Ainsworth®

REPORT TO SHAREHOLDERS FOR THE THREE MONTHS ENDED MARCH 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the Three Months Ended March 31, 2015

This management's discussion and analysis ("MD&A") is presented as at April 30, 2015. Financial references are in Canadian dollars unless otherwise indicated. Additional information relating to Ainsworth Lumber Co. Ltd. (also referred to as Ainsworth, the Company, or we, or our), including our annual information form, is available on SEDAR at www.sedar.com. Our financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

Overview

Ainsworth is a manufacturer and marketer of oriented strand board ("OSB"). On March 31, 2015, the Company merged with Norbord Inc. ("Norbord") to create a leading global wood products company focused on OSB across North America, Europe and Asia. Refer to "Overview of the Norbord Transaction" for further details. As Ainsworth and Norbord were separate companies during the first quarter of 2015, except as indicated otherwise, this MD&A reviews Ainsworth's results on a stand-alone basis during the period ended March 31, 2015.

The Company has a production capacity of 2.5 billion square feet per year (3/8-inch basis) and has four wholly-owned OSB manufacturing mills located in Grande Prairie, Alberta; High Level, Alberta; 100 Mile House, British Columbia; and, Barwick, Ontario. All four mills are strategically located in terms of wood supply and access to markets in North America and Asia.

The table below summarizes the estimated annual production capacity for each of our mills (in millions of square feet "mmsf", 3/8-inch basis):

100 Mile House, BC	440
Barwick, ON	510
Grande Prairie, AB (1)	730
High Level, AB (2)	860
Total capacity	2,540

(1) Does not include the second production line, which has a designed annual production capacity of 600 mmsf (3/8-inch basis). Construction of the second line was halted during 2007.

(2) Restarted in September 2013.

All of our mills utilize flexible mill technology and can manufacture products for domestic and overseas markets. Our mills have access to low cost fibre sources, are energy efficient and have low sustaining capital requirements. Ainsworth employs over 700 people across its mills and other locations. Safety and environmental responsibility is emphasized as a key value at all levels.

Advisory Regarding Forward-Looking Statements

This document contains forward looking statements concerning future events or expectations of Ainsworth's future performance, OSB demand and pricing, financial conditions, and other expectations, beliefs, intentions and plans that are not historical fact. These forward-looking statements appear in a number of places in this report and can be identified by words such as "may", "estimates", "projects", "expects", "intends", "believes", "plans", "anticipates", "continue", "growing", "expanding", or their negatives or other comparable words. Investors are cautioned that such forward-looking statements are not promises or guarantees of future performance but are only predictions that relate to future events, conditions or circumstances or our future results, performance, achievements or developments and are subject to substantial known and unknown risks, assumptions, uncertainties and other factors that could cause our actual results, performance or developments in our business or in our industry to differ materially from those expressed, anticipated or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those expressed or implied by such forward looking statements include, without limitation, 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, 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 and factors detailed from time to time in Ainsworth's periodic reports filed with the Canadian Securities Administrators and other regulatory authorities. These periodic reports are available to the public at www.sedar.com. Many of these factors are beyond Ainsworth's control.

Ainsworth believes that the expectations reflected in its forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and therefore any forward-looking statements included in this report should not be unduly relied upon. These statements speak only as of the date of this report. 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 may be required under applicable securities laws. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.

Non-IFRS Measures

In addition to IFRS measures, Ainsworth uses the non-IFRS measures "adjusted earnings (loss)", "adjusted earnings per share ("EPS")", "adjusted EBITDA", "adjusted EBITDA margin", and "gross profit" to make strategic decisions and to provide investors with a basis to evaluate operating performance and ability to incur and service debt. Non-IFRS measures do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies. Included in this report are tables calculating adjusted earnings, adjusted EPS, adjusted EBITDA, adjusted EBITDA margin, and narrative disclosures defining gross profit.

Overview of the Norbord Transaction

On March 31, 2015, the Company completed its merger with Norbord. Each Ainsworth shareholder received 0.1321 of a Norbord common share for each Ainsworth common share held. Ainsworth is now a wholly-owned subsidiary of Norbord. Ainsworth's shares, which previously traded under the symbol ANS, were delisted from the Toronto Stock Exchange on April 2, 2015.

Going forward, Ainsworth's financial results will be reported on a consolidated basis with Norbord. Additional information on Norbord and the transaction is available on Norbord's website at www.norbord.com or on SEDAR at www.sedar.com.

Summary of Operating and Financial Results from Continuing Operations

	Q1-15	Q4-14	Q3-14	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13
(in millions, except volume, unless otherwise noted)								
Sales	**$ 112.9**	$ 102.5	$ 116.3	$ 117.4	$ 107.8	$ 104.4	$ 114.3	$ 127.5
Adjusted EBITDA (1)	**6.4**	(0.5)	4.7	13.1	10.2	11.3	24.4	50.7
Adjusted EBITDA margin (2)	**5.7%**	-0.5%	4.0%	11.2%	9.5%	10.8%	21.3%	39.8%
Shipment volume (mmsf 3/8")	**427.1**	417.1	472.3	461.2	404.2	409.2	422.3	380.4
Production volume (mmsf 3/8")	**443.6**	424.6	433.1	484.8	408.1	420.2	396.9	398.7

(1) Adjusted EBITDA, a non-IFRS financial measure, is defined as net income (loss) from continuing operations before amortization, loss (gain) on disposal of property, plant and equipment, cost of curtailed operations, stock option expense (recovery), finance expense, loss (gain) on derivative financial instrument, foreign exchange (gain) loss on long-term debt, other foreign exchange loss (gain), interest income earned on investments, income tax (recovery) expense and non-recurring items. See the detailed calculation of adjusted EBITDA by quarter on page 10.

(2) Adjusted EBITDA margin, a non-IFRS financial measure, is defined as adjusted EBITDA divided by sales.

Review of Financial Results

	Q1-15	Q1-14
(in millions, except per share data and volume, unless otherwise noted)		
Sales	**$ 112.9**	$ 107.8
Costs of products sold	**102.3**	93.8
Net loss from continuing operations	**(34.9)**	(14.5)
Net loss	**(36.8)**	(15.3)
Adjusted loss (1)	**(6.0)**	(4.4)
Adjusted EPS (2)	**(0.02)**	(0.02)
Adjusted EBITDA	**6.4**	10.2
Adjusted EBITDA margin	**5.7%**	9.5%
Shipment volume (mmsf 3/8")	**427.1**	404.2

(1) Adjusted earnings (loss), a non-IFRS financial measure, is defined as net income (loss) from continuing operations before foreign exchange (gain) loss on long-term debt, (gain) loss on derivative financial instrument, and the related income tax effects.

(2) Adjusted EPS, a non-IFRS financial measure, is defined as adjusted earnings (loss) divided by the weighted average common shares outstanding.

The table below shows the calculation of adjusted earnings and adjusted EPS:

	Q1-15	Q1-14
(in millions)		
Net loss from continuing operations	**$ (34.9)**	$ (14.5)
Adjustments to net loss:		
Foreign exchange loss on long-term debt	**33.5**	13.6
Gain on derivative financial instrument	**(5.3)**	(4.0)
Related income tax effect	**0.7**	0.5
Adjusted loss	**$ (6.0)**	$ (4.4)
Adjusted basic EPS	**$ (0.02)**	$ (0.02)

Net loss from continuing operations includes several significant non-operational items identified in the table above. After taking into account these items, our adjusted loss for the first quarter of 2015 was $6.0 million compared to $4.4 million in the first quarter of 2014.

The table below shows the calculation of adjusted EBITDA:

(in millions)		Q1-15		Q1-14
Net loss from continuing operations	**$**	**(34.9)**	$	(14.5)
Add (deduct):				
Foreign exchange loss on long-term debt		**33.5**		13.6
Finance expense		**7.4**		6.7
Amortization of property, plant and equipment		**7.1**		7.3
Costs related to mergers and acquisitions		**3.1**		2.4
Stock-based compensation expense		**1.3**		-
Loss on disposal of property, plant and equipment		**0.2**		0.2
Other		**(1.2)**		(1.1)
Income tax recovery		**(4.8)**		(0.4)
Gain on derivative financial instrument		**(5.3)**		(4.0)
Adjusted EBITDA	**$**	**6.4**	$	10.2

Net loss from continuing operations in the first quarter of 2015 was $34.9 million compared to $14.5 million in the first quarter of 2014. The $20.4 million increase in net loss included a $19.9 million increase in foreign exchange loss on long-term debt, a $3.4 million decrease in gross profit (sales less cost of products sold (exclusive of amortization)), a $2.3 million increase in selling and administration expense, and a total of $0.5 million related to items including loss on disposal of property, plant and equipment, finance expense and other income. These decreases in net income were partially offset by a $1.3 million increase in the gain on derivative financial instrument and a $4.4 million increase in income tax recovery.

Adjusted EBITDA

In the first quarter of 2015, adjusted EBITDA was $6.4 million compared to $10.2 million in the first quarter of 2014. Adjusted EBITDA margin on sales was 5.7% compared to 9.5% in the first quarter of 2014. The decrease was largely related to lower North American OSB prices and higher unit costs.

Sales

Sales of $112.9 million in the first quarter of 2015 were $5.1 million higher than sales of $107.8 million for the same period in 2014. The increase in sales was mainly due to a 6% increase in sales volume due to additional production from High Level, which was partially offset by downtime taken during the first quarter at our various mills. Realized pricing decreased by 1% compared to the first quarter of 2014. During the first quarter of 2015, the average U.S. benchmark price for the North Central and Western Canada regions decreased by 12% and 27%, respectively, compared to the same period in 2014. The impact of the U.S. benchmark declines on our realized pricing was moderated by factors including the effect of a weaker Canadian dollar relative to the first quarter of 2014 combined with stable export pricing in Japan.

The average benchmark F.O.B. mill prices reported by Random Lengths for the last eight quarters are shown in the table below:

U.S. dollars		Q1-15		Q4-14		Q3-14		Q2-14		Q1-14		Q4-13		Q3-13		Q2-13
North Central (7/16" basis)	**$**	**193**	$	216	$	216	$	219	$	219	$	245	$	252	$	347
Western Canada (7/16" basis)		**159**		172		187		206		219		219		230		328

Costs of Products Sold (Exclusive of Amortization)

In the first quarter of 2015, costs of products sold were $102.3 million, an $8.5 million increase over the same period in 2014. The increase in costs of products sold was due to unit cost increases combined with incremental shipment volumes. Unit costs increased compared to the prior year, primarily due to higher freight costs and overall raw material costs.

Selling and Administration

Selling and administration expense increased by $2.3 million from $6.3 million in the first quarter of 2014 to $8.6 million in the first quarter of 2015. The increase is primarily due to higher costs related to mergers and acquisitions, and additional share-based compensation related to the closing of the merger with Norbord.

Amortization of Property, Plant and Equipment and Intangible Assets

Amortization expense for the first quarter of 2015 was not significantly different compared to the first quarter of 2014. The Company uses the units-of-production depreciation method for its production equipment. The fluctuation in depreciation expense for the quarter reflects relative changes in production levels by mill.

Finance Expense

Finance expense increased by $0.7 million in the first quarter of 2015 compared to the first quarter of 2014. The increase was primarily due to the foreign exchange effect of a weaker Canadian dollar, on average, relative to the U.S. dollar.

Foreign Exchange Loss on Long-Term Debt

The unrealized foreign exchange loss on long-term debt in the first quarter of 2015 was $33.5 million compared to $13.6 million in the first quarter of 2014.

Our debt is substantially denominated in U.S. currency and is therefore subject to fluctuations in the exchange rate. The strengthening of the Canadian dollar, relative to the U.S. dollar, results in a foreign exchange gain, whereas a weakening of the Canadian dollar, relative to the U.S. dollar, results in a foreign exchange loss.

Management estimates that a one cent change of the U.S./Canadian dollar results in an after tax increase/decrease in foreign exchange loss/gain on our U.S. dollar debt of $3.7 million on an annual basis.

Gain on Derivative Financial Instrument

The derivative financial asset is revalued quarterly based on the market value of our U.S. $315 million senior secured notes due 2017 (the “Notes”), the risk-free rate, current interest rates and the credit spread (see “Financial Instruments”), and changes in the value of this derivative financial asset are reflected in operations. The derivative financial asset embedded in the Notes was revalued at March 31, 2015, resulting in a gain of $5.3 million in the first quarter of 2015, compared to $4.0 million in the first quarter of 2014.

Other Items

Other items for the first quarter of 2015 included gains/losses on disposal of property, plant and equipment and other income.

Income Taxes

Income tax recovery in the first quarter of 2015 was $4.8 million on loss before income taxes of $39.8 million, compared with income tax recovery of $0.4 million on loss before income taxes of $14.8 million in the first quarter of 2014. The majority of the income tax recovery was related to temporary differences that decreased the deferred income tax liability on the statement of financial position. Certain permanent differences, such as the non-taxable portion of the foreign exchange loss on our debt and expenses not deductible for tax purposes, impacted the resulting income tax expense/recovery.

As a result of the discontinuation of our U.S. OSB operations, U.S. tax losses and the resulting valuation allowance are excluded from the temporary timing differences disclosed in the financial statements.

The Company has benefited Canadian non-capital tax loss carry-forwards of approximately $192 million for financial statement purposes at December 31, 2014. The Company has U.S. non-capital tax loss carry-forwards which are not benefited for financial statement purposes. A substantial portion of these losses are restricted due to the 2008 recapitalization. The remaining losses are not benefited as the Company believes it is not probable that the results of future operations in a U.S. entity will generate sufficient taxable income to utilize the U.S. non-capital losses.

The Company also has unrecognized deferred tax assets relating to the foreign exchange loss on long-term debt.

Tax filings are subject to the review, audit and assessment of applicable taxation authorities in Canada and the United States. Tax laws and regulations are subject to interpretation and inherent uncertainty; therefore, our assessments involve judgments, estimates and assumptions about current and future events. Although we believe these estimates and assumptions are reasonable and appropriate, the final determination could be materially different than that which is reflected in our provision for income taxes and recorded tax assets and liabilities.

Net Loss from Discontinued Operations

Net loss from discontinued operations includes expenses, such as pension and actuarial costs, associated with the OSB mills in Minnesota, as well as from the plywood and veneer operations in Lillooet and Savona that were disposed in 2009. The increase in net loss from discontinued operations in the first quarter of 2015 compared to the first quarter of 2014 is primarily due to the tax effect of unrealized foreign exchange gain/loss.

Capital Resources and Liquidity

As of March 31, 2015, our working capital was $123.4 million, compared to $128.7 million as at December 31, 2014. Our working capital requirements in the short term are to fund any potential future shortfalls from operations, interest payments, debt principal repayments and essential capital expenditures.

At March 31, 2015, Ainsworth's available liquidity, consisting of cash and cash equivalents, was $57.3 million, a reduction of $18.3 million since December 31, 2014 resulting primarily from funding seasonal working capital requirements and capital expenditures. Ainsworth was also permitted under the terms of the 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. Subsequent to March 31, 2015 and the closing of the merger with Norbord, the Company redeemed and cancelled the Notes.

Our cash flows for the quarter ended March 31, 2015 were as follows:

		Q1-15		Q1-14
(in millions)				
Cash provided by operating activities before interest, taxes and working capital	**$**	**6.0**	$	9.0
Cash used for interest payments		**-**		(0.1)
Income taxes (paid) received, net		**(0.1)**		1.6
Cash used in working capital		**(20.9)**		(27.4)
Cash used in operating activities	**$**	**(15.0)**	$	(16.9)
Cash used in financing activities	**$**	**-**	$	(0.9)
Cash used in investing activities	**$**	**(4.1)**	$	(4.7)

In the first quarter of 2015 we generated cash of $6.0 million from operating activities before interest and taxes paid and working capital requirements compared to $9.0 million in the first quarter of 2014. Decreases in OSB pricing and higher unit costs resulted in lower cash generated by operations quarter over quarter. The decrease in cash used in working capital in the first quarter of 2015 compared to the same period in 2014 was due primarily to a relatively reduced inventory build, partially offset by the timing of accounts payable and accounts receivable.

Cash used in financing activities for all periods presented includes repayment of capital lease obligations. During the first quarter of 2014, cash used in financing activities also included repayment of equipment financing loans.

Cash used in investing activities decreased in the first quarter of 2015 compared with the same period in 2014, due primarily to a decrease in capital spending from $6.7 million in the first quarter of 2014 to $4.1 million in the first quarter of 2015.

Outstanding Share Data and Stock Options

As a result of the merger with Norbord on March 31, 2015, Ainsworth's shareholders received 0.1321 of a share of Norbord for each Ainsworth share. Each outstanding Ainsworth option was also exchanged for a replacement option to acquire Norbord shares. Both the number of options and the exercise price were converted at the 0.1321 exchange ratio.

Financial Instruments

Ainsworth does not use derivatives or participate in hedging activities. However, our Notes include call options which have been identified as embedded derivatives whereby we have the right to repurchase the Notes. A derivative financial asset was recorded at fair value at issuance of the Notes and is revalued at each reporting period based on the market value of the Notes, the current interest rates, and the credit spread. Changes in the value of this derivative financial asset are reflected in operations as "Gain (loss) on derivative financial instrument". Management estimates that, had interest rates been 1% higher and all other variables were constant, the value of the derivative financial asset would have increased by $3.0 million. At March 31, 2015, the derivative financial asset had a value of $13.0 million (December 31, 2014: $7.7 million).

Subsequent to period-end and the closing of the merger with Norbord, the Company redeemed and cancelled the Notes. The derivative financial asset was extinguished in connection with the redemption of the Notes.

Off-Balance Sheet Arrangements

The Company does not have any significant off-balance sheet arrangements other than letters of credit in the amount of $2.7 million (December 31, 2014: $2.5 million), for which restricted cash is held as collateral. Further, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial condition, results of operations, liquidity, capital expenditures or resources.

Related Party Transactions

Prior to the merger with Norbord, the Company was controlled by Brookfield Asset Management Inc. ("Brookfield") and its affiliated entities. As a result of the merger with Norbord, the Company became a wholly-owned subsidiary of Norbord on March 31, 2015. Norbord is also controlled by Brookfield and its affiliated entities.

The following table includes amounts that were paid to related parties:

(in thousands)	**Q1-15**	Q1-14
Legal fees [(1)]	**$ 184**	$ 242
Other services [(2)]	**90**	83
Key management compensation [(3)]	**1,497**	829

(1) Legal fees were paid to a law firm of which one of the Company's then-directors is also a partner.

(2) Includes amounts paid to Brookfield and its affiliates for services provided to the Company.

(3) Key management compensation includes total compensation for the Board of Directors and the executive management team. No person on the Board of Directors or the executive management team had any material interest during the period in a contract of significance (except as disclosed above with respect to a service contract for legal services rendered) with the Company or any subsidiary company.

Sales to overseas markets are handled by Interex Forest Products Ltd. (“Interex”), a cooperative sales company over which Ainsworth, as a shareholder, has significant influence. At March 31, 2015, $4.5 million was included in trade receivables with respect to Interex (December 31, 2014: $2.4 million).

All transactions with related parties were measured and recorded at the exchange amount which is equivalent to fair value. Fair value is defined as the transaction amount with unrelated parties under similar terms and conditions.

Selected Quarterly Financial Information

	Q1-15	Q4-14	Q3-14	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13
(in millions, except per share data and volume, unless otherwise noted)								
Sales and earnings (loss)								
Sales	**$ 112.9**	$ 102.5	$ 116.3	$ 117.4	$ 107.8	$ 104.4	$ 114.3	$ 127.5
Operating (loss) income	**(5.0)**	(12.4)	(3.2)	6.0	0.5	2.4	10.4	36.2
Foreign exchange (loss) gain on long-term debt	**(33.5)**	(12.6)	(17.0)	12.5	(13.6)	(10.9)	7.6	(13.1)
Net (loss) income from continuing operations	**(34.9)**	(33.5)	(35.4)	12.3	(14.5)	(10.6)	10.7	2.8
Net (loss) income from discontinued operations	**(1.8)**	(0.6)	(0.9)	0.5	(0.8)	-	(0.1)	(0.2)
Net (loss) income	**(36.8)**	(34.1)	(36.4)	12.8	(15.3)	(10.7)	10.6	2.6
Adjusted (loss) earnings	**(6.0)**	(18.5)	(7.3)	0.3	(4.4)	(3.0)	(0.1)	22.5
Adjusted EBITDA	**6.4**	(0.5)	4.7	13.1	10.2	11.3	24.4	50.7
Shipment volume (mmsf 3/8")	**427.1**	417.1	472.3	461.2	404.2	409.2	422.3	380.4
Basic and diluted earnings (loss) per common share								
Net income (loss) continuing operations (1)	**(0.15)**	(0.14)	(0.15)	0.05	(0.06)	(0.04)	0.04	0.01
Net income (loss) (1)	**(0.15)**	(0.14)	(0.15)	0.05	(0.06)	(0.04)	0.04	0.01
Adjusted earnings	**(0.02)**	(0.08)	(0.03)	-	(0.02)	(0.01)	-	0.09
Balance sheet								
Total assets	**820.3**	820.4	845.8	868.8	890.8	882.0	892.5	911.0
Total long-term debt (2)	**397.7**	364.1	351.4	341.2	356.1	343.3	334.8	379.1

(1) Basic and diluted net income (loss) per share is calculated based on 240,956,309 common shares as at March 31, 2015. For all periods presented the Company has not paid or declared any cash dividends.

(2) Total long-term debt includes the current portion of long-term debt.

OSB demand and product pricing were the main factors causing fluctuations in our sales and adjusted EBITDA over the past eight quarters. North American OSB prices have declined significantly versus the levels of early 2013 as the pace of demand growth has moderated. OSB shipment volumes have varied in the past eight quarters depending on production disruptions, maintenance requirements and product mix. Shipment volumes also reflect the start up of the High Level mill in the third quarter of 2013.

Net income (loss) fluctuated as a result of changes in operating income and was also impacted by items such as unrealized foreign exchange gain (loss) on long-term debt caused by changes in the strength of the Canadian dollar relative to the U.S. dollar, gain (loss) on derivative financial asset related to changes in the value of the call option embedded in the Notes, and changes in capital structure and related costs.

Segmented Information

Our geographic distribution of sales revenue was as follows:

		Q1-15		Q1-14
(in millions)				
United States	**$**	**92.7**	$	80.9
Japan		**9.4**		14.9
Canada		**6.6**		7.6
Overseas - other		**4.2**		4.4
	$	**112.9**	$	107.8

Our geographic distribution of sales volume was as follows:

	Q1-15	Q1-14
(mmsf 3/8")		
United States	**339.5**	290.5
Japan	**37.2**	60.8
Canada	**28.8**	30.5
Overseas - other	**21.6**	22.4
	427.1	404.2

Property, plant and equipment, intangible assets and other assets are located within Canada.

Risks and Uncertainties

The Company is subject to a number of risks and uncertainties, including those described in the 2014 Annual Management Discussion and Analysis, which can be found on SEDAR at www.sedar.com. Any of the risks and uncertainties described in the above-mentioned document could have a material adverse effect on our results and financial position and cash flows and, accordingly, should be carefully considered when evaluating the Company's results.

Significant Accounting Estimates and Judgments

Management has made certain estimates and judgments that affect the reported amounts and other disclosures in our financial statements. These estimates and judgments are described in our 2014 audited consolidated financial statements, which can be found on SEDAR at www.sedar.com.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The President and Chief Executive Officer and the Vice President, Finance and Chief Financial Officer, together with other members of management, have designed the Company's disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would have been known to them, and by others, within those entities. Management has also designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with IFRS. There has been no material change in the design of the Company's internal control over financial reporting for the quarter ended March 31, 2015 that would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting and management has determined that there were no material weaknesses in the Company's internal control over financial reporting for the period in which the interim filings are being prepared. Management's evaluation of the effectiveness of the Company's internal control over financial reporting is based on the provisions of the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

While the officers of the Company have designed the Company's disclosure controls and procedures and internal control over financial reporting, they expect that these controls and procedures may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

AINSWORTH LUMBER CO. LTD.
Other Information

Selected Financial Data ($000's)	March 31, 2015	December 31, 2014
Cash and cash equivalents	**$ 57,306**	$ 75,623
Restricted cash	**2,665**	2,517
Working capital	**123,407**	128,693
Total assets	**820,253**	820,447
Total long-term debt	**397,745**	364,124
Shareholders' equity	**310,676**	348,559

Reconciliation of Net (Loss) Income to Adjusted EBITDA

(in millions)	Q1-15	Q4-14	Q3-14	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13
Net (Loss) Income from Continuing Operations	**$ (34.9)**	$ (33.5)	$ (35.4)	$ 12.3	$ (14.5)	$ (10.6)	$ 10.7	$ 2.8
Add (deduct):								
Amortization of property, plant and equipment	**7.1**	6.8	6.9	7.5	7.3	6.7	6.2	6.2
Loss on disposal of property, plant and equipment	**0.2**	0.7	-	-	0.2	0.1	0.4	-
Write-down of property, plant and equipment, intangibles and other	**-**	-	-	-	-	-	-	3.8
Finance expense	**7.4**	6.8	6.6	6.7	6.7	6.5	6.7	7.4
Costs of curtailed operations	**-**	-	-	-	-	-	5.6	3.5
Stock-based compensation expense (recovery)	**1.3**	0.6	0.2	(0.4)	-	0.3	0.4	1.0
Loss on early repayment of long-term debt	**-**	-	-	-	-	-	3.1	-
Income tax (recovery) expense	**(4.8)**	(1.3)	(3.2)	(0.6)	(0.4)	0.2	0.7	6.6
Foreign exchange loss (gain) on long-term debt	**33.5**	12.6	17.0	(12.5)	13.6	10.9	(7.6)	13.1
(Gain) loss on derivative financial instrument	**(5.3)**	2.7	12.7	0.6	(4.0)	(3.8)	(3.7)	7.5
Costs (recovery) related to mergers and acquisitions	**3.1**	4.6	0.8	(0.2)	2.4	1.9	1.7	-
Other	**(1.2)**	(0.5)	(0.9)	(0.3)	(1.1)	(0.9)	0.2	(1.2)
Adjusted EBITDA (Note 1)	**$ 6.4**	$ (0.5)	$ 4.7	$ 13.1	$ 10.2	$ 11.3	$ 24.4	$ 50.7

(1) Adjusted EBITDA, a non-IFRS financial measure, is defined as net (loss) income from continuing operations before amortization, loss (gain) on disposal of property, plant and equipment, cost of curtailed operations, stock option expense (recovery), finance expense, (gain) loss on derivative financial instrument, foreign exchange loss (gain) on long-term debt, other foreign exchange loss (gain), interest income earned on investments, income tax (recovery) expense and non-recurring items.

Condensed Interim Consolidated Statements of Financial Position

(In thousands of Canadian dollars)
(Unaudited)

		March 31 2015		December 31 2014
ASSETS				
Current Assets				
Cash and cash equivalents	$	**57,306**	$	75,623
Restricted cash		**2,665**		2,517
Trade and other receivables		**24,377**		20,428
Income taxes receivable		**487**		-
Inventories (Note 3)		**80,722**		69,094
Prepaid expenses		**5,928**		6,428
Total Current Assets		**171,485**		174,090
Property, Plant and Equipment (Note 4)		**627,427**		630,097
Intangible Assets (Note 5)		**5,754**		6,120
Other Assets (Note 20)		**15,587**		10,140
Total Assets	$	**820,253**	$	820,447
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Trade and other payables	$	**47,909**	$	42,097
Income taxes payable		**-**		2,928
Current portion of long-term debt (Note 6)		**41**		77
Liabilities related to discontinued operations		**128**		295
Total Current Liabilities		**48,078**		45,397
Accrued Pension Benefit Liability		**12,442**		10,809
Reforestation Obligation		**3,987**		3,845
Long-term Debt (Note 6)		**397,704**		364,047
Deferred Income Tax Liabilities		**43,707**		44,532
Liabilities Related to Discontinued Operations		**3,659**		3,258
Total Liabilities		**509,577**		471,888
SHAREHOLDERS' EQUITY				
Capital Stock		**582,879**		582,879
Contributed Surplus		**3,590**		2,492
Deficit		**(275,793)**		(236,812)
Total Shareholders' Equity		**310,676**		348,559
Total Liabilities and Shareholders' Equity	$	**820,253**	$	820,447

The accompanying Notes to the Condensed Interim Consolidated Financial Statements are an integral part of these statements.

Commitments (Note 8)
Contingencies (Note 9)

AINSWORTH LUMBER CO. LTD.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(In thousands of Canadian dollars, except share and per share data)
(Unaudited)

	Three months ended March 31	
	2015	2014
Sales (Note 19)	**$ 112,929**	$ 107,818
Costs and Expenses		
Costs of products sold (Note 11)	**102,305**	93,796
Selling and administration (Note 11)	**8,590**	6,255
Amortization of property, plant and equipment and intangible assets (Notes 4,5)	**7,078**	7,252
Total Costs and Expenses	**117,973**	107,303
(Loss) Income from Operations	**(5,044)**	515
Finance Expense (Note 12)	**(7,446)**	(6,731)
Foreign Exchange Loss (Note 13)	**(32,431)**	(12,732)
Gain on Derivative Financial Instrument (Note 14)	**5,296**	3,972
Other Items (Note 15)	**(156)**	127
Loss Before Income Taxes	**(39,781)**	(14,849)
Income Tax Recovery (Note 16)	**4,840**	352
Loss from Continuing Operations	**(34,941)**	(14,497)
Net Loss from Discontinued Operations	**(1,815)**	(762)
Net Loss	**$ (36,756)**	$ (15,259)
Other Comprehensive Loss		
Items not to be subsequently reclassified to profit or loss:		
Remeasurement of defined benefit obligation, net of tax	**(2,225)**	-
Total Comprehensive Loss	**$ (38,981)**	$ (15,259)
Basic and diluted net loss per common share (Note 17)		
Continuing operations	**$ (0.15)**	$ (0.06)
Discontinued operations	**0.00**	0.00
Basic and diluted net loss per common share	**$ (0.15)**	$ (0.06)
Weighted average number of common shares outstanding - basic	**240,956,309**	240,906,309
Effect of dilutive stock options on continuing operations	**-**	-
Weighted average number of common shares outstanding - diluted	**240,956,309**	240,906,309

The accompanying Notes to the Condensed Interim Consolidated Financial Statements are an integral part of these statements.

AINSWORTH LUMBER CO. LTD.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(In thousands of Canadian dollars)
(Unaudited)

	Capital Stock	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, January 1, 2014	$ 582,738	$ 2,030	$ (156,201)	$ 428,567
Net loss and total comprehensive loss	-	-	(15,259)	(15,259)
Share-based payments (Note 10)	-	87	-	87
Balance, March 31, 2014	**$ 582,738**	**$ 2,117**	**$ (171,460)**	**$ 413,395**

	Capital Stock	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, January 1, 2015	**$ 582,879**	**$ 2,492**	**$ (236,812)**	**$ 348,559**
Net loss and total comprehensive loss	**-**	**-**	**(38,981)**	**(38,981)**
Share-based payments (Note 10)	**-**	**1,098**	**-**	**1,098**
Balance, March 31, 2015	**$ 582,879**	**$ 3,590**	**$ (275,793)**	**$ 310,676**

The accompanying Notes to the Condensed Interim Consolidated Financial Statements are an integral part of these statements.

AINSWORTH LUMBER CO. LTD.

Condensed Interim Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

(Unaudited)

	Three months ended March 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	**$ (36,756)**	$ (15,259)
Items not affecting cash		
Amortization of property, plant and equipment and intangible assets (Notes 4, 5)	**7,078**	7,252
Finance expense (Note 12)	**7,446**	6,731
Share-based payments (Note 10)	**1,341**	24
Foreign exchange loss on long-term debt (Note 13)	**33,548**	13,581
Gain on derivative financial instrument (Note 14)	**(5,296)**	(3,972)
Loss on disposal of property, plant and equipment (Note 15)	**227**	233
Change in non-current reforestation obligation	**142**	591
Deferred taxes (Note 16)	**(140)**	255
Pension and other	**(1,640)**	(444)
Cash flows from operating activities before working capital, interest and income taxes	**5,950**	8,992
Change in non-cash operating working capital (Note 18)	**(20,798)**	(27,439)
Interest paid	**(1)**	(84)
Income taxes (paid) received, net	**(142)**	1,590
Cash used in operating activities	**(14,991)**	(16,941)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt (Note 6)	**-**	(747)
Reduction in finance lease obligations (Note 6)	**(36)**	(129)
Cash used in financing activities	**(36)**	(876)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) Decrease in restricted cash	**(148)**	2,389
Additions to property, plant and equipment and intangible assets (Notes 4, 5)	**(4,113)**	(6,744)
Proceeds on disposal of property, plant and equipment	**358**	25
Increase in other assets	**(151)**	(350)
Cash used in investing activities	**(4,054)**	(4,680)
Effect of foreign exchange rate changes on cash and cash equivalents	**764**	522
NET CASH OUTFLOW	**(18,317)**	(21,975)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**75,623**	137,444
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 57,306**	$ 115,469
Cash	**13,686**	11,845
Cash equivalents	**43,620**	103,624
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 57,306**	$ 115,469

The accompanying Notes to the Condensed Interim Consolidated Financial Statements are an integral part of these statements.

1. CORPORATE INFORMATION

Ainsworth Lumber Co. Ltd. (the "Company") is a manufacturer and marketer of oriented strand board ("OSB") with a focus on value-added specialty products for markets in North America and Asia. The Company owns four Canadian OSB manufacturing facilities in Alberta, British Columbia, and Ontario. The Company's registered address is 1055 Dunsmuir Street, Suite 3194, Bentall 4, P.O. Box 49307, Vancouver, British Columbia, Canada, V7X 1L3.

Norbord Merger

On December 8, 2014, the Company and Norbord Inc. ("Norbord") announced that they had entered into an arrangement agreement under which Norbord would acquire all of the outstanding common shares of the Company in an all-share transaction. The transaction was completed on March 31, 2015. Under the terms of the transaction, the Company's shareholders received 0.1321 of a share of Norbord for each Ainsworth share pursuant to a plan of arrangement under the British Columbia *Business Corporations Act.*

Prior to the merger with Norbord, Ainsworth was a publicly listed company incorporated under the laws of British Columbia. The Company's shares, which previously traded under the symbol ANS, were delisted from the Toronto Stock Exchange on April 2, 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

a) *Statement of compliance*

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. Accordingly, certain disclosures included in the audited consolidated annual financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), have been condensed or omitted. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2014.

The accounting policies applied in these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2014. The Company's interim results are not necessarily indicative of its results for a full year.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on April 30, 2015.

b) *Basis of consolidation*

The condensed interim consolidated financial statements of the Company include the accounts of the Company and all of its wholly-owned subsidiaries, which are the entities over which the Company has control. Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. The Company's principal subsidiaries include Ainsworth Corp. and Ainsworth Engineered Canada Limited Partnership. Intercompany balances, transactions, revenues, and expenses, between subsidiaries are eliminated upon consolidation.

The accounting policies of its subsidiaries are consistent with the policies adopted by the Company.

(Figures are in thousands of Canadian dollars unless indicated otherwise - Unaudited)

3. INVENTORIES

The carrying value of logs and panel products, valued at lower of cost and net realizable value, and materials, supplies and spares, valued at lower of cost and replacement cost, is summarized below:

		March 31 2015		December 31 2014
Logs	**$**	**34,989**	$	25,304
Panel products		**23,432**		20,373
Materials, supplies and spares		**22,301**		23,417
	$	**80,722**	$	69,094

There were no inventory write-downs or recoveries of previous write-downs during the three months ended March 31, 2015 and March 31, 2014.

During the three months ended March 31, 2015, $79.3 million (three months ended March 31, 2014: $75.0 million) of inventory was charged to costs of products sold.

All inventories are pledged as security for the 7.5% Senior Secured Notes due in 2017 (the “Notes”).

4. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Building	Machinery and Equipment	Assets under Finance Lease	Other Assets (1)	Construction in Progress (2)	Total (3)
Cost, December 31, 2014	$ 2,135	$224,485	$ 472,990	$ 2,077	$14,525	$ 73,049	$ 789,261
Additions	-	-	27	-	165	4,438	4,630
Disposals	-	(84)	(38)	-	(321)	(200)	(643)
Transfers	-	602	2,660	-	711	(3,973)	-
Cost, March 31, 2015	$ 2,135	$225,003	$ 475,639	$ 2,077	$15,080	$ 73,314	$ 793,248
Accumulated Amortization							
Accumulated amortization, December 31, 2014	$ -	$ (41,156)	$(111,271)	$(2,004)	$ (4,733)	$ -	$(159,164)
Amortization for the period	-	(1,857)	(4,414)	(33)	(415)	-	(6,719)
Disposals	-	24	6	-	32	-	62
Accumulated amortization, March 31, 2015	$ -	$ (42,989)	$(115,679)	$(2,037)	$ (5,116)	$ -	$(165,821)
Carrying amount							
Balance, Dec. 31, 2014	$ 2,135	$183,329	$ 361,719	$ 73	$ 9,792	$ 73,049	$ 630,097
Balance, Mar. 31, 2015	2,135	182,014	359,960	40	9,964	73,314	627,427

(1) Other assets includes office equipment, computer hardware, computer software, vehicles, forklifts, loaders and skidders, roads and storage, prepaid roads, leasehold improvements and plantations.

(2) No interest has been capitalized in construction in progress for the periods presented as construction has been put on hold indefinitely. Included in construction in progress is $52.1 million related to our second production line at Grande Prairie, which is currently curtailed.

(3) All property, plant and equipment are pledged as security for the Notes.

(Figures are in thousands of Canadian dollars unless indicated otherwise - Unaudited)

5. INTANGIBLE ASSETS

Intangible assets consist of timber rights.

Cost		
Cost at December 31, 2014	$	27,051
Additions		87
Cost, March 31, 2015	$	27,138

Accumulated Amortization		
Accumulated amortization at December 31, 2014	$	(20,931)
Amortization for the period		(453)
Accumulated amortization, March 31, 2015	$	(21,384)

Carrying Amount (1)		
Balance, December 31, 2014	$	6,120
Balance, March 31, 2015		5,754

(1) Intangible assets are pledged as security for the Notes.

6. LONG-TERM DEBT

		March 31 2015		December 31 2014
Balance, beginning of period	**$**	**364,124**	$	343,298
Repayments		**(36)**		(10,347)
Amortization of bond premium, transaction costs and consent fees (Note 12)		**109**		443
Unrealized foreign exchange loss on long-term debt (Note 13)		**33,548**		30,730
Balance, end of period	**$**	**397,745**	$	364,124
Current portion		**(41)**		(77)
Long-term portion	**$**	**397,704**	$	364,047

Subsequent to period-end and the closing of the merger with Norbord (Note 1), the Company redeemed and cancelled the Notes (the long-term portion in the table above). This resulted in the payment of a U.S.$13.4 million early redemption premium and a $1.3 million write-off of unamortized transaction costs and deferred debt premium.

7. PENSION EXPENSE

The Company maintains two defined benefit pension plans for certain salaried and certain hourly employees in British Columbia and Minnesota, both of which are closed to new entrants. The pension liability of the Minnesota plan is included in discontinued operations.

(Figures are in thousands of Canadian dollars unless indicated otherwise - Unaudited)

7. PENSION EXPENSE (Continued)

Pension expense and contributions related to the Company's defined benefit pension plans during the period were as follows:

	Three months ended March 31	
	2015	2014
Continuing Operations:		
Pension expense	**$ 711**	$ 538
Contributions	**1,786**	2,033
Discontinued Operations:		
Pension expense	**33**	84
Contributions	**130**	123

The table below outlines the Company's total defined contribution plan cost:

	Three months ended March 31	
	2015	2014
Defined contribution plan cost	**$ 375**	$ 230

8. COMMITMENTS

The Company had a contractual commitment to purchase property, plant and equipment at March 31, 2015 of approximately $1.4 million (December 31, 2014: $1.1 million). The Company has certain long-term purchase contracts with minimum fixed payment commitments. All contracts are at market prices and on normal business terms.

The Company provides a limited product warranty to purchasers of its products. The Company cannot estimate the amount of future payments, if any, under its product warranties unless and until events arise that could result in a claim. Based on current claims outstanding and historical experience, the Company did not have a significant provision for warranty claims as at March 31, 2015 and December 31, 2014.

9. CONTINGENCIES

In the normal course of its business activities, the Company is subject to claims and legal actions that may be made against its customers, suppliers and others. While the final outcome with respect to actions outstanding or pending as at March 31, 2015 cannot be predicted with certainty, the Company believes the resolution will not have a material effect on the Company's financial position, financial performance, or cash flows.

10. SHARE-BASED PAYMENTS

Stock Option Plan

The Company has a single stock option plan designed to provide equity-based compensation to directors, executives and key senior management. The stock options granted vest evenly over a three to five year period. The plan provides for the issuance of options to acquire a maximum of 9,000,000 common shares with terms of up to 10 years. The fair value of options granted is calculated using the Black-Scholes model on the date of grant. Adoption of the plan was approved by the Company's shareholders on May 13, 2009.

No options were granted during the three months ended March 31, 2015 or March 31, 2014.

(Figures are in thousands of Canadian dollars unless indicated otherwise - Unaudited)

10. SHARE-BASED PAYMENTS (Continued)

The table below outlines the status of the stock options:

	Three months ended March 31					
	2015			2014		
	Number of Share Options		**Weighted Average Exercise Price**	Number of Share Options		Weighted Average Exercise Price
Outstanding at beginning of period	**2,680,676**	**$**	**2.28**	1,990,676	$	2.11
Forfeited during the period [1]	**-**		**-**	(25,000)		3.73
Exchanged as part of Norbord merger [2]	**(2,680,676)**		**2.28**	-		-
Outstanding at end of period	**-**		**-**	1,965,676		2.09

(1) No stock options were forfeited during the three months ended March 31, 2015. During the three months ended March 31, 2014, $22 was reversed from contributed surplus with respect to unvested options forfeited.

(2) As a result of the merger with Norbord on March 31, 2015 (Note 1), each outstanding Ainsworth option was exchanged for a replacement option to acquire Norbord shares. Both the number of options and the exercise price were converted at the 0.1321 exchange ratio.

The following table outlines the Company's share-based compensation expense with respect to the stock option plan:

	Three months ended March 31			
		2015		2014
Stock option expense	**$**	**1,098**	$	87

Deferred Share Unit Plan

The Company has 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. The number of DSUs awarded is determined by dividing the dollar portion of the fees by the volume weighted average price ("VWAP") of the Company's common shares for the five business days prior to the grant date. 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 DSUs is the amount of fees payable to the director, and is recognized immediately. The liability is subsequently re-measured to fair value using the VWAP for the last five business days of each reporting period until settlement. The initial fair value of amounts granted and any subsequent changes in fair value are recorded within compensation expense in the period.

(Figures are in thousands of Canadian dollars unless indicated otherwise - Unaudited)

10. SHARE-BASED PAYMENTS (Continued)

The table below outlines the status of the Company's DSU plan:

	Three months ended March 31					
	2015			2014		
	Number of DSUs		**Fair Value**	Number of DSUs		Fair Value
Outstanding at beginning of period	**584,452**	**$**	**1,929**	494,022	$	2,045
Granted during the period	**20,612**		**70**	-		-
Change in value	**-**		**173**	-		(133)
Effect of Norbord merger [1]	**(525,135)**		**-**	-		-
Outstanding at end of period	**79,929**	**$**	**2,172**	494,022	$	1,912

[1] As a result of the merger with Norbord on March 31, 2015 (Note 1), the number of DSUs outstanding was converted at the 0.1321 exchange ratio. Thereafter, the DSUs will be valued using Norbord's 5-day VWAP.

11. EMPLOYEE BENEFITS

The table below summarizes the employee benefits included in cost of products sold, and selling and administration expenses:

	Three months ended March 31			
		2015		2014
Short-term employee benefits	**$**	**18,996**	$	17,549
Long-term employee benefits		**1,806**		1,663
Share-based payments		**1,342**		24
	$	**22,144**	$	19,236

12. FINANCE EXPENSE

	Three months ended March 31			
		2015		2014
Interest expense	**$**	**(7,336)**	$	(6,608)
Interest on finance leases		**(1)**		(10)
Amortization of bond premium, transaction costs and consent fees		**(109)**		(113)
	$	**(7,446)**	$	(6,731)

13. FOREIGN EXCHANGE (LOSS) GAIN

	Three months ended March 31			
		2015		2014
Foreign exchange loss on long-term debt	**$**	**(33,548)**	$	(13,581)
Other foreign exchange gain		**1,117**		849
	$	**(32,431)**	$	(12,732)

(Figures are in thousands of Canadian dollars unless indicated otherwise - Unaudited)

14. GAIN ON DERIVATIVE FINANCIAL INSTRUMENT

The Notes issued on November 27, 2012 have embedded call options, whereby the Company has the right to repurchase 10% of the original principal of the Notes each year in the first two years, and the right to redeem the Notes after two years. The derivative financial asset was recorded at fair value at issuance of the Notes and is revalued at each reporting period based on the market value of the Notes, the current interest rates, and the credit spread. The fair value of this instrument is included in Other Assets on the consolidated statement of financial position. Changes in the fair value are reflected in net income.

Changes in the market value of the Notes, the risk-free rate, the credit spread and the cash interest rate resulted in a $5.3 million gain on the derivative financial asset for the three months ended March 31, 2015 (three months ended March 31, 2014: $4.0 million).

Subsequent to period-end, the derivative financial asset was revalued to $13.1 million and then extinguished in connection with the redemption of the Notes (Note 6).

15. OTHER ITEMS

	Three months ended March 31	
	2015	2014
Loss on disposal of property, plant and equipment	**$ (227)**	$ (233)
Other income	**71**	360
	$ (156)	$ 127

16. TAXATION

Certain permanent differences, such as the non-taxable portion of the foreign exchange gain on debt and expenses not deductible for tax purposes, impact the resulting income tax expense (recovery).

The Company has benefited Canadian non-capital tax loss carry-forwards of approximately $192 million for financial statement purposes at December 31, 2014. The Company has U.S. non-capital tax loss carry-forwards that are not benefited for financial statement purposes. A substantial portion of these losses are restricted due to the 2008 recapitalization. The remaining losses are not benefited as the Company believes it is not probable that the results of future operations in a U.S. entity will generate sufficient taxable income to utilize the U.S. non-capital losses. The Company also has unrecognized deferred tax assets relating to foreign exchange loss on long-term debt.

Tax filings are subject to the review, audit and assessment of applicable taxation authorities in Canada and the United States. Tax laws and regulations are subject to interpretation and inherent uncertainty; therefore, management’s assessments involve judgments, estimates and assumptions about current and future events. Although management believes these estimates and assumptions are reasonable and appropriate, the final determination could be materially different than that which is reflected in the Company’s provision for income taxes and recorded current and deferred income tax assets and liabilities.

17. EARNINGS PER SHARE

No stock options have been taken into account in the calculation of diluted earnings per share as at March 31, 2015 and at March 31, 2014 because their effect was anti-dilutive.

(Figures are in thousands of Canadian dollars unless indicated otherwise - Unaudited)

18. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended March 31	
	2015	2014
Prepaid expenses	**$ 495**	$ (219)
Trade and other payables	**(2,533)**	2,311
Income taxes payable	**(3,273)**	(48)
Trade and other receivables	**(3,953)**	(2,921)
Inventories	**(11,534)**	(26,562)
	$ (20,798)	$ (27,439)

19. SEGMENTED REPORTING

The Company operates principally in one operating segment, oriented strand board. Sales from continuing operations attributed to geographic areas based on location of customer are as follows:

	Three months ended March 31	
	2015	2014
United States	**$ 92,662**	$ 80,895
Japan	**9,421**	14,889
Canada	**6,631**	7,630
Overseas - other	**4,215**	4,404
	$ 112,929	$ 107,818

Property, plant and equipment, intangible assets and other assets are located in Canada.

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

Management of capital
The Company's objectives for managing capital (defined as working capital, long-term debt and equity excluding accumulated other comprehensive income) are to safeguard its ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders. The Company manages capital by adjusting the amount of dividends paid to shareholders, purchasing shares for cancellation pursuant to normal issuer bids, issuing new shares and warrants, issuing new debt, and/or issuing new debt to replace existing debt with different characteristics. Under its existing debt indentures, the Company is restricted in managing capital and must conform to the indentures' provisions, which govern capital components such as dividends, asset sales and debt incurrence. At March 31, 2015, the Company is in compliance with the provisions of these indentures.

(Figures are in thousands of Canadian dollars unless indicated otherwise - Unaudited)

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (Continued)

The accounting classification of each category of financial instruments, and the level within the fair value hierarchy in which they have been classified are set out below:

	Fair Value Hierarchy Level		**March 31 2015**		December 31 2014
FINANCIAL ASSETS					
Held for trading					
Cash and cash equivalents	Level 1	**$**	**57,306**	$	75,623
Loans and receivables					
Trade and other receivables (1)	n/a		**24,377**		20,428
Derivative financial asset (2)	Level 2		**13,007**		7,711
		$	**94,690**	$	103,762
FINANCIAL LIABILITIES					
Other financial liabilities					
Trade and other payables (1)	n/a	**$**	**47,909**	$	42,097
Long-term debt	n/a		**397,704**		364,047
		$	**445,613**	$	406,144

(1) The carrying value of trade and other receivables and trade and other payables approximates fair value due to the short-term nature of these items.

(2) The Company applies a standard Option-Adjusted Spread model for the call options. The current bid price for the bonds of 103.75 at March 31, 2015 (December 31, 2014: 103) is used as the market value input.

The Company's policy for determining the timing of transfers between levels of the fair value hierarchy is based on the date of the event or change in circumstances that caused the transfer. There were no transfers between level 1 and level 2 for the three months ended March 31, 2015 and March 31, 2014. There were no financial instruments classified as level 3 at March 31, 2015 or December 31, 2014.

Financial risk factors
The Company's activities result in exposure to a number of financial risks, including credit risk, liquidity risk and market risk. The Company's objectives, policies and processes for measuring and managing these risks are described below.

Credit risk
Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause a financial loss. The Company is exposed to credit risk on trade and other receivables, cash and cash equivalents. The Company's maximum exposure to credit risk is the gross carrying amount of these assets net of any allowance for doubtful accounts or impairment loss as reflected in these consolidated financial statements. At March 31, 2015, the amount of accounts receivable past due or impaired was nominal.

Credit risk associated with cash equivalents is minimized by ensuring that the Company only invests in liquid securities and with counterparties that have a high credit rating. Credit risk associated with trade receivables is minimized through the use of pre-determined credit limits, continuous monitoring of payments, and credit insurance. The Company uses credit ratings and internal financial evaluations of counterparties to determine credit-worthiness and to set credit limits. Concentration of credit risk with respect to trade receivables is limited due to the dispersion of a large number of customers across many geographic areas as well as the use of credit insurance.

(Figures are in thousands of Canadian dollars unless indicated otherwise - Unaudited)

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (Continued)

Liquidity risk

Liquidity risk is the risk that the Company encounters difficulty in meeting its financial obligations as they come due. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Company will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset at all. Liquidity risk arises from trade and other payables, long-term debt, commitments and financial guarantees. The Company continues to focus on maintaining adequate liquidity to meet cash interest and principal repayments, operating working capital requirements including seasonal log inventory builds in the first and fourth quarters, and capital expenditures.

We continue to monitor discretionary capital expenditures carefully as global debt and equity markets, as well as operating results, can be volatile. Under the terms of the Company's senior note indenture, 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.

The contractual maturity of the Company's liabilities, long-term debt and commitments for the next five years are shown in the following table. These amounts represent the future undiscounted principal and interest cash flows and therefore do not equate to the carrying values shown in the statement of financial position.

	Less than 1 month	1 to 3 months	Less than 1 year	1 to 5 years	More than 5 years	Total
Senior Secured Notes	$ -	$ 14,962	$ 14,962	$458,826	$ -	$488,750
Finance leases	201	-	-	-	-	201
Operating leases	68	136	577	1,825	-	2,606
Trade payable and accrued liabilities	35,720	368	3,144	-	-	39,232
Reforestation obligation	-	-	-	3,258	729	3,987
Purchase commitments	201	1,384	682	922	640	3,829
	$ 36,190	$ 16,850	$ 19,365	$464,831	$ 1,369	$538,605

Market risk

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Unfavourable changes in the applicable interest rates may result in an increase in interest expense. The Company manages its exposure to interest rate risk by maintaining a combination of floating rate debt and fixed rate debt. The Company does not use derivative instruments to reduce its exposure to interest rate risk. The Company did not have any floating rate debt as at March 31, 2015 or December 31, 2014.

The Company is also exposed to interest rate risk on the derivative financial instrument that arises from the call option embedded in the Notes. As the risk-free interest rate and the credit spread increase, the value of the derivative financial asset decreases. Conversely, a decrease in the risk-free interest rate and the credit spread increases the value of the derivative financial asset. Changes in the value of this derivative financial asset are reflected in operations. The value of the derivative financial instrument as at March 31, 2015 was $13.0 million (December 31, 2014: $7.7 million) and was included in Other Assets. At March 31, 2015, if interest rates had been 1% higher and all other variables were constant, the value of the derivative financial asset would increase by approximately $3.0 million (December 31, 2014: $2.5 million).

(Figures are in thousands of Canadian dollars unless indicated otherwise - Unaudited)

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (Continued)

Currency risk
Currency risk refers to the risk that the value of a financial commitment, recognized asset or liability will fluctuate due to changes in foreign currency rates. The Company's functional currency is the Canadian dollar, but it is exposed to foreign currency risk primarily arising from U.S. dollar denominated long-term debt, cash, trade and other receivables and trade and other payables. In addition, the majority of the Company's sales are transacted in U.S. dollars.

The U.S. dollar is the only foreign currency to which the Company has significant exposure. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

At March 31, 2015, the impact on the after tax net income of a one cent weakening/strengthening of the Canadian dollar, all other variables remaining constant, on the revaluation of the Company's monetary assets and liabilities would be would have been $3.7 million higher/lower on an annual basis (December 31, 2014: $3.0 million).

Commodity price risk
The Company's financial performance is principally dependent on the demand for and selling prices of its products. Both are subject to significant fluctuations. The markets for panel products are cyclical and are affected by factors such as global economic conditions including the strength of the U.S. and Japanese housing markets, changes in industry production capacity, changes in world inventory levels and other factors beyond the Company's control. The Company reduces its exposure to commodity price risk through product and geographic diversification.

Fair value of financial instruments
The fair value of financial instruments, with the exception of the Notes, is estimated to approximate their carrying value at March 31, 2015 due to the immediate or short-term maturity of these financial instruments.

The carrying values and fair values of the long- term debt are as follows:

	March 31, 2015		December 31, 2014	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Senior Secured Notes [1]	**$ 397,704**	**$ 413,941**	$ 364,047	$ 376,394

[1] Fair value is determined using quoted ask prices for the Notes. The estimated fair value may differ from the amount which could be realized in an immediate settlement.

The fair value of the call option embedded in the Notes as at March 31, 2015 was $13.0 million (December 31, 2014: $7.7 million).

21. RELATED PARTY TRANSACTIONS

Brookfield Asset Management Inc.
Prior to the merger with Norbord, the Company was controlled by Brookfield Asset Management Inc. ("Brookfield") and its affiliated entities. As a result of the merger with Norbord (Note 1), the Company became a wholly-owned subsidiary of Norbord on March 31, 2015. Norbord is also controlled by Brookfield and its affiliated entities.

(Figures are in thousands of Canadian dollars unless indicated otherwise - Unaudited)

21. RELATED PARTY TRANSACTIONS (Continued)

Subsidiaries

Transactions with subsidiaries (listed in Note 2(b)), which have been eliminated on consolidation, are carried out in the normal course of business on an arm's length basis and are not disclosed in this note. Outstanding balances are placed on inter-company accounts with no specified credit period. Long-term loans owed to the Company by subsidiary undertakings are non-interest bearing in accordance with the inter-company loan agreements.

Compensation of the executive management team and directors

No person on the Board of Directors of Ainsworth Lumber Co. Ltd. or its executive management team had any material interest during the period in a contract of significance (except as disclosed below with respect to a service contract for legal services rendered) with the Company or any subsidiary company. The total compensation for the Board of Directors and the executive management team is as follows:

	Three months ended March 31	
	2015	2014
Short-term employee benefits	**$ 659**	$ 628
Long-term employee benefits	**97**	58
Share-based payments	**741**	143
	$ 1,497	$ 829

Other

	Three months ended March 31	
	2015	2014
Legal fees [1]	**$ 184**	$ 242
Other services [2]	**90**	83
	$ 274	$ 325

(1) Legal fees were paid to a law firm of which one of the Company's then-directors is also a partner.

(2) Includes amounts paid to Brookfield and its affiliates for services provided to the Company.

Sales to overseas markets are handled by Interex Forest Products Ltd. ("Interex"), a cooperative sales company over which Ainsworth, as a shareholder, has significant influence. At March 31, 2015, $4.5 million was included in trade receivables with respect to Interex (December 31, 2014: $2.4 million).

All transactions with related parties were measured and recorded at fair value. Fair value is defined as the transaction amount with unrelated parties under similar terms and conditions.