REPORT TO SHAREHOLDERS
FOR THE THREE AND SIX MONTH PERIODS ENDED
JUNE 30, 2014

LETTER TO SHAREHOLDERS

August 11, 2014

Dear Fellow Shareholders:

The second quarter of 2014 was again characterized by relatively weak North American OSB market conditions as the spring building season did not materialize as expected. We generated adjusted EBITDA of $13.1 million in the second quarter compared to $50.7 million during the same period last year when average benchmark prices in North America were significantly higher. Although our results declined from the prior year, adjusted EBITDA improved by $2.9 million versus the prior quarter as we benefited from lower unit costs resulting from higher production. Some of the transportation issues which disrupted our mills' production schedules during the first quarter also subsided.

From an operating perspective, our production volumes for the second quarter of 484.8 million square feet (3/8" basis) were 22% higher than the same period last year and 19% higher than the prior quarter. The largest component of this increase related to incremental production from High Level. On a year to date basis, our production volumes are up 11% as additional volume from High Level was partially offset by maintenance downtime and logistics issues earlier in the year. With our higher production volumes and fixed cost reductions during the second quarter, we were able to more than offset continued raw material price increases. Our overall unit costs decreased 6% quarter over quarter.

The U.S. housing market does continue to improve but the pace of recovery has been held back by a number of factors including affordability, low participation from first-time buyers and shortages of skilled labour. While we expect that these headwinds will limit growth in U.S. housing starts to approximately 10% in 2014, we are optimistic about the longer-term recovery and continued absorption of industry supply. With that being said, the recent slower market environment in North America highlights the strategic importance of our traditional export market in Japan as well as the progress we are making in markets such as China for new applications of OSB. High Level is a key component of our overall strategy and we are planning to complete a number of capital projects at the mill this year to position it further in efficiently manufacturing a wide range of products.

As previously announced during the quarter, our sale agreement with Louisiana-Pacific Corporation was terminated due to challenges in obtaining the required regulatory approvals. While we believe this transaction would have led to positive outcomes for our stakeholders, we look forward to continuing to advance our business plan in fulfilling customer needs in North America and Asia.

As always, and particularly following the lengthy transaction process, I appreciate the continued efforts and contributions of our employees, and the trust and support of our shareholders and customers.

Sincerely,

/s/ Jim Lake

President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS For the Three and Six Months Ended June 30, 2014

This management's discussion and analysis is presented as at August 11, 2014. Financial references are in Canadian dollars unless otherwise indicated. Additional information relating to Ainsworth Lumber Co. Ltd. (also referred to as Ainsworth, the Company, or we, or our), including our annual information form, is available on SEDAR at www.sedar.com. Our financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

Overview

Ainsworth is a 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. We remain focused on prudent balance sheet management and maximizing shareholder value.

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

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

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

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

In addition, the Company continues to assess the timing and the remaining costs to complete the second production line at the Grande Prairie mill, which would further increase capacity by approximately 600 mmsf (3/8-inch basis) to over 3.1 billion square feet per year (3/8-inch basis).

All of our mills utilize flexible mill technology and can manufacture products for domestic and overseas markets. Our mills have access to low cost fibre sources, are energy efficient and have low sustaining capital requirements. Ainsworth employs an experienced, reliable workforce of approximately 740 workers. Safety and environmental responsibility is emphasized as a key value at all levels.

Advisory Regarding Forward-Looking Statements

This document contains forward looking statements concerning future events or expectations of Ainsworth's future performance, OSB demand and pricing, financial conditions, and other expectations, beliefs, intentions and plans that are not historical fact. These forward-looking statements appear 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-IFRS Measures

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

Termination of the LP Transaction

On May 14, 2014, Louisiana-Pacific Corporation ("LP") and the Company announced the termination of the previously announced agreement dated September 4, 2013 in which LP was to acquire all of the outstanding common shares of Ainsworth.

Outlook

While the pace of improvement has been slower than previously expected, we remain optimistic about the medium to long-term outlook as U.S. housing starts recover to more historical levels. Additionally, we continue to experience growth and stable pricing in our traditional export market of Japan. We are also continuing to advance our opportunities in export markets such as China for new applications of OSB. The restart of our High Level mill will allow us to meet the growing requirements of our existing North American and export customers as well as service new market segments over the longer term.

Summary of Operating and Financial Results from Continuing Operations

	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12
(in millions, except volume, unless otherwise noted)								
Sales	**$ 117.4**	$ 107.8	$ 104.4	$ 114.3	$ 127.5	$ 141.8	$ 117.9	$ 115.6
Adjusted EBITDA (1)	**13.1**	10.2	11.3	24.4	50.7	62.5	42.0	37.0
Adjusted EBITDA margin (2)	**11.2%**	9.5%	10.8%	21.3%	39.8%	44.1%	35.6%	32.0%
Shipment volume (mmsf 3/8")	**461.2**	404.2	409.2	422.3	380.4	397.0	398.2	422.9
Production volume (mmsf 3/8")	**484.8**	408.1	420.2	396.9	398.7	408.1	406.4	419.1

(1) Adjusted EBITDA, a non-IFRS financial measure, is defined as net income (loss) from continuing operations before amortization, gain on disposal of property, plant and equipment, cost of curtailed operations, stock option expense (recovery), finance expense, foreign exchange (gain) loss on long-term debt, other foreign exchange loss (gain), interest income earned on investments, income tax (recovery) expense and non-recurring items. See the detailed calculation of adjusted EBITDA by quarter on page 14. As a result of adopting the amendment to *IAS19 – Employee Benefits* (see "Changes in Accounting Standards"), adjusted EBITDA for each quarter of 2012 has been restated to reflect the increase in pension expense. Adjusted EBITDA for all quarters presented has also been restated to exclude interest income earned on investments.

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

Review of Financial Results

	Q2-14	Q2-13	YTD 2014	YTD 2013
(in millions)				
Sales	**$ 117.4**	$ 127.5	**$ 225.2**	$ 269.3
Costs of products sold	**100.5**	72.7	**194.3**	148.1
Net income (loss) from continuing operations	**12.3**	2.8	**(2.2)**	39.3
Net income (loss)	**12.8**	2.6	**(2.5)**	38.9
Adjusted EBITDA	**13.1**	50.7	**23.3**	113.2
Adjusted EBITDA margin	**11.2%**	39.8%	**10.3%**	42.0%
Shipment volume (mmsf 3/8")	**461.2**	380.4	**865.4**	777.4

The table below shows the calculation of adjusted EBITDA:

	Q2-14	Q2-13	YTD 2014	YTD 2013
(in millions)				
Net income (loss) from continuing operations	**$ 12.3**	$ 2.8	**$ (2.2)**	$ 39.3
Add (deduct):				
Amortization of property, plant and equipment	**7.5**	6.2	**14.8**	12.6
Finance expense	**6.7**	7.4	**13.4**	14.3
Loss (Gain) on derivative financial instrument	**0.6**	7.5	**(3.4)**	(0.6)
Foreign exchange (gain) loss on long-term debt	**(12.5)**	13.1	**1.1**	20.7
Income tax (recovery) expense	**(0.6)**	6.6	**(1.0)**	20.1
Stock-based compensation (recovery) expense	**(0.4)**	1.0	**(0.4)**	1.1
Other	**(0.3)**	(1.2)	**(1.5)**	(3.2)
(Recovery) Costs related to LP acquisition	**(0.2)**	-	**2.2**	-
Loss on disposal of property, plant and equipment	**-**	-	**0.3**	-
Write-down of property, plant and equipment	**-**	3.8	**-**	3.8
Cost of curtailed operations	**-**	3.5	**-**	5.1
Adjusted EBITDA	**$ 13.1**	$ 50.7	**$ 23.3**	$ 113.2

Net income from continuing operations in the second quarter of 2014 was $12.3 million compared to net income of $2.8 million in the second quarter of 2013. The $9.5 million increase in net income included a $25.5 million variation in foreign exchange gain on long-term debt, a $7.3 million variation in income tax expense, a $6.9 million decrease in the loss on derivative financial instrument, a $3.8 million decrease in write-down of property, plant and equipment, a $3.5 million decrease in costs of curtailed operations, a $1.7 million decrease in selling and administration expense, and a $0.8 million decrease in finance expense. These increases to net income were partially offset by a $37.9 million decrease in gross profit (sales less cost of products sold (exclusive of amortization)), and a total $2.2 million increase in items including amortization expense, foreign exchange gain/loss on operations and other income.

In the first six months of 2014, net loss from operations was $2.2 million, compared to net income of $39.3 million for the same period in 2013, representing a decrease of $41.5 million. The decrease included a $90.4 million decrease in gross profit (sales less cost of products sold (exclusive of amortization)), and a total $3.3 million increase in items including amortization expense, foreign exchange gain/loss on operations and other income. These decreases to net income were partially offset by a $21.1 million variation in income tax expense, a $19.5 million decrease in foreign exchange loss on long-term debt, a $5.1 million decrease in costs of curtailed operations, a $3.8 million decrease in write-down of property, plant and equipment, and a $2.8 million increase in gain on derivative financial instrument.

Adjusted EBITDA

In the second quarter of 2014, adjusted EBITDA was $13.1 million compared to $50.7 million in the second quarter of 2013. Adjusted EBITDA margin on sales was 11.2% compared to 39.8% in the same period of 2013. The decrease was largely related to the $37.9 million decrease in gross profit.

Adjusted EBITDA in the first six months of 2014 was $23.3 million compared to $113.2 million in the first six months of 2013. Adjusted EBITDA margin on sales was 10.3% compared to 42.0% in the same period of 2013. The decrease was primarily related to the $90.4 million decrease in gross profit.

Sales

Sales of $117.4 million in the second quarter of 2014 were $10.1 million lower than sales of $127.5 million for the same period in 2013. The decrease in sales was mainly due to a 24% decrease in realized pricing. During the second quarter of 2014, the average U.S. benchmark price for the North Central and Western Canada regions both decreased by 37% compared to the same period in 2013. The impact of the U.S. benchmark declines on our realized pricing was moderated by the effect of a weaker Canadian dollar relative to the second quarter of 2013 and more stable export pricing in Japan. In addition, sales volume increased by 21% due to additional production from High Level (mill was previously curtailed until the latter part of the third quarter of 2013).

Sales in the first six months of 2014 were $225.2 million, representing a $44.1 million decrease over the same period in 2013. The decrease was mainly due to a 25% decrease in realized pricing. The six month average U.S. benchmark price for the North Central and Western Canadian regions both decreased by 43% compared to the same period in 2013. The impact of the U.S. benchmark declines on our realized pricing was moderated by the effect of a weaker Canadian dollar in the first six months of 2014 on average relative to the same period in 2013, and more stable export pricing in Japan. In addition, sales volume increased by 11% attributable to additional production from High Level. The increase in volume from High Level was partially offset by transportation issues that limited shipments during the first quarter of 2014.

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

U.S. dollars	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12
North Central (7/16" basis)	**$ 219**	$ 219	$ 245	$ 252	$ 347	$ 417	$ 332	$ 313
Western Canada (7/16" basis)	**206**	219	219	230	328	419	331	310

Costs of Products Sold (Exclusive of Amortization)

In the second quarter of 2014, costs of products sold were $100.5 million, a $27.8 million increase over the same period in 2013. The increase in costs of products sold was primarily due to incremental shipment volumes from High Level. Unit costs also increased compared to the prior year, partially due to raw material price increases, such as resin and wax. These price increases were compounded by a weaker Canadian dollar in the second quarter of 2014 on average relative to the same period in 2013. Although unit costs have increased compared to the prior year, unit costs decreased 6% from the first quarter of 2014, as the impact of higher production volumes and fixed cost reductions more than offset continued raw material price increases.

Costs of products sold were $194.3 million in the first half of 2014 compared to $148.1 million in the first half of 2013. The $46.2 million increase was related to higher raw material costs and product mix changes, combined with higher unit costs associated with the ramp up phase of operations at High Level. We were also impacted by additional costs related to maintenance and other downtime taken during the first quarter of 2014.

Selling and Administration

Selling and administration expense decreased by $1.7 million in the second quarter of 2014 compared to the same periods in 2013. The decrease is primarily due to a share-based compensation recovery of $0.4 million during the second quarter of 2014 compared to a share-based compensation expense of $1.0 million for the same period in 2013, combined with a net recovery of $0.2 million related to costs incurred with respect to the LP transaction.

Selling and administration expense increased by $0.4 million in the first half of 2014 compared to the same period in 2013. The increase is primarily related to additional costs incurred with respect to the LP transaction, partially offset by a $0.4 million share-based compensation recovery in the first half of the year compared to share-based compensation expense of $1.1 million for the same period in 2013.

Amortization of Property, Plant and Equipment and Intangible Assets

Amortization expense increased by $1.3 million in the second quarter of 2014 compared to the second quarter of 2013. Amortization expense increased by $2.2 million for the first half of 2014 compared to the same period in 2013. The Company uses the units-of-production depreciation method for its production equipment. The fluctuation in depreciation expense for the quarter and for the first six months of 2014 reflects relative changes in production levels by mill. In addition, amortization expense for the first half of 2014 includes a $754 thousand write-down of intangible assets with respect to certain private wood contracts.

Costs of Curtailed Operations

Costs of curtailed operations are comprised of costs directly attributable to our High Level, Alberta mill, prior to restarting operations during the third quarter of 2013. During the second quarter and first half of 2014, all costs attributable to the High Level mill were classified as costs of products sold rather than costs of curtailed operations.

Finance Expense

Finance expense decreased by $0.8 million and $1.0 million in the second quarter and first half of 2014, respectively, compared to the same periods in 2013. The reduction in both periods was due to a lower principal balance of long-term debt following the 10% principal repayment of our 7.5% Senior Secured Notes (the “Notes”) during the third quarter of 2013. The reductions were partially offset by the foreign exchange effect of a weaker Canadian dollar, on average, relative to the U.S. dollar for the same periods in 2013.

Foreign Exchange Gain (Loss) on Long-Term Debt

The unrealized foreign exchange gain on long-term debt in the second quarter of 2014 was $12.5 million compared to a loss of $13.1 million in the second quarter of 2013. Year to date, the foreign exchange loss on long-term debt was $1.1 million in 2014 compared to $20.7 million in 2013. The majority of our debt is denominated in U.S. currency and is therefore subject to fluctuations in the exchange rate. The strengthening of the Canadian dollar, relative to the U.S. dollar, results in a foreign exchange gain, whereas a weakening of the Canadian dollar, relative to the U.S. dollar, results in a foreign exchange loss.

Management estimates that a one cent change of the Canadian dollar results in an after tax increase/decrease in foreign exchange loss/gain on our U.S. dollar debt of $2.7 million on an annual basis.

Gain (Loss) on Derivative Financial Instrument

The derivative financial asset is revalued quarterly based on the market value of the Notes, the risk-free rate, current interest rates and the credit spread (see "Financial Instruments"), and changes in the value of this derivative financial asset are reflected in operations.

The derivative financial asset embedded in the Notes was revalued at June 30, 2014, resulting in a loss of $0.6 million in the second quarter of 2014, compared to a loss of $7.5 million in the second quarter of 2013. For the year to date, the revaluation resulted in gains of $3.4 million in 2014 and $0.6 million in 2013.

Other Items

Other items for the second quarter and first half of 2014 include gains/losses on disposal of property, plant and equipment and other income.

Income Taxes

Income tax recovery in the second quarter of 2014 was $0.6 million on income before income taxes of $11.6 million, compared with an income tax expense of $6.6 million on income before income taxes of $9.5 million in the second quarter of 2013. For the first six months of 2014, income tax recovery was $1.0 million on loss before income taxes of $3.2 million, compared with income tax expense of $20.1 million on income before income taxes of $59.4 million. The majority of the income tax expense was related to temporary differences that increased the deferred income tax liability on the statement of financial position. Certain permanent differences, such as the non-taxable portion of the foreign exchange loss on our debt and expenses not deductible for tax purposes, impacted the resulting income tax expense.

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

The Company has benefited Canadian non-capital tax loss carry-forwards of approximately $155 million for financial statement purposes at December 31, 2013. The Company has U.S. net operating tax loss carry-forwards that are not benefited for financial statement purposes because the 2008 recapitalization resulted in a restriction of these loss carry-forwards. The Company also has unrecognized deferred tax assets relating to foreign exchange loss on long-term debt.

Tax filings are subject to the review, audit and assessment of applicable taxation authorities in Canada and the United States. Tax laws and regulations are subject to interpretation and inherent uncertainty; therefore, 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 (Loss) from Discontinued Operations

Net loss from discontinued operations includes expenses, such as pension and actuarial costs, associated with the OSB mills in Minnesota, as well as from the plywood and veneer operations in Lillooet and Savona that were disposed in 2009.

Capital Resources and Liquidity

As of June 30, 2014, our working capital was $166.1 million, compared to $170.9 million as at December 31, 2013. Our working capital requirements in the short term are to fund any potential future shortfalls from operations, interest payments, debt principal repayments and essential capital expenditures.

At June 30, 2014, Ainsworth's available liquidity, consisting of cash and cash equivalents, was $103.2 million, a reduction of $34.2 million since December 31, 2013 resulting from our interest payments and capital expenditures combined with working capital requirements. Ainsworth is also permitted under the terms of the Notes to borrow at least an additional U.S.$170 million of senior secured and unsecured debt subject to the limitations set forth in the indenture.

Our cash flows for the quarter ended June 30, 2014 were as follows:

(in millions)	Q2-14	Q2-13	YTD 2014	YTD 2013
Cash provided by operating activities before interest, taxes and working capital	**$ 11.9**	$ 47.3	**$ 20.8**	$ 108.8
Cash used for interest payments	**(13.0)**	(14.8)	**(13.0)**	(15.0)
Income taxes received (paid)	**0.2**	(0.2)	**1.8**	(0.8)
Cash (used in) provided by working capital	**(2.6)**	9.6	**(30.1)**	(15.9)
Cash (used in) provided by operating activities	**$ (3.5)**	$ 41.9	**$ (20.5)**	$ 77.1
Cash used in financing activities	**$ (2.6)**	$ (2.4)	**$ (3.5)**	$ (3.2)
Cash used in investing activities	**$ (5.9)**	$ (10.1)	**$ (10.6)**	$ (11.5)

In the second quarter of 2014 cash inflows from operating activities before interest and taxes paid and working capital requirements were $11.9 million compared to $47.3 million in the second quarter of 2013. Decreases in OSB pricing and cost increases resulted in lower cash generated by operations quarter over quarter. The increase in cash used in working capital in the second quarter of 2014 compared to the same period in 2013 was due primarily to an increase in inventories, particularly at High Level.

In the first six months of 2014, cash generated by operating activities was $20.8 million (before interest and taxes paid and working capital requirements), which was significantly lower than 2013 due to lower OSB prices. The increase in cash used in working capital in the first half of 2014 compared to 2013 was primarily related to an increase in inventories, particularly at High Level, combined with the timing of accounts payable and accounts receivable.

Cash used in financing activities for all periods presented includes repayment of equipment financing loans, combined with capital lease obligations. Our debt principal repayments are scheduled to total $6.6 million in the last half of 2014.

Cash used in investing activities decreased in the second quarter and first half of 2014 compared with the same periods in 2013 due primarily to a decrease in capital spending. Capital spending of $6.0 million and $12.8 million in the second quarter and first half of 2014, respectively, included maintenance and other capital projects at our operating mills. Capital spending of $10.3 million and $13.0 million during the second quarter and first half of 2013, respectively, included expenditures associated with the restart of the High Level mill as well as maintenance and other capital projects at our other operating mills, and was partially offset by $1.0 million of proceeds received on the sale of non-core property located in Savona, British Columbia.

Outstanding Share Data

The issued share capital of the Company at June 30, 2014 is as follows:

	Shares	Value (in millions)
Common shares	**240,906,309**	**$ 583**

Outstanding Stock Options

The following table presents the exercise prices and expiry dates for the 2,930,676 stock options outstanding at June 30, 2014:

Grant Date	Number of Options Outstanding	Exercise Price	Expiry Date
November 14, 2008 (1)	400,000	1.16	November 14, 2018
March 5, 2010	175,000	1.53	March 5, 2020
March 15, 2010	25,000	1.63	March 15, 2020
May 13, 2010	72,376	2.99	May 13, 2020
May 21, 2010	50,000	2.76	May 21, 2020
June 14, 2010	100,000	2.19	June 14, 2020
August 5, 2010	6,300	1.93	August 5, 2020
August 13, 2010	25,000	1.81	August 13, 2020
March 4, 2011	250,000	2.19	March 4, 2021
September 9, 2011	200,000	1.29	September 9, 2021
March 9, 2012	100,000	1.03	March 9, 2022
March 13, 2012	112,000	1.03	March 13, 2022
March 15, 2013	450,000	3.73	March 15, 2023
June 13, 2014	965,000	2.80	June 13, 2024

(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 Notes include call options which have been identified as embedded derivatives whereby we have the right to repurchase the Notes. A derivative financial asset was recorded at fair value at issuance of the Notes and is revalued at each reporting period based on the market value of the Notes, the current interest rates, and the credit spread. Changes in the value of this derivative financial asset are reflected in operations as ”Gain (loss) on derivative financial instrument”. Management estimates that, had interest rates been 1% higher at June 30, 2014 and all other variables were constant, the value of the derivative financial asset would have increased by $3.6 million. At June 30, 2014, the derivative financial asset had a value of $23.0 million (December 31, 2013: $19.6 million).

Off-Balance Sheet Arrangements

The Company does not have any significant off-balance sheet arrangements other than letters of credit in the amount of $2.4 million (December 31, 2013: $5.1 million), for which restricted cash is held as collateral. Further, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company’s financial condition, results of operations, liquidity, capital expenditures or resources.

Related Party Transactions

The Company is controlled by Brookfield Capital Partners Ltd. (“BCP”), which beneficially owns or exercises control or direction over approximately 54.4% of the issued and outstanding common shares.

The Company periodically sells goods to BCP affiliates. There were no such sales during the three and six months ended June 30, 2014. During the three and six months ended June 30, 2013, these sales were approximately $0.2 million and $2.5 million, respectively.

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

(in thousands)	Q2-14	Q2-13	YTD 2014	YTD 2013
Legal fees (1)	**$ 98**	$ 36	**$ 340**	$ 96
Other services (2)	**228**	222	**311**	305
Key management compensation (3)	**746**	898	**1,562**	1,766

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

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

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

Sales to overseas markets are handled by Interex Forest Products Ltd. ("Interex"), a cooperative sales company over which Ainsworth, as a shareholder, has significant influence. At June 30, 2014, $4.7 million was included in trade receivables with respect to Interex (December 31, 2013: $2.9 million).

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

Selected Quarterly Financial Information

	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12
(in millions, except per share data, unless otherwise noted)								
Sales and earnings (loss)								
Sales	$ 117.4	$ 107.8	$ 104.4	$ 114.3	$ 127.5	$ 141.8	$ 117.9	$ 115.6
Operating income (loss)	6.0	0.5	2.4	10.0	36.2	54.4	33.6	29.7
Foreign exchange gain (loss) on long-term debt	12.5	(13.6)	(10.9)	7.6	(13.1)	(7.6)	(7.6)	18.4
Net income (loss) from continuing operations	12.3	(14.5)	(10.6)	10.7	2.8	36.5	6.7	32.5
Net income (loss) from discontinued operations	0.5	(0.8)	-	(0.1)	(0.2)	(0.2)	-	-
Net income (loss)	12.8	(15.3)	(10.7)	10.6	2.6	36.3	6.7	32.5
Adjusted EBITDA [3]	13.1	10.2	11.3	24.4	50.7	62.5	42.0	37.0
Basic and diluted earnings (loss) per common share								
Net income (loss) continuing operations [1]	**0.05**	(0.06)	(0.04)	0.04	0.01	0.15	0.06	0.32
Net income (loss) [1]	**0.05**	(0.06)	(0.04)	0.04	0.01	0.15	0.06	0.32
Balance sheet								
Total assets	**868.8**	890.8	882.0	892.5	911.0	898.8	835.2	812.7
Total long-term debt [2]	**341.2**	356.1	343.3	334.8	379.1	368.3	361.4	519.0

(1) Basic and diluted net income (loss) per share. As at June 30, 2014, the Company had 240,906,309 issued common shares outstanding. 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.

(3) As a result of adopting the amendment to *IAS19 – Employee Benefits* (see "Accounting Policy Adoption"), adjusted EBITDA for each quarter of 2012 has been restated to reflect the increase in pension expense. Adjusted EBITDA for all quarters presented has also been restated to exclude interest income earned on investments.

OSB demand and product pricing were the main factors causing fluctuations in our sales and adjusted EBITDA over the past eight quarters. North American OSB prices began to recover in the third quarter of 2011 and this trend accelerated in late 2012 and into early 2013, although prices have since moderated. OSB shipment volumes have varied in the past eight quarters depending on production disruptions, maintenance requirements and product mix. Shipment volumes also reflect the start up of the High Level mill in the third quarter of 2013.

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

Segmented Information

Our geographic distribution of sales revenue was as follows:

		Q2-14		Q2-13		YTD 2014		YTD 2013
(in millions)								
2014								
United States	**$**	**85.1**	$	96.6	**$**	**166.0**	$	206.1
Japan		**14.0**		15.3		**28.9**		26.4
Canada		**9.8**		12.6		**17.4**		33.4
Overseas - other		**8.5**		3.0		**12.9**		3.4
	$	**117.4**	$	127.5	**$**	**225.2**	$	269.3

Our geographic distribution of sales volume was as follows:

	Q2-14	Q2-13	YTD 2014	YTD 2013
(mmsf 3/8")				
2014				
United States	**320.4**	264.8	**610.9**	554.2
Japan	**57.2**	63.9	**118.0**	111.5
Overseas - other	**44.3**	11.4	**66.6**	12.9
Canada	**39.3**	40.3	**69.9**	98.8
	461.2	380.4	**865.4**	777.4

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

Risks and Uncertainties

The Company is subject to a number of risks and uncertainties, including those described in the 2013 Annual Management Discussion and Analysis, which can be found on SEDAR at www.sedar.com. Any of the risks and uncertainties described in the above-mentioned document could have a material adverse effect on our results and financial position and cash flows and, accordingly, should be carefully considered when evaluating the Company's results.

Significant Accounting Estimates and Judgments

Management has made certain estimates and judgments that affect the reported amounts and other disclosures in our financial statements. These estimates and judgments are described in our 2013 audited consolidated financial statements, which can be found on SEDAR at www.sedar.com.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The President and Chief Executive Officer and the Vice President, Finance and Chief Financial Officer, together with other members of management, have designed the Company's disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would have been known to them, and by others, within those entities. Management has also designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with IFRS. There has been no material change in the design of the Company's internal control over financial reporting, for the quarter ended June 30, 2014, that would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting and management has determined that there were no material weaknesses in the Company's internal control over financial reporting for the period in which the interim filings are being prepared. Management's evaluation of the effectiveness of internal control over financial reporting is based on the provisions of the 1992 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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

AINSWORTH LUMBER CO. LTD.
Other Information

		June 30, 2014		December 31, 2013
Selected Financial Data ($000's)				
Cash and cash equivalents	**$**	**103,195**	$	137,444
Restricted cash		**2,393**		5,109
Working capital		**166,097**		170,905
Total assets		**868,789**		881,957
Total long-term debt		**341,177**		343,298
Shareholders' equity		**426,286**		428,567

Reconciliation of Net Income (Loss) to Adjusted EBITDA

(in millions)	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12
Net (Loss) Income from Continuing Operations	**$ 12.3**	$ (14.5)	$ (10.6)	$ 10.7	$ 2.8	$ 36.5	$ 6.7	$ 32.5
Add (deduct):								
Amortization of property, plant and equipment	**7.5**	7.3	6.7	6.2	6.2	6.4	6.9	6.4
Loss (gain) on disposal of property, plant and equipment	**-**	0.2	0.1	0.4	-	-	0.2	(0.1)
Write-down of property, plant and equipment, intangibles and other	**-**	-	-	-	3.8	-	1.5	-
Finance expense	**6.7**	6.7	6.5	6.7	7.4	6.9	11.3	13.3
Costs of curtailed operations	**-**	-	-	5.6	3.5	1.6	1.1	0.9
Stock-based compensation expense (recovery)	**(0.4)**	-	0.3	0.4	1.0	0.1	0.5	0.1
Loss on early repayment of long-term debt	**-**	-	-	3.1	-	-	22.9	-
Income tax expense (recovery)	**(0.6)**	(0.4)	0.2	0.7	6.6	13.5	2.5	7.0
Foreign exchange loss (gain) on long-term debt	**(12.5)**	13.6	10.9	(7.6)	13.1	7.6	7.6	(18.4)
(Gain) Loss on derivative financial instrument	**0.6**	(4.0)	(3.8)	(3.7)	7.5	(8.1)	(18.3)	(5.4)
(Recovery) Costs related to LP acquisition	**(0.2)**	2.4	1.9	1.7	-	-	-	-
Other	**(0.3)**	(1.1)	(0.9)	0.2	(1.2)	(2.0)	(0.9)	0.7
Adjusted EBITDA (Note 1)	**$ 13.1**	$ 10.2	$ 11.3	$ 24.4	$ 50.7	$ 62.5	$ 42.0	$ 37.0

(1) Adjusted EBITDA, a non-IFRS financial measure, is defined as net income (loss) from continuing operations before amortization, gain on disposal of property, plant and equipment, cost of curtailed operations, stock option expense (recovery), finance expense, foreign exchange (gain) loss on long-term debt, other foreign exchange loss (gain), interest income earned on investments, income tax (recovery) expense and non-recurring items. As a result of adopting the amendment to IAS19R, adjusted EBITDA for each quarter of 2012 has been restated to reflect the increase in pension expense that is included in cost of products sold, and selling and administrative expense. Adjusted EBITDA for all quarters presented has also been restated to exclude interest income earned on investments.

About Ainsworth

Ainsworth Lumber Co. Ltd. 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. Ainsworth's four OSB manufacturing mills, located in Alberta, British Columbia and Ontario, have a combined annual capacity of 2.5 billion square feet (3/8-inch basis). Ainsworth is a publicly traded company listed on the Toronto Stock Exchange under the symbol ANS.

Ainsworth Lumber Co. Ltd.
Suite 3194, Bentall 4
P.O. Box 49307
1055 Dunsmuir Street
Vancouver, B.C. V7X 1L3
Telephone: 604-661-3200

Contact:
Rick Eng
Vice President, Finance and Chief Financial Officer
Telephone: 604-661-3200
Facsimile: 604-661-3201
E-mail: Rick.Eng@ainsworth.ca

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

AINSWORTH LUMBER CO. LTD.

Condensed Interim Consolidated Statements of Financial Position

(In thousands of Canadian dollars)
(Unaudited)

		June 30 2014		December 31 2013
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**103,195**	$	137,444
Restricted cash		**2,393**		5,109
Trade and other receivables		**27,540**		23,680
Inventories (Note 3)		**67,030**		52,471
Prepaid expenses		**9,167**		5,414
Total Current Assets		**209,325**		224,118
Property, Plant and Equipment (Note 4)		**627,817**		628,701
Intangible Assets		**6,172**		7,601
Other Assets		**25,475**		21,537
Total Assets	**$**	**868,789**	$	881,957
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Trade and other payables	**$**	**34,091**	$	42,133
Income taxes payable		**2,277**		805
Current portion of long-term debt (Note 5)		**6,667**		10,001
Liabilities related to discontinued operations		**193**		274
Total Current Liabilities		**43,228**		53,213
Accrued Pension Benefit Liability		**7,541**		7,542
Reforestation Obligation		**3,924**		4,390
Long-term Debt (Note 5)		**334,510**		333,297
Deferred Income Tax Liabilities		**51,063**		52,719
Liabilities Related to Discontinued Operations		**2,237**		2,229
Total Liabilities		**442,503**		453,390
SHAREHOLDERS' EQUITY				
Capital Stock		**582,738**		582,738
Contributed Surplus		**2,236**		2,030
Deficit		**(158,688)**		(156,201)
Total Shareholders' Equity		**426,286**		428,567
Total Liabilities and Shareholders' Equity	**$**	**868,789**	$	881,957

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

Commitments (Note 6)
Contingencies (Note 7)

Approved by the Board on August 11, 2014

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

AINSWORTH LUMBER CO. LTD.

Condensed Interim Consolidated Statements of Income and Comprehensive Income

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

	Three months ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
Sales (Note 19)	**$ 117,413**	$ 127,512	**$ 225,231**	$ 269,356
Costs and Expenses				
Costs of products sold (Note 9)	**100,523**	72,705	**194,319**	148,070
Selling and administration (Note 9)	**3,359**	5,091	**9,614**	9,221
Amortization of property, plant and equipment and intangible assets (Note 4)	**7,504**	10,004	**14,756**	16,397
Costs of curtailed operations (Note 13)	**-**	3,505	**-**	5,097
Total Costs and Expenses	**111,386**	91,305	**218,689**	178,785
Income from Operations	**6,027**	36,207	**6,542**	90,571
Finance Expense (Note 10)	**(6,695)**	(7,475)	**(13,426)**	(14,376)
Foreign Exchange Gain (Loss) (Note 11)	**12,242**	(12,347)	**(490)**	(18,268)
(Loss) Gain on Derivative Financial Instrument (Note 12)	**(576)**	(7,475)	**3,396**	602
Other Items (Note 14)	**622**	554	**749**	912
Income (Loss) Before Income Taxes	**11,620**	9,464	**(3,229)**	59,441
Income Tax Recovery (Expense) (Note 16)	**666**	(6,624)	**1,018**	(20,113)
Income (Loss) from Continuing Operations	**12,286**	2,840	**(2,211)**	39,328
Net Income (Loss) from Discontinued Operations	**486**	(196)	**(276)**	(388)
Net Income (Loss) and Total Comprehensive Income (Loss)	**$ 12,772**	$ 2,644	**$ (2,487)**	$ 38,940
Basic and diluted net income (loss) per common share (Note 17)				
Continuing operations	**$ 0.05**	$ 0.01	**$ (0.01)**	$ 0.16
Discontinued operations	**0.00**	0.00	**0.00**	0.00
Basic and diluted net income (loss) per common share	**$ 0.05**	$ 0.01	**$ (0.01)**	$ 0.16
Weighted average number of common shares outstanding - basic	**240,906,309**	240,849,251	**240,906,309**	240,841,761
Effect of dilutive stock options on continuing operations	**741,882**	879,210	**-**	822,136
Weighted average number of common shares outstanding - diluted	**241,648,191**	241,728,461	**240,906,309**	241,663,897

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

AINSWORTH LUMBER CO. LTD.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(In thousands of Canadian dollars)
(Unaudited)

	Capital Stock	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, January 1, 2013	$ 582,626	$ 1,808	$ (199,160)	$ 385,274
Net income and total comprehensive income	-	-	38,940	38,940
Share-based payments (Note 8)	-	36	-	36
Stock options exercised (Note 8)	70	(28)	-	42
Balance, June 30, 2013	**$ 582,696**	**$ 1,816**	**$ (160,220)**	**$ 424,292**

	Capital Stock	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, January 1, 2014	$ 582,738	$ 2,030	$ (156,201)	$ 428,567
Net loss and total comprehensive loss	-	-	(2,487)	(2,487)
Share-based payments (Note 8)	-	206	-	206
Balance, June 30, 2014	**$ 582,738**	**$ 2,236**	**$ (158,688)**	**$ 426,286**

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 June 30		Six months ended June 30	
	2014	2013	**2014**	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income (Loss)	**$ 12,772**	$ 2,644	**$ (2,487)**	$ 38,940
Items not affecting cash				
Amortization of property, plant and equipment and equipment and intangible assets (Note 4)	**7,504**	10,004	**14,756**	16,397
Finance expense (Note 10)	**6,695**	7,475	**13,426**	14,376
Share-based payments (Note 8)	**(378)**	971	**(354)**	1,090
Foreign exchange (gain) loss on long-term debt (Note 11)	**(12,455)**	13,081	**1,126**	20,646
Loss (Gain) on derivative financial instrument (Note 12)	**576**	7,475	**(3,396)**	(602)
Loss (gain) on disposal of property, plant and equipment (Note 14)	**30**	(9)	**263**	(15)
Change in non-current reforestation obligation	**(1,112)**	(519)	**(521)**	(147)
Deferred taxes	**(1,908)**	6,279	**(1,653)**	19,443
Pension and other	**142**	(35)	**(302)**	(1,335)
Cash flows from operating activities before working capital, interest and income taxes	**11,866**	47,366	**20,858**	108,793
Change in non-cash operating working capital (Note 18)	**(2,616)**	9,621	**(30,055)**	(15,897)
Interest paid	**(12,963)**	(14,841)	**(13,047)**	(14,959)
Income taxes received (paid), net	**160**	(248)	**1,750**	(766)
Cash (used in) provided by operating activities	**(3,553)**	41,898	**(20,494)**	77,171
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long-term debt (Note 5)	**(2,467)**	(2,317)	**(3,214)**	(3,000)
Proceeds from issue of shares (Note 8)	**-**	39	**-**	42
Reduction in finance lease obligations (Note 5)	**(131)**	(122)	**(260)**	(262)
Cash used in financing activities	**(2,598)**	(2,400)	**(3,474)**	(3,220)
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease in restricted cash	**327**	290	**2,716**	1,479
Additions to property, plant and equipment and intangible assets (Note 4)	**(6,045)**	(10,324)	**(12,789)**	(13,960)
Proceeds on disposal of property, plant and equipment	**-**	-	**25**	1,006
(Increase) decrease in other assets	**(192)**	(22)	**(542)**	16
Cash used in investing activities	**(5,910)**	(10,056)	**(10,590)**	(11,459)
Effect of foreign exchange rate changes on cash and cash equivalents	**(213)**	128	**309**	1,481
NET CASH (OUTFLOW) INFLOW	**(12,274)**	29,570	**(34,249)**	63,973
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**115,469**	141,180	**137,444**	106,777
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 103,195**	$ 170,750	**$ 103,195**	$ 170,750
Cash	**13,244**	17,145	**13,244**	17,145
Cash equivalents	**89,951**	153,605	**89,951**	153,605
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 103,195**	$ 170,750	**$ 103,195**	$ 170,750

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

1. CORPORATE INFORMATION

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

Ainsworth Lumber Co. Ltd. is a publicly listed company incorporated under the laws of British Columbia. The Company's shares are listed on the Toronto Stock Exchange under the symbol ANS.

2. SIGNIFICANT ACCOUNTING POLICIES

a) *Statement of compliance*

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting.* Accordingly, certain disclosures included in the audited consolidated annual financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), have been condensed or omitted. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2013.

The accounting policies applied in these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2013. The Company's interim results are not necessarily indicative of its results for a full year.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on August 11, 2014.

b) *Basis of consolidation*

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

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

(Figures are in thousands of Canadian dollars except share and per share amounts - Unaudited)

3. INVENTORIES

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

		June 30 2014		December 31 2013
Logs	**$**	**24,118**	$	18,690
Panel products		**23,885**		16,032
Materials, supplies and spares		**19,027**		17,749
	$	**67,030**	$	52,471

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

During the three months ended June 30, 2014, $79.0 million (three months ended June 30, 2013: $58.3 million) of inventory was charged to costs of products sold. During the six months ended June 30, 2014, $153.9 million (six months ended June 30, 2013: $117.9 million) of inventory was charged to costs of products sold.

There were no inventory write-downs or recoveries of previous write-downs during the three and six months ended June 30, 2014 and June 30, 2013.

4. PROPERTY, PLANT AND EQUIPMENT

Cost	**Land**	**Building**	**Machinery and Equipment**	**Assets under Finance Lease**	**Other Assets** [(1)]	**Construction in Progress** [(2)]	**Total** [(3)]
Cost, December 31, 2013	$2,135	$224,249	$ 460,230	$ 2,077	$10,385	$ 62,726	$ 761,802
Additions	-	-	-	-	372	12,417	12,789
Disposals	-	-	(362)	-	(11)	-	(373)
Investment tax credits on capital expenditures	-	-	(3)	-	-	-	(3)
Transfers	-	42	4,176	-	608	(4,826)	-
Cost, June 30, 2014	$2,135	$224,291	$ 464,041	$ 2,077	$11,354	$ 70,317	$ 774,215
Accumulated Amortization							
Accumulated amortization, December 31, 2013	$ -	$ (33,666)	$ (94,412)	$(1,622)	$ (3,401)	$ -	$(133,101)
Amortization for the period	-	(3,824)	(8,685)	(269)	(628)	-	(13,406)
Disposals	-	-	103	-	6	-	109
Accumulated amortization, June 30, 2014	$ -	$ (37,490)	$(102,994)	$(1,891)	$ (4,023)	$ -	$(146,398)
Carrying amount							
Balance, Dec. 31, 2013	$2,135	$190,583	$ 365,818	$ 455	$ 6,984	$ 62,726	$ 628,701
Balance, Jun. 30, 2014	2,135	186,801	361,047	186	7,331	70,317	627,817

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

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

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

(Figures are in thousands of Canadian dollars except share and per share amounts - Unaudited)

5. LONG-TERM DEBT

	June 30 2014	December 31 2013
Balance, beginning of period	**$ 343,298**	$ 361,436
Repayments	**(3,474)**	(43,817)
Amortization of bond premium, transaction costs and consent fees (Note 10)	**227**	460
Cost of early repayment of long-term debt	**-**	1,297
Unrealized foreign exchange loss on long-term debt (Note 11)	**1,126**	23,922
Balance, end of period	**$ 341,177**	$ 343,298
Current portion	**(6,667)**	(10,001)
Long-term portion	**$ 334,510**	$ 333,297

6. COMMITMENTS

At June 30, 2014, the Company had contractual commitments to purchase property, plant and equipment of approximately $4.4 million (December 31, 2013: $4.5 million). The Company has certain long-term purchase contracts with minimum fixed payment commitments. All contracts are at market prices and on normal business terms.

7. CONTINGENCIES

In the normal course of its business activities, the Company is subject to claims and legal actions that may be made by its customers, suppliers and others. While the final outcome with respect to actions outstanding or pending as at June 30, 2014 cannot be predicted with certainty, the Company believes the resolution will not have a material effect on the Company's financial position, financial performance, or cash flows.

8. SHARE-BASED PAYMENTS

Stock Option Plan

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

The table below outlines the significant assumptions used to estimate the fair value of options granted during the period and the resulting fair value per option granted:

	Three months ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
Risk-free interest rate	**1.58%**	n/a	**1.58%**	1.26%
Expected volatility[1]	**56.00%**	n/a	**56.00%**	50.00%
Dividend yield	**0%**	n/a	**0%**	0%
Expected option life (years)	**5.00**	n/a	**5.00**	4.00
Share price	**$2.71**	n/a	**$2.71**	$4.17
Weighted average fair value per option granted	**$1.30**	n/a	**$1.30**	$1.81

[1] Expected volatility is based on the historical share price volatility over the past five years (four years for the six months ended June 30, 2013), taking into consideration the volatility of similar entities over a comparable period.

(Figures are in thousands of Canadian dollars except share and per share amounts - Unaudited)

8. SHARE-BASED PAYMENTS (continued)

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

	Three months ended June 30			
	2014		2013	
	Number of Share Options	**Weighted Average Exercise Price**	Number of Share Options	Weighted Average Exercise Price
Outstanding at beginning of period	**1,965,676**	**$ 2.11**	2,085,676	$ 2.11
Granted during the period	**965,000**	**2.80**	-	-
Exercised during the period (1)	**-**	**-**	(25,000)	1.53
Outstanding at end of period	**2,930,676**	**$ 2.32**	2,060,676	$ 2.12
Options exercisable at end of period	**1,256,676**	**$ 1.80**	1,039,342	$ 1.66

	Six months ended June 30			
	2014		2013	
	Number of Share Options	**Weighted Average Exercise Price**	Number of Share Options	Weighted Average Exercise Price
Outstanding at beginning of period	**1,990,676**	**$ 2.11**	1,588,676	$ 1.60
Granted during the period	**965,000**	**2.80**	500,000	3.73
Exercised during the period (1)	**-**	**-**	(28,000)	1.48
Forfeited during the period (2)	**(25,000)**	**3.73**	-	-
Outstanding at end of period	**2,930,676**	**$ 2.32**	2,060,676	$ 2.12
Options exercisable at end of period	**1,256,676**	**$ 1.80**	1,039,342	$ 1.66

(1) No stock options were exercised during the three and six months ended June 30, 2014.

During the three months ended June 30, 2013, $65 was credited to capital stock with respect to stock options that were exercised (six months ended June 30, 2013: $70). This includes $39 consideration received on exercise (six months ended June 30, 2013: $42), plus $26 representing the vested fair value of the stock options (six months ended June 30, 2013: $28).

(2) No stock options were forfeited during the three months ended June 30, 2014. During the six months ended June 30, 2014, $22 was reversed from contributed surplus with respect to unvested options forfeited. No stock options were forfeited during the three and six months ended June 30, 2013.

(Figures are in thousands of Canadian dollars except share and per share amounts - Unaudited)

8. 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 June 30, 2014:

	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	1,043,300	5.90	$	1.25	794,300	$	1.28
2.01 - 4	1,887,376	8.75		2.91	462,376		2.68
	2,930,676	7.74	$	2.32	1,256,676	$	1.80

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

	Three months ended June 30				Six months ended June 30			
		2014		2013		**2014**		2013
Stock option expense	**$**	**119**	$	140	**$**	**206**	$	36

Deferred Share Unit Plan

The Company has a Deferred Share Units ("DSU") plan for directors. Under the DSU plan, directors may elect to receive up to 100% of their fees in the form of DSUs. The number of DSUs awarded is determined by dividing the dollar portion of the fees by the volume weighted average price ("VWAP") of the Company's common shares for the five business days prior to the grant date. DSUs must be retained until the director leaves the Board, at which time the cash value of the DSUs is paid out.

The initial fair value of the DSUs is the amount of fees payable to the director, and is recognized immediately. The liability is subsequently re-measured to fair value using the VWAP for the last five business days of each reporting period until settlement. The initial fair value of amounts granted and any subsequent changes in fair value are recorded within compensation expense in the period.

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

	Three months ended June 30					
	2014			2013		
	Number of DSUs		**Fair Value**	Number of DSUs		Fair Value
Outstanding at beginning of period	**494,022**	**$**	**1,912**	434,107	$	708
Granted during the period	**38,107**		**140**	18,292		36
Change in value	**-**		**(567)**	-		795
Outstanding at end of period	**532,129**	**$**	**1,485**	452,399	$	1,539

	Six months ended June 30					
	2014			2013		
	Number of DSUs		**Fair Value**	Number of DSUs		Fair Value
Outstanding at beginning of period	**494,022**	**$**	**2,045**	415,958	$	485
Granted during the period	**38,107**		**140**	36,441		68
Change in value	**-**		**(700)**	-		986
Outstanding at end of period	**532,129**	**$**	**1,485**	452,399	$	1,539

(Figures are in thousands of Canadian dollars except share and per share amounts - Unaudited)

9. EMPLOYEE BENEFITS

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

	Three months ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
Short-term employee benefits	**$ 16,224**	$ 14,538	**$ 31,972**	$ 27,610
Long-term employee benefits	**3,113**	3,243	**6,575**	6,689
Share-based payments	**(378)**	971	**(354)**	1,090
	$ 18,959	$ 18,752	**$ 38,193**	$ 35,389

10. FINANCE EXPENSE

	Three months ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
Cash interest	**$ (6,575)**	$ (7,336)	**$ (13,183)**	$ (14,095)
Interest on finance leases	**(6)**	(22)	**(16)**	(47)
Amortization of bond premium, transaction costs and consent fees	**(114)**	(117)	**(227)**	(234)
	$ (6,695)	$ (7,475)	**$ (13,426)**	$ (14,376)

11. FOREIGN EXCHANGE GAIN (LOSS)

	Three months ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
Foreign exchange gain (loss) on long-term debt	**$ 12,455**	$ (13,081)	**$ (1,126)**	$ (20,646)
Other foreign exchange gain	**(213)**	734	**636**	2,378
	$ 12,242	$ (12,347)	**$ (490)**	$ (18,268)

12. (LOSS) GAIN ON DERIVATIVE FINANCIAL INSTRUMENT

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

Changes in the market value of the Notes, the risk-free rate, the credit spread and the cash interest rate resulted in a $576 loss on the derivative financial asset for the three months ended June 30, 2014 (three months ended June 30, 2013: $7.5 million loss). The gain on derivative financial asset for the six months ended June 30, 2014 was $3.4 million (six months ended June 30, 2013: $602 gain).

13. COSTS OF CURTAILED OPERATIONS

Costs of curtailed operations primarily include costs associated with the High Level OSB facility up until the Company restarted production at this mill in the latter part of the third quarter of 2013.

(Figures are in thousands of Canadian dollars except share and per share amounts - Unaudited)

14. OTHER ITEMS

	Three months ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
(Loss) Gain on disposal of property, plant and equipment	**$ (30)**	$ 9	**$ (263)**	$ 15
Other income	**652**	545	**1,012**	897
	$ 622	$ 554	**$ 749**	$ 912

15. PENSION EXPENSE

The Company maintains two defined benefit pension plans for certain salaried and hourly employees in British Columbia and Minnesota. The Minnesota pension plan is included in discontinued operations. Pension expense and contributions related to the Company's defined benefit pension plans during the period were as follows:

	Three months ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
Continuing Operations:				
Pension expense	**$ 503**	$ 810	**$ 1,041**	$ 1,651
Contributions	**2,148**	814	**4,181**	1,528
Discontinued Operations:				
Pension expense	**82**	77	**166**	153
Contributions	**77**	62	**200**	141

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

	Three months ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
Defined contribution plan cost	**$ 256**	$ 133	**$ 486**	$ 255

16. TAXATION

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

The Company has benefited Canadian non-capital tax loss carry-forwards of approximately $155 million for financial statement purposes at December 31, 2013. The Company has U.S. non-capital tax loss carry-forwards that are not benefited for financial statement purposes because the 2008 recapitalization resulted in a restriction of these loss carry-forwards. The Company also has unrecognized deferred tax assets relating to foreign exchange loss on long-term debt.

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

(Figures are in thousands of Canadian dollars except share and per share amounts - Unaudited)

17. EARNINGS PER SHARE

At June 30, 2014, there were 1,415,000 stock options (June 30, 2013: 500,000) that were not taken into account in the calculation of diluted earnings per share because their effect was anti-dilutive.

18. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
Inventories	**$ 12,083**	$ 8,618	**(14,479)**	(12,209)
Trade and other payables	**(9,958)**	360	**(7,647)**	649
Prepaid expenses	**(3,547)**	(4,490)	**(3,766)**	(3,374)
Income taxes payable	**(230)**	(608)	**(278)**	(283)
Trade and other receivables	**(964)**	5,741	**(3,885)**	(680)
	$ (2,616)	$ 9,621	**$ (30,055)**	$ (15,897)

19. SEGMENTED REPORTING

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

	Three months ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
United States	**$ 85,075**	$ 96,646	**$ 165,970**	$ 206,099
Japan	**14,008**	15,279	**28,897**	26,374
Canada	**9,768**	12,608	**17,398**	33,456
Overseas - other	**8,562**	2,979	**12,966**	3,427
	$ 117,413	$ 127,512	**$ 225,231**	$ 269,356

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

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

Management of capital
The Company’s objectives for managing capital (defined as working capital, long-term debt and equity excluding accumulated other comprehensive income) are to safeguard its ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders. The Company manages capital by adjusting the amount of dividends paid to shareholders, purchasing shares for cancellation pursuant to normal issuer bids, issuing new shares and warrants, issuing new debt, and/or issuing new debt to replace existing debt with different characteristics. Under its existing debt indentures, the Company is restricted in managing capital and must conform to the indentures’ provisions, which govern capital components such as dividends, asset sales and debt incurrence. At June 30, 2014, the Company is in compliance with the provisions of these indentures.

(Figures are in thousands of Canadian dollars except share and per share amounts - Unaudited)

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (Continued)

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

	Fair Value Hierarchy Level		June 30 2014		December 31 2013
FINANCIAL ASSETS					
Held for trading					
Cash and cash equivalents	Level 1	$	**103,195**	$	137,444
Loans and receivables					
Trade and other receivables (1)	n/a		**27,540**		23,680
Derivative financial asset (2)	Level 2		**23,028**		19,632
		$	**153,763**	$	180,756
FINANCIAL LIABILITIES					
Other financial liabilities					
Trade and other payables (1)	n/a	$	**34,091**	$	42,133
Long-term debt, including current portion	n/a		**340,960**		342,819
		$	**375,051**	$	384,952

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

(2) The Company applies a Black-Scholes model for the 10% repurchase option and a standard Option-Adjusted Spread model for the remaining call options. The current bid price for the bonds of 105.50 at June 30, 2014 (December 31, 2013: 107.25) is used as the market value input.

The Company's policy for determining the timing of transfers between levels of the fair value hierarchy is based on the date of the event or change in circumstances that caused the transfer. There were no transfers between level 1 and level 2 for the three or six months ended June 30, 2014 and June 30, 2013. There were no financial instruments classified as level 3 at June 30, 2014 or December 31, 2013.

Financial risk factors

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

Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause a financial loss. The Company is exposed to credit risk on trade and other receivables, cash and cash equivalents. The Company's maximum exposure to credit risk is the gross carrying amount of these assets net of any allowance for doubtful accounts or impairment loss as reflected in these consolidated financial statements. At June 30, 2014, the amount of accounts receivable past due or impaired was nominal.

(Figures are in thousands of Canadian dollars except share and per share amounts - Unaudited)

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (Continued)

Credit risk **(continued)**

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

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

We continue to monitor discretionary capital expenditures carefully as global debt and equity markets, as well as operating results, can be volatile. Under the terms of the Company's senior note indenture, we are permitted to borrow at least an additional U.S.$170 million of senior secured and unsecured debt subject to the limitations set forth in the indenture. The availability of this funding, or other sources of capital, is dependent on capital markets at the time and may not be available on acceptable terms.

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

	Less than 1 month	1 to 3 months	Less than 1 year	1 to 5 years	More than 5 years	Total
Senior Secured Notes	$ -	$ -	$ 25,208	$399,125	$ -	$424,333
HSBC equipment loan	259	6,252	-	-	-	6,511
Finance lease obligations	36	72	112	5	-	225
Operating lease obligations	79	159	714	206	-	1,158
Trade payable and accrued liabilities	33,098	-	71	-	-	33,169
Reforestation obligation	-	-	-	2,908	1,016	3,924
Purchase commitments	970	2,972	489	320	800	5,551
	$ 34,442	$ 9,455	$ 26,594	$402,564	$ 1,816	$474,871

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.

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (Continued)

***Market risk* (Continued)**

At June 30, 2014, 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 $24 on an annual basis (December 31, 2013: $36).

The Company is also exposed to interest rate risk on the derivative financial instrument that arises from the call option embedded in the Notes. As the risk-free interest rate and the credit spread increase, the value of the derivative financial asset decreases. Conversely, a decrease in the risk-free interest rate and the credit spread increases the value of the derivative financial asset. Changes in the value of this derivative financial asset are reflected in operations. The value of the derivative financial instrument as at June 30, 2014 was $23.0 million (December 31, 2013: $19.6 million) and was included in other assets. At June 30, 2014, if interest rates had been 1% higher and all other variables were constant, the value of the derivative financial asset would increase by approximately $3.6 million (December 31, 2013: $2.5 million).

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

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

At June 30, 2014, the impact on the after tax net income of a one cent weakening/strengthening of the Canadian dollar, all other variables remaining constant, on the revaluation of the Company's monetary assets and liabilities would have been $2.6 million on an annual basis (December 31, 2013: $2.7 million).

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

Fair value of financial instruments
The fair value of financial instruments, with the exception of the Notes, is estimated to approximate their carrying value at June 30, 2014 due to the immediate or short-term maturity of these financial instruments.

(Figures are in thousands of Canadian dollars except share and per share amounts - Unaudited)

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (Continued)

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

	June 30, 2014		December 31, 2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Senior Secured Notes [1]	**$ 334,519**	**$ 354,591**	$ 333,245	$ 352,699
Equipment financing [2]	**6,441**	**6,441**	9,574	9,574
	$ 340,960	**$ 361,032**	$ 342,819	$ 362,273

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

(2) Carrying value approximates fair value as the equipment financing bears floating interest rates that approximate market rates.

The fair value of the call option embedded in the Notes as at June 30, 2014 was $23.0 million (December 31, 2013: $19.6 million).

21. RELATED PARTY TRANSACTIONS

Brookfield Capital Partners
The Company is controlled by BCP, which beneficially owns or exercises control or direction over approximately 54.4% of the issued and outstanding common shares.

The Company periodically sells goods to BCP affiliates. There were no such sales during the three and six months ended June 30, 2014. During the three and six months ended June 30, 2013, these sales were approximately $0.2 million and $2.5 million, respectively.

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

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

	Three months ended June 30		**Six months ended June 30**	
	2014	2013	**2014**	2013
Short-term employee benefits	**$ 569**	$ 706	**$ 1,220**	$ 1,410
Long-term employee benefits	**27**	31	**49**	64
Share-based payments	**150**	161	**293**	292
	$ 746	$ 898	**$ 1,562**	$ 1,766

(Figures are in thousands of Canadian dollars except share and per share amounts - Unaudited)

21. RELATED PARTY TRANSACTIONS (Continued)

Other

	Three months ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
Legal fees [1]	**$ 98**	$ 36	**$ 340**	$ 96
Other services [2]	**228**	222	**311**	305
	$ 326	$ 258	**$ 651**	$ 401

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

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

Sales to overseas markets are handled by Interex Forest Products Ltd. ("Interex"), a cooperative sales company over which Ainsworth, as a shareholder, has significant influence. At June 30, 2014, $4.7 million was included in trade receivables with respect to Interex (December 31, 2013: $2.9 million).

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