
Extraordinary item, net of income taxes	**–**	–	**–**	0.12
Basic and diluted net earnings (loss) per common share	**$ 0.40**	$ (0.02)	**$ 0.06**	$ 0.31

8. Property, Plant and Equipment

Property, plant and equipment at December 31, 2005 include 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.

9. Credit Facilities

On February 28, 2005, the Company entered into an extension to June 1, 2005 of short-term financing facility from a Canadian bank that was previously due on March 1, 2005. On June 1, 2005, the Company entered into a further extension on this short-term facility to September 1, 2005. This short-term facility consisted of an unsecured demand bank guarantee facility in the amount of $16.0 million and an unsecured committed revolving facility in the amount of $40.0 million. On July 28, 2005, upon completion of a long-term financing arrangement, the $40.0 million revolving facility was cancelled. At this time, the $16.0 million bank guarantee facility was renewed as a stand alone facility and is now due on June 30, 2006, and is subject to annual review and renewal.

On May 18, 2005, the Company entered into an extension to July 30, 2005 of short-term financing facility from a Canadian bank that was previously due on May 25, 2005. On June 28, 2005, the Company entered into a further extension on this short-term facility to July 31, 2005. This short-term facility consisted of an unsecured committed revolving facility in the amount of $40.0 million. On July 7, 2005, upon completion of a long-term financing arrangement, this short-term financing was cancelled.

9. Credit Facilities (continued)

On July 7, 2005, the Company entered into a long-term financing facility in the amount of $65.0 million pursuant to an unsecured revolving facility underwritten by a Canadian Chartered bank, due on July 7, 2010. Under this facility, funds are available to the Company in both Canadian and US dollars by way of adjusted prime rate-based loans, bankers' acceptances, LIBOR loans and letters of credit or guarantee. On completion of this facility, the Company's short-term unsecured committed revolving credit facility for $40.0 million due on July 31, 2005, was cancelled.

On July 28, 2005, the Company entered into an additional long-term financing facility 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. Under this facility, funds are available to the Company in both Canadian and US dollars by way of adjusted prime rate-based loans, US base rate-based loans, bankers' acceptances, LIBOR loans and letters of credit or guarantee. On completion of this facility, both the Company's short-term unsecured committed revolving credit facility for $40.0 million due on September 1, 2005 and long-term unsecured revolving credit facility for $125.0 million due on December 31, 2006, were cancelled.

On August 8, 2005, the Company entered into a short-term financing facility in the amount of $10.0 million pursuant to an unsecured demand operating credit facility underwritten by a Canadian Chartered bank. Under this facility, funds are available to the Company in both Canadian and US dollars by way of adjusted prime rate-based and US base rate-based loans and are due on demand.

As at December 31, 2005, the Company had combined borrowings of $37.0 million on available credit facilities, including borrowing of $7.0 million on its $65.0 million long-term unsecured revolving facility and borrowing of $30.0 million on its $100.0 million long-term unsecured revolving facility. In addition, the Company had commitments of $15.9 million relating to outstanding letters of credit issued under its $16.3 million demand bank guarantee facility.

10. Stapled Units

		Stapled Unit Components		
	Number	**Series A Subordinate Notes**	**Share Capital (consisting of common and preferred shares)**	**Total**
Twelve months ended December 31, 2004:				
Balance, December 31, 2003	76,246,122	$ 684.6	$ 186.0	$ 870.6
Issuance of Stapled Units on exercise of options	660,895	5.9	1.8	7.7
Balance, December 31, 2004	76,907,017	$ 690.5	$ 187.8	$ 878.3
Twelve months ended December 31, 2005:				
Balance, December 31, 2004	76,907,017	$ 690.5	$ 187.8	$ 878.3
Issuance of Stapled Units on exercise of options	**580,554**	**5.2**	**2.0**	**7.2**
Balance, December 31, 2005	**77,487,571**	**$ 695.7**	**$ 189.8**	**$ 885.5**

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, 2005 and 2004

10. 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.

11. 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. During the three months ended December 31, 2005, the Company recorded an expense of $0.9 million for pension benefit costs (2004 – $0.9 million) and made cash payments of $0.7 million to fund current and future service costs (2004 – $1.5 million). For the year ended December 31, 2005, the Company recorded an expense of $2.5 million for pension benefit costs (2004 – $3.2 million) and made cash payments of $3.3 million to fund current and future service costs (2004 – $2.8 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. During the three months ended December 31, 2005, the Company recorded an expense of $0.9 million for non-pension benefit costs (2004 – $0.8 million) and made cash payments of $0.5 million to fund current and future benefit costs (2004 – $0.5 million). For the year ended December 31, 2005, the Company recorded an expense of $3.6 million for non-pension benefit costs (2004 – $3.5 million) and made cash payments of $1.9 million to fund current and future benefit costs (2004 – $1.8 million).

12. 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 three months ended December 31, 2005, no Stapled Unit options were granted (2004 – nil). For the year ended December 31, 2005, 348,998 Stapled Unit options were granted at an average exercise price of $15.79 (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	348,998	313,220
Fair value of each option granted	$1.30	$0.86

12. Stock-based Compensation Plans (continued)

The compensation cost for the 348,998 Stapled Unit options granted between January 1, 2005 and December 31, 2005 is $454,900 (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. An expense of $74,000 and $354,000 has been recognized in net earnings for the three and twelve month periods ended December 31, 2005, respectively, (2004 – $45,000 and $179,000, respectively,) 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 and twelve month periods ended December 31, 2005 and 2004, as the stock-based compensation cost related to these options was nominal.

Under the Company's Distribution Equivalent Plan, the Company awards certain 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. During the three months ended December 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). For the year ended December 31, 2005, $1.1 million has been accrued for awards granted under this plan (2004 – $1.3 million) and $1.1 million has been amortized against earnings for this period (2004 – $1.3 million).

During the three months ended December 31, 2005, a total of 212,490 Stapled Unit options with an average exercise price of $12.75 were exercised (2004 – 334,590 Stapled Unit options with an average exercise price of $11.65 were exercised, 87 Stapled Unit options with an average exercise price of $11.90 were cancelled and 3,220 Stapled Unit options with an average exercise price of $11.90 expired). During the year ended December 31, 2005, a total of 580,554 Stapled Unit options with an average exercise price of $12.17 were exercised and 70,543 Stapled Unit options with an average exercise price of $14.33 were cancelled (2004 – 660,895 Stapled Unit options with an average exercise price of $11.64 were exercised and 10,260 Stapled Unit options with an average exercise price of $12.08 were cancelled, and 3,220 Stapled Unit options with an average exercise price of $11.90 expired).

13. Comparative Figures

Certain comparative figures have been reclassified to conform to presentation adopted in the current periods.

TIMBERWEST FOREST CORP.

Supplemental Information
Unaudited

	Three months ended December 31		Twelve months ended December 31	
	2005	2004	**2005**	2004
Sales by Product *(in millions of dollars)*				
Log sales				
Domestic	**$ 35.0**	$ 38.1	**$ 141.4**	$ 181.6
Export – Asia	**31.1**	26.8	**115.0**	109.3
Export – US	**22.7**	8.9	**71.5**	46.7
Total log sales	**88.8**	73.8	**327.9**	337.6
Lumber	**28.1**	28.5	**92.2**	106.2
Wood chips and other	**5.7**	5.2	**23.0**	22.4
Real estate	**10.2**	7.4	**15.1**	10.8
	$ 132.8	$ 114.9	**$ 458.2**	$ 477.0
Sales Volume				
Logs (*thousand m*^{3})				
Domestic	**504.5**	432.9	**1,965.8**	2,099.9
Export – Asia	**234.8**	180.4	**853.3**	694.4
Export – US	**250.8**	97.1	**795.7**	457.8
	990.1	710.4	**3,614.8**	3,252.1
Lumber (*million fbm*)	**47.9**	54.0	**166.9**	171.7
Log Sales Mix (*thousand m*^{3})				
Fir	**511.4**	458.4	**2,002.4**	1,905.2
Hembal	**325.9**	127.2	**1,013.5**	730.1
Cedar	**95.3**	66.2	**359.9**	322.4
Other	**57.6**	58.6	**239.0**	294.4
	990.2	710.4	**3,614.8**	3,252.1
Production Volume				
Logs (*thousand m*^{3})				
Public tenures	**175.1**	120.9	**761.0**	864.3
Private timberlands	**617.2**	587.7	**2,871.7**	2,541.3
	792.3	708.6	**3,632.7**	3,405.6
Lumber (*million fbm*)	**44.1**	49.1	**167.6**	180.7
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)* *(in millions of dollars)*				
Net earnings (loss)	**$ 30.9**	$ (1.2)	**$ 4.8**	$ 23.7
Add (deduct):				
Interest on Series A Subordinate Notes paid to unitholders	**20.9**	20.7	**83.3**	82.5
Interest on long-term debt	**4.0**	3.8	**14.8**	14.3
Interest on short-term debt	**–**	0.4	**1.1**	1.9
Income tax recovery	**(31.6)**	(6.2)	**(41.6)**	(11.9)
Depreciation, depletion and amortization	**2.2**	2.4	**8.8**	10.1
Amortization of deferred financing costs	**0.1**	0.2	**0.7**	1.1
Extraordinary item, net of income taxes	**–**	–	**–**	(9.0)
EBITDA	**$ 26.5**	$ 20.1	**$ 71.9**	$ 112.7

* 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^3 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®). TimberWest also owns renewable Crown harvest rights to 0.7 million m^3 of logs per year and operates a lumbermill located near Campbell River, BC. In addition, approximately 6,200 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".

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