AINSWORTH LUMBER CO. LTD.

ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2014

MARCH 27, 2015

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ITEM 1. PRELIMINARY NOTES

This Annual Information Form ("AIF") is dated as of March 27, 2015. Except as otherwise indicated, the information contained in this AIF is stated as at December 31, 2014.

Glossary

Unless the context otherwise suggests, "we", "us", "our" and similar terms, as well as references to "Ainsworth" or the "Company", refer to Ainsworth Lumber Co. Ltd. and its consolidated subsidiaries. References to "OSB" refer to oriented strand board.

In this AIF, certain technical terms have the following definitions: "msf" means one thousand square feet, 3/8 of an inch thick; "mmsf" means one million square feet, 3/8 of an inch thick; and "m^3" means cubic meters.

Currency

In this AIF, except where otherwise indicated, all amounts are expressed in Canadian dollars. References to "$" and "dollars" are to Canadian dollars and references to "U.S.$" and "U.S. dollars" are to United States dollars. The rate of exchange on December 31, 2014, as reported by the Bank of Canada, for converting Canadian dollars into U.S. dollars, was C$1.00 = U.S.$0.8620.

Cautionary Statement with regard to Forward-Looking Statements and Information

Certain statements and information in this AIF are not based on historical facts and constitute forward-looking statements or forward-looking information within the meaning of Canadian securities laws ("forward-looking statements"), including but not limited to, future events or expectations of Ainsworth's future performance, OSB demand and pricing, and other expectations, intentions and plans that are not historical fact.

For information on the risks relating to the Company's proposed merger with Norbord Inc. ("Norbord"), please see the section entitled "Risk Factors Relating to the Arrangement" on pages 110 to 115 of the joint management information circular, which pages are incorporated by reference in this AIF. The joint management information circular is available under Ainsworth's profile on www.sedar.com.

Forward-looking statements:

- are statements that address or discuss activities, events or developments that we expect or anticipate may occur in the future;
- can be identified by the use of words such as "may", "projects", "believes", "expects", "anticipates", "intends", "plan", "likely", "predicts", "estimates", "forecasts", "continue", "growing", "expanding", and similar words or phrases or the negative of such words or phrases;
- reflect our current beliefs, intentions or expectations based on certain assumptions and estimates, including those identified below, which could prove to be significantly incorrect:
  - the future demand for, and sales volumes of, Ainsworth's products;
  - future production volumes;
  - efficiencies and operating costs;
  - increases or decreases in the prices of Ainsworth's products;
  - Ainsworth's future stability and growth prospects;
  - the anticipated completion of the combination of Ainsworth with Norbord Inc. (the "Norbord Arrangement") and the anticipated timing for completion of the Norbord Arrangement;
  - Ainsworth's future profitability and capital needs, including capital expenditures, and the outlook for and other future developments in Ainsworth's affairs or in the industries in which Ainsworth participates;
  - factors detailed from time to time in Ainsworth's periodic reports filed with the Canadian Securities Administrators and other regulatory authorities; and

- while considered reasonable by management, are inherently subject to known and unknown risks and uncertainties and other factors that could cause actual results or events to differ from historical or anticipated results or events. These risk factors and others are discussed in this AIF and in the Management's Discussion and Analysis for the financial year ended December 31, 2014, which may be found on SEDAR at www.sedar.com. Certain of these material risks are listed below:
    - uncertainties related to the availability of future financing;
    - uncertainties related to the current North American financial conditions;
    - uncertainties related to the competitiveness of the wood-based panels industry;
    - fluctuations in the prices of our products;
    - customer dependence and concentration;
    - risks associated with selling a single product, OSB;
    - risks associated with international sales;
    - fluctuations in foreign exchange rates;
    - availability of wood fibre;
    - fluctuations in input costs;
    - risks associated with key pieces of equipment;
    - fluctuations in production volumes;
    - material disruptions in Ainsworth's mills;
    - risks associated with potential labour disputes;
    - Ainsworth's need to attract and retain qualified personnel;
    - risks associated with Ainsworth being subject to government regulation, including changes in law and regulation;
    - risks associated with Ainsworth being subject to extensive environmental laws and regulations, including a change in regulation;
    - litigation proceedings;
    - risks associated with tax filings; and
    - risks associated with actuarial assumptions on defined benefit pension plan funding.

Ainsworth believes that the expectations reflected in its forward-looking statements are reasonable, but no assurance can be given that any of the events or results anticipated by such forward-looking statements will occur or, if they do occur, what benefit they will have on our operations or financial condition. Readers are cautioned not to place undue reliance on these forward-looking statements. These statements speak only as of the date of this AIF. Ainsworth has no intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. The forward-looking statements contained in this AIF are expressly qualified by this cautionary statement.

Market and Industry Data and Forecasts

This AIF may include market share and industry data and other statistical information and forecasts that we have obtained from independent industry publications, government publications, market research reports and other published independent sources. Some data are also based on our good faith estimates, which are derived from our internal surveys as well as independent sources. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. However, we cannot and do not provide any assurance as to the accuracy or completeness of such included information and do not guarantee the accuracy or completeness of such information. Forecasts may be inaccurate, particularly those that span a long period of time. Although we believe industry sources to be reliable, we have not independently verified any of the data nor have we ascertained the underlying economic assumptions relied upon therein.

ITEM 2. CORPORATE STRUCTURE

In May 2013, the Company transferred by way of continuance from the jurisdiction of Canada under the *Canada Business Corporations Act* into the jurisdiction of British Columbia under the *Business Corporations Act* (British Columbia).

The principal executive offices of Ainsworth Lumber Co. Ltd. are located at:

Suite 3194, Bentall IV, P.O. Box 49307, 1055 Dunsmuir Street
Vancouver, British Columbia, Canada V7X 1L3
Telephone: 604-661-3200
Website: www.ainsworthengineered.com

The Company's registered office is located at:

Suite 2600, 595 Burrard Street
Vancouver, British Columbia, Canada V7X 1L3

The chart in Appendix A depicts Ainsworth's corporate structure as at the date of this AIF (includes only our material operating companies).

ITEM 3. GENERAL DEVELOPMENT OF THE BUSINESS

Description of the Business

Ainsworth is a leading manufacturer and marketer of engineered wood products known as OSB. We produce and market a wide range of commodity and value-added OSB products, with a strategic emphasis on value-added products which generally exhibit more stable pricing and command a premium price over commodity sheathing products. We sell our products to North American and offshore export markets, primarily Japan.

We have four wholly-owned manufacturing facilities located in: Grande Prairie, Alberta; High Level, Alberta; 100 Mile House, British Columbia; and Barwick, Ontario, representing a combined annual installed production capacity of 2,540 mmsf. Ainsworth employs over 700 people across its mills and other locations.

Our High Level, Alberta mill was restarted during the third quarter of 2013 in order to meet increases in customer demand for OSB from both North American and export markets. This mill had previously been on care and maintenance since being curtailed in December 2007.

Our strategy is to be sustainable and profitable throughout the business cycle by diversifying sales geographically, expanding value-added product offerings and leveraging a proven track record of operational excellence and technical product development.

Three Year History

The following summarizes major events that have occurred over the past three years:

Change in Management

In June 2012, Chris Davies resigned as Chief Financial Officer of the Company.

In September 2012, Rick Eng joined the Company as Vice President, Finance and Chief Financial Officer.

In March 2013, Jim Lake was appointed President and Chief Executive Officer of the Company. He was previously President and Chief Operating Officer.

Change in control

On May 11, 2010, Brookfield Capital Partners Ltd. ("BCP"), previously named Brookfield Special Situations II (OSB) L.P., acquired 14,905,712 common shares and warrants to acquire 10,094,288 common shares of Ainsworth in a privately negotiated transaction. These warrants were subsequently converted into common shares giving BCP approximately 54.2% ownership of the Company's issued and outstanding common shares. Following BCP's participation in the Company's rights offering in December 2012, BCP's ownership increased to approximately 54.4% of the issued and outstanding common shares of Ainsworth.

Mergers and Acquisitions

Louisiana-Pacific Corporation Transaction (Since Terminated)

Louisiana-Pacific Corporation ("LP") and the Company previously announced an agreement dated September 4, 2013 (the "LP Agreement") pursuant to which LP would acquire all of the outstanding common shares of Ainsworth. On May 14, 2014, LP and the Company announced the termination of the LP Agreement after determining that the necessary regulatory approvals could not be obtained without divestitures significantly beyond those contemplated in the LP Agreement or engaging in lengthy and expensive litigation with the regulatory authorities in the U.S. and Canada.

Pending Norbord Transaction

On December 8, 2014, the Company and Norbord announced that they had entered into an arrangement under which Norbord will acquire all of the outstanding common shares of Ainsworth in an all-share transaction. Under the terms of the agreement, Ainsworth shareholders will receive 0.1321 of a share of Norbord for each Ainsworth share.

On January 27, 2015, the transaction was approved by the required majorities of shareholders of each of Norbord and the Company. On January 30, 2015, the Supreme Court of British Columbia issued a final order approving the combination of Norbord and the Company by way of a plan of arrangement under the Business Corporations Act (British Columbia). On March 16, 2015, the United States Department of Justice closed its review of the transaction. Norbord and the Company expect the transaction to be completed on March 31, 2015.

Further information about the Norbord Arrangement is set out in the joint management information circular and other filings which are available under Ainsworth's profile on www.sedar.com.

Operations

Capital spending of $6.0 million in 2012 was primarily limited to maintaining our current capacity.

In September 2013, we restarted our High Level mill. During 2013, capital spending of $28.8 million included expenditures associated with the restart of the High Level mill as well as maintenance and other capital projects at each of our mills.

Capital spending of $29.2 million in 2014 was primarily related to maintenance and other capital projects at our operating mills, including High Level.

Financing

On November 27, 2012, the Company completed a private placement of U.S.$350 million of senior secured notes due in 2017 (the "Senior Secured Notes"), and on December 27, 2012, the Company completed a fully backstopped equity rights offering for gross proceeds of $175 million. The net proceeds from the Senior Secured Notes issuance and the rights offering were used to repay the Company's senior secured term loan and senior unsecured notes, which were otherwise due in 2014 and 2015. The Senior Secured Notes are secured by substantially all of the Company's assets on a first priority basis. These refinancing transactions have increased our financial flexibility by reducing the Company's debt principal, lowering borrowing costs, and extending our debt maturity profile substantially to 2017. The Company is permitted under the terms of the Senior Secured Notes to borrow at least an additional U.S.$170 million of senior secured and unsecured debt subject to the limitations set forth in the indenture.

On August 14, 2013, the Company redeemed U.S.$35 million (or 10%) in principal of the Senior Secured Notes, pursuant to the terms of the indenture governing the Senior Secured Notes, at a price equal to 103% of the principal amount of the notes redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

On June 20, 2014, the Company fully repaid its equipment financing facility with Deutsche Bank.

On September 30, 2014, the Company fully repaid its equipment loan with HSBC.

See "*Material Contracts*".

ITEM 4. NARRATIVE DESCRIPTION OF THE BUSINESS

General

Sales by Geographic Area [(1)]
(in thousands)

	Year ended December 31, 2014	Year ended December 31, 2013
United States	$330,112	$367,536
Japan	54,579	55,214
Canada	36,007	55,638
Overseas - other	23,307	9,668
Total [(2)]	$444,005	$488,056

(1) Sales figures reported in this table include freight revenue.
(2) No sales were made to BCP affiliates during the year ended December 31, 2014 (year ended December 31, 2013: $2,552).

We sell our products to North American and offshore export markets, primarily Japan. We have a well-established sales presence and longstanding customer relationships in our largest markets. Sales into our North American markets accounted for approximately 82.5% of total sales in 2014. We maintain diversified sales channels in North America with products being sold to a large network of stocking distributors, wholesalers, professional building materials retailers, "big box" home improvement stores and integrated forest product companies. Sales to Japan and other overseas markets, which accounted for approximately 17.5% of total sales in 2014, are handled by Interex Forest Products Ltd. ("Interex"), a cooperative sales company specializing in forest product export sales from North America, owned equally by several western Canadian forest product companies, including ourselves as the only panel producer. In 2014, we continued our efforts with respect to market diversification and growth of ***Ainsworth****Engineered*® value-added products, including export-standard OSB, engineered wood products and specialty industrial OSB productions. These products generally exhibit more stable pricing and command a premium price over commodity OSB sheathing products.

We maintain access to fibre supply through various long-term supply agreements, through which we can acquire approximately 80% of our mills' annual production requirements, when operating at full capacity. We also source our fibre requirements through open market purchases, short-term timber sale purchase agreements, private land owner purchases and industrial timber salvage. All of our mills are strategically located with respect to this fibre supply, as well as our end-markets in North America and Asia.

Our facilities have a total estimated annual production capacity of approximately 2,540 mmsf of OSB. We have some of the most modern, productive manufacturing facilities in North America. Our facilities at Grande Prairie, Barwick and 100 Mile House have historically operated at or near their estimated annual production capacities. We restarted production at the previously curtailed High Level mill in September 2013.

	Estimated Annual Production Capacity[(1)]
Oriented Strand Board (mmsf, 3/8")	
High Level, Alberta	860
Grande Prairie, Alberta[(2)]	730
Barwick, Ontario	510
100 Mile House, British Columbia	440
Total installed OSB capacity	2,540

(1) As of the date of this AIF.
(2) Construction of the second line at the Grande Prairie facility was halted during 2007. The Company continues to evaluate appropriate timing for its completion, as well as the remaining costs. This new production line, when completed, has a designed annual production capacity of 600 mmsf of OSB.

Oriented Strand Board Market

OSB is an engineered structural panel produced by chemically bonding wood strands under heat and pressure. OSB is used predominantly in building applications, primarily as residential roof, wall and floor sheathing. Growth in the structural panel industry, which includes plywood and OSB, is primarily driven by new residential construction, home renovation and industrial market activity. We believe the relative abundance of fast growing deciduous and under-utilized coniferous trees, combined with automated state-of-the-art manufacturing processes, result in a significant cost advantage for OSB over plywood. We expect that OSB's lower cost and comparable performance characteristics relative to plywood will continue to drive the market shift from plywood to OSB and support the growth of our business. In addition to growing its share of the commodity sheathing market, OSB continues to penetrate new markets in the engineered wood and industrial segments, as a result of a manufacturing process that allows for engineering of the finished product to specific targeted performance levels.

The markets for most structural panel products are cyclical and are influenced by a variety of factors. These factors include periods of excess product supply due to industry capacity additions and periods of decreased demand due to weak general economic activity. In addition to industry supply and demand balances, prices are also impacted by seasonal factors such as weather and building activity. Market demand varies seasonally, as homebuilding activity and repair and renovation work, the principal end use for panel products, is generally stronger in the spring and summer months.

North American single-family housing starts, the key measure of demand for our products, were low from 2008 through 2011, but have shown some recovery since then. As the U.S. housing market continues to improve, we believe there will be a commensurate increase in the demand for our OSB, particularly related to residential end-use.

Within the next several years, we expect that U.S. housing starts will return to normalized levels based on demographic trends in the U.S. We are also confident that OSB consumption per home will increase as builders identify new uses for OSB in home construction. Furthermore, the overall age of the U.S. housing stock and the increased focus on improving energy efficiency are expected to drive continued growth in repair and remodeling spending over the next decade.

The long-term trend toward sustainable building technologies and products in North America, Asia and Europe also favours the Company. Ainsworth is well positioned to take advantage of this trend because OSB and other engineered wood products are environmentally friendly and sustainable from a forest resource utilization perspective.

Export-Standard OSB Market

Japan is one of Canada's largest export markets for wood construction materials. Although OSB currently represents only a small percentage of Japanese panel usage (estimated at 10%), we believe there is the potential for OSB demand to grow considerably over the remainder of this decade. New building regulations, such as the Housing Quality Assurance Law, may encourage more Japanese builders to adopt structural panels such as OSB for wall sheathing to mitigate the adverse effects of earthquakes. In 2013, we introduced a new flooring panel designed specifically for the Japanese market called Tai-Q. This panel includes our *pointSIX*® technology, a patented tapered-edge technology designed to compensate for "edge swelling". Acceptance and usage of this panel is progressing and we look forward to growing this business in Japan over the coming years.

Other Pacific Rim countries, including China and Korea, also show export growth potential and we continue to position ourselves in these markets. In particular, China is showing interest in non-commodity products for non-structural applications and we are now in the early stages of commercialization for certain industrial products.

Value-Added Industrial OSB Market

Since its market introduction over 30 years ago, OSB has gained acceptance as a low cost alternative to softwood plywood for use in residential construction as roof, wall and floor sheathing. Further developments in process technology have enabled greater flexibility in product dimensions and properties, thereby allowing OSB to penetrate new markets.

In addition, growing environmental concerns have increased pressure on North American timber supplies. Forest products manufacturers are continuing to develop methods to utilize timber resources more efficiently. This is particularly evident with engineered wood products, where producers are employing relatively new technologies to manufacture higher-valued products as replacements for traditional wood products. Engineered wood products are manufactured in a manner that enhances physical and structural properties, increases dimensional stability and maximizes the use of the forest resource.

OSB is now gaining market share in new applications that were previously restricted to materials such as lumber, plywood, and non-wood-based products. For instance, wood I-joists, comprised of OSB webstock and laminated veneer lumber or dimension lumber flanges, are a replacement product for lumber floor joists used in residential construction. Value-added OSB products are generally sold at a premium to commodity OSB sheathing and tend to exhibit more stable demand characteristics throughout the various economic cycles.

Marketing and Sales

We sell our products to North American and offshore export markets, primarily Japan. We have a well-established sales presence and longstanding customer relationships in our largest markets. We maintain diversified sales channels in North America with products being sold to a large network of stocking distributors, wholesalers, professional building materials retailers, “big box” home improvement stores and integrated forest products companies. Sales to Japan and other overseas markets are handled by Interex. The combined volume and mix of products provided by Interex enables its shareholders to more effectively compete against other large-scale, integrated forest product companies than would be the case if each shareholder independently employed an export marketing department. Interex maintains sales offices in Vancouver and Tokyo, Japan, and has local representation in other major overseas markets. Interex receives a commission on the sales that it consummates. Any commission amounts exceeding Interex’s operating costs are refunded to its shareholders on a yearly basis based on volume shipped by each shareholder.

A key component of our business strategy is to target higher-margin products and markets where our products successfully compete on the basis of superior quality and performance while maintaining a low-cost position on commodity sheathing OSB products. To this end, we have been active in understanding customer needs as they relate to the growing acceptance of engineered wood systems for housing construction. Additionally, we continue to identify new market opportunities in non-construction sectors and are responding by developing products with the required performance attributes. See “Research and Development; Intellectual Property” below.

Competition

We compete in North America and in Japan with numerous wood products companies, ranging from very large integrated firms, several of which are larger than we are, to smaller firms that manufacture only a few items. We also compete indirectly with many firms that manufacture substitutes for wood building materials.

In the North American market for commodity sheathing OSB, we compete principally with plywood sheathing producers and other North American OSB producers depending on market destination and mill location. Factors including production costs, freight charges and market dynamics between producing and consuming regions have an impact on the competitive position of all potential structural panel suppliers in a given market. OSB’s significant cost advantage over plywood continues to support long-term OSB market growth.

In the value-added OSB product lines, differentiation based on product quality, technical know-how and customer service, supported with our strategic brand positioning, provides us with a competitive advantage over commodity-driven OSB producers.

The introduction of OSB to the Japanese market is relatively new. Although OSB currently represents only a small proportion of the Japanese panel market, we expect OSB to capture an increasing share of the Japanese structural panel market. We hold a leading position in the Japanese OSB market and compete primarily with domestic softwood plywood, Southeast Asian hardwood plywood and European OSB.

Transportation and Distribution

Our finished products are generally sold on a delivered-price basis and transported by common carriers. Timely and economical delivery of finished goods to customers is an important factor in our ability to compete effectively.

A significant portion of the delivered cost of our products is in transportation. We have entered into various rail and truck agreements, as well as ocean transport agreements via Interex, to provide reliable and competitive transportation services. Our operations have the flexibility to load products onto various types of rail and truck equipment, enabling us to take advantage of competing modes of transport. We also minimize freight costs by shipping products from the most logistically cost-effective mill. Our current North American transportation strategy involves shipping approximately 65% of our total production by rail, with the remainder shipped by truck. We continually evaluate alternate transportation options to minimize overall freight costs. Our large annual shipment volumes provide considerable leverage in negotiating competitive rates and enables us to access a reliable supply of efficient transport equipment.

Inventory levels can fluctuate based on short-term imbalances between demand and delivery schedules. Our practice is to ship production immediately against an order file. However, our facility warehouses can accommodate approximately five to seven days' production if there is an interruption in the transportation links.

Fibre Supply

For the most part, our hardwood and softwood fibre is delivered to our facilities in the form of logs. We maintain access to fibre supply through various long-term supply agreements, through which we can acquire approximately 80% of our mills' annual production requirements, when operating at full capacity. We also source our fibre requirements through open market purchases, short-term timber sale purchase agreements, private land owner purchases and industrial timber salvage.

We review opportunities from time to time to acquire rights to harvest or purchase fibre supplies and we respond to requests for proposals to bid for timber licenses that we consider would be of benefit to the Company with a view to supplementing fibre supply for existing production facilities.

We are committed to sustainable forest management practices that employ scientifically, environmentally, socially and economically sustainable forestry practices to meet the needs of the present without compromising the ability of future generations to meet their needs. The forest management techniques that we utilize are in accordance with governmental laws, regulations and policies.

The following table presents the estimated wood fibre requirements at each of our Canadian OSB facilities that are supplied by long-term wood fibre supply agreements:

	Estimated Annual Requirement (m^3)(1)	Long-term Supply Agreements (m^3)	Percent of Requirement
100 Mile House (2)	645,000	170,000	26
Grande Prairie(3)	1,020,000	1,020,000	100
Barwick	750,000	551,000	73
High Level	1,380,000	1,380,000	100
Total	3,795,000	3,121,000	82

(1) At the greater of design capacity or operating capacity.
(2) Does not include non-renewable agreements that expire during 2015.
(3) Includes volume from the Decidious Timber Allocation ("DTA") that is expected to be renewed in 2015. Does not take into account the new second production line and related timber supply at Grande Prairie.

British Columbia

100 Mile House Pulpwood Agreement and Non-Replaceable Forest Licenses

We hold Pulpwood Agreement No. 16 (the "Pulpwood Agreement") with the Province of British Columbia to support our OSB operations at 100 Mile House. The Pulpwood Agreement stipulates that we are entitled to harvest up to 330,000 m^3 per year of the pulpwood stands within the four timber supply areas covered by the Pulpwood Agreement. subject to every reasonable effort having been made to obtain the total suitable raw material requirements for the OSB mill from (1) logging residues produced by us, including the fibre produced by West Fraser Mills Ltd. ("West Fraser") in the 100 Mile House area pursuant to the terms of our fibre supply agreement with West Fraser for up to 120,000 m^3 per year, and (2) logging residues and pulpwood timber purchased from other sources within the timber supply areas covered by the Pulpwood Agreement. The Pulpwood Agreement and related fibre supply agreement with West Fraser both expire on April 25, 2015. We are actively working with the government and other parties to identify potential sources of long-term supply to replace the volume from the Pulpwood Agreement.

In 2012, we acquired a non-replaceable Forest Licence in the 100 Mile House timber supply area which has a ten year term and gives us annual harvesting rights for up to 150,000 m^3 from certain pulpwood stands. This licence expires in January 2023.

We also have access to 20,000 m^3 per year of non-replaceable Forest Licence timber harvesting rights from the Province of British Columbia that expire in 2017.

In addition, we continue to source fibre from ongoing market purchases and shorter term timber sale purchase agreements.

Timber Harvesting

We have adopted a strategic timber harvesting plan, approved by the Ministry of Forests that integrates harvesting from our Pulpwood Agreement and our non-replaceable Forest Licenses, with timber volume supply agreements with West Fraser to ensure that logs are directed to specific end uses that maximize the return on the timber resource. Rationalization of the flow of logs reduces our dependence on purchased logs. Timber harvesting is planned and supervised by our woodlands staff, while harvesting and log hauling are performed by independent contractors. Most of these independent contractors have long-standing relationships with us. At 100 Mile House, logging takes place ten months of the year with a two month stoppage resulting from spring road load restrictions.

Forest Management

We hold Sustainable Forest Initiative and Programme for the Endorsement of Forest Certification ("PEFC") Chain of Custody registrations for Pulpwood Agreement No. 16, our non-replaceable Forest Licenses and our timber procurement activities in B.C.

Alberta

Grande Prairie Deciduous Timber Allocations

In 1994, Ainsworth was granted a Deciduous Timber Allocation ("DTA") from the Government of Alberta in connection with our Grande Prairie OSB facility. This DTA is a renewable 20-year certificate, currently allowing for an annual harvest of approximately 1.0 million m^3 of deciduous timber. The DTA is due for renewal on April 30, 2015 and management expects that the DTA will be renewed for another 20-year term. The Government of Alberta issues timber licenses that operate in conjunction with the DTA and specify where timber harvesting will take place within a five-year period. As the holder of the DTA, we are required to operate the Grande Prairie OSB facility and must process all timber harvested under the DTA at this facility. We are also obligated to conduct our operations and forest management programs in accordance with current provincial legislation, regulations, detailed forest management plans ("DFMPs"), and operating ground rules.

Our Grande Prairie DTA is the primary source of fibre for our Grande Prairie OSB facility, capable of supplying approximately 100% of the existing production line's fibre requirements at full capacity during the period 2015 to 2030, and approximately 70% in subsequent years. Additional wood sources currently available to the mill include private land and government purchases, long-term private wood purchase contracts, industrial timber salvage, and incidental deciduous volumes generated by non-DTA harvesting operations of other operators.

The fibre for the planned second production line at Grande Prairie will be derived from a combination of long-term DTA agreements with the Alberta government, long-term private wood purchase contracts and private and Crown timber purchase. In 2005, we were granted two additional DTAs for 170,000 m^3 per year and 20,000 m^3 per year subject to completion of the Grande Prairie second line project. These are also 20 year renewable certificates. We estimate that the long-term agreements will be sufficient to supply approximately 80% of Grande Prairie's second production line's anticipated requirements at its designed annual production capacity. We expect to source the remainder of our annual requirements from market purchases and other shorter term agreements.

High Level Deciduous Timber Allocation and Forest Management Agreement.

Fibre for the High Level mill is primarily supplied through a renewable joint Forest Management Agreement ("FMA"), three renewable DTA's, and several long-term volume supply agreements with aboriginal groups who hold DTA's or own their land. Over the long term, the total annual fibre from these sources is anticipated to supply approximately 100% of the plant's estimated 1.4 million m^3 fibre requirements. However, actual timber allocations from the FMA are subject to government approval every 10 years under the terms of a Detailed Forest Management Plan ("DFMP"). Currently, the total timber allocation available to High Level from all of its long-term fibre sources is approximately 1.1 million m^3 per year. We anticipate that the timber allocation through our FMA will be increased when the next DFMP is submitted for approval in 2016. Other sources of fibre available to us include purchases from private landowners and the government, industrial timber salvage and incidental deciduous volumes generated by non-DTA or joint FMA harvesting operations of other operators.

Timber Harvesting

Our DTA at Grande Prairie and our FMA at High Level are managed on a sustained yield basis.

Harvesting under the DTA is authorized under (i) timber licenses, and (ii) annual operating plans, which authorize the harvesting of specific blocks of timber and impose operational requirements regarding such matters as riparian set-backs and cut-block boundaries.

Timber licenses under the DTA are issued as a right upon compliance with cut control and other regulatory requirements.

Logging operations at both the Grande Prairie and the High Level facilities employ cut-to-length roadside logging methods. Year-round log deliveries are limited by wet ground conditions and a lack of gravel for road ballast and construction. Grande Prairie ground conditions and infrastructure allow for an approximately eight-month logging season. At the High Level OSB facility, the majority of the logging season is compressed into a 100-day period in the winter, with very limited options for non-frozen ground operating conditions. Terrain in the harvesting areas is flat to gently rolling, with the main road systems previously put in place for oil and gas exploration and past coniferous timber logging operations.

Forest Management

In Grande Prairie, we contributed to the development of a DFMP for each of our DTAs with the FMA holder, and have committed to a proactive public involvement program in the development and implementation of these plans. In High Level, we are a joint FMA holder which requires us to lead, develop, and complete DFMPs in conjunction with the other joint FMA holders. The Alberta Government audits our forestry and silviculture operations annually and the latest audits concluded that our operations were conducted in accordance with all requirements.

We hold Sustainable Forest Initiative and Programme for the Endorsement of Forest Certification Chain of Custody registrations for the Grande Prairie DTAs and our timber procurement activities in Alberta.

Ontario

Supply Agreement

We have a long-term supply agreement for timber with the Province of Ontario. This agreement directs that a defined timber volume will be made available for use by the Barwick facility. This timber volume commitment from the Province of Ontario represents up to 551,000 m^3 per year or approximately 73% of current fibre requirements of the Barwick facility. This agreement is renewable and the current term expires on March 31, 2016.

Memorandum of Agreement

The supply agreement with the Province of Ontario requires agreements with Sustainable Forest License (“SFL”) holders to facilitate the delivery of timber to the Barwick facility. We currently have a Memorandum of Agreement (the “MOA”) with Resolute Forest Products to facilitate the harvesting of the majority of timber from the long-term supply agreement from forestland located adjacent to the Barwick facility. The MOA is renewable and the current term expires on March 31, 2017.

Private Wood and Increased Wood Utilization

Timber requirements for the Barwick facility beyond government commitments are currently satisfied through purchases of timber from private lands in Ontario and Manitoba at open market prices, the procurement of state timber from Minnesota suppliers, the purchase of suitable wood strands and through utilizing a greater portion of the tree.

Forest Management

We contributed to the development of a Forestry Management Plan ("FMP") with the SFL holder, which has received government approval.

We hold Forest Stewardship Council ("FSC") Chain of Custody and Controlled Wood registration for FSC timber procurement at Barwick. As well, we secured Sustainable Forest Initiative and PEFC Chain of Custody registrations for the Barwick timber procurement activities in Ontario, Manitoba and Minnesota.

Environment, Health and Safety

Our commitment to safety, health and the environment is critical to our success and the well-being of our employees. We strive to maintain strong safety and environmental performance across our mills through a comprehensive safety management system, which includes components such as training, safety initiatives and audits/inspections, and adherence to our environmental policies and procedures.

In addition to the laws and regulations governing the management and stewardship of the forests where we harvest timber, we are subject to numerous environmental laws and regulations of general application, including those relating to air emissions, effluent discharges, waste management and remediation of contaminated soil and ground water. Environmental laws and regulations may impose liability and responsibility on present and former owners, operators or users of facilities and sites for contamination at such facilities and sites without regard to causation or knowledge of contamination. Compliance with environmental laws and regulations can significantly increase the costs of our operations and otherwise result in significant costs and expenses. Violations of environmental laws and regulations can subject us to additional costs, including legal costs and civil and criminal penalties. We have obtained the necessary environmental operating permits required to conduct our business. These include, for example, permits for emissions, landfills for disposal of boiler ash and beneficial use of certain solid waste. Any future change in laws or regulations or in the enforcement of existing laws or regulations could result in incremental cost and potentially restrict our operations.

In 2005, the Ontario Ministry of the Environment ("MOE") enacted legislation that greatly reduces the allowable concentrations of several air pollutants, most notably acrolein. The legislation has serious implications for all wood drying operations located in Ontario, including our Barwick OSB facility. In response to a coordinated industry response, the Ontario government completed related regulatory amendments in 2009 which resulted in an option for some industrial facilities to meet a "sector based technical standard" instead of a practically unattainable ambient air concentration for acrolein. The Barwick facility registered with the MOE for the wood products alternative standard (the "WPA Standard"). Following the WPA Standard permits a facility to operate in its current configuration until February 2015, when it must physically modify the drying system to meet one of two technology options designed to further minimize acrolein emissions. If the facility establishes written procedures with respect to dryer operations that include processes to optimize strand moisture consistency, strand geometry and strand inlet moisture content, then the deadline for physical modifications to the drying system may be further extended by the MOE to February 2020. The Barwick OSB facility's Dryer Operation and Maintenance manual does contain such procedures, and is eligible for the deadline extension. The cost of future capital expenditures related to these measures cannot be ascertained.

Research and Development; Intellectual Property

The goal of our research and development activities is to support our business strategy of becoming a leading supplier of value-added OSB products. We focus our research and development efforts on the following areas:

- improving manufacturing efficiencies;
- developing new or improved products to expand our offering of ***Ainsworth****Engineered*® OSB value-add products;
- collaborating with our customers to produce strand-based engineered wood products with enhanced structural properties that may lead to new market opportunities;
- enhancing strategic alliances with industry and educational institutions with the aim of fostering the development of longer-term opportunities; and
- optimizing the productivity of timber harvesting, loading, transportation, and reforestation activities.

We conduct our proprietary research at various research institutions, while also relying on the expertise of a number of our key suppliers.

ITEM 5. RISK FACTORS

Risks Related to the Norbord Arrangement

For information on the risks relating to the Company's proposed merger with Norbord, please see the section entitled "Risk Factors Relating to the Arrangement" on pages 110 to 115 of the joint management information circular, which pages are incorporated by reference in this AIF.

Risks Related to Our Business and the Forest Products Industry

Economic Uncertainty

Our results of operations and financial position could be affected by adverse changes in the global capital and credit markets, and the economy in general. Economic downturns characterized by higher unemployment, lower family income, lower corporate earnings, lower business investment and lower consumer spending typically result in decreased demand for our products. These conditions are beyond our control and may have a significant impact on our business, results of operations, cash flows and financial position.

Our core OSB business relies heavily on new home and renovation construction in North America. Volatility in new home and renovation construction levels is influenced by a number of factors, including the supply of new and existing homes on the market, longer-term interest rates and mortgage foreclosure rates. A significant increase in long-term interest rates, a prolonged decline in the availability of mortgage financing, or the occurrence of other events that reduce levels of residential construction activity could adversely affect our results.

Liquidity

We are subject to liquidity risk to the extent that our current assets and available sources of funds may not be sufficient to meet current liabilities. Our main sources of liquidity have been cash flow from our current operations and borrowings from third parties. We monitor discretionary capital expenditures carefully as operating results, as well as global debt and equity markets, can be volatile. Under the terms of the indenture governing the Company's Senior Secured Notes, we are permitted to borrow at least an additional U.S.$170 million of senior secured and unsecured debt, subject to the limitations set forth in the indenture. The availability of this funding, or other sources of capital, is dependent on capital markets at the time and may not be available on acceptable terms.

Competition

We face competition from numerous domestic and foreign competitors in the wood-based panels industry. We also compete less directly with firms that manufacture substitutes for wood building products. Our ability to compete in these and other markets is dependent on a variety of factors, such as the entry of new competitors, our competitors' pricing strategies, manufacturing costs, availability of key production inputs, access to markets, our ability to anticipate and respond to changing customer preferences, product quality, financial resources and currency exchange rates. Some of our competitors may have greater financial and other resources and greater manufacturing economies of scale compared to our Company. Should our competitors open new mills or reopen curtailed mills market supply could be increased causing downward pressure on product prices, and our profit margins could be eroded.

Product Prices

Our financial performance is dependent on the selling prices of our products. The markets for most structural panel products are cyclical and are influenced by a variety of factors outside of our control. We have limited influence over the timing and extent of price changes, which are often volatile. These factors include periods of excess product supply due to industry capacity additions, periods of decreased demand due to weak general economic activity and inventory de-stocking by customers. Prices are also impacted by seasonal factors such as weather and building activity. Market demand varies seasonally, as homebuilding activity and repair and renovation work, the principal end use for panel products, is generally stronger in the spring and summer months. During periods of low prices, our operations are subject to reduced revenues and margins, resulting in substantial declines in profitability and possible net losses. Management estimates the annualized impact of a U.S. $10 per msf (3/8-inch basis) change in OSB prices on adjusted EBITDA when operating at capacity (including High Level) is approximately U.S. $25 million. Our strategy is to mitigate price volatility by maintaining low cost, high-quality flexible production facilities; establishing and developing long-term relationships with customers; geographic diversification through overseas sales; and developing specialty niche products where possible.

Customer Dependence and Concentration

The Company sells its products primarily to major distributors, contractor supply yards, and wholesale distributors and faces strong competition for the business of significant customers. In 2014, we had one customer whose total purchases from both its distribution business and its engineered wood manufacturing business represented 21% of our total net sales. The loss of a significant customer or any significant customer order cancellations could negatively affect sales and earnings.

Product Concentration

We manufacture a single product, OSB, and, as such, fluctuations in demand or prices for OSB will have an impact on our revenues and profitability. This product concentration increases our exposure to variability in demand for and/or prices of OSB and a decline in demand for and/or prices of OSB may adversely affect our business, financial condition and results of operations.

International Sales

A significant portion of our sales are made to customers outside of Canada and the United States. Our international sales present us with a number of risks and challenges, including but not limited to the effective marketing of our products in other countries, relative exchange rates, collectability of accounts receivable, tariffs and other barriers to trade and recessionary environments in foreign economies.

Foreign Exchange

All of our sales, including products sold in Canada and overseas, are denominated in U.S. dollars. As a result, any decrease in the value of the U.S. dollar relative to the Canadian dollar reduces the amount of revenue we realize and conversely, any increase in the U.S. dollar relative to the Canadian dollar increases the amount of revenue we realize. The impact of this foreign exchange sensitivity on sales is partially offset by our U.S. dollar denominated debt as well as U.S. dollar purchases of raw materials, supplies, and services such as resin, wax and transportation. At December 31, 2014 and December 31, 2013, we did not hold any foreign exchange contracts.

Wood Fibre

Wood fibre represents the major raw material in the production of panels. In Canada, wood fibre is sourced primarily by long-term agreements with provincial governments. The agreements are granted for various terms from five to twenty-five years. As the agreements come due, we rely on the assumption that we will be able to renew or replace the agreements. The agreements incorporate commitments with respect to sustainable forest management, silvicultural work, forest and soil renewal, and cooperation with other forest users. The governments reserve the right to revoke a forest management license for any facility that fails to honor the commitments contained within the forest management agreements. Our wood fibre supply could also be influenced by natural events, such as forest fires, severe weather conditions and other natural disasters, which may increase wood fibre costs or restrict our access to wood fibre. Aboriginal groups have claimed substantial portions of land in various provinces over which they claim aboriginal title, or in which they have a traditional interest, and for which they are seeking compensation from various levels of government. The results of these claims may adversely affect the supply of wood fibre and the commercial terms of supply agreements with provincial governments.

Other Input Costs

In addition to wood fibre, we use various other raw materials, such as resin and wax, and energy sources in our manufacturing process. Changes in the costs and availability of such raw materials and energy sources may adversely affect our operating results. Rising petroleum prices can also reduce our profitability due to increased domestic and international transportation rates or fuel surcharges. We may not be able to fully offset the effects of higher costs through hedging arrangements, price increases, productivity improvements or cost reduction programs.

Capital Intensity

The production of wood-based panels is capital intensive and it is likely that key pieces of equipment will need to be repaired or replaced. In certain circumstances, the costs of repairing or replacing equipment and the associated downtime of the affected production line may not be an insurable event. In addition, significant amounts of capital could be required to modify our equipment to produce alternative or additional products or to make significant changes in the characteristics of our current products.

Labour Relations and Employee Retention

The Grande Prairie and High Level mill employees are non-unionized, while the 100 Mile House and Barwick mills are unionized. The union contracts for 100 Mile House and Barwick are due to expire on June 30, 2017 and July 31, 2017, respectively.

We could experience strikes or work interruptions if we are unable to negotiate acceptable union contracts upon expiry, which could reduce our sales and profitability.

The Company's success depends, to a significant extent, upon its ability to attract and retain key senior management and operations personnel, and to have sufficient skilled labour available. The Company's failure to recruit and maintain key personnel, and market conditions which cause shortages of skilled labour, could have an adverse impact on our business, financial position and results of operations.

Regulatory

Government regulations relating to forest management practices may adversely affect us and could increase our costs of doing business. Legislation in British Columbia, Alberta and Ontario empowers provincial regulatory agencies to develop regulations, set policies and establish and maintain all aspects of sustainable forest management. Changes to these regulations and policies could adversely affect our access to wood fibre for our OSB operations or could increase the cost of our wood fibre. Changes to these laws or regulations, or the implementation of new laws or regulations, could result in additional expenses, capital expenditures or impediments to our operations, which could impair our competitive position and adversely affect our business.

We are also subject to a wide range of general and industry specific product, environmental, health and safety laws, regulations and standards imposed by federal, provincial, and local authorities in Canada and other countries where we market our products. Changes to these laws, regulations, and standards could adversely affect our ability to sell products to certain jurisdictions or operate within certain jurisdictions. Such changes could adversely affect our business, financial condition, results of operations and cash flows.

Environmental

Our operations are subject to a range of general and industry-specific environmental laws and regulations relating to air emissions, wastewater discharges, solid and hazardous waste management, plant and wildlife protection, and site remediation. Failure to comply with applicable environmental laws and regulations could result in fines, penalties or other enforcement actions that could impact production capacity or increase production costs. No assurance can be given that changes to these laws and regulations or their application will not adversely affect the Company's business, operations, financial condition and operational results. Additionally, the Company may discover currently unknown environmental issues, contamination or conditions in relation to past or present operations in or at its current or former facilities, or may be faced with unforeseen environmental liabilities in the future. This may require site or other remediation costs to maintain compliance or correct violations or result in government or private claims for damage to persons, property or the environment.

Periodic Litigation

The Company may from time to time become party to claims and litigation proceedings that arise in the ordinary course of business. Such matters are subject to many uncertainties and the Company cannot predict with any certainty the outcomes or ultimate financial impacts of them. There can be no guarantees that actions that may be brought against the Company in the future will be resolved in its favour or that the insurance the Company carries will be available or paid to cover any litigation exposure. Any losses from settlements or unfavorable judgments arising out of these claims could be adverse to the Company.

Additionally, we acquired the Barwick facility through a share transaction in 2004. As a result, there is a potential that we may have acquired undisclosed or unknown liabilities or other undisclosed detrimental issues concerning the Barwick facility. The existence of such undisclosed liabilities or other detrimental issues related to the Barwick facility could adversely affect our business, financial condition, results of operations and cash flows.

Tax Exposures

As a normal course of business, the Company takes various tax filing positions without the assurance that tax authorities will accept and not challenge such positions. In addition, the Company is subject to further uncertainties concerning the interpretation and application of tax laws in various operating jurisdictions. Ainsworth maintains reserves for known estimated tax exposures in all jurisdictions. These exposures are settled primarily through the closure of audits with the jurisdictional taxing authorities.

Defined Benefit Pension Plan Funding

We maintain two defined benefit pension plans. In British Columbia, the first defined benefit pension plan provides pension accruals for certain union employees at the 100 Mile House facility and a group of non-union employees, but is closed to any new employees. The second defined benefit pension plan for certain employees in Minnesota, is also closed to new members and there are no current service pension accruals. In both cases, plans continue to be subject to market risk on the plan assets and to changes in discount rates. The latest funding valuation indicates that the British Columbia defined benefit pension plan is in a solvency deficit position and therefore we are required to make accelerated cash funding contributions. If actual experience differs from these assumptions or any of these assumptions change such that the solvency deficit increases, we would be required to increase cash funding contributions, reducing the availability of such funds for other corporate purposes. The U.S. defined benefit pension plan is underfunded and we continue to make contributions to the plan.

ITEM 6. DIVIDENDS

Ainsworth did not pay dividends in 2014, 2013 or 2012. The Company’s dividend payments are at the discretion of the board of directors of the Company (the “Board of Directors” or the “Board”) and are subject to restrictions in the indenture governing our Senior Secured Notes, as well as other restrictions pursuant to the Norbord Arrangement.

ITEM 7. DESCRIPTION OF CAPITAL STRUCTURE

General Description of Capital Structure

The authorized capital of the Company consists of an unlimited number of common shares without par value and an unlimited number of preferred shares, issuable in series, 5,000,000 of which are designated as Series 1 Preferred Shares. On the date of this AIF, 240,956,309 common shares and no preferred shares were outstanding.

Common Shares

The holders of the common shares are entitled to one vote per share at meetings of shareholders and are entitled to receive, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company, the remaining property of the Company upon the liquidation, dissolution or winding-up of the Company, and to receive dividends, if and when declared by the Board, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company.

Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares, issuable in one or more series and, subject to the Business Corporations Act (British Columbia), having such designation, rights, privileges, restrictions and conditions as determined by the Board of Directors prior to the issuance thereof. Holders of preferred shares may be entitled to a preference over the holders of common shares and any other class or series of shares ranking junior to the preferred shares with respect to the receipt of dividends. In the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the Company's assets among its shareholders for the purpose of winding-up its affairs, holders of preferred shares are entitled to preferences over the holders of common shares and any other shares ranking junior to the preferred shares with respect to the receipt of property of the Company, and may also be given such other preferences over the common shares and any other shares ranking junior to the preferred shares as may be determined at the time of the creation of each series.

The Series 1 Preferred Shares are non-voting and the Directors may declare dividends on the Series 1 Preferred Shares to the exclusion of any one or more classes of common shares or shares of the Company ranking junior to the Series 1 Preferred Shares. In the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the Company's assets among its shareholders for the purpose of winding-up its affairs, holders of Series 1 Preferred Shares are entitled to preferences over the holders of the common shares of the Company or any other class of shares of the Company ranking junior to the Series 1 Preferred Shares. The Series 1 Preferred Shares may be surrendered for retraction at any time and the Company may redeem the Series 1 Preferred Shares at any time.

Options

In November 2008, Ainsworth's Board of Directors approved the adoption of a stock option plan under which options to acquire a maximum of 9,000,000 common shares of the Company are issuable with terms of up to 10 years. The stock option plan was approved by the shareholders of the Company at the Annual General and Special Meeting of Shareholders on May 13, 2009 and was subsequently amended by the Board of Directors on February 25, 2011. As of the date of this AIF, 2,680,676 stock options are outstanding with exercise prices ranging from $1.03 to $3.73 and expiring between 2018 and 2024.

Deferred Share Units

On May 13, 2011, the Company implemented a deferred share units ("DSU") plan for directors. Under the DSU plan, directors may elect to receive up to 100% of their fees in the form of DSUs. DSUs must be retained until the director leaves the Board, at which time the cash value of the DSUs is paid out. The initial fair value of the liability is calculated as of the grant date using the volume weighted average price ("VWAP") of the Company's common shares for the five business days prior to the grant date, and is recognized immediately. The liability is subsequently re-measured to fair value at each reporting period until settlement. As of December 31, 2014, 584,452 DSUs were outstanding with a fair value of $1.9 million.

Debt Ratings

The following information relating to the Company's credit ratings is provided as it relates to the Company's financing costs, liquidity and operations as of December 31, 2014.

Specifically, credit ratings affect the Company's ability to obtain short-term and long-term financing and the cost of such financing. A reduction in the current corporate credit rating, described below, or the rating on the Company's debt by rating agencies, particularly a downgrade below current ratings, or a negative change in the Company's ratings outlook could adversely affect the Company's cost of financing and its access to sources of liquidity and capital. In addition, changes in credit ratings may affect the Company's ability to, and the associated costs of, entering into and maintaining ordinary course contracts with customers and suppliers on acceptable terms.

Rating agencies regularly evaluate the Company, and the corporate credit rating and ratings of the Company's long-term debt are based on a number of factors, including the Company's financial strength as well as factors not entirely within the Company's control, including conditions affecting the forest products industry generally and the wider state of the economy. The Company's borrowing costs and ability to raise funds are directly impacted by its credit ratings. In addition, credit ratings may be important to customers or counterparties when the Company competes in certain markets and when the Company seeks to engage in certain transactions.

Credit ratings are intended to provide investors with an independent assessment of the credit quality of an issue or an issuer of securities and such ratings do not address the suitability of a particular security for a particular investor. The ratings assigned to a security may not reflect the potential impact of all risks on the value of the security. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

Standard and Poor's ("S&P") has assigned the Company a long-term corporate credit rating of B. S&P has ten possible credit ratings, ranging from AAA to D. According to S&P, a B corporate credit rating exhibits current capacity to meet financial commitments, but adverse business, financial or economic conditions would likely impair its capacity or willingness to meet those commitments, and ranks sixth on S&P's ratings scale. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to indicate the relative standing within the major rating categories. As a result of the pending transaction with Norbord, S&P has placed Ainsworth on CreditWatch positive. CreditWatch is S&P's opinion regarding the potential direction of a short-term or long-term rating, and focuses on identifiable events and short-term trends that cause ratings to be placed under surveillance by S&P. The positive designation means that a rating may be raised.

S&P has assigned the Senior Secured Notes an issue credit rating of BB-. S&P's long-term issue credit ratings range from AAA to D. According to S&P, a BB rating reflects a debt security that is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions, which could lead to inadequate capacity to meet its financial commitment on the obligation. As with the corporate credit rating, the issue credit ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign.

Moody's Investors Service ("Moody's") has assigned the Company a corporate family rating of B1, and has assigned the Senior Secured Notes a B1 rating. Moody's has nine possible credit ratings, ranging from Aaa to C. According to Moody's, a B rating is considered speculative and subject to high credit risk and is ranked sixth on the ratings scale. The ratings from Aa to Caa may be modified by the addition of the numbers 1 through 3 to indicate the relative standing within the major rating categories. A modifier of 1 indicates a ranking in the higher range of the respective ranking category. As a result of the pending transaction with Norbord, Moody's has placed Ainsworth under review for a positive upgrade.

ITEM 8. MARKET FOR SECURITIES

Trading Price and Volume

The Company's common shares and shareholder warrants are listed on the Toronto Stock Exchange ("TSX") under the symbol "ANS." The following table sets forth the market price range, in Canadian dollars, and trading volumes of the Company's common shares on the TSX for each month of the 2014 fiscal year.

Fiscal 2014	High ($)	Low ($)	Volume
December	3.35	2.53	21,468,550
November	2.74	2.36	3,384,474
October	2.80	2.24	4,184,675
September	2.93	2.61	6,163,836
August	2.90	2.40	12,342,716
July	2.91	2.60	6,849,680
June	2.93	2.66	12,153,246
May	3.95	2.83	45,803,792
April	4.00	3.64	4,840,676
March	4.21	3.77	10,584,877
February	4.22	3.78	4,720,585
January	4.22	3.96	7,526,306

Note 1: The source for the data in the table above is TSX Market Data.

Prior Sales

As part of a comprehensive refinancing plan completed in 2012, the Company issued U.S.$350 million of Senior Secured Notes at par on November 27, 2012. See "General Development of the Business - Financing".

ITEM 9. DIRECTORS AND OFFICERS

The directors of the Company are elected annually to hold office until the next annual meeting or until a successor is elected or appointed.

The Board of Directors of the Company is composed of eight members. The Company considers that all directors qualify as independent directors within the meaning of National Instrument 58-101– *Disclosure of Corporate Governance*, except for the following:

- Robert Chadwick, Partner at Goodmans LLP, which provides legal services to the Company;
- Peter Gordon, Managing Partner at Brookfield Asset Management Inc., which is related to BCP;
- Jim Lake, President and Chief Executive Officer of the Company; and
- Pierre McNeil, Senior Vice President of Brookfield Asset Management Inc.

The following table sets forth the name and province of residence, office held with the Company, date on which each first became a director (if applicable) and principal occupation during the last five years of each of the directors and executive officers of the Company as of the date of this AIF.

Nominee Name and Place of Residence	Office(s) Held	Principal Occupation	Director Since
BARTON BENDER (1) **BC, Canada**	Senior Vice President, Operations	Senior Vice President, Operations (since August 2014); previously, Vice President, Sales and Marketing of the Company (since March 2012); and prior to that, General Manager, Sales and Logistics of the Company.	-
ROBERT CHADWICK (2) **ON, Canada**	Director	Partner at Goodmans LLP, practicing Corporate and Commercial Law.	July 2008
RICK ENG **BC, Canada**	Vice President, Finance and Chief Financial Officer	Vice President, Finance and Chief Financial Officer of the Company (since September 2012); previously, Senior Vice President at Brookfield Asset Management Inc.	-
ROBERT FOUQUET **BC, Canada**	Vice President, Business Development	Vice President, Business Development of the Company (since March 2012); previously, Vice President, Sales and Marketing of the Company (since June 2000).	-
PAUL GAGNÉ (3) **QC, Canada**	Director	Retired executive. Chairman of the board of Wajax Corporation (member of the board since 1996); director of CAE Inc. (since 2005); director of Textron Inc. (since 1995); previously, served as director of Inmet Corporation (1996 to 2013) and director of Fraser Papers Inc. (2004 to 2011).	May 2011
PETER GORDON (4) **ON, Canada**	Director (Chair)	Managing Partner at Brookfield Asset Management Inc. (since 1998), where he is a senior manager of Brookfield Capital Partners Ltd.; director of MAAX Bath Inc. (since 2009); previously, served as director of Western Forest Products (from 2010 to 2014, and from 2004 to 2006); director of Fraser Papers Inc. (2007 to 2011), and President and CEO of Fraser Papers Inc (2007 to 2010).	May 2010
PAUL HOUSTON (2)(3)(4) **ON, Canada**	Director (Lead)	Retired executive. President and CEO of The Alderwoods Group Inc., a provider of funeral and cemetery services (2001 to 2007); director of Vicwest Income Fund, a steel fabricator (in 2006); and director of CFM Corporation, a home products company (2004 and 2005).	July 2008
JOHN LACEY (4) **ON, Canada**	Director	Chairman of Brookfield Capital Partners Ltd.'s advisory board (since 1998); director of Telus Corporation (since 2000); director of Loblaw Companies Limited (since 2005); previously, served as director of the following companies: CIBC (2004 to 2009), Stelco Inc. (2006 to 2007), The Alderwoods Group Inc. (2001 to 2006), Western Forest Products Inc. (2004 to 2006) and Canadian Tire (2003 to 2006).	July 2008

Nominee Name and Place of Residence	Office(s) Held	Principal Occupation	Director Since
JIM LAKE **BC, Canada**	President and Chief Executive Officer and Director	President and Chief Executive Officer and director of the Company (since March 2013); President and Chief Operating Officer of the Company (September 2011 to March 2013); Vice President, Operations of the Company since May 2010; Vice President, Operations at Grant Forest Products Inc. (2008 to 2010); and Vice President, Manufacturing at Louisiana Pacific Corp. (1985 to 2008).	March 2013
GORDON LANCASTER (3) **BC, Canada**	Director	Retired executive. Director of SouthGobi Resources Limited (since 2010); previously, served as director of Sonde Resources Corp (2011 to 2015); director of Realm Energy International Corporation (2010 to 2011), and Chief Financial Officer of Ivanhoe Energy Inc., a public oil and gas company (to 2009).	May 1993
PIERRE MCNEIL (2) **ON, Canada**	Director	Senior Vice President of Brookfield Asset Management Inc. (since 2006), with responsibilities in Brookfield Capital Partners Ltd.; and director of MAAX Bath Inc (since 2008); previously, served as director of Western Forest Products (2007 to 2014).	May 2010
MARK SUTHERLAND **BC, Canada**	Vice President, Sales and Marketing	Vice President, Sales and Marketing (since August 2014); previously, General Manager, North American Sales of the Company (since May 2012); and prior to that, General Manager, Marketing of the Company (since August 2009).	-

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(1) Mr. Bender has resigned from the Company effective March 31, 2015.
(2) Member of Compensation Committee.
(3) Member of Audit Committee.
(4) Member of Corporate Governance Committee.

As at the date of this AIF, the directors and executive officers of the Company as a group beneficially owned, or exercised control or direction over, directly or indirectly, 816,117 common shares representing approximately 0.34% of the issued and outstanding common shares.

Cease Trade Orders, Bankruptcies, Penalties and Sanctions

Other than as disclosed below, no director or executive officer of the Company is, as at the date of this AIF, or within ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company (including the Company) that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer:

(i) Paul Houston, who was a director of CFM Corporation ("CFM") that was subject to a management cease trade order issued by the Ontario Securities Commission on March 1, 2005 as a result of CFM's failure to file its interim financial statements for the three-month period ended January 1, 2005. CFM subsequently amalgamated with a subsidiary of the Ontario Teachers' Pension Plan Board on April 12, 2005. The order is no longer in effect;

(ii) Paul Gagné and Peter Gordon, who were directors of Fraser Papers Inc. (“Fraser”) that was subject to cease trade orders issued by the Ontario Securities Commission (the “OSC”) and the British Columbia Securities Commission (“BCSC”) on March 10, 2011 for failure to file its interim financial statements, interim management’s discussion analysis and certification of interim filings for the interim period ended October 2, 2010. On June 21, 2011, the Alberta Securities Commission (“ASC”) also issued a cease trade order against Fraser for failing to file the annual audited financial statements, annual management’s discussion and analysis and certification of annual filings for the year ended January 2, 2011 and for failing to file the interim unaudited financial statements, interim management's discussion and analysis and certification of interim filings for the interim period ended October 2, 2010. Such orders required that all trading or purchasing cease in respect of each security of Fraser until the orders are revoked or varied. The orders were not revoked or varied. Fraser's common shares were suspended from trading on the TSX on June 23, 2009 and delisted on July 22, 2009; and

(iii) Gordon Lancaster, who was a director of Sonde Resources Corp. ("Sonde"), an oil and gas exploration company, that was subject to cease trade orders issued by each of the ASC, the BCSC, Autorité des marchés financiers and the OSC on November 19, 2014, November 20, 2014, November 24, 2014 and November 25, 2014, respectively, for failure to file its interim financial statements, interim management's discussion and analysis and certification of interim filings for the interim period ended September 30, 2014. Such orders required that all trading or purchasing cease in respect of each security of Sonde until the orders are revoked or varied. The orders were not revoked or varied. In addition, on November 19, 2014, Sonde received notice that the staff of NYSE Regulation, Inc. determined to commence proceedings to delist Sonde's common shares from NYSE MKT LLC ("NYSE"). Trading of Sonde's common shares on the NYSE was previously halted by the staff on November 17, 2014. Sonde's common shares were also halted on the TSX Venture Exchange ("TSXV") on November 17, 2014 and were suspended from trading on the TSXV on November 19, 2014.

Other than as disclosed below, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to materially affect control of the Company is, as at the date of this AIF, or within ten years prior to the date hereof has been, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets:

(i) Paul Gagné resigned as director of Gemofor Inc. ("Gemofor"), a manufacturer of sawmill equipment, in November 2006. Within a year of his resignation, Gemofor filed for bankruptcy;

(ii) Paul Gagné and Peter Gordon were directors of Fraser until February 2011. In June 2009, Fraser initiated a court-supervised restructuring under the *Companies' Creditors Arrangement Act* and also filed for protection pursuant to Chapter 15 of the U.S. Bankruptcy Code. As part of its restructuring, Fraser sold all of its operating assets and distributed the proceeds from the sale. Fraser was dissolved on June 23, 2011; and

(iii) Gordon Lancaster resigned as director of Sonde in February 2015. Immediately thereafter, on February 2, 2015, Sonde announced that the company has filed a voluntary assignment in bankruptcy pursuant to the provisions of the *Bankruptcy and Insolvency Act* (Canada). In conjunction with this filing, FTI Consulting Canada Inc. was appointed as the Trustee in Bankruptcy.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to materially affect control of the Company has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold assets of the director, executive officer or shareholder.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to materially affect the control of the Company, has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the knowledge of the Company as of the date of this AIF, no existing or potential material conflicts of interest exist between the Company and any of its directors or officers.

Audit Committee

National Instrument 52-110 – *Audit Committees* ("NI 52-110") requires the Company to disclose annually certain information concerning the constitution of its Audit Committee and its relationship with its independent auditor. The Audit

Committee is responsible for reviewing our financial reporting obligations, approving our external audit plan and meeting with our external auditors to review performances. This committee reviews applicable accounting procedures and appropriate internal controls and procedures. The Audit Committee meets with our external auditors at least once each fiscal quarter, and reviews interim results and the annual financial statements prior to their approval by the Board of Directors. It also meets with the external auditors independently of management and is ultimately responsible for retaining and remunerating the external auditors.

The members of the Audit Committee are Paul Gagné, Paul Houston and Gordon Lancaster. All of the members of the Audit Committee are considered "financially literate" within the meaning of NI 52-110 and are considered "independent" within the meaning of NI 52-110.

A copy of the Audit Committee Charter is attached as Appendix B.

Relevant Education and Experience

Set out below is a description of the education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an audit committee member:

Paul Gagné: Mr. Gagné is a Chartered Accountant with extensive experience in the natural resource sector. He currently serves as Chair of the Board of Directors of Wajax Corporation and the Chair of the Human Resources Committee of CAE Inc., and also serves on the Audit Committees of CAE Inc., and Textron Inc.

Paul Houston: Mr. Houston has extensive business experience serving as President and CEO and director of a number of companies with businesses in Canada, the United States, the United Kingdom and Japan. He has gained his experience by focusing on restructuring and managing troubled companies in a variety of different industries. He also completed Cornell University's Management Development Program.

Gordon Lancaster: Mr. Lancaster, a Chartered Accountant, served as Chief Financial Officer of Ivanhoe Energy Inc., a Vancouver-based international natural gas, oil and energy company until he retired in November 2009. Mr. Lancaster was with Deloitte & Touche LLP for 20 years, including five years as partner. He also has more than 20 years experience in senior financial positions serving as Chief Financial Officer of First City Group, Vancouver International Airport Authority, Lions Gate Entertainment Corp., Power Measurement Inc. and Xantrex Technology Inc.

Pre-Approval Policies and Procedures

The Audit Committee has adopted policies and procedures for the pre-approval of audit, tax and other non-audit services provided by the auditors.

The terms of engagement and scope of the annual audit of the financial statements are agreed to by the Audit Committee in advance of the engagement of the auditors in respect of the annual audit. The Audit Committee approves the audit fees.

The auditors are not permitted to provide non-audit services that would compromise their independence or violate any laws or regulations that would affect their appointment as independent auditors. They are eligible for selection to provide non-audit services only to the extent that their skills and experience make them a logical supplier of the services. The Audit Committee must pre-approve the provision of all non-audit services by auditors and will consider regulatory guidelines in determining the scope of permitted services. The Audit Committee has pre-approved non-audit services in respect of individual assignments for permitted services that meet certain criteria. Assignments outside these parameters must be specifically pre-approved by the Audit Committee in advance of commissioning the work.

In 2014, the Audit Committee of the Company approved all audit, tax and other non-audit services performed by our independent auditors.

External Auditor Service Fees

Deloitte LLP, the auditors of the Company, prepared the Independent Auditor's Report to the shareholders dated February 26, 2015, with respect to the 2014 consolidated financial statements, which consisted of consolidated statements of financial position and consolidated statement of operations, comprehensive income (loss), changes in shareholders' equity (deficiency) and cash flows.

Fees relating to the fiscal year ended December 31	2014		2013	
Audit Fees	$ 357,000	85%	$ 289,000	77%
Audit-Related Fees [(1)]	32,000	8	25,000	11
Tax Fees [(2)]	33,000	8	44,000	12
Total	$ 422,000	100%	$ 358,000	100%

(1) Audit-related fees for 2014 consisted of fees for services associated with review of materials filed related to the Norbord Arrangement. In 2013, audit-related fees consisted of fees for services associated with review of materials filed related to the LP Arrangement Agreement.

(2) Tax fees for 2014 and 2013 related to work done with respect to transfer pricing.

Additional Committees of the Board

Compensation Committee

The members of the Compensation Committee are Robert Chadwick, Paul Houston, and Pierre McNeil. The Compensation Committee meets and makes recommendations to the Board of Directors relating to the compensation for senior executives and for directors' fees.

Corporate Governance Committee

The members of the Corporate Governance Committee are Peter Gordon, Paul Houston, and John Lacey. The Corporate Governance Committee is responsible for making representations to the Board of Directors with respect to developments in the area of corporate governance and the practices of the Board of Directors. It is the responsibility of the Corporate Governance Committee to review, interview and recommend new potential Board members as well as review on an annual basis the credentials of all nominees for re-election to the Board. The Corporate Governance Committee assesses the effectiveness of the Board as a whole, the committees of the Board and the contributions of individual directors. Orientation and education of new Board members is conducted by meetings of new Board members with the President and Chief Executive Officer, the Chief Financial Officer and other long-standing board members to assist any new directors in learning about our key assets and about the industry in which we are involved.

ITEM 10. LEGAL PROCEEDINGS

Ainsworth is involved in various legal proceedings relating to contracts, commercial disputes, taxes, environmental issues, employment and workers' compensation claims and other matters. The Company periodically reviews the status of these proceedings with counsel. The Company believes that the ultimate disposition of these matters will not have a material adverse effect on its financial position.

ITEM 11. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth in this AIF and transactions carried out in the ordinary course of business of the Company or any of its subsidiaries, none of the directors or executive officers of the Company, no shareholder beneficially owning, controlling or directing, directly or indirectly, shares carrying more than 10% of the voting rights attached to the shares of the Company or any associate or affiliate of any of the foregoing persons had, within the three most recently completed financial years of the Company, or since January 1, 2015 (being the commencement of the Company's current financial year) any material interest, direct or indirect, in any transactions which materially affected or are expected to materially affect the Company or any of its subsidiaries.

ITEM 12. TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the Company's common shares is Computershare Investor Services Inc. The register of transfers of the common shares and shareholder warrants of Ainsworth are maintained by Computershare Investor Services Inc. and Computershare Trust Company of Canada at their offices in Vancouver, British Columbia.

ITEM 13. MATERIAL CONTRACTS

The Company entered into the following material contracts during 2014:

- Amending Agreement to LP Agreement dated February 12, 2014 between the Company and LP pursuant to which the Company and LP agreed to extend the outside date for completion of the since terminated LP Arrangement.
- Arrangement Agreement dated December 8, 2014 between the Company and Norbord for the acquisition of all of the issued and outstanding common shares of the Company in exchange for common shares of Norbord.
- Lock-up Agreement dated December 8, 2014 between Brookfield Asset Management Inc. ("BAM"), BCP, Norbord and the Company whereby BAM and BCP agrees to vote in favour of the Arrangement Agreement between the Company and Norbord.

The following material contracts entered previously were still in effect during 2014, excluding such material contracts that were entered into prior to January 1, 2014 and are no longer in effect as at the date of this AIF:

- Indenture dated November 27, 2012 among the Company, the Guarantors named therein, and the Bank of New York Mellon with respect to the Company's Senior Secured Notes due 2017.

ITEM 14. INTERESTS OF EXPERTS

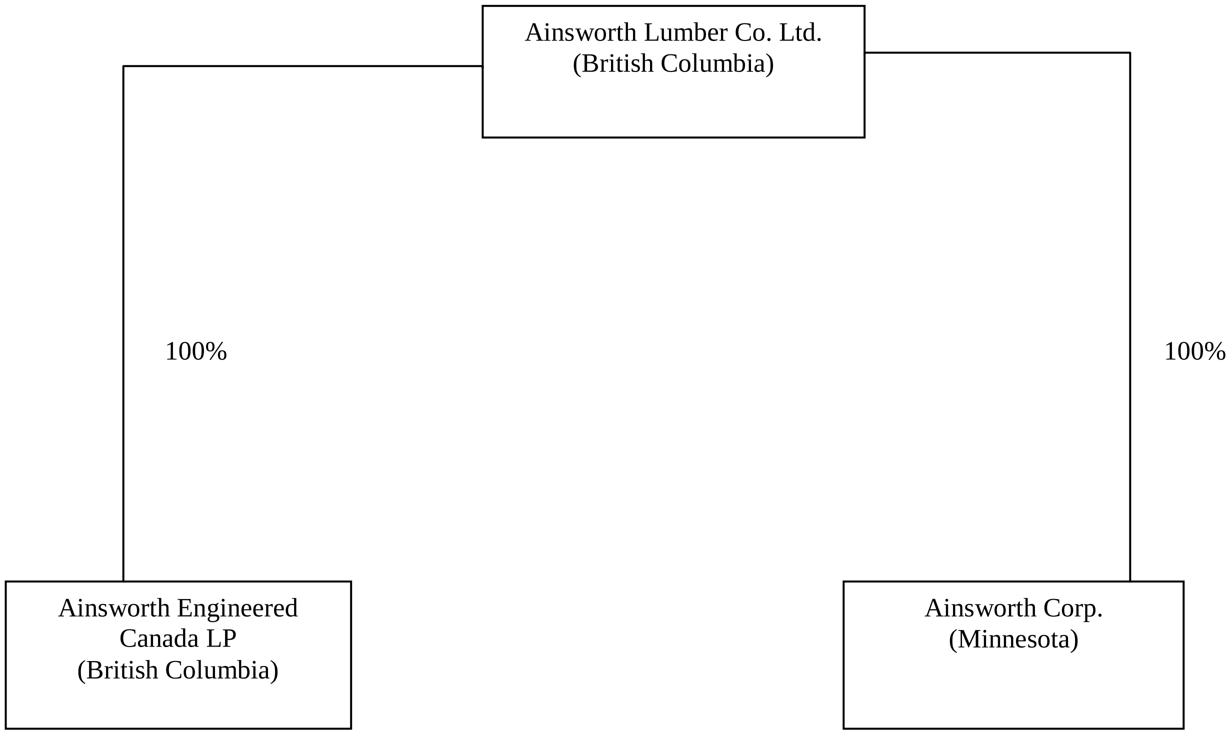
The auditors of the Company are Deloitte LLP, of Vancouver, British Columbia. Deloitte LLP report that they are independent of the Company in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia, Canada.

ITEM 15. ADDITIONAL INFORMATION

Additional information relating to Ainsworth may be found on SEDAR at www.sedar.com.

Additional information, including directors' and executive officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, where applicable is contained in the Management Information Circular prepared in connection with the most recent Annual Meeting of Shareholders of the Company. Additional financial information is provided in the Company's financial statements for the year ended December 31, 2014 and the Management's Discussion and Analysis dated February 26, 2015.

APPENDIX A: Corporate Structure as of the date of this AIF (includes only our material operating companies)



APPENDIX B: Audit Committee Charter

AINSWORTH LUMBER CO. LTD.

AUDIT COMMITTEE CHARTER
(the "Charter")

As of August 2013

1. PURPOSE

1.1 The Audit Committee (the "Committee") is appointed by the Board of Directors (the "Board") of Ainsworth Lumber Co. Ltd. (the "Company") to assist the Board in fulfilling its financial management oversight responsibilities. The Committee's primary duties and responsibilities are to:

(a) monitor the integrity of the Company's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;

(b) identify and monitor the management of the principal risks that could impact the financial reporting of the Company;

(c) monitor the independence and performance of the Company's external auditor; and

(d) provide an avenue of communication among the external auditor, management and the Board.

2. AUTHORITY

The Committee has the authority to:

(a) engage independent counsel and other advisors as it determines necessary to carry out its duties;

(b) set and pay the compensation for any advisors employed by the Committee; and

(c) communicate directly with the internal and external auditors.

3. COMPOSITION

2.1 Committee members shall meet the requirements of the British Columbia Business Corporations Act and applicable securities regulatory rules and regulations. The Committee shall be comprised of at least three directors, as determined by the Board, each of whom shall be an "independent" director within the meaning of National Instrument 52-110 ("NI 52-110") promulgated by the Canadian Securities Administrators and shall be free from any relationship that would interfere with the exercise of the director's independent judgment. All members of the Committee shall be "financially literate" within the meaning of NI 52-110 and at least one member of the Committee shall have accounting or related financial management expertise.

2.2 The members of the Committee shall be appointed by the Board and shall serve until their successors are appointed. The Board shall have the power at any time to change the membership of the Committee and to fill vacancies in it, subject to the Committee continuing to satisfy the composition requirements mentioned above. The Board shall designate one member of the Committee as its Chair. If a Chair of the Committee is not designated or present at a meeting, the members of the Committee may designate a Chair for the meeting by majority vote of the Committee membership.

4. MEETINGS

3.1 Except as expressly provided in this Charter or the Articles of the Company, the Committee shall fix its own rules of procedure.

3.2 The Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Committee Chair shall prepare and/or approve an agenda in advance of each meeting. The Committee should meet privately in executive session at least quarterly with management, the external auditor, and as a Committee to discuss any matter that the Committee or each of these groups believes should be discussed. In addition, the Committee should communicate with management quarterly as part of their review of the Company's interim financial statements and management's discussion and analysis.

3.3 At all meetings of the Committee, the presence of a majority of the members will constitute a quorum for the transaction of the business and the vote of a majority of the members present shall be the act of the Committee.

3.4 The Chair, any member of the Audit Committee, the external auditors, the Chairman of the Board, or the Chief Executive Officer or the Chief Financial Officer may call a meeting of the Audit Committee by notifying the Company's Corporate Secretary who will notify the members of the Audit Committee. The Chair shall chair all Audit Committee meetings that he or she attends, and in the absence of the Chair, the members of the Audit Committee present may appoint a chair from their number for a meeting.

3.5 Members of the Committee may participate in a meeting of the Committee by conference telephone or similar communications equipment by means of which all people participating in the meeting can hear each other and participation in such a meeting will constitute presence in person at such a meeting.

3.6 Any action required or permitted to be taken at any meeting of the Committee may be taken without a meeting if all of its members consent in writing to the action and such writing is filed with the records of proceedings of the Committee.

3.7 The Committee shall have unrestricted access to the Company's management and employees and the books and records of the Company.

3.8 Directors not on the Committee may attend meetings at their discretion. At the invitation of the Chair of the Committee, members of management and outside consultants may attend Committee meetings.

5. RESPONSIBILITIES

Review Procedures

4.1 The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the duties required of an audit committee by any exchange upon which securities of the Company are traded, or any governmental or regulatory body exercising authority over the Company, as are in effect from time to time (collectively, the "Applicable Requirements").

4.2 Review and update, if applicable or necessary, this Audit Committee Charter annually and submit any amended Audit Committee Charter to the Board for approval.

4.3 Review the Company's annual audited financial statements, related management's discussion and analysis ("MD&A") and related documents prior to filing or distribution. This review should include discussion with management and the external auditor of significant issues regarding accounting principles, practices, and significant management estimates and judgments.

4.4 Review with financial management the Company's quarterly financial results and related documents prior to the release of earnings and/or the Company's quarterly financial statements, the auditor's review report thereon, related MD&A and related documents prior to filing or distribution. As part of this review, the Committee should discuss any significant changes to the Company's accounting principles.

4.5 Review all filings with government agencies in Canada and, if applicable, the United States of America, and assess the compliance of the Company in relation to governmental and stock exchange regulations as they apply to the Company respecting processes and controls.

4.6 Review all annual and interim earnings press releases before the Company publicly discloses the information.

4.7 Review the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.

4.8 Review policies and procedures with respect to directors' and officers' expense accounts and management perquisites and benefits, including their use of corporate assets and expenditures related to executive travel and entertainment.

4.9 Discuss with management, the auditors and internal legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements.

4.10 Ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, as well as review any financial information and earnings guidance provided to analysts and rating agencies, and periodically assess the adequacy of those procedures.

External Auditor

4.11 The external auditor is ultimately accountable to the Committee and the Board, as representative of the shareholders. The Committee shall review the independence and performance of the auditor and annually recommend to the Board the appointment of the external auditor or approve any discharge of the external auditor when circumstances warrant.

4.12 Approve the fees and other significant compensation to be paid to the external auditor.

4.13 At least annually, the Audit Committee shall review the qualifications and performance of the lead partner(s) of the auditors and determine whether it is appropriate to adopt or continue a policy of rotating lead partners of the external auditors.

4.14 Obtain annually, a formal written statement from the external auditor setting forth all relationships between the external auditor and the Company.

4.15 On a quarterly basis, the Committee should review and discuss with the external auditor all significant relationships the auditor has with the Company that could impair the auditor's independence.

4.16 Take, or recommend that the Board take, appropriate action to oversee the independence of the external auditor, including the resolution of disagreements between management and the external auditor regarding financial reporting.

4.17 Review the external auditor's audit plan, discuss and approve audit scope, staffing, locations, reliance upon management and general audit approach.

4.18 Prior to releasing the year-end financial report, the Committee will discuss the results of the audit with the external auditor. The auditor will review with the Committee any matters required to be communicated to audit committees in accordance with the standards established by the Canadian Institute of Chartered Accountants.

4.19 At each meeting, where desired, consult with the external auditor, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.

4.20 Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and, if applicable, former external auditor of the Company.

4.21 Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditor. The authority to pre-approve non-audit services may be delegated by the Committee to one or more independent members of the Committee, provided that such pre-approval must be presented to the Committee's first scheduled meeting following such pre-approval. Pre-approval of non-audit services is satisfied if:

(a) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than 5% of the total amount of fees paid by the Company and subsidiaries to the Company's external auditor during the fiscal year in which the services are provided;

(b) the Company or a subsidiary did not recognize the services as non-audit services at the time of the engagement; and

(c) the services are promptly brought to the attention of the Committee and approved, prior to completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee.

Financial Reporting Processes

4.22 The Audit Committee shall require management to implement and maintain appropriate systems of internal controls in accordance with Applicable Requirements, including internal controls over financial reporting and disclosure and to review, evaluate and approve these procedures. At least annually, the Audit Committee shall consider and review with management and the auditors:

(a) the effectiveness of, or weaknesses or deficiencies in: the design or operation of the Company’s internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;

(b) any significant changes in internal controls over financial reporting that are disclosed, or considered for disclosure, including those in the Company's periodic regulatory filings;

(c) any material issues raised by any inquiry or investigation by the Company's regulators;

(d) the Company's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Company to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting; and

(e) any related significant issues and recommendations of the auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.

The Committee should discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures. The review will include a consideration of any significant findings prepared by the external auditor together with management's responses.

4.23 Review the effectiveness of the overall process for identifying the principal risks affecting financial reporting and provide the Committee's views to the Board.

4.24 Review analyses prepared by management and/or the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative IFRS methods on the financial statements.

4.25 Consider and approve, if appropriate, changes to the Company's accounting principles and practices as suggested by management and the external auditor.

4.26 Review significant judgments made by management in the preparation of the financial statements and the view of the external auditor as to appropriateness of such judgments.

4.27 Following completion of the annual audit, review separately with management and the external auditor any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.

4.28 Review any significant disagreement among management and the external auditor in connection with the preparation of the financial statements.

4.29 Review with the external auditor and management the extent to which changes and improvements in financial or accounting practices have been implemented.

4.30 Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.

4.31 Review the financial disclosures certification process.

4.32 Establish procedure for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees, customers or suppliers of the Company of concerns regarding questionable accounting or auditing matters or any material violation of securities laws or other laws, rules or regulations applicable to the Company and the operation of its business. Any such complaints or concerns that are received shall be reviewed by the Audit Committee and, if the Audit Committee determines that the matter requires further investigation, it will direct the Chair of the Audit Committee to engage outside advisors, as necessary or appropriate, to investigate the matter and will work with management and the general counsel to reach a satisfactory conclusion.

Other Committee Responsibilities

4.33 Annually assess the effectiveness of the Committee against this Audit Committee Charter and report the results of the assessment to the Board.

4.34 The Audit Committee shall review and discuss with management the appointment of key financial executives and recommend qualified candidates to the Board, as appropriate.

4.35 As required under Securities Rules, prepare and disclose a summary of the Audit Committee Charter in applicable continuous disclosure documents.

4.36 Perform any other activities consistent with this Audit Committee Charter, the Company's articles, and governing law, as the Committee or the Board deems necessary or appropriate.

4.37 Maintain minutes of meetings and report to the Board on significant matters arising at Committee meetings at the next scheduled meeting of the Board.

Other Duties

4.38 Periodically conduct a self-assessment of Committee performance.

4.39 Review financial and accounting personnel succession planning within the Company.

4.40 Annually review a summary of director and officers' related party transactions and potential conflicts of interest.

6. NO RIGHTS CREATED

This Charter is a statement of broad policies and is intended as a component of the flexible governance framework within which the Audit Committee functions. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company's Articles and By-laws, it is not intended to establish any legally binding obligations.

7. CHARTER REVIEW

The Committee shall review and update this Charter annually and present it to the Board for approval.

Adopted: August 12, 2013