Ainsworth®

INTERIM REPORT TO SHAREHOLDERS
FOR THE THREE MONTH PERIOD ENDED
MARCH 31, 2011

LETTER TO SHAREHOLDERS

May 12, 2011

Dear Fellow Shareholders:

In the first quarter of 2011, Ainsworth recorded positive EBITDA of $6.4 million, despite an adverse economic environment in nearly all our markets.

This ability to deliver sustainable value in what continues to be a challenging environment is directly related to the progress we are making against our three-year strategic plan. This plan, which we initiated in early 2010, calls for geographic diversification of markets, continued growth in value-added products, a reduction in our costs and a renewed focus on our core OSB producing assets. We exceeded many of our targets last year enhancing margin by $15.1 million which was ahead of our $12 million budget. We enter 2011 well positioned to capitalize on a return to normalized market conditions in the U.S.

Q1 2011 Financial Highlights

Adjusted EBITDA for the first quarter of 2011 was $6.4 million compared to $16.2 million in the same quarter of 2010. The decline was the result of lower shipment volumes due to weather related transportation issues, weaker pricing and a stronger Canadian dollar. We achieved an adjusted EBITDA margin of 9.0% in the quarter despite these challenging conditions. In addition, we operated at over 90% capacity at our three operating mills.

In the first quarter of 2011, the Company recorded positive net income from continuing operations of $77.7 million, a significant increase compared to $16.7 million in the same period of 2010. The increase was due primarily to a $72.5 million purchase gain on the acquisition of the remaining 50% interest in the High Level, Alberta mill from Grant Forest Products.

This is Ainsworth's first quarter reporting under International Financial Reporting Standards ("IFRS"). This change to new accounting rules did not have a material impact on our earnings or cash flow. A full list of the adjustments on conversion to IFRS is provided in Note 26 to our financial statements.

With respect to OSB pricing, the average North Central market price for 7/16" oriented strand board ("OSB") was U.S. $199 per msf in the first quarter of 2011 compared to an average annual price of U.S. $214 per msf in the same period last year. As a point of reference, OSB prices in the first quarter of 2010 were exceptionally high due to exogenous factors that were not anticipated to repeat in 2011. Housing starts in the first quarter of 2011 were down approximately 10% relative to the first three months of 2010, and they are expected to remain weak for the balance of 2011.

Demonstrating Flexibility in Value Creation

The execution of our strategic plan has helped us withstand these challenging demand conditions and affords us the flexibility to identify and capitalize on other sources of value creation. To this end, we are generating higher margins from the sale of our value-added products, including our engineered wood products and innovative pointSix flooring product line that we introduced last year. This shifts us further away from commodity based pricing and provides an additional source of value growth in a relatively flat building market.

We are also targeting additional growth through increased penetration of key overseas markets, particularly Japan and China, the latter of which is one of the world's fastest growing markets for wood building products. Indeed, sales in export markets increased 45% over Q1 2010.

In the first quarter of 2011, I spent time in China meeting with developers and other potential customers. While it is too soon to gauge the full market potential in China, I believe it will be a promising opportunity for Ainsworth in 2011 and beyond.

In March 2011, Japan experienced an unprecedented natural disaster; the toll the earthquake and tsunami have taken on that country is enormous. In excess of 350,000 structures across Japan have been destroyed or experienced significant damage. In the months and years ahead, Japan will be faced with the very significant task of rebuilding.

At Ainsworth, we are committed to doing everything we can to ensure that our customers in Japan have the OSB they need to rebuild and move forward. Our mills in both Grande Prairie and 100 Mile House have the required Japanese Agricultural Standard certification that allows them to sell OSB in the Japanese market. We have taken steps to ensure we have adequate capacity to provide a reliable supply of quality building materials at this critical time.

Moving Forward with Focus and Discipline

Based on current macro-economic data, I continue to believe that the U.S. housing market will remain weak for the remainder of 2011. Demographic trends in the U.S. continue to support a housing recovery, but this growth is not expected to take hold until 2012, at the earliest. As we have throughout this challenging period, we will continue to manage our expenditures closely and take a conservative approach to growing the business.

On the strength of the progress we are making against the strategic plan we introduced last year, our company is moving forward as a solid, sustainable business that is well positioned to deliver value over the long term. As always, I am appreciative of the contribution of all our employees and grateful for the support we receive from our suppliers, our customers and our shareholders.

Sincerely,

/s/ Rick Huff
President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the Three Month Period Ended March 31, 2011

This management's discussion and analysis is presented as at May 12, 2011. Financial references are in Canadian dollars unless otherwise indicated. Additional information relating to Ainsworth (also referred to as 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") in Canadian dollars. Comparative balances presented for 2010 have been restated under IFRS, while comparative balances presented for 2009 were prepared in accordance with previous Canadian generally accepted accounting principles ("CGAAP") and have been reclassified to reflect the results of discontinued operations.

Overview

Ainsworth is a leading manufacturer and marketer of oriented strand board ("OSB") with a focus on value-added specialty products for markets in North America and Asia.

Our strategy is to be sustainable and profitable throughout the business cycle by diversifying sales geographically, expanding our value-added product offerings and leveraging a proven track record of operational excellence, innovation and technical product development. Financially, we remain focused on prudent balance sheet management.

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 facilities 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 fibre and access to markets in North America and Asia. The Company's active facilities have a current production capacity of 1.6 billion square feet.

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
Grande Prairie, AB	690
Barwick, ON	480
High Level, AB (currently curtailed) [1]	860
Total capacity	2,470
Current operating capacity	1,610

(1) The High Level mill was curtailed in December of 2007 and remains currently curtailed pending improved market conditions..

To meet potential future increases in demand, incremental capacity would come from restarting High Level. In addition, the Company would have additional incremental capacity on the completion of the second production line at Grande Prairie. The Company continues to assess the remaining costs to complete the second production line, which would increase capacity by approximately 620 mmsf, 3/8-inch basis.

All of our facilities utilize flexible mill technology and can manufacture products for domestic and overseas markets. Our facilities have excellent access to low cost, secure fibre sources, are energy efficient and have low sustaining capital requirements. Ainsworth employs an experienced, reliable workforce of approximately 600 workers. Safety and environmental responsibility is emphasized as a key value at all levels.

Capital Expenditures

The Company holds all ownership interests in a curtailed OSB facility located in High Level, Alberta as a result of the acquisition of the remaining 50% interest from Grant Forest Products Inc. (“High Level acquisition”) for $20 million. The acquisition was completed on February 17, 2011.

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, and other expectations, intentions and plans that are not historical fact. These forward-looking statements appear under the heading “Outlook” and in a number of other 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-GAAP Measures

In addition to IFRS measures, Ainsworth uses the non-IFRS measures “adjusted EBITDA”, “adjusted EBITDA margin” “adjusted working capital” 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 EBITDA, adjusted EBITDA margin and adjusted working capital, and narrative disclosures defining gross profit.

Outlook

Liquidity

With respect to liquidity, we believe we have the necessary working capital to manage the Company effectively through all phases of our business cycle. We continue to take a disciplined approach to managing our cash and we are confident in our ability to fund any shortfall from operations, interest payments, debt principal repayments and essential capital expenditures.

Going forward, our strategic approach remains focused on leveraging Ainsworth’s operational expertise, superior products and customer relationships to ensure the Company is well positioned to capitalize on a recovery in U.S. home construction.

Debt Maturities

Our debt principal repayments are scheduled to total $22 million in 2011, of which $20.1 million relates to our equipment loan. We currently have $6 million set aside in restricted cash for this repayment. Our U.S. dollar Senior Secured Term Loan is scheduled to mature in 2014 and our U.S. dollar Senior Unsecured Notes mature in 2015. Ainsworth is permitted, under the terms of the Company's indenture, to borrow an additional U.S.$125 million of senior secured debt and U.S.$75 million of senior unsecured debt. The availability of this funding is dependent on credit markets.

Summary of Operating and Financial Results from Continuing Operations

	IFRS					CGAAP		
	Q1-11	Q4-10	Q3-10	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09
(in millions, except volume, unless otherwise noted)								
Sales and EBITDA								
Sales	**$ 71.5**	$ 55.0	$ 81.1	$ 106.4	$ 87.0	$ 67.1	$ 78.8	$ 70.8
Adjusted EBITDA [(1)]	**6.4**	(1.8)	15.0	35.1	16.2	2.4	2.6	(0.9)
Adjusted EBITDA margin [(2)]	**9.0%**	-3.3%	18.5%	33.0%	18.6%	3.6%	3.3%	-1.3%
Shipment volume (mmsf 3/8")	**356.0**	285.9	392.0	379.0	400.0	285.9	392.5	378.8
Production volume (mmsf 3/8")	**388.9**	282.5	386.9	394.5	397.0	282.5	386.9	394.5

(1) Adjusted EBITDA, a non-IFRS financial measure, is defined as net (loss) income from continuing operations before amortization, gain on disposal of property, plant and equipment, costs of curtailed operations, stock option expense, finance expense, foreign exchange loss (gain) on long-term debt, other foreign exchange (gain) loss, income tax expense (recovery) and non-recurring items. Adjusted EBITDA has been recalculated for current and comparative periods to account for the costs of curtailed operations. See the detailed calculation of adjusted EBITDA by quarter on page 15.

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

Review of Financial Results

	Q1-11	Q1-10
(in millions)		
Sales	**$ 71.5**	$ 87.0
Cost of products sold	**60.9**	66.1
Net income (loss) from continuing operations	**77.7**	16.7
Net income (loss)	**77.7**	16.4
Adjusted EBITDA	**6.4**	16.2
Adjusted EBITDA margin	**9.0%**	18.6%

The table below shows the calculation of adjusted EBITDA:

(in millions)		
Net income (loss) from continuing operations	**$ 77.7**	$ 16.7
Add:		
Amortization of property, plant and equipment	**5.6**	8.8
Loss on disposal of property, plant and equipment	**0.3**	-
Write-down of property, plant and equipment	**0.9**	-
Cost of curtailed operations	**0.5**	1.3
Stock option expense	**0.2**	0.1
Net legal proceeds	**-**	(1.1)
Finance expense	**12.4**	13.4
Income tax expense	**(2.2)**	0.2
Foreign exchange gain on long-term debt	**(12.5)**	(19.3)
Gain on derivative financial asset	**(4.5)**	(5.0)
Gain on High Level acquisition	**(72.5)**	-
Other	**0.5**	1.1
Adjusted EBITDA	**$ 6.4**	$ 16.2

Net income from continuing operations was $77.7 million in the first quarter of 2011 compared to income of $16.7 million in the first quarter of 2010. This increase is primarily due to a $72.5 million gain on the High Level acquisition, partially offset by a $3.2 decrease in amortization expense, a $6.8 million decrease in the unrealized foreign exchange gain on long-term debt and a $2.0 million increase in income tax recovery.

Adjusted EBITDA

Adjusted EBITDA was positive $6.4 million in the first quarter of 2011 compared to positive $16.2 million in the same period of 2010. EBITDA margin on sales was 9.0% compared to 18.6% in the first quarter of 2010. The decrease was primarily the result of a $10.3 million decrease in gross profit (sales less cost of products sold (exclusive of amortization)), offset partially by a $3.2 million decrease in amortization. The Canadian dollar was an average of five cents stronger than the U.S. dollar in the first quarter of 2011 compared to the same period in 2010 which had a negative impact on gross profit. If foreign exchange rates had been consistent with the first quarter of 2010, adjusted EBITDA would have been $1.5 million higher.

Sales

Sales of $71.5 million in the first quarter of 2011 were $15.5 million lower than sales of $87.0 million for the same period in 2010. The decrease in sales was driven by a 11.0% decrease in volume, lower realized sales prices and a stronger Canadian dollar compared to the same period in 2010. The average benchmark price in the first quarter of 2011 compared to the same period in 2010 for both the North Central region and Western Canada decreased by $U.S. $15 and U.S. $44, respectively.

The average benchmark prices reported by Random Lengths for the last eight quarters are shown in the table below:

U.S. dollars	**Q1-11**	**Q4-10**	**Q3-10**	**Q2-10**	**Q1-10**	**Q4-09**	**Q3-09**	**Q2-09**
North Central (7/16" basis)	**$ 199**	$ 191	$ 180	$ 294	$ 214	$ 171	$ 178	$ 147
Western Canada (7/16" basis)	**182**	166	164	299	226	169	158	124

Costs of Products Sold (Exclusive of Amortization)

Costs of products sold were $60.9 million in the first quarter of 2011, representing a 7.8% decrease over costs of $66.1 million in the first quarter of 2010. The decrease for the quarter is the result of lower volume, and a stronger Canadian dollar relative to the U.S. dollar. These cost decreases were partially offset by increases in resin and wax pricing.

Selling and Administration

Selling and administration expenses in the first quarter of 2011 were $4.6 million, which was not significantly different from $4.9 million recorded in the first quarter of 2010.

Amortization of Property, Plant and Equipment and Intangible Assets

Amortization expense in the first quarter of 2011 was $5.6 million, a decrease of 35.8% from $8.8 million in the first quarter of 2010. The decrease is primarily due to the increase in the estimate of the remaining expected useful lives of the OSB facilities that took effect July 1, 2010.

Finance Expense

Finance expense in the first quarter of 2011 was $12.4 million, down 7.5% from $13.4 million in the first quarter of 2010. The decrease was the result of a stronger Canadian dollar relative to the U.S. dollar during the first quarter of 2011 as compared to the first quarter of 2010.

Foreign Exchange Gain on Long-Term Debt

The unrealized foreign exchange gain on long-term debt in the first quarter of 2011 was $12.5 million compared with a $19.3 million gain in the first quarter of 2010. The Canadian dollar strengthened against the U.S. dollar during the first quarter of 2011 but not to the same extent as during the same period in 2010.

Gain on Derivative Financial Instrument

During the first quarter of 2011, the Company recorded a gain of $4.5 million compared with a gain of $5.0 million during the same period in 2011 related to the value of the derivative financial instrument related to the call options embedded in the Senior Unsecured Notes. The Company engaged an independent third party expert to perform the valuation of the call options as at March 31, 2011. Changes in the value of this derivative financial asset are reflected in operations.

Costs of Curtailed Operations

Costs of curtailed operations are comprised of costs directly attributable to the partially completed second production line at our Grande Prairie, Alberta mill and our idled High Level, Alberta mill. The decrease in costs of curtailed operations in the first quarter of 2011 compared to the same period in 2010 is due to a write-down of $648 thousand relating to long-term wood deposits deemed unrecoverable taken in the first quarter of 2010.

Gain on Acquisition of High Level

The Company holds all ownership interests in a curtailed OSB facility located in High Level, Alberta (“High Level”) as a result of the acquisition of the remaining 50% interest from Grant Forest Products Inc. for $20 million. The acquisition was completed with regulatory approval granted by the Court in respect of Grant Forest Products’ proceedings under the Companies’ Creditors Arrangement Act (CCAA) on February 17, 2011. We recognized a bargain purchase gain of $49.7 million, resulting from the excess fair value of the net assets acquired over the cash consideration paid. Following this transaction, we remeasured our existing 50% interest in the assets and liabilities of High Level held prior to this transaction to their fair values, recognizing a gain of $22.8 million. The total gain of $72.5 million net of tax is presented on the consolidated statement of operations.

Other Items

Other income in the first quarter of 2011 was $149 thousand, which was not substantially different from the $157 thousand recorded in the first quarter of 2010.

Income Taxes

The income tax recovery in the first quarter of 2011 was $2.2 million on income before income taxes of $75.5 million compared with an income tax expense of $0.2 million on income before income taxes of $16.7 million in the first quarter of 2010. In the first quarter of 2011, certain permanent differences, such as the non-taxable portion of the foreign exchange gain on our debt, and the expected reversal of certain deferred income tax assets and liabilities at lower effective tax rates also impacted the resulting income tax recovery.

As a result of our discontinuation of 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.

Tax filings resulting from the reorganization 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 Income from Discontinued Operations

Net income from discontinued operations includes residual income net of expenses associated with the OSB mills in Minnesota as well as the plywood and veneer operations in Lillooet and Savona that were disposed during the fourth quarter of 2009.

Liquidity and Capital Resources

As of March 31, 2011, our adjusted working capital was $111.8 million, compared to $134.5 million as at December 31, 2010. We have presented adjusted working capital as we believe that it provides investors with a basis to evaluate our ability to fund operations and capital expenditures. Adjusted working capital, a non-IFRS measure, is calculated as follows:

		March 31 2011		December 31 2010
(in millions)				
Current assets	**$**	**171.7**	$	188.5
Restricted cash not related to current liabilities		**(4.3)**		(4.8)
Current liabilities		**(55.6)**		(49.2)
Adjusted working capital	**$**	**111.8**	$	134.5
Adjusted working capital (deficiency), discontinued operations		**(0.8)**		(0.8)
Adjusted working capital, continuing operations	**$**	**112.6**	$	135.3

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. Most discretionary capital expenditures, including the expansion of the Grande Prairie facility, have been put on hold until market conditions improve. The decrease in adjusted working capital from December 31, 2010 was primarily due to cash used in our High Level acquisition.

The table below presents the total funds available:

		March 31 2011		December 31 2010
(in millions)				
Cash and cash equivalents	**$**	**24.5**	$	56.7
Restricted cash		**10.3**		10.8
Short-term investments		**52.4**		59.4
Total available funds	**$**	**87.2**	$	126.9

Our cash flows for the first quarter of 2011 and 2010 were as follows:

		Q1-11		Q1-10
(in millions)				
Cash provided by operating activities before interest and working capital	**$**	**(1.3)**	$	7.6
Cash used for interest		**(1.7)**		(1.8)
Cash (used in) provided by working capital		**(12.0)**		(14.7)
Cash used in operating activities		**(15.0)**		(8.9)
Cash used in financing activities		**(1.9)**		(2.1)
Cash used in investing activities		**(15.5)**		(4.8)

In the first quarter of 2011 we used cash of $1.3 million from operating activities before interest paid and working capital requirements compared to $7.6 million generated in the first quarter of 2010. The decrease in cash provided is primarily the result of lower pricing of residential OSB. Overall, our operating activities did not generate positive cash flows in the first three months of 2011 or 2010 since interest paid and working capital requirements were greater than cash generated from sales.

Cash used in financing activities for all periods presented represents the repayment of equipment financing loans and capital lease obligations. There were no debt maturities in the first quarter of 2011 or 2010.

The increase in cash used in investing activities in the first quarter of 2011 compared to the same period in 2010 is due primarily to the High Level acquisition, partially offset by lower additions to property, plant and equipment. Additions to property, plant and equipment during the first quarter of 2011 and 2010 were primarily limited to essential projects.

Outstanding Share Data

The issued share capital of the Company at March 31, 2011 is as follows:

	Shares	Warrants	Value (in millions)
Common shares	**100,602,222**	**-**	**$ 411**
Shareholder warrants	**-**	**8,695,634**	**-**
	100,602,222	**8,695,634**	**$ 411**

The shareholder warrants shall be deemed to be exercised and shall be converted without additional consideration into an equal number of new Common Shares if the Company's equity market capitalization exceeds U.S.$1.2 billion on or before July 29, 2013. For accounting purposes, nominal value has been allocated to these warrants as the fair value is not reliably determinable due to their contingent nature.

The following table presents the exercise prices and expiry dates for the stock options outstanding at March 31, 2011:

Grant Date	Number of Options Outstanding	Exercise Price	Expiry Date
November 14, 2008 (1)	400,000	1.74	November 14, 2018
January 6, 2009 (1)	250,000	0.90	January 6, 2019
November 2, 2009	100,000	1.56	November 2, 2019
March 5, 2010	850,000	2.30	March 5, 2020
March 15, 2010	25,000	2.45	March 15, 2020
May 13, 2010	72,376	4.48	May 13, 2020
May 21, 2010	50,000	4.14	May 21, 2020
June 14, 2010	100,000	3.28	June 14, 2020
August 5, 2010	6,300	2.89	August 5, 2020
August 13, 2010	25,000	2.71	August 13, 2020
March 4, 2011	575,000	3.28	March 4, 2021

(1) These stock options were deemed to be granted on May 13, 2009 when the stock option plan was approved by the shareholders.

Financial Instruments

Ainsworth does not use derivatives or participate in hedging activities. However, our Senior Unsecured Notes include a call option which has been identified as an embedded derivative whereby we have the right to repurchase the Notes. The embedded call option derivative was recorded at fair value at issuance of the Senior Unsecured Notes and is revalued at each reporting period based on current interest rates and the credit spread. The Company engaged an independent third party expert to perform a valuation of the call options, using an Option-Adjusted-Spread ("OAS") model, specifically the Hull and White single factor interest rate term structure model. 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 as "Gain 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 been $24 thousand lower. At March 31, 2011, the derivative financial asset had a value of $10.8 million (December 31, 2010: $6.2 million).

Off-Balance Sheet Arrangements

We did not have any significant off-balance sheet arrangements other than letters of credit in the amount of $10.3 million ($10.8 million at December 31, 2010). We do not believe that we have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures or resources.

Related Party Transactions

During the three months ended March 31, 2011, legal fees were paid to a law firm of which one of the Company's directors is also a partner. These transactions 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.

The key management personnel of the Company consist of the members of the Board of Directors and its executive management team. No such person 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.

		Q1-11		Q1-10
(in thousands)				
Legal fees	**$**	**64**	$	-
Key management compensation		**847**		771
	$	**911**	$	771

On May 11, 2010, Brookfield Special Situations II (OSB) L.P. ("BSS") completed the acquisition of 14,905,712 common shares and warrants to acquire 10,094,288 common shares of the Company. BSS exercised all of the purchased warrants on closing of the transaction and now beneficially owns or exercises control or direction over approximately 54.3% of the issued and outstanding common shares. The result for the Company is a change of control for Canadian tax purposes. In the normal course of operations, the Company made interest payments on its Senior Unsecured Notes to BSS which were previously entered on market terms and measured at exchange value. Repayment of the principal balance is due July 29, 2015.

Selected Quarterly Financial Information (Unaudited)

	IFRS					CGAAP		
	Q1-11	Q4-10	Q3-10	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09
(in millions, except per share data, unless otherwise noted)								
Sales and earnings (loss)								
Sales	$ 71.5	$ 55.0	$ 81.1	$ 106.4	$ 87.0	$ 67.1	$ 78.8	$ 70.8
Operating income (loss)	71.2	(8.0)	3.4	25.0	7.2	(9.4)	(7.9)	(5.4)
Foreign exchange gain (loss) on long-term debt	12.5	18.2	17.7	(24.8)	19.3	10.6	47.8	50.4
Net income (loss) from continuing operations	77.7	2.8	10.5	(17.3)	16.7	(2.2)	22.3	29.8
Net loss from discontinued operations	-	-	(0.1)	(0.5)	(0.3)	(10.2)	(2.0)	(5.1)
Net income (loss)	77.7	2.8	10.4	(17.8)	16.4	(12.4)	20.3	24.7
Adjusted EBITDA	6.4	(1.8)	14.9	35.1	16.2	2.4	2.6	(0.9)
Basic and diluted earnings (loss) per common share								
Net income (loss) from continuing operations (1)	0.77	0.03	0.10	(0.17)	0.17	(0.02)	0.22	0.30
Net income (loss) (1)	0.77	0.03	0.10	(0.18)	0.16	(0.12)	0.20	0.24
Balance sheet								
Total assets	863.1	762.2	795.3	804.9	797.0	846.2	879.1	898.0
Total long-term debt (2)	498.6	507.9	534.1	553.1	526.8	561.3	570.6	615.8

(1) Basic and diluted net (loss) income per share. As at March 31, 2011, the Company had 100,602,222 issued common shares. 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 over the past eight quarters. Sales prices remained low throughout most of 2009, causing a decline in operating earnings and net income from continuing operations. OSB prices increased in the first two quarters of 2010 but dropped in the last half of 2010, remaining low in the first quarter of 2011. Net loss also fluctuated as a result of unrealized foreign exchange gain (loss) on long-term debt caused by fluctuations in the strength of the Canadian dollar relative to the U.S. dollar. OSB shipment volumes have varied in the past eight quarters depending on production disruptions, maintenance requirements, product mix and demand-related production curtailments.

Segmented Information

Our geographic distribution of sales was as follows:

	Q1-11	Q1-10
(in millions)		
North America	**$ 60.3**	$ 79.3
Overseas	**11.2**	7.7
	$ 71.5	$ 87.0

Sales overseas increased in the first quarter of 2011 but increased for the year as compared to the same periods in 2010 as a result of our focus on selling more of our product outside of North America.

Property, plant and equipment are located within Canada.

Risks and Uncertainties

Liquidity. As global debt and equity markets can be volatile, we continue to monitor discretionary capital expenditures carefully. Our equipment loan matures on October 1, 2011, the U.S. dollar Senior Secured Term Loan matures in 2014 and our U.S. dollar Senior Unsecured Notes mature in 2015. Under the terms of the Company's indenture, the Company is permitted to borrow an additional U.S. $125 million of Senior Secured debt and U.S. $75 million of Senior Unsecured debt. The availability of this funding is dependent on credit markets. In the event that debt or equity capital is not available on acceptable terms to the Company in the future, the Company may need to explore other strategic alternatives.

Economic Uncertainty. Our core OSB business relies heavily on new home and renovation construction in North America which, although they have shown temporary improvements in the first six months of 2010, they have yet to show signs of a sustained recovery. Attempts to stabilize the financial and credit markets have been undertaken and economic activity in North America and elsewhere appears stabilized. Global financial and credit markets remain volatile. Increases in such volatility and its impact on economic growth would have an adverse effect on our business.

Competition. The wood-based panels industry is a highly competitive business environment in which companies compete, to a large degree, on the basis of price. Our ability to compete in these and other markets is dependent on a variety of factors such as manufacturing costs, availability of key production inputs, access to markets, customer service, product quality, financial resources and currency exchange rates. Should our competitors open new mills or reopen curtailed mills, this could increase market supply causing downward pressure on product prices and could result in an erosion of our profit margins.

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. 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. During periods of low prices, our operations are subject to reduced revenues and margins, resulting in substantial declines in profitability and possible net losses. 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. Management estimates the annualized impact of a U.S.$10 per msf (3/8-inch basis) change in the North American OSB price on adjusted EBITDA when operating at current capacity is approximately U.S.$16 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.

Foreign Exchange. The sales for all of our products, including those 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 revenues realized. The impact of the 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, waxes and transportation. At March 31, 2011 and December 31, 2010, 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 agreements with provincial governments. The agreements are granted for various terms from five to twenty-five years and are generally subject to regular renewals every five years. As the agreements come due, we rely on the assumption that we will be able to renew 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 government reserves the right to revoke a forest management license for any mills that are not operating for greater than twelve months, as is the case with our mill at High Level, Alberta. We have not received any notice to this effect from the government at this time. 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. Rising petroleum prices can reduce our profitability indirectly by increasing the delivered cost of our domestic and offshore shipments through increased raw material input costs and directly by increased domestic and international freight charges.

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. A significant change in our customer base could negatively affect sales and earnings. In the event that these customers declare bankruptcy or cease to do business with the Company, a material adverse effect on our business, financial condition and results of operations and cash flows may result. Our sales are also dependent on purchasers of our products having access to adequate levels of credit.

Product Concentration. We manufacture a single product, OSB, and, as such, fluctuations in demand or prices for OSB will likely have a significant 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 have a material adverse effect on 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, collectability of accounts receivable, tariffs and other barriers to trade and recessionary environments in foreign economies. Insurance from Export Development Canada is used to mitigate collection risk on certain foreign accounts receivable.

Labour Relations. The Grande Prairie and High Level mill employees are non-unionized, while the Barwick and 100 Mile mills are unionized. Union contracts for 100 Mile House are due to expire on June 30, 2013, and contracts for Barwick are due to expire on July 31, 2013.

Human Resources. 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 the operation and management of the Company's facilities.

Energy Costs. The Company is a significant consumer of electrical power. In recent years, BC Hydro and Power Authority has sought, and to some extent received, rate increases above historical levels. BC Hydro rates may increase significantly in response to a new B.C. energy policy mandating self-sufficiency by 2016 and reflecting the higher cost of marginal resources.

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 fiber for our OSB operations or could increase the cost of our wood fiber. 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 have a material adverse effect on 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 have a material adverse effect on 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 have a material adverse effect on 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.

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.

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 assurances the outcomes and 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 adverse judgments arising out of these claims could be materially adverse to the Company.

Barwick Facility. The Barwick facility was acquired 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 have a material adverse effect on 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 not challenge such filing 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.

Change in Accounting Principles

Effective January 1, 2011, the Company adopted International Financial Reporting Standards. Please refer to the Company's interim financial statements for the three months ended March 31, 2011 for comparative information for the three months ended March 31, 2010 and full disclosure of all new IFRS policies.

Significant Accounting Estimates and Judgments

Management has made certain judgments and estimates that affect the reported amounts and other disclosures in our financial statements. We have adopted certain changes in accounting policies as noted below.

Significant Accounting Estimates and Judgments

Valuation of Inventory. We closely monitor conditions that could impact valuation of inventories or otherwise impair our assets. Inventories of logs and panel products are valued at the lower of average cost and net realizable value. The net realizable value of logs is determined based on estimated OSB selling prices less estimated costs of conversion. We base our estimate of selling price on sales orders that exist at balance sheet reporting dates and management's estimate for forecasted sales prices based on supply, demand and industry trends. Prices fluctuate over time and it is probable that market values at the time of eventual sale will differ from our estimates.

Loss Contingencies. Our estimates of loss contingencies for legal proceedings and product warranty claims are based on various judgments and assumptions regarding the potential resolution or disposition of the underlying claims and associated costs.

Determination of Fair Value on Purchased Business Combinations. Fair value on purchased business combinations is determined based on valuations performed by independent third party specialists. Details related to forecast cash flows, discount rates, capital expenditures and other assumptions used in developing these valuations require considerable use of judgments, assumptions and estimates by management. As a result, we may be required to record impairment charges should the markets for our products deteriorate to levels significantly below current forecasts or should capital not be available to fund operations or expenditures.

Valuation of Long-Lived Assets. The Company assesses at least annually whether there are indications of impairment on the long-lived assets held and used by us (primarily property, plant and equipment, construction in progress, intangible assets and timber and logging roads). Where changes, events or circumstances indicate that the assets may be impaired, we review the long-lived assets held and used by us for impairment. Assessing the valuation of the affected assets requires us to make judgments, assumptions and estimates. In general, write-downs for impairment are recognized when the book values exceed our estimate of the undiscounted future net cash flows associated with the related assets.

Management currently believes we have adequate support for the carrying value of our long-lived assets based on the anticipated cash flows that result from our estimates of future demand, pricing and production costs, and assuming certain levels of planned capital expenditures. However, should the markets for our products deteriorate to levels significantly below current forecasts or should capital not be available to fund operations or expenditures, it is possible that we will be required to record further impairment charges. From time to time we also review possible dispositions of various capital assets in light of current and anticipated economic and industry conditions, our financing and strategic plan and other relevant factors. As a result, we may be required to record further impairment charges in connection with any decision to close or dispose of such assets.

Amortization. Amortization of property, plant and equipment is principally based on the units of production method where the cost of equipment is amortized over the estimated units that will be produced during a conservative estimate of its useful life.

Employee Benefit Plans. Most of our employees participate in defined benefit pension plans sponsored by the Company. We account for the consequences of our sponsorship of these plans in accordance with accounting principles generally accepted in Canada and the U.S., which require us to make actuarial assumptions that are used to calculate the related assets, liabilities and expenses recorded in our financial statements. While we believe we have a reasonable basis for these assumptions, which include assumptions regarding long-term rates of return on plan assets, life expectancies, rates of increase in salary levels, rates at which future values should be discounted to determine present values and other matters, the amounts of our pension related assets, liabilities and expenses recorded in our financial statements would differ if we used other assumptions.

Reforestation Obligation. Timber is harvested under various licenses issued by the Provinces of British Columbia and Alberta, which include future requirements for reforestation. The future estimated reforestation obligation is accrued and charged to earnings on the basis of the volume of timber cut. The estimates of reforestation obligation are based upon various judgments, assumptions. Both the precision and reliability of such estimates are subject to uncertainties and, as additional information becomes known, these estimates are subject to change.

Valuation of Derivative Financial Instruments. Derivative financial instruments are measured at their fair value upon initial recognition and on each subsequent reporting date. If a market value is not available, the fair value is calculated using standard financial valuation models, such as discounted cash flow or option pricing models. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Embedded derivatives are separated from the host contract when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

Deferred Income Tax Assets and Liabilities. We record deferred income tax assets including the potential tax benefit of operating loss carry-forwards and deferred income tax liabilities. The amounts that we record for these assets and liabilities are based upon various judgments, assumptions and estimates, including judgments regarding the tax rates that will be applicable to the deferred income tax amounts, the likelihood that we will generate sufficient taxable income or gain to utilize deferred income tax assets. Due to the numerous variables associated with our judgments, assumptions and estimates relating to the valuation of our deferred income tax assets and liabilities, and the effects of changes in circumstances affecting these valuations, both the precision and reliability of the resulting estimates are subject to uncertainties and, as additional information becomes known, we may change our estimates.

Stock-Based Compensation. We account for stock options using the fair value method. Under this method, compensation expense for options is measured at the grant date using the Black-Scholes option pricing model based on certain estimates and assumptions and is recognized over the vesting period. If estimates or assumptions change in the future, we could be required to reduce or increase contributed surplus, resulting in compensation expense or recovery.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Chief Executive Officer and the 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 have also designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. There has been no material change in the design of the Company's internal control over financial reporting during the quarter ended March 31, 2011 that would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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.

Other Information

Unaudited

	March 31, 2011	December 31, 2010
Selected Financial Data ($000's)		
Cash, cash equivalents and restricted cash	**$ 34,813**	$ 67,577
Short-term investments	**52,430**	59,413
Adjusted w orking capital (Note 1)	**111,769**	134,411
Total assets	**863,091**	762,217
Total long-term debt	**498,644**	507,895
Shareholders' equity	**264,041**	185,955

	Three months ended March 31	
	2011	2010
Geographic Sales Distribution ($000's)		
North America	**$ 60,242**	$ 79,296
Overseas	**11,218**	7,700
	$ 71,460	$ 86,996
Shipment Volumes (msf - 3/8 inch)	**355,976**	399,828

	IFRS					CGAAP		
	Q1-11	Q4-10	Q3 - 10	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09
Reconciliation of Net Income (Loss) to Adjusted EBITDA (in millions)								
Net Income (Loss) from Continuing Operations	**$ 77.7**	$ 2.8	$ 10.5	$ (17.3)	$ 16.7	$ (2.2)	$ 22.3	$ 29.8
Add:								
Amortization of capital assets	**5.6**	5.2	5.8	9.3	8.8	7.9	9.8	9.9
Loss (Gain) on disposal of capital assets	**0.3**	-	(0.4)	-	-	-	-	(0.3)
Write-down of property, plant and equipment	**0.9**	-	-	-	-	2.2	-	-
Cost of curtailed operations	**0.5**	0.4	-	0.5	13	14	0.4	0.5
Stock option expense	**0.2**	0.2	0.2	0.2	0.1	0.1	0.1	0.7
(Net proceeds) cost of lawsuits	**-**	-	-	-	(11)	-	-	(6.5)
Cost related to potential acquisition	**-**	-	-	-	-	-	0.4	0.1
Finance expense	**12.4**	12.8	13.4	13.0	13.4	12.3	12.8	13.4
Income tax expense (recovery)	**(2.2)**	(4.0)	2.6	7.0	0.2	(9.0)	0.1	(2.0)
Foreign exchange (gain) loss on long-term debt	**(12.5)**	(18.1)	(17.7)	24.8	(19.3)	(10.6)	(47.8)	(50.4)
(Gain) Loss on derivative financial asset	**(4.5)**	(0.9)	0.3	(0.7)	(5.0)	-	-	-
Gain on High Level acquisition	**(72.5)**	-	-	-	-			
Other	**0.5**	(0.2)	0.2	(17)	11	0.3	4.5	3.9
Adjusted EBITDA (Note 2)	**$ 6.4**	$ (18)	$ 14.9	$ 35.1	$ 16.2	$ 2.4	$ 2.6	$ (0.9)

Note 1: Adjusted working capital is a non-GAAP financial measure defined as working capital excluding future income taxes and restricted cash.

Note 2: Adjusted EBITDA, a non-GAAP financial measure, is defined as sales less costs of products sold (exclusive of amortization) and selling and administrative expense plus other income.

AINSWORTH LUMBER CO. LTD.

About Ainsworth

Ainsworth Lumber Co. Ltd. is a leading Canadian forest products company, with a 50-year reputation for quality products and unsurpassed customer service. In Alberta, the Company's facilities include an oriented strand board (OSB) plant at Grande Prairie and High Level. In British Columbia, the Company's facilities include an OSB plant at 100 Mile House. In Ontario, the Company's facilities include an OSB plant at Barwick. The Company's facilities have a total annual capacity of 2.5 billion square feet (3/8-inch basis) of OSB.

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Common shares of
Ainsworth Lumber Co. Ltd.
are traded on the
Toronto Stock Exchange
under the symbol: ANS

Visit our web-site: www.ainsworthengineered.com

Condensed Interim Consolidated Statements of Financial Position

(In thousands of Canadian dollars)
(Unaudited)

		March 31 2011		December 31 2010 (Note 26)		January 1 2010 (Note 26)
ASSETS						
Current Assets						
Cash and cash equivalents (Note 2)	$	**34,813**	$	67,577	$	92,075
Short-term investments (Note 2)		**52,430**		59,413		61,654
Trade and other receivables		**19,542**		15,537		13,730
Income taxes receivable		**-**		-		509
Inventories (Note 5)		**58,682**		39,400		39,182
Prepaid expenses		**6,183**		6,557		4,429
Assets held for disposal (Note 6)		**-**		7		1,868
		171,650		188,491		213,447
Property, Plant and Equipment (Note 7)		**652,122**		535,192		545,328
Intangible Assets (Note 8)		**20,555**		21,439		15,934
Other Assets		**12,664**		10,053		11,276
Assets Held for Disposal (Note 6)		**6,100**		7,042		7,133
	$	**863,091**	$	762,217	$	793,118
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current Liabilities						
Trade and other payables	$	**33,585**	$	24,833	$	23,475
Income taxes payable		**1,310**		1,302		-
Current portion of long-term debt (Note 9)		**19,858**		22,270		11,075
Liabilities related to assets held for disposal (Note 6)		**806**		834		5,009
		55,559		49,239		39,559
Accrued Pension Benefit Liability (Note 10)		**10,445**		10,445		3,351
Reforestation Obligation		**3,473**		2,076		2,072
Long-term Debt (Note 9)		**478,786**		485,625		531,795
Deferred Income Tax Liabilities		**49,187**		27,208		34,116
Liabilities Related to Assets Held for Disposal (Note 6)		**1,600**		1,669		1,394
		599,050		576,262		612,287
Commitments and Guarantees (Note 11)						
Contingencies (Note 12)						
SHAREHOLDERS' EQUITY						
Capital Stock		**411,161**		410,950		409,880
Contributed Surplus		**1,533**		1,349		958
Accumulated Other Comprehensive Loss		**(9,414)**		(9,414)		(1,151)
Deficit		**(139,239)**		(216,930)		(228,856)
		264,041		185,955		180,831
	$	**863,091**	$	762,217	$	793,118

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

Approved by the Board:

/s/ Peter Gordon	/s/ Gordon Lancaster
DIRECTOR	**DIRECTOR**

AINSWORTH LUMBER CO. LTD.

Condensed Interim Consolidated Statements of Operations and Comprehensive Income

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

	Three months ended March 31	
	2011	**2010**
		(Note 26)
Sales	**$ 71,460**	$ 86,996
Costs and Expenses		
Costs of products sold (exclusive of amortization)	**60,948**	66,128
Selling and administration	**4,559**	4,913
Amortization of property, plant and equipment and intangible assets	**5,647**	8,802
	71,154	79,843
Income before Other Items	**306**	7,153
Finance Expense (Note 13)	**(12,380)**	(13,387)
Foreign Exchange Gain (Note 14)	**12,056**	18,175
Gain on Derivative Financial Instrument (Note 15)	**4,528**	5,030
Costs of Curtailed Operations (Note 16)	**(490)**	(1,329)
Gain on Acquisition of High Level (Note 4)	**72,544**	-
Other Items (Note 17)	**(1,066)**	1,302
Income Before Income Taxes	**75,498**	16,944
Income Tax (Recovery) Expense (Note 20)	**(2,192)**	232
Income from Continuing Operations	**77,690**	16,712
Net Income (Loss) from Discontinued Operations (Note 6)	**1**	(257)
Net Income, being Total Comprehensive Income	**$ 77,691**	$ 16,455
Basic and diluted net income (loss) per common share (Note 21):		
Continuing operations	**$ 0.77**	$ 0.17
Discontinued operations	**0.00**	(0.01)
Basic and diluted net income per common share	**$ 0.77**	$ 0.16
Weighted average number of common shares outstanding	100,580,000	100,100,000
Effect of dilutive stock options on continuing operations	622,612	417,160
	101,202,612	100,517,160

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	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, January 1, 2010	$ 409,880	$ 958	$ (228,856)	$ (1,150)	$ 180,832
Total comprehensive income	-	-	16,455	-	16,455
Fair value of stock options (Note 18)	-	88	-	-	88
Balance, March 31, 2010	**$ 409,880**	**$ 1,046**	**$ (212,401)**	**$ (1,150)**	**$ 197,375**

	Capital Stock	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, January 1, 2011	$ 410,950	$ 1,349	$ (216,930)	$ (9,414)	$ 185,955
Total comprehensive income	-	-	77,691	-	77,691
Fair value of stock options (Note 18)	-	221	-	-	221
Stock options exercised (Note 18)	211	(37)	-	-	174
Balance, March 31, 2011	**$ 411,161**	**$ 1,533**	**$ (139,239)**	**$ (9,414)**	**$ 264,041**

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	
	2011	**2010**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	**$ 77,691**	$ 16,455
Items not affecting cash		
Amortization of property, plant and equipment and intangibles	**5,647**	8,802
Non-cash portion of interest expense	**5,344**	5,370
Non-cash stock based compensation (Note 18)	**221**	88
Foreign exchange gain on long-term debt (Note 14)	**(12,516)**	(19,288)
Gain on derivative financial instrument (Note 15)	**(4,528)**	(5,030)
Loss (Gain) on disposal of property, plant and equipment (Note 17)	**273**	(32)
Write-down of property, plant and equipment (Note 17)	**1,043**	-
Write-down of long-term wood deposits	**-**	648
Change in non-current reforestation obligation	**24**	110
Deferred taxes	**(2,202)**	207
Adjustment to net accrued pension benefit liability	**(69)**	(29)
Gain on acquisition of High Level (Note 4)	**(72,544)**	-
Other	**320**	326
	(1,296)	7,627
Change in non-cash operating working capital (Note 22)	**(12,057)**	(14,726)
Interest paid	**(1,663)**	(1,799)
Income taxes paid	**(2)**	(23)
Cash used in operating activities	**(15,018)**	(8,921)
CASH FLOWS FROM FINANCING ACTIVITIES		
Reduction in long-term debt	**(2,191)**	(2,109)
Exercise of stock-options (Note 18)	**174**	-
Increase (Reduction) in finance lease obligations	**111**	(16)
Cash used in financing activities	**(1,906)**	(2,125)
CASH FLOWS FROM INVESTING ACTIVITIES		
Short-term investments	**6,983**	(95)
Acquisition of High Level (Note 4)	**(20,000)**	-
Additions to property, plant and equipment	**(2,332)**	(4,531)
Proceeds on disposal of property, plant and equipment	**63**	63
Increase in other assets	**(234)**	(199)
Cash used in investing activities	**(15,520)**	(4,762)
Effect of foreign exchange rate changes on cash and cash equivalents	**(320)**	(326)
NET CASH OUTFLOW	**(32,764)**	(16,134)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**67,577**	92,075
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 34,813**	$ 75,941
Cash and cash equivalents	**24,491**	65,817
Restricted cash (Note 2f)	**10,322**	10,124
	$ 34,813	$ 75,941

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 supplier of oriented strand board ("OSB") with a focus on value-added specialty products for markets in North America and Asia. The Company owns four wholly-owned Canadian OSB manufacturing facilities in Alberta, British Columbia, and Ontario. The Company's OSB facility located in High Level, Alberta has been curtailed since December of 2007. The Company acquired the remaining 50% interest from Grant Forest Products on February 17, 2011 (see Note 4). The Company's registered address is 1055 Dunsmuir Street, Suite 3194, Bentall 4, P.O. Box 49307, Vancouver, British Columbia, Canada, V7X 1L3.

Ainsworth Lumber Co. Ltd. is a publicly listed company incorporated in British Columbia, Canada. The Company's shares are listed on the Toronto Stock Exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments and assets and liabilities acquired through business combinations and that were accounted for using the acquisition method. The Company's principal accounting policies are outlined as follows:

a) *Statement of compliance*

The Company's condensed interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Company expects to adopt in its consolidated financial statements as at and for the year ending December 31, 2011. Those accounting policies are based on individual International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), and interpretations made by the International Financial Reporting Interpretations Committee ("IFRIC") and the Standing Interpretations Committee ("SIC") that the Company expects to be applicable at that time. The Company is a first-time adopter of IFRS and has followed the requirements of IFRS 1 *First-time Adoption of IFRS* ("IFRS 1") in its initial application of IFRS as disclosed more fully in Note 26 to these condensed interim consolidated financial statements. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("CGAAP").

The policies set out below were consistently applied to all the periods presented unless otherwise required under IFRS 1 and as described in Note 26.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 12, 2011.

b) *Basis of consolidation*

The condensed interim consolidated financial statements include the accounts of the Company and its consolidated subsidiaries, which are the entities over which the Company has control. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The condensed interim consolidated financial statements of the Company as at and for the three month period ended March 31, 2011 include the accounts of the Company and all of its wholly-owned subsidiaries and partnerships. The Company's principal subsidiaries include Ainsworth Corp. and Ainsworth Engineered Canada Limited Partnership. Intercompany transactions between subsidiaries are eliminated upon consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Certain prior period balances have been reclassified to conform with current period presentation. Sales in the quarter ended March 31, 2010 has been adjusted by $5,957 with a corresponding increase in Costs of Products Sold, to reflect a change in presentation for inventory held at customer sites from a net to gross basis.

c) Business combination

The acquisition of businesses is accounted for using the acquisition method. The consideration of each acquisition is measured at the aggregate of the fair values, at the date of acquisition, of assets obtained, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquired business. The acquired business' identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, *Business Combinations* ("IFRS 3") are recognized at their fair values at the acquisition date, except for non-current assets that are classified as held-for-sale in accordance with IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations* which are recognized and measured at fair value, less costs to sell. The non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

To the extent the fair value of consideration paid exceeds the fair value of the net identifiable tangible and intangible assets, goodwill is recognized. To the extent the fair value of consideration paid is less than the fair value of net identifiable tangible and intangible assets, the excess is recognized in income immediately.

Where a business combination is achieved in stages with the Company holding a pre-existing equity interest in the acquired entity, its previously held interests in the acquired entity are re-measured to fair value at the acquisition date, which is the date control is obtained, and the resulting gain or loss, if any, is recognized in income or loss. Once control is obtained, as long as control is not lost, all changes to ownership interests are treated as equity transactions and reported within equity.

d) Functional and presentational currency

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The individual financial statements of each of the Company's subsidiaries are presented in the currency of the primary economic environment in which the entity operates. In preparing the financial statements of the individual subsidiaries, transactions in currencies other than the subsidiary's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items that are denominated in currencies other than the functional currency are translated at the period end exchange rates. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in profit or loss in the period.

e) Use of estimates and judgment

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions at the financial position date that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The most significant estimates relate to the determination of the useful life and value of its property, plants and equipment and intangible assets; accounting for business combinations; determination of functional currency; measurement of deferred taxes; valuation of inventory; loss contingencies; other assets; reforestation obligations; deferred income tax assets and liabilities; measurement of future employee benefits; and management's estimates of capital requirements and liquidity.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The most significant judgments relate to timing of revenue recognition; purchase price allocation under the acquisition method; lease classification; and classification of financial instruments.

f) Cash and cash equivalents

Cash and cash equivalents generally consist of cash balances with banks and investments with original maturities of three months or less at the time of purchase. Also included is restricted cash of $10.3 million (December 31, 2010: $10.8 million). Restricted cash is held in a separate account as collateral for the $10.3 million (December 31, 2010: $10.8 million) outstanding letters of credit to support the Company's ongoing business operations.

The Company had an unutilized U.S. $2.5 million future foreign exchange contract credit facility at March 31, 2011 which, if utilized, would be secured by cash collateral.

g) Short-term investments

Short-term investments consist of redeemable investments with market values closely approximating book values and maturities greater than three months at the time of purchase.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Inventories

Inventory is valued at the lower of cost and net realizable value. Inventory cost is determined using the three month weighted average cost of production. Cost of panel products is defined as all costs that relate to bringing the inventory to its present location and condition under normal operating conditions and includes manufacturing costs, such as raw materials, labour and production overhead and amortization costs. Cost of logs is defined as all costs that relate to purchasing, harvesting and delivery of the logs to their present location, including labour, overhead and amortization. Inventory write-downs may be reversed (to the extent of the original write-down) if circumstances change in subsequent periods.

Materials, supplies and consumable spares are valued at the lower of cost and replacement cost, which approximates net realizable value, and are expensed when introduced into the production process.

i) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to acquiring and bringing the assets to a working condition for their intended use. The Company also capitalizes borrowing costs which are directly attributable to the acquisition, construction or production of qualifying assets, unless development activities on these qualifying assets are suspended, in which case borrowing costs are expensed.

The cost of replacing significant parts of an item of property, plant and equipment is recognized in the carrying amount of the asset if it is probable that the future economic benefits embodied within the part will flow to the Company, and its costs can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the Statement of Operations and Comprehensive Income as incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Oriented strand board (“OSB”) facilities are amortized on the units-of-production method based on the estimated useful life of the assets at normal production levels over 25 years. Other assets are amortized on the declining balance basis at annual rates based on the estimated useful lives of the assets as follows:

Assets	Rates
Building	5%
Machinery and equipment	15-20%
Office equipment	15%

Assets under finance leases are amortized on a straight line basis over the term of the lease. Logging roads are stated at cost and are amortized on the basis of the volume of timber cut. Assets under construction are not depreciated until they are ready for their intended use. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Property, plant and equipment are reviewed for impairment and accounted for as discussed in Note 2k.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Intangible assets

Intangible assets consist of timber rights. The assets are measured at cost less accumulated amortization. Non-renewable pulpwood agreements and wood deposits are amortized over the life of the agreement, and the remaining assets are amortized on the basis of the volume of timber cut. Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. If the Company identifies events or changes in circumstances which may indicate that their carrying amount may not be recoverable, the intangible assets would be reviewed for impairment and accounted as discussed in Note 2k.

k) Asset impairment

The carrying amounts of property, plant and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Assets held for sale which are not amortized are subject to an annual impairment assessment.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash generating units" or "CGUs"). The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

l) Other assets

Other assets consist primarily of long-term advances and deposits which are recorded at cost.

m) Derivative financial instruments

Derivative financial instruments are measured at their fair value upon initial recognition and on each subsequent reporting date. If a market value is not available, the fair value is calculated using standard financial valuation models, such as discounted cash flow or option pricing models. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in their fair values are recognized within finance cost in the Statement of Operations and Comprehensive Income.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Disposal of assets and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through sale rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale and it should be expected to be completed within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

o) Reforestation obligations

Timber is harvested under various licenses issued by the Provinces of British Columbia and Alberta, which include future requirements for reforestation. The fair value of the future estimated reforestation obligation is accrued and charged to operations in cost of products sold on the basis of the volume of timber cut, fair value being the present value of estimated future cash flows using a credit adjusted risk free rate. Subsequent changes to fair value resulting from the passage of time and revisions to fair value calculations are recognized into income as they occur.

p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, excluding any intercompany sales which have been eliminated upon consolidation. Revenue from the sale of goods and services is recognized when the risks and rewards of ownership, including managerial involvement, have transferred to the buyer; the amount of revenue can be measured reliably; the receipt of economic benefits is probable; and costs incurred or to be incurred can be measured reliably. Freight costs are included in cost of products sold.

q) Finance costs

The Company's long-term debt is recorded net of discounts and consent fees, which are deferred at inception and subsequently amortized over the term of the debt. Interest expense is calculated using the effective interest rate method.

The Company accounts for transaction costs that are directly attributable to the issuance of long-term debt by deducting such costs from the carrying value of the long-term debt. The capitalized transaction costs are amortized to earnings over the term of the related long-term debt.

r) Taxation

Tax expense is comprised of current and deferred tax components. Tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case the related tax is recognized in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible for tax purposes. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the financial position date.

Deferred tax is recorded using the asset and liability method. Under this method, the Company calculates all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the period end date. Deferred tax is calculated based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply to the year of realization or settlement based on tax rates and laws enacted or substantively enacted at the period end date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

s) *Earnings (loss) per share*

Basic earnings (loss) per share is calculated by dividing net income by the weighted average number of voting common shares outstanding during the period. Diluted earnings (loss) per share is based on the weighted average number of voting common shares and exchangeable shares and stock options outstanding at the beginning of or granted during the period, calculated using the treasury stock method. Under this method, the proceeds from the exercise of the options are assumed to be used to repurchase the Company's shares on the open market. The difference between the number of shares assumed purchased and the number of options assumed exercised is added to the actual number of shares outstanding to determine diluted shares outstanding for purposes of calculating diluted earnings per share. Therefore, the number of shares in the diluted earnings per share calculation will increase as the average share price increases.

t) *Employee benefits*

The costs of retirement benefits for defined benefit plans are recognized as the benefits are earned by employees. The Projected Unit Credit Method is used along with management's best estimate assumptions to value pension and other post-retirement benefits. Pension assets are valued at fair value for the purpose of calculating the expected return on plan assets. The Company recognizes all actuarial gains and losses arising from defined benefit plans in Other Comprehensive Income. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan. Payments to the defined contribution pension plan are expensed as incurred, when the related employee service is rendered.

u) *Share-based payments*

The Company accounts for share-based payments using the fair value method. Under the fair value method, compensation expense for share-based payments is determined based on the fair value at the grant date using the Black-Scholes option-pricing model and is charged to income over the vesting period. When stock options are exercised, any consideration paid by employees, as well as the related stock-based compensation are credited to capital stock.

v) *Financial instruments*

All financial instruments are initially recorded at fair value including transaction costs except for transaction costs related to financial instruments classified as fair value through profit or loss ("FVTPL") which are expensed as incurred. Subsequent measurement of financial instruments is determined based on its classification.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company classifies its cash and cash equivalents as FVTPL which are measured at fair market value with gains and losses included in net income in the period in which they arise. Short-term investments are classified as assets available for sale which are measured at fair market value with gains and losses included in other comprehensive income in the period in which they arise. Accounts receivable and long-term advances are classified as loans and receivables which are accounted for at amortized cost. Accounts payable and accrued liabilities, long-term debt and other liabilities are measured at amortized cost. The Company measures derivatives and embedded derivatives at fair value with changes in fair value recognized in net income and has not elected to use hedge accounting.

Financial instruments recognized at fair value are classified in fair value hierarchy levels as follows:

- Level 1 – valuation based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices);
- Level 3 – valuation techniques with unobservable market inputs (involves assumptions and estimates by management of how market participants would price the assets or liabilities.)

The Company has not designated any financial instruments as held to maturity.

w) *Provisions*

Provisions represent liabilities to the Company for which the amount or timing is uncertain. A provision is recognized when, as a result of a past event, the Company has a present obligation (legal or constructive) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the liability.

3. ACCOUNTING STANDARDS DEVELOPMENTS

Financial instruments – IFRS 9, Financial Instruments (“IFRS 9”) was issued by the International Accounting Standards Board (“IASB”) on November 12, 2009 and will replace IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is assessing the impact of this pronouncement on its results and financial position.

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

4. ACQUISITION

The Company entered into an agreement with Grant Forest Products Inc. on December 20, 2010 to acquire the remaining 50% interest in Footner Forest Products Inc. ("High Level") for $20 million, thereby increasing the Company's interest to 100%. The transaction resulted in the acquisition of an additional 430 million square feet of production capacity and full management control of the mill, and was completed on February 17, 2011. The excess fair value of the net assets acquired over the cash consideration paid resulted in a bargain purchase gain of $49,687. The existing 50% interest in the assets and liabilities of High Level held prior to this transaction was revalued to their fair values of $74,160, resulting in a gain of $22,857. The total gain of $72,544 is recorded in the consolidated statement of operations and comprehensive income.

The cash consideration for the acquisition of High Level was as follows:

Business and net assets acquired	$	20,000

The acquisition was accounted for using the acquisition method and the net assets of the acquired business are included in the consolidated financial statements from the dates of acquisition. Purchase price allocations related to the acquisition may be subject to adjustment pending completion of final valuations. The details of the 50% of net assets acquired were as follows:

ASSETS		
Current assets		
Cash and cash equivalents	$	17
Trade and other receivables		155
Inventory		2,150
Prepaid expenses		179
		2,501
Property, plant and equipment		84,513
Intangible assets		850
Total assets	$	87,864
LIABILITIES		
Current liabilities		
Trade and other payables	$	963
Reforestation obligation		650
Deferred income tax liabilities		12,091
Total liabilities	$	13,704

The High Level mill has been indefinitely curtailed since December of 2007. Included in income for the quarter are costs of $626 attributable to High Level. There were no sales generated by High Level. Had this business combination been effected at January 1, 2011, revenue of the Company would have been the same, and the income for the quarter from continuing operations would have been $253 lower.

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

5. INVENTORIES

The carrying value of logs and panel products, valued at net realizable value, and materials, supplies and consumable spares valued at lower of cost and replacement cost, is set out in the following table:

		March 31, 2011		December 31, 2010		January 1, 2010
Logs	**$**	**26,022**	$	11,429	$	12,046
Panel products		**16,066**		10,740		9,786
Materials, supplies and spares		**16,594**		17,231		17,350
	$	**58,682**	$	39,400	$	39,182

Inventory (write-downs) recoveries of carrying value were recorded as follows:

		March 31, 2011		March 31, 2010
Log inventory	**$**	**43**	$	-
Panel inventory		**(23)**		29
	$	**20**	$	29

All inventories are pledged as security for loans.

6. LONG-LIVED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

During 2009, the Company completed sales of its Minnesota OSB mills and its specialty plywood business. Liabilities relate to costs associated with terminating the Minnesota defined benefit pension plan and settling outstanding employee claims.

The Company also has an aircraft held for sale.

The following table presents selected financial information related to discontinued operations:

		March 31 2011		December 31 2010		January 1 2010
ASSETS						
Current Assets of Discontinued Operations						
Trade and other receivables	**$**	**-**	$	-	$	819
Inventories		**-**		-		262
Income taxes receivable		**-**		7		557
Prepaid expenses		**-**		-		230
		-		7		1,868
Property, Plant and Equipment		**-**		-		91
Property, Plant and Equipment Under Lease and Held for Sale		**6,100**		7,042		7,042
Total Assets Held for Disposal	**$**	**6,100**	$	7,049	$	9,001
LIABILITIES						
Current Liabilities of Discontinued Operations						
Trade and other payables	**$**	**806**	$	834	$	5,009
Accrued Pension Benefit Liability (1)		**1,600**		1,669		1,394
Total Liabilities Held for Disposal	**$**	**2,406**	$	2,503	$	6,403

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

6. LONG-LIVED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

	Three months ended March 31 2011	2010
Sales	**$ -**	$ 375
Gain on Disposal of Property, Plant and Equipment	**-**	24
Income (Loss) Before Income Taxes	**(34)**	(278)
Income Tax Recovery	**(35)**	(21)
Net Income (Loss) from Discontinued Operations	**$ 1**	$ (257)

(1) During 2010, the Company took out a letter of credit in the amount of $1.1 million USD to mitigate possible future liabilities to the members of the Minnesota plan upon termination of the defined benefit pension plan. The Company intends to wind up the Minnesota plan with an expected termination date in 2013.

There has been no significant investing or financing activities related to the discontinued operations since fiscal 2010. The net cash outflows from discontinued operations relate primarily to the U.S. pension plan and settlement of miscellaneous general accounts.

7. PROPERTY, PLANT AND EQUIPMENT

Deemed Cost	Land	Building	Machinery & Equipment	Assets under Finance Lease	Other Assets	Construction in Progress (1)	Total
Cost, January 1, 2010	$3,849	$179,692	$ 347,565	$ 651	$ 6,573	$ 50,162	$588,492
Additions	-	404	17,966	203	849	(2,268)	17,154
Disposals	-	-	-	-	(82)	(91)	(173)
Cost, December 31, 2010	$3,849	$180,096	$ 365,531	$ 854	$ 7,340	$ 47,803	$605,473
Additions	-	-	903	301	127	545	1,876
Acquisitions through business combinations	312	40,104	79,239	-	839	382	120,876
Disposals	-	-	(422)	-	-	-	(422)
Write-downs	-	-	(101)	-	-	-	(101)
Cost, March 31, 2011	$4,161	$220,200	$ 445,150	$ 1,155	$ 8,306	$ 48,730	$727,702

Amortization	Land	Building	Machinery & Equipment	Assets under Finance Lease	Other Assets	Construction in Progress (1)	Total
Accumulated amortization, January 1, 2010	$ -	$ (9,360)	$ (32,765)	$ (27)	$(1,012)	$ -	$ (43,164)
Depreciation for the period	-	(2,743)	(23,226)	(398)	(781)	-	(27,148)
Disposals	-	-	-	-	31	-	31
Accumulated amortization, December 31, 2010	$ -	$ (12,103)	$ (55,991)	$ (425)	$(1,762)	$ -	$ (70,281)
Depreciation for the period	-	(1,702)	(3,378)	(85)	(220)	-	(5,385)
Disposals	-	-	86	-	-	-	86
Accumulated amortization, March 31, 2011	$ -	$ (13,805)	$ (59,283)	$ (510)	$(1,982)	$ -	$ (75,580)

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

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Net carrying amount	Land	Building	Machinery & Equipment	Assets under Finance Lease	Other Assets	Construction in Progress (1)	Total
Balance, January 1, 2010	$3,849	$170,332	$ 314,800	$ 624	$ 5,561	$ 50,162	$545,328
Balance, December 31, 2010	3,849	167,993	309,540	429	5,578	47,803	535,192
Balance, March 31, 2011	4,161	206,395	385,867	645	6,324	48,730	652,122

(1) No interest has been capitalized in construction in progress for the periods presented. Included in construction in progress is $44,966 related to our second production line at Grande Prairie, which is currently curtailed. This amount has been secured as collateral.

(2) Certain property, plant and equipment has been secured as collateral against equipment financing of U.S. $27.1 million. In addition, there is a security charge against an OSB facility, to the maximum of U.S. $50 million.

8. INTANGIBLE ASSETS

Intangible assets consist of timber rights.

	March 31, 2011	December 31, 2010	January 1, 2010
Cost	$ 34,846	$ 33,764	$ 26,582
Accumulated amortization	(14,291)	(12,325)	(10,648)
Net intangible assets	$ 20,555	$ 21,439	$ 15,934

Cost at January 1, 2010	$ 26,582
Additions	7,182
Cost at December 31, 2010	33,764
Additions	872
Acquisitions through business combination	210
Cost at March 31, 2011	$ 34,846

Accumulated amortization at January 1, 2010	$ (10,648)
Amortization for the period	(1,677)
Accumulated amortization at December 31, 2010	(12,325)
Amortization for the period	(1,966)
Accumulated amortization at March 31, 2011	$ (14,291)

During the quarter, the Company reassessed certain fibre agreements and reduced certain advances in respect of timber rights by $1.0 million, and recorded an offsetting reduction in advances payable to suppliers.

Effective January 1, 2011, the Company began amortizing certain timber rights straight-line over their remaining lives rather than based on the volume of timber harvested. The impact of this change has been applied prospectively as a change in an estimate and resulted in an increase in amortization expense.

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

9. LONG-TERM DEBT

	March 31, 2011	December 31, 2010	January 1, 2010
Balance, beginning of period	**$ 507,895**	$ 531,795	$ 615,830
Repayments	**(2,079)**	(23,696)	(10,052)
Payment-in-kind interest	**4,675**	19,403	20,636
Amortization of bond discount, transaction costs and consent fees	**669**	10,760	3,597
Foreign exchange gain on long-term debt	**(12,516)**	(30,367)	(87,141)
Balance, end of period	**$ 498,644**	$ 507,895	$ 542,870
Current portion	**(19,858)**	(22,270)	(11,075)
	$ 478,786	$ 485,625	$ 531,795

10. ACCRUED PENSION BENEFIT LIABILITY

The Company maintains two defined benefit pension plans for certain salaried and certain hourly employees in British Columbia and Minnesota. The pension liability of the Minnesota plan was reclassified to discontinued operations (Note 6).

The Company measures its accrued pension benefit obligations and the fair value of plan assets of its defined benefit pension plans for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the British Columbia pension plan for funding purposes was as of December 31, 2009. The most recent actuarial valuation of the Minnesota pension plan was as of January 1, 2010. The net accrued benefit liability related to the Company's U.S. operations has been classified separately as a result of the decision to discontinue these operations. Actuarial gains and losses are recognized in other comprehensive income in the period within which they occur.

11. COMMITMENTS AND GUARANTEES

The Company is committed to operating lease payments in respect of premises and finance lease payments in respect of machinery and equipment as well as an aircraft classified as held for sale as follows:

	Operating Leases	Finance Leases
No later than one year	$ 829	$ 1,287
Later than one year, but no later than five years	2,695	936
Later than five years	-	8,599
	3,524	10,822
Less: future finance charges	-	(2,533)
Present value of minimum lease payments	$ 3,524	$ 8,289

The Company's obligations under finance leases are secured by the lessors' title to the leased assets. The fair value of the finance lease obligations approximate their carrying value.

The Company also 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.

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

12. 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, 2011 cannot be predicted with certainty, the Company believes the resolution will not have a material effect on the Company's financial position, results of operations or cash flows.

13. FINANCE EXPENSE

	Three months ended March 31	
	2011	2010
Cash interest	$ (6,868)	$ (7,737)
Payment-in-kind interest	(4,675)	(4,885)
Interest on finance leases	(168)	(21)
Amortization of bond discount, transaction costs and consent fees	(669)	(744)
	$ (12,380)	$ (13,387)

14. FOREIGN EXCHANGE GAIN

	Three months ended March 31	
	2011	2010
Foreign exchange gain on long-term debt	$ 12,516	$ 19,288
Other foreign exchange loss	(460)	(1,113)
	$ 12,056	$ 18,175

15. GAIN ON DERIVATIVE FINANCIAL INSTRUMENTS

The Company has a derivative financial instrument related to the call option embedded in the Senior Unsecured Notes, whereby the Company has the right to repurchase the Notes. Changes in the value of this derivative financial asset are reflected in operations and within other assets on the statement of financial position. The Company engaged an independent third party expert to perform a valuation of the call options, using an Option-Adjusted-Spread ("OAS") model, specifically the Hull and White single factor interest rate term structure model. Changes in the risk-free rate, the credit spread and cash interest rate resulted in a gain on the derivative financial asset for the three months ended March 31, 2011 of $4.5 million (March 31, 2010: $5.0 million).

16. COSTS OF CURTAILED OPERATIONS

Costs of curtailed operations include costs associated with the High Level OSB facility as well as costs associated with the Grande Prairie expansion. The High Level OSB facility was acquired by the Company and accounted for as a business combination effective February 17, 2011 as explained in Note 4.

17. OTHER ITEMS

	Three months ended March 31	
	2011	2010
(Loss) Gain on disposal of property, plant and equipment	$ (273)	$ 8
Write-down of property, plant and equipment	(942)	-
Net legal proceeds	-	1,137
Other income	149	157
	$ (1,066)	$ 1,302

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

18. SHARE-BASED PAYMENTS

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.

The table below outlines the significant assumptions used during the period to estimate the fair value of options:

	Three months ended March 31,	
	2011	**2010**
Weighted average assumptions:		
Risk-free interest rate	**2.20%**	3.47%
Expected volatility	**49.50%**	40.00%
Dividend yield	**0%**	0%
Expected option life (years)	**4.00**	10.00
Share price	**3.28**	2.39

Expected volatility is based on the historical share price volatility over the past five years.

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

	March 31, 2011		March 31, 2010	
	Number of Share Options	**Weighted Average Exercise Price**	**Number of Share Options**	**Weighted Average Exercise Price**
Outstanding at beginning of period	**1,978,676**	**$ 2.13**	1,252,222	$ 1.56
Granted during the period	**575,000**	**3.28**	925,000	2.30
Exercised during the period (1)	**(100,000)**	**1.74**	-	
Outstanding at end of period	**2,453,676**	**$ 2.41**	2,177,222	$ 1.87
Options exercisable at period end	**891,667**		986	$ 1.67
Weighted average fair value per option granted during the period	**$ 1.41**		$ 1.40	

(1) During the three months ended March 31, 2011, $211 was credited to capital stock with respect to stock options that were exercised. This includes $174 consideration received on exercise, plus $37 representing the vested fair value of the stock options. No stock options were exercised during the three months ended March 31, 2010.

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

18. SHARE-BASED PAYMENTS (Continued)

The following table summarizes the weighted average exercise prices and weighted average remaining contractual life of the stock options outstanding at March 31, 2011:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Options	Weighted Average Remaining Contractual Life (yrs)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$0 - 2	750,000	7.80	$ 1.44	600,000	$ 1.50
2 - 4	1,581,300	9.33	2.73	291,667	2.30
4 - 6	122,376	9.13	4.34	-	-
	2,453,676	8.85	$ 2.42	891,667	$ 1.76

The compensation expense recorded for the three months ended March 31, 2011 was $221 (three months ended March 31, 2010: $88).

19. PENSION EXPENSE

Pension expense and contributions related to the Company's defined benefit plans was as follows:

	Three months ending March 31, 2011	2010
Continuing Operations:		
Pension expense	**$ 402**	$ 422
Contributions	**1,308**	823
Discontinued Operations:		
Pension expense	**74**	76

The Company's total defined contribution plan cost for the three month ended March 31, 2011 was $42 (three months ended March 31, 2010: $nil).

20. TAXATION

During the first quarter of 2011, certain permanent differences, such as the non-taxable portion of the foreign exchange gain on our debt, and the expected reversal of certain deferred income tax assets and liabilities at lower effective tax rates also impacted the resulting income tax recovery.

Tax filings resulting from the change in control 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 current and deferred income tax assets and liabilities.

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

21. EARNINGS PER SHARE

	March 31, 2011		March 31, 2010	
Net income income from continuing operations	**$**	**77,690**	$	16,712
Net income (loss) from discontinued operations		**1**		(257)
Net income	**$**	**77,691**	$	16,455
Weighted average common shares outstanding		**100,580,000**		100,100,000
Dilutive effect of stock options		**622,612**		417,160
		101,202,612		100,517,160
Basic and diluted earnings (loss) per share:				
Continuing operations	**$**	**0.77**	$	0.17
Discontinued operations		**-**		(0.01)
Net income per share	**$**	**0.77**	**$**	**0.16**

At March 31, 2011 there were 1,853,286 (December 31, 2010: 1,816,324) stock options which were not taken into account in the calculation of diluted earnings per share for each period presented because their effect was anti-dilutive.

In addition, 8,695,652 shareholder warrants issued on July 29, 2008 pursuant to the Company's recapitalization were not included in the computation of diluted earnings (loss) per share because to do so would have been anti-dilutive for the periods presented. Each shareholder warrant entitles the holder thereof to one common share of the Company if, on or prior to July 29, 2013, the then current market price of common shares equals or exceeds a barrier price equal to U.S. $1.20 billion divided by the number of common shares outstanding on a fully diluted basis on July 29, 2008.

22. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended March 31			
		2011		**2010**
Trade and other receivables	**$**	**(3,843)**	$	(6,488)
Inventories		**(19,142)**		(13,741)
Income taxes receivable / payable		**17**		635
Prepaid expenses		**572**		(9)
Trade and other payables		**10,339**		4,877
	$	**(12,057)**	$	(14,726)

23. SEGMENTED REPORTING

The Company operates principally in Canada and the United States in one business 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			
		2011		**2010**
North America	**$**	**60,242**	$	79,296
Overseas		**11,218**		7,700
	$	**71,460**	$	86,996

Property, plant and equipment are located in Canada.

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

23. SEGMENTED REPORTING (Continued)

The markets for most structural panel products are cyclical in nature and are influenced by weather and building activity. In particular, the Company's financial performance is impacted by seasonality as market demand, which is driven mainly by homebuilding activity and repair and renovation work, tends to be stronger at the beginning of the year.

24. 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.

Fair value of financial instruments

The fair value of financial instruments, with the exception of the Senior Unsecured Notes and Senior Secured Term Loan, is estimated to approximate their carrying value at March 31, 2011 due to the immediate or short-term maturity of these financial instruments.

The fair value of long-term debt is determined using quoted ask prices for the Company's Senior Unsecured Notes and Senior Secured Term Loan. The estimated fair value may differ from the amount which could be realized in an immediate settlement. The carrying values and fair values of the long- term debt are as follows:

	March 31, 2011		**December 31, 2010**		**January 1, 2010**	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Senior notes	**$ 363,991**	**$ 360,268**	$ 368,529	$ 334,013	$ 384,450	$ 219,366
Term loan	**98,327**	**99,666**	100,766	97,704	106,073	106,073
Equipment financing	**27,131**	**27,131**	29,296	29,296	42,006	42,006
Finance leases	**9,195**	**9,195**	9,304	9,304	10,341	10,341
	$ 498,644	**$ 496,260**	$ 507,895	$ 470,317	$ 542,870	$ 377,786

The term loan is secured by trade receivable and inventory having a carrying value of $78,224. In the event that the trade receivable and inventory security for the term loan is deficient, the term loan holders have an additional security charge ("the floating deficiency charge") in an OSB facility. The maximum of the floating deficiency charge is U.S. $50 million, which is less than the carrying value of the asset. Equipment financing of U.S. $27.1 million is secured by certain capital assets.

The fair value of the call option embedded in the Senior Unsecured Notes as at March 31, 2011 was $10.8 million (December 31, 2010: $6.2 million).

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

24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (Continued)

The fair value of the Company's financial assets and liabilities classified by level within the fair value hierarchy are as follows:

				March 31, 2011
	Level 1	**Level 2**	**Level 3**	**Total**
ASSETS				
Cash and cash equivalents	**$ 34,813**	**$ -**	**$ -**	**$ 34,813**
Short-term investments	**52,430**	**-**	**-**	**52,430**
Trade and other receivables	**-**	**19,542**	**-**	**19,542**
LIABILITIES				
Trade and other payables	**-**	**33,585**	**-**	**33,585**
Current portion of long-term debt	**-**	**19,858**	**-**	**19,858**
Long-term debt	**459,934**	**16,468**	**-**	**476,402**

				December 31, 2010
	Level 1	**Level 2**	**Level 3**	**Total**
ASSETS				
Cash and cash equivalents	$ 67,577	$ -	$ -	$ 67,577
Short-term investments	59,413	-	-	59,413
Trade and other receivables	-	15,537	-	15,537
LIABILITIES				
Trade and other payables	-	24,833	-	24,833
Current portion of long-term debt	-	22,270	-	22,270
Long-term debt	431,717	16,330	-	448,047

				January 1, 2010
	Level 1	**Level 2**	**Level 3**	**Total**
ASSETS				
Cash and cash equivalents	$ 92,075	$ -	$ -	$ 92,075
Short-term investments	61,654	-	-	61,654
Trade and other receivables	-	13,730	-	13,730
LIABILITIES				
Trade and other payables	-	23,475	-	23,475
Current portion of long-term debt	-	11,075	-	11,075
Long-term debt	325,439	41,272	-	366,711

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.

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

24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (Continued)

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 and short-term investments. The Company's maximum exposure to credit risk related to receivables and short-term investments is the gross carrying amount of these assets net of any allowance for doubtful accounts or impairment loss as reflected in these condensed interim consolidated financial statements. As at March 31, 2011, the amount of accounts receivable past due was nominal.

Credit risk associated with short-term investments is minimized by ensuring that the Company only invests in liquid securities and with counterparties that have a high credit rating. Concentration of credit risk with respect to trade receivables is limited due to the Company's credit evaluation process and the dispersion of a large number of customers across many geographic areas as well as the use of credit insurance.

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. Under current market conditions, 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.

As global debt and equity markets can be volatile, we continue to monitor discretionary capital expenditures carefully. The Company's equipment loan matures on October 1, 2011, the U.S. dollar Senior Secured Term Loan matures in 2014 and the U.S. dollar Senior Unsecured Notes mature in 2015. Under the terms of the Company's indenture, the Company is permitted to borrow an additional U.S. $125 million of Senior Secured debt and U.S. $75 million of Senior Unsecured debt. The availability of this funding is dependent on credit markets. In the event that debt or equity capital is not available on acceptable terms, the Company may need to explore other strategic alternatives.

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
Senior Unsecured Notes	$ -	$ 11,046	$ 11,325	$ 552,832	$ -
Senior Secured Term Loan	434	882	3,962	112,645	-
Equipment loan	699	1,392	15,796	-	-
Deutsche Bank equipment loan	-	957	949	7,296	875
Finance lease obligations	120	231	936	4,013	8,599
Operating lease obligations	69	138	622	2,695	-
Trade payable and accrued liabilities	27,526	5,403	656	-	-
Reforestation obligation	-	-	-	3,473	-
Purchase commitments	102	204	917	4,888	5,499
	$ 28,950	$ 20,253	$ 35,163	$ 687,842	$ 14,973

24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (Continued)

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. The Company is exposed to interest risk on its floating rate debt. 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.

At March 31, 2011, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's after-tax net income would decrease/increase by approximately $0.5 million on an annual basis (December 31, 2010: $0.5 million).

The Company is also exposed to interest risk on the derivative financial instrument that arises from the call option embedded in the Senior Unsecured 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, 2011 was $10.8 million (December 31, 2010: $6.2 million). At March 31, 2011, if interest rates had been 1% higher/lower and all other variables were constant, the value of the derivative financial asset would have been $24 lower/higher.

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, accounts receivable and accounts payable. 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, 2011, if the Canadian dollar had weakened/strengthened one cent against the U.S. dollar with all other variables held constant, after-tax net loss for the year would have been $3.7 million higher/lower on an annual basis (December 31, 2010: $3.6 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. housing market, changes in industry production capacity, changes in world inventory levels and other factors beyond the Company's control. At this time, the Company has elected not to actively manage its exposure to commodity price risk.

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

25. RELATED PARTY TRANSACTIONS

Brookfield

On May 11, 2010, Brookfield Special Situations II (OSB) L.P. ("BSS") completed the acquisition of 14,905,712 common shares and warrants to acquire 10,094,288 common shares of Ainsworth. BSS exercised all of the purchased warrants on closing of the transaction and now beneficially owns or exercises control or direction over approximately 54.3% of the issued and outstanding common shares. The result for Ainsworth is a change of control for Canadian tax purposes. In the normal course of operations, the Company made interest payments on its senior unsecured notes to BSS which were previously entered on market terms and measured at exchange value. Repayment of the principal balance is due July 29, 2015.

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 key management personnel

The key management personnel of the Company consist of the members of the Board of Directors of Ainsworth Lumber Co. Ltd and its executive management team. No such person 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 key management personnel, including directors, is as follows:

	Three months ended March 31	
	2011	**2010**
Wages and salaries	$ 634	$ 676
Pension and retirement benefit costs	32	21
Share-based payments	181	74
	$ 847	$ 771

During the three months ended March 31, 2011, the Company paid legal fees of $64 (three months ended March 31, 2010: $nil) to a law firm of which a director of the Company is a Partner. These transactions were measured and recorded at fair value. Fair value is defined as the transaction amount with unrelated parties under similar terms and conditions.

26. TRANSITION TO IFRS

These condensed interim consolidated financial statements represent the first financial statements of the Company and its subsidiaries prepared in accordance with IFRS, as issued by the IASB. The Company adopted IFRS in accordance with IFRS 1. The first date at which IFRS was applied was January 1, 2010 ("Transition Date"). In accordance with IFRS, the Company has:

- Provided comparative financial information;
- Applied the same accounting policies throughout all periods presented;
- Retrospectively applied all effective IFRS standards as of March 31, 2011, as required, and
- Applied certain optional exemptions and certain mandatory exceptions as applicable for first time IFRS adopters.

26. TRANSITION TO IFRS (Continued)

a) *Estimates*

Hindsight was not be used to create or revise estimates previously made under CGAAP.

b) *IFRS 1 optional exemptions*

Set forth below are the IFRS 1 optional exemptions that are relevant to the Company at January 1, 2010 (the "Transition Date"):

(i) *Business combinations* - IFRS 1 provides the option to apply IFRS 3, Business Combinations, retrospectively or prospectively – either from the Transition Date or a particular date prior to the Transition Date. The Company has elected to apply IFRS 3 prospectively on business combinations that occurred after transition date. Accordingly, business combinations prior to this date have not been restated.

(ii) *Fair value of property, plant and equipment as deemed cost* - IFRS 1 includes an optional exemption for the Company to record property, plant and equipment at the date of transition at either i) fair value as deemed cost; or ii) its carrying value. This option can be applied separately to each asset or class of assets. The Company has elected to use a measure of deemed cost for all of its major categories of property, plant and equipment.

This exemption is also available for intangible assets that meet the recognition and revaluation criteria.

(iii) *Employee benefits* **-** IFRS 1 provides the option to retrospectively apply International Accounting Standard (IAS) 19: Employee Benefits for the recognition of unamortized actuarial gains and losses, past service costs and transitional obligations and assets or to recognize these balances previously deferred under CGAAP in opening retained earnings at the transition date. The Company has elected to recognize all unamortized cumulative actuarial losses and past service costs at transition date as an adjustment to opening retained earnings for all of its employee benefit plans.

(iv) *Share-based payment* **-** IFRS 1 provides an optional exemption to the application of IFRS 2: Share-based Payment for those stock options granted subsequent to November 7, 2002 that have fully vested as at January 1, 2010. The Company has elected this exemption and will exclude all such stock options from the application of IFRS 2.

(v) *Borrowing costs* **-** IAS 23: Borrowing Costs requires an entity to capitalize borrowing costs related to all qualifying assets for which the commencement date for capitalization is on or after January 1, 2009. IFRS 1 permits the Company to retain the treatment of borrowing costs under CGAAP and the capitalization methodology for any assets for which the commencement date is before the date of transition to IFRSs (or earlier designated date).

26. TRANSITION TO IFRS (Continued)

c) *IFRS accounting policy decisions*

While the conceptual framework of IFRS is similar to CGAAP, significant differences exist in certain matters of recognition, measurement and disclosure. The significant IFRS accounting policies the Company adopted upon conversion to IFRS are as follows:

(i) IAS 39 Transaction costs of financial instruments:

Under CGAAP, the Company chose to expense transaction costs in respect of long-term debt at the initial measurement date. IFRS, however, requires transaction costs of all financial instruments to be included in the initial measurement unless they are categorized at fair value through profit or loss. Accordingly, this resulted in a decrease to long-term debt and an increase to shareholders' equity on January 1, 2010 of $19.1 million. The Company expects higher amortization of finance costs in future period subsequent to the date of transition to IFRS since the transaction costs are amortized over the term of the underlying financial instruments.

(ii) IAS 19 Employee benefits:

IAS 19 provides three options for recognizing actuarial gains or losses after the transition date: i) the corridor approach, which amortizes gains or losses outside the corridor over an amortization period; ii) adoption of a more systematic method that would result in faster recognition of the gains or losses in income; or iii) recognition of 100% of gains or losses in the period in which they occur in other comprehensive income. The Company has recorded 100% of the actuarial gains or losses in other comprehensive income, thereby allowing pension assets and liabilities to be reflected at their fair values. The election of IFRS 1 to clear all unamortized actuarial gains and losses against deficit resulted in a decrease of $1.2 million in shareholders' equity on January 1, 2010.

The Company currently makes solvency funding contributions to its pension plans to cover its solvency deficit. Based on the interpretation and application of IFRIC 14: *IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction* ("IFRIC 14"), there were no material adjustments to its pension obligations and deficit arising from the application of IFRIC 14 as at January 1, 2010.

(iii) IAS 16 Property, plant and equipment:

Consistent with CGAAP, IFRS requires separable components of property, plant and equipment to be recognized initially at cost. Under IAS 16, an entity is required to choose to account for each class of property, plant and equipment, using either the cost model or the revaluation model. The cost model is generally consistent with CGAAP where an item of property, plant and equipment is carried at its cost less accumulated depreciation and accumulated impairment losses. Under the revaluation model an item of property, plant and equipment is carried at its revalued amount, being its fair value at the date of the revaluation less any accumulated depreciation and accumulated impairment losses. The Company uses the cost model to account for all classes of property, plant and equipment.

26. TRANSITION TO IFRS (Continued)

When classifying finance leases under IFRS, more judgment is applied and additional qualitative indicators are used to determine lease classification due to the lack of quantitative threshold indicators as specified in CGAAP. After our review during the detailed assessment phase, the Company identified certain leases with classification differences between CGAAP and IFRS, which resulted in an increase of $651 to the carrying value of property, plant and equipment and lease obligations on January 1, 2010. The classification difference did not result in a material adjustment to the opening deficit.

In addition, unlike CGAAP which is silent on these matters, IFRS specifically requires capitalization of major replacement costs, major inspection costs, and borrowing costs of qualifying assets. This resulted in an increase in property, plant and equipment and a decrease to deficit as at January 1, 2010 of $5.9 million.

(iv) IAS 38 Intangible assets:

IFRS 1 includes an optional exemption for the Company to use fair value as the deemed cost when recording intangible assets at the date of transition providing certain requirements are met. However, the Company does not qualify for the IFRS 1 deemed cost election for intangible assets related to forestry licenses for certain operating facilities. The licenses were valued at fair value at July 29, 2008, the date of the Company's recapitalization. The fair value was then used for fresh start accounting. IFRS 1 requires that intangible assets be valued at original cost unless the fair value attributed to them can be verified in an active market. As forestry licenses are not traded in an active market, as defined in IAS 38, the Company recorded a decrease of $59.7 million in the value of intangible assets and a corresponding increase to deficit as at January 1, 2010. This adjustment reduced the value of the intangible assets to their historical cost prior to the Company's recapitalization.

(v) IFRS 2 Share-based payment:

The Company issues stock-based awards in the form of stock options that vest evenly over a three-year period. Under CGAAP, Ainsworth recognizes the fair value of the award, determined at the time of the grant, on a straight-line basis over the vesting period. Under IFRS 2, the fair value of each tranche of the award is considered to be a separate grant based on the vesting period with the fair value of each tranche determined separately and recognized as compensation expense over the term of its respective vesting period. The use of the graded vesting model as required by IFRS resulted in an increase of $82 to contributed surplus and a decrease to deficit as at January 1, 2010. While the application of IFRS 2 resulted in a higher amount of each grant being recognized in operations at a faster rate under IFRS compared to CGAAP, there is no overall impact expected in the stock based compensation expense over the vesting period.

(vi) IAS 12 Income taxes:

The IFRS transitional adjustments as described above have a cumulative income tax impact of $8.7 million to deficit on January 1, 2010. The application of differences in accounting for timber rights and transaction costs accounted for most of the tax impact.

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

26. TRANSITION TO IFRS (Continued)

Under CGAAP, an entity is required to present both current and long-term future income taxes on its statement of financial position. Under IFRS, all deferred income taxes are presented as long-term. This presentational difference has no impact on deficit as at January 1, 2010.

d) *Restated financial statements*

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The Company's first time adoption of IFRS did not have a material impact on the total operating, investing or financing cash flows. The following are reconciliations of the financial statements previously presented under CGAAP to the amended condensed financial statements prepared under IFRS:

Reconciliation of Consolidated Balance Sheet
As at January 1, 2010

	Note 26c	CGAAP	Effects of transition to IFRS	IFRS
ASSETS				
Current Assets				
Cash and cash equivalents		$ 92,075	$ -	$ 92,075
Short-term investments		61,654	-	61,654
Trade and other receivables		13,730	-	13,730
Inventories		39,182	-	39,182
Income tax receivable		509	-	509
Other financial assets		4,429	-	4,429
Assets held for disposal		1,868	-	1,868
		213,447	-	213,447
Property, Plant and Equipment	(iii)	538,787	6,541	545,328
Intangible Assets	(iv)	75,602	(59,668)	15,934
Other Assets		11,276	-	11,276
Assets Held for Disposal		7,133	-	7,133
		$ 846,245	**$ (53,127)**	**$ 793,118**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Trade and other payables		$ 23,475	$ -	$ 23,475
Current portion of deferred income tax liabilities	(vi)	7,649	(7,649)	-
Current portion of long-term debt	(i)	10,743	332	11,075
Liabilities related to assets held for disposal		5,009	-	5,009
		46,876	(7,317)	39,559
Accrued Pension Benefit Liability	(ii)	2,484	867	3,351
Reforestation Obligation		2,072	-	2,072
Long-term Debt	(i)	550,582	(18,787)	531,795
Deferred Income Tax Liabilities	(vi)	35,209	(1,093)	34,116
Liabilities Related to Assets Held for Disposal	(ii)	885	509	1,394
		638,108	(25,821)	612,287
SHAREHOLDERS' EQUITY				
Capital Stock		409,880	-	409,880
Contributed Surplus	(v)	876	82	958
Accumulated Other Comprehensive Loss	(ii)	-	(1,151)	(1,151)
Deficit		(202,619)	(26,237)	(228,856)
		208,137	(27,306)	180,831
		$ 846,245	**$ (53,127)**	**$ 793,118**

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

26. TRANSITION TO IFRS (Continued)

Reconciliation of Consolidated Balance Sheet
As at March 31, 2010

	Note 26c	CGAAP	Effects of transition to IFRS	IFRS
ASSETS				
Current Assets				
Cash and cash equivalents		$ 75,941	$ -	$ 75,941
Short-term investments		61,749	-	61,749
Trade and other receivables		20,602	-	20,602
Inventories		53,747	-	53,747
Income tax receivable		448	-	448
Other financial assets		3,944	-	3,944
Assets held for disposal		1,223	-	1,223
		217,654	-	217,654
Property, Plant and Equipment	(iii)	533,752	7,426	541,178
Intangible Assets	(iv)	74,084	(58,892)	15,192
Other Assets		15,859	-	15,859
Assets Held for Disposal		7,103	-	7,103
		$ 848,452	**$ (51,466)**	**$ 796,986**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Trade and other payables		$ 28,970	$ -	$ 28,970
Current portion of deferred income tax liabilities	(vi)	7,653	(7,653)	-
Current portion of long-term debt	(i)	10,285	405	10,690
Liabilities related to assets held for disposal		2,596	-	2,596
		49,504	(7,248)	42,256
Accrued Pension Benefit Liability	(ii)	2,485	867	3,352
Reforestation Obligation		2,182	-	2,182
Long-term Debt	(i)	534,175	(18,040)	516,135
Deferred Income Tax Liabilities	(vi)	35,615	(1,292)	34,323
Liabilities Related to Assets Held for Disposal	(ii)	855	509	1,364
		624,816	(25,204)	599,612
SHAREHOLDERS' EQUITY				
Capital Stock		409,880	-	409,880
Contributed Surplus	(v)	939	107	1,046
Accumulated Other Comprehensive Loss	(ii)	-	(1,151)	(1,151)
Deficit		(187,183)	(25,218)	(212,401)
		223,636	(26,262)	197,374
		$ 848,452	**$ (51,466)**	**$ 796,986**

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

26. TRANSITION TO IFRS (Continued)

Reconciliation of Consolidated Balance Sheet
As at December 31, 2010

	Note 26c	CGAAP	Effects of transition to IFRS	IFRS
ASSETS				
Current Assets				
Cash and cash equivalents		$ 67,577	$ -	$ 67,577
Short-term investments		59,413	-	59,413
Trade and other receivables		15,537	-	15,537
Inventories		39,400	-	39,400
Income tax receivable		-	-	-
Other financial assets		6,557	-	6,557
Assets held for disposal		7	-	7
		188,491	-	188,491
Property, Plant and Equipment	(iii)	525,707	9,485	535,192
Intangible Assets	(iv)	78,519	(57,080)	21,439
Other Assets	(1)	11,371	(1,318)	10,053
Assets Held for Disposal		7,042	-	7,042
		$ 811,130	**$ (48,913)**	**$ 762,217**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Trade and other payables		$ 24,833	$ -	$ 24,833
Income taxes payable		1,302	-	1,302
Current portion of deferred income tax liabilities	(vi)	5,324	(5,324)	-
Current portion of long-term debt	(i)	22,107	163	22,270
Liabilities related to assets held for disposal		834	-	834
		54,400	(5,161)	49,239
Accrued Pension Benefit Liability	(ii)	-	10,445	10,445
Reforestation Obligation		2,076	-	2,076
Long-term Debt	(i)	501,434	(15,809)	485,625
Deferred Income Tax Liabilities	(vi)	33,400	(6,192)	27,208
Liabilities Related to Assets Held for Disposal	(ii)	1,036	633	1,669
		592,346	(16,084)	576,262
SHAREHOLDERS' EQUITY				
Capital Stock		410,950	-	410,950
Contributed Surplus	(v)	1,013	336	1,349
Accumulated Other Comprehensive Loss		-	(9,414)	(9,414)
Deficit		(193,179)	(23,751)	(216,930)
		218,784	(32,829)	185,955
		$ 811,130	**$ (48,913)**	**$ 762,217**

(1) Adjustment to Other Assets relate to a defined pension benefit asset of $1.3 million under CGAAP, which would have been a reduction in accrued pension benefit liability under IFRS.

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

26. TRANSITION TO IFRS (Continued)

Reconciliation of Consolidated Net Income and Comprehensive Income
For the three months ending March 31, 2010

	Note 26c	CGAAP	Effects of transition to IFRS	IFRS
Revenues		$ 86,996	$ -	$ 86,996
Costs of products sold (exclusive of amortization)	(iii)	67,514	(1,386)	66,128
Selling and administration	(v)	4,888	25	4,913
Amortization of property, plant and equipment and intangible assets	(iii, iv)	9,026	(224)	8,802
Operating income		**5,568**	**1,585**	**7,153**
Finance expense	(i)	(12,622)	(765)	(13,387)
Foreign exchange gain		18,175	-	18,175
Gain on derivative financial instrument		5,030	-	5,030
Costs of curtailed operations		(1,329)	-	(1,329)
Other items		1,302	-	1,302
Income before income taxes		**16,124**	**820**	**16,944**
Income tax expense (recovery)	(vi)	431	(199)	232
Net income from continuing operations		15,693	1,019	16,712
Net loss from discontinued operations		(257)	-	(257)
Net income, being Total comprehensive income		**$ 15,436**	**$ 1,019**	**$ 16,455**
Basic and diluted net income (loss) per common share:				
Continuing operations		$ 0.16		$ 0.17
Discontinued operations		(0.01)		(0.01)
Basic and diluted net income per common share:		**$ 0.15**		**$ 0.16**
Weighted average number of common shares outstanding		**100,100,000**		**100,100,000**
Effect of dilutive stock options on continuing operations		**417,160**		**332,349**
		100,517,160		**100,432,349**

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

26. TRANSITION TO IFRS (Continued)

Reconciliation of Consolidated Net Income and Comprehensive Income
For the year ending December 31, 2010

	Note 26c	CGAAP	Effects of transition to IFRS	IFRS
Revenues		$ 329,486	$ -	$ 329,486
				-
Costs of products sold (exclusive of amortization)	(iii)	259,555	(5,590)	253,965
Selling and administration	(v)	18,590	254	18,844
Amortization of property, plant and equipment				-
and intangible assets	(iii, iv)	29,302	(194)	29,108
Operating income		**22,039**	**5,530**	**27,569**
Finance expense	(i)	(49,502)	(3,061)	(52,563)
Foreign exchange gain		28,965	-	28,965
Gain on derivative financial instrument		6,234	-	6,234
Costs of curtailed operations		(2,108)	-	(2,108)
Other items		5,275	-	5,275
Income before income taxes		**10,903**	**2,469**	**13,372**
Income tax expense (recovery)	(vi)	597	(17)	580
Net income from continuing operations		10,306	2,486	12,792
Net loss from discontinued operations		(866)	-	(866)
Net income		**$ 9,440**	**$ 2,486**	**$ 11,926**
Other comprehensive income:				
Actuarial gains (losses), net of tax		-	(8,264)	(8,264)
Total comprehensive income		**$ 9,440**	**$ (5,778)**	**$ 3,662**
Basic and diluted net loss per common share:				
Continuing operations		$ 0.10		$ 0.13
Discontinued operations		(0.01)		(0.01)
Basic and diluted net income per common share:		**$ 0.09**		**$ 0.12**
Weighted average number of common shares outstanding		**100,252,341**		100,252,341
Effect of dilutive stock options on continuing operations		**412,233**		443,474
		100,664,574		**100,695,815**

Reconciliation of Consolidated Statement of Cash Flows

The adoption of IFRS has had no impact on the net cash flows of the Company. The changes made to the statements of financial position and statements of consolidated income have resulted in reclassifications of various amounts on the statements of cash flows, however as there have been no changes to the net cash flows, no reconciliations have been presented.