AINSWORTH LUMBER CO. LTD.

Interim Consolidated Balance Sheets

(In thousands of Canadian dollars)
(Unaudited)

	June 30 2009	December 31 2008
ASSETS		
Current Assets		
Cash and cash equivalents	$ 154,527	$ 192,584
Short-term investments	1,576	1,586
Accounts receivable	26,852	19,916
Inventories (Note 3)	43,276	53,251
Prepaid expenses	6,737	5,681
Restricted cash	4,337	5,344
Assets held for disposal (Note 4)	4,023	5,337
	241,328	283,699
Capital Assets, Net	635,690	652,448
Other Assets	12,638	14,512
Assets Held for Disposal (Note 4)	8,320	33,019
	$ 897,976	$ 983,678
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 20,747	$ 27,539
Income taxes payable	2,093	2,764
Current portion of future income tax liabilities	3,621	8,492
Current portion of long-term debt	11,832	12,366
Liabilities related to assets held for disposal (Note 4)	1,469	8,933
	39,762	60,094
Accrued Pension Benefit Liability	4,278	4,278
Other Liabilities (Note 5)	2,956	3,512
Long-term Debt	604,011	627,115
Future Income Tax Liabilities	47,129	60,160
Liabilities Related to Assets Held for Disposal (Note 4)	2,260	2,368
	700,396	757,527
Commitments and Guarantees (Note 6)		
Contingencies (Note 7)		
SHAREHOLDERS' EQUITY		
Capital Stock	409,613	409,613
Contributed Surplus	711	-
Deficit	(210,517)	(180,984)
Accumulated Other Comprehensive Loss	(2,227)	(2,478)
	197,580	226,151
	$ 897,976	$ 983,678

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

Approved by the Board:

/s/ Jay Gurandiano — **DIRECTOR**

/s/ Gordon Lancaster — **DIRECTOR**

AINSWORTH LUMBER CO. LTD.

Interim Consolidated Statements of Operations

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

	Three months ended June 30		Six months ended June 30	
	2009 **The Company**	2008 The Predecessor	**2009** **The Company**	2008 The Predecessor
Sales	**$ 80,994**	$ 97,163	**$ 161,989**	$ 170,927
Costs and Expenses				
Costs of products sold (exclusive of amortization)	**79,382**	79,450	**156,231**	165,563
Selling and administration	**5,117**	6,797	**10,182**	12,768
Amortization of capital assets	**9,932**	9,545	**18,519**	18,244
Net gain on disposal of capital assets (Note 9)	**(364)**	(201)	**(899)**	(2,114)
Write-down of capital assets held for sale (Note 4)	**8,219**	-	**8,219**	-
Write-down of inventory related to assets held for sale (Note 4)	**4,262**	-	**4,262**	-
(Net proceeds) cost of claim (Note 10)	**(6,463)**	489	**(4,435)**	1,173
Cost of class action lawsuit	**-**	172	**-**	318
	100,085	96,252	**192,079**	195,952
Operating (Loss) Earnings	**(19,091)**	911	**(30,090)**	(25,025)
Finance Expense				
Interest	**13,362**	16,247	**27,875**	33,866
Transaction costs	**-**	9,624	**-**	13,078
	13,362	25,871	**27,875**	46,944
Other (Loss) Income	**(44)**	574	**570**	1,689
Foreign Exchange Gain (Loss) on Long-term Debt	**50,448**	6,811	**28,721**	(29,270)
Other Foreign Exchange (Loss) Gain	**(3,868)**	(363)	**(1,720)**	246
Income (Loss) Before Income Taxes	**14,083**	(17,938)	**(30,394)**	(99,304)
Income Tax (Recovery) Expense (Note 12)	**(5,452)**	15,555	**(15,147)**	11,900
Net Income (Loss) from Continuing Operations	**19,535**	(33,493)	**(15,247)**	(111,204)
Net Income (Loss) from Discontinued Operations (Note 4)	**5,169**	(709)	**(14,286)**	(11,181)
Net Income (Loss)	**$ 24,704**	$ (34,202)	**$ (29,533)**	$ (122,385)
Earnings (loss) per share (Note 13):				
Basic				
Continuing operations	**$ 0.20**	$ (2.29)	**$ (0.15)**	$ (7.59)
Discontinued operations	**0.05**	(0.04)	**(0.14)**	(0.76)
Net Income (Loss)	**$ 0.25**	$ (2.33)	**$ (0.29)**	$ (8.35)
Diluted				
Continuing operations	**$ 0.20**	$ (2.29)	**$ (0.15)**	$ (7.59)
Discontinued operations	**0.05**	(0.04)	**(0.14)**	(0.76)
Net Income (Loss)	**$ 0.25**	$ (2.33)	**$ (0.29)**	$ (8.35)

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

AINSWORTH LUMBER CO. LTD.

Interim Consolidated Statements of Comprehensive Income (Loss)

(In thousands of Canadian dollars)
(Unaudited)

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
	The Company	The Predecessor	**The Company**	The Predecessor
Net Income (Loss)	**$ 24,704**	$ (34,202)	**$ (29,533)**	$ (122,385)
Other Comprehensive Income (Loss)				
Unrealized (loss) gain on translation of self-sustaining foreign operations	**-**	(979)	**-**	4,292
Realized currency translation adjustments	**251**	-	**251**	1,465
	251	(979)	**251**	5,757
Comprehensive Income (Loss)	**$ 24,955**	$ (35,181)	**$ (29,282)**	$ (116,628)

Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(In thousands of Canadian dollars)
(Unaudited)

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
	The Company	The Predecessor	**The Company**	The Predecessor
Capital Stock	**$ 409,613**	$ 55,827	**$ 409,613**	$ 55,827
Contributed Surplus				
Beginning of period	**-**	-	**-**	-
Fair value of stock options recorded in the period (Note 8)	**711**	-	**711**	-
	711	-	**711**	-
(Deficit) Retained Earnings				
Beginning of period	**(235,221)**	(31,953)	**(180,984)**	56,230
Net income (loss)	**24,704**	(34,202)	**(29,533)**	(122,385)
	(210,517)	(66,155)	**(210,517)**	(66,155)
Accumulated Other Comprehensive Loss on Translation of Self-Sustaining Foreign Operations				
Beginning of period	**(2,478)**	(99,050)	**(2,478)**	(105,786)
Realized currency translation adjustment	**251**	-	**251**	1,465
Net unrealized gain on translation of self-sustaining foreign operations in the period	**-**	(979)	**-**	4,292
	(2,227)	(100,029)	**(2,227)**	(100,029)
Total Deficit and Accumulated Other Comprehensive Loss	**(212,744)**	(166,184)	**(212,744)**	(166,184)
Total Shareholders' Equity (Deficiency)	**$ 197,580**	$ (110,357)	**$ 197,580**	$ (110,357)

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

AINSWORTH LUMBER CO. LTD.

Interim Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)
(Unaudited)

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
	The Company	The Predecessor	**The Company**	The Predecessor
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	**$ 24,704**	$ (34,202)	**$ (29,533)**	$ (122,385)
Items not affecting cash				
Amortization of capital assets	**9,934**	11,614	**18,521**	22,835
Non-cash portion of interest expense	**4,850**	340	**10,300**	674
Non-cash stock based compensation	**711**	-	**711**	-
Foreign exchange (gain) loss on long-term debt	**(50,448)**	(6,811)	**(28,721)**	29,270
Gain on disposal of capital assets	**(2,114)**	(374)	**(2,294)**	(2,287)
Impairment of capital assets of discontinued operations		-	**14,303**	-
Write-down of capital assets held for sale	**8,219**	-	**8,219**	-
Change in non-current reforestation obligation	**(298)**	(194)	**(556)**	(264)
Future income taxes	**(8,132)**	23,065	**(17,902)**	19,233
Unrealized foreign exchange loss	**2,536**	-	**1,772**	-
Realized currency translation adjustments	**-**	-	**-**	1,465
Change in non-cash operating working capital (Note 14)	**8,516**	6,931	**(11,536)**	11,358
Cash (used in) provided by operating activities	**(1,522)**	369	**(36,716)**	(40,101)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long-term debt	**(3,315)**	(3,715)	**(5,023)**	(5,762)
Repayment of capital lease obligations	**(93)**	(75)	**(193)**	(150)
Cash used in financing activities	**(3,408)**	(3,790)	**(5,216)**	(5,912)
CASH FLOWS FROM INVESTING ACTIVITIES				
Short-term investments	**25**	(6)	**10**	(51)
Restricted cash	**86**	769	**1,007**	129
Additions to capital assets	**(636)**	(868)	**(1,909)**	(4,074)
Decrease (increase) in other assets	**2,035**	(993)	**2,116**	(622)
Proceeds on disposal of capital assets	**4,241**	3,151	**4,530**	6,543
Settlement of warranty holdback	**-**	2,852	**-**	2,852
Cash provided by investing activities	**5,751**	4,905	**5,754**	4,777
Effect of foreign exchange rate changes on cash and cash equivalents	**(2,727)**	6	**(1,879)**	(2)
NET CASH (OUTFLOW) INFLOW	**(1,906)**	1,490	**(38,057)**	(41,238)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**156,433**	26,899	**192,584**	69,627
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 154,527**	$ 28,389	**$ 154,527**	$ 28,389
SUPPLEMENTAL INFORMATION				
Taxes paid	**$ 104**	$ 105	**$ 110**	$ 165
Interest paid	**14,582**	4,626	**16,586**	12,852

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

1. BASIS OF PRESENTATION

Plan of Arrangement

On June 17, 2008, Ainsworth Lumber Co. Ltd. (the "Predecessor") announced a proposed recapitalization transaction (the "Plan"). Details of the Plan were provided in an information circular dated June 24, 2008 distributed to noteholders and existing shareholders. On July 24, 2008, the Plan was approved by noteholders and existing shareholders.

On July 29, 2008, the Predecessor implemented the Plan having the following key elements:

- Conversion of $834 million senior unsecured notes into $154 million (U.S.$150 million) rollover senior unsecured notes and equity of the Company.
- All outstanding common shares as at July 29, 2008 were cancelled and new common shares in the recapitalized company were issued.
- Noteholders received 96% of the new common shares and, for some noteholders, warrants exercisable into new common shares: 46% of the new common shares were allocated pro rata to all noteholders, 35% of the new common shares were allocated to noteholders who subscribed for U.S.$200 million new senior unsecured notes, 15% of the new common shares were allocated to noteholders who backstopped new senior unsecured notes.
- Existing shareholders received 4% of the new common shares and 8,695,634 warrants to acquire common shares of the Company.

The Company's balance sheet as at July 29, 2008 was prepared under the provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section "HB") 1625, "Comprehensive Revaluation of Assets and Liabilities" ("fresh start accounting"). Under fresh start accounting, the Company was required to determine its enterprise value. The enterprise value of $410 million was determined based on the fair value of the unsecured debt (based on market trading prices) converted into equity and of the issuance of common shares and cashless warrants to the shareholders of the Predecessor.

The Predecessor's financial information has been presented to provide additional information to the reader. In reviewing the Predecessor's financial information, readers are reminded that they do not reflect the effects of the financial reorganization or the application of its accounting. Detailed information on the plan of arrangement, the impact of adjustments and fresh start accounting is available in the most recent annual audited financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim consolidated financial statements do not include all disclosures normally provided in annual financial statements and accordingly, should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2008. The Company's accounting policies are in accordance with Canadian generally accepted accounting principles and are consistent with those outlined in the 2008 audited financial statements. In management's opinion, these unaudited interim consolidated financial statements include all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly such information. The results of operations for the interim periods are not necessarily indicative of the results to be expected in future periods.

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" which applies to interim and annual financial statements for periods ending on or after January 20, 2009. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. The Company has evaluated the new section and determined that the adoption of these new requirements has not had an impact on the Company's interim financial statements.

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

3. 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:

	June 30 2009	December 31 2008
Logs	**$ 12,796**	$ 17,112
Panel products	**14,124**	14,157
Materials, supplies and consumable spares	**16,356**	21,982
	$ 43,276	$ 53,251

Inventory recoveries of carrying value were recorded as follows:

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
	The Company	The Predecessor	**The Company**	The Predecessor
Log inventory	**$ 100**	$ 18,690	**$ 894**	$ 11,188
Panel inventory	**31**	1,611	**394**	1,086

All inventories, including inventory related to discontinued operations (Note 4), are pledged as security for loans. Inventory of $6,739 related to long-lived assets held for sale (December 31, 2008: $14,972).

4. LONG-LIVED ASSETS HELD FOR DISPOSAL AND DISCONTINUED OPERATIONS

Following a strategic review of market and operational factors, in the third quarter of 2008 the Company announced the permanent closure of the OSB mill located in Grand Rapids, Minnesota, and during the fourth quarter of 2008 management committed to a plan to permanently close and dispose of all its OSB mills located in Minnesota. The financial results of these facilities have been reclassified as discontinued operations. In the first quarter of 2009, the Company recorded a $14.3 million impairment of capital assets based on updated estimates of the market exit price.

On June 30, 2009, the Company completed the sale of the Bemidji, Minnesota OSB mill and recorded a gain on disposal of $1.5 million, which is included in net gain (loss) from discontinued operations on the consolidated statements of operations. In addition, the Company settled a claim with respect to faulty equipment at the Grand Rapids, Minnesota OSB mill for a net gain of $1.6 million.

In the fourth quarter of 2008, the Company also commenced a process to sell its specialty plywood business. The long-lived assets of the specialty plywood segment have been classified as held for sale as at December 31, 2008 and June 30, 2009 and have been included in the results of operations in continuing operations. In the second quarter of 2009, the Company recorded a $4.3 million write-down of inventory and an $8.2 million write-down of capital assets based on current market conditions and updated estimates of the fair value of assets held for sale.

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

4. LONG-LIVED ASSETS HELD FOR DISPOSAL AND DISCONTINUED OPERATIONS (Continued)

The following tables present selected financial information related to discontinued operations and long-lived assets held for sale:

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
	The Company	The Predecessor	**The Company**	The Predecessor
Sales	**$ -**	$ 14,265	**$ 204**	$ 29,009
Impairment of capital assets	**-**	-	**(14,303)**	-
Gain on disposal of capital assets	**1,849**	173	**1,849**	173
Income (loss) before income taxes	**5,169**	(709)	**(14,286)**	(11,181)
Income tax expense	**-**	-	**-**	-
Net income (loss) from discontinued operations	**$ 5,169**	$ (709)	**$ (14,286)**	$ (11,181)

	June 30 2009	December 31 2008
ASSETS		
Current Assets of Discontinued Operations		
Accounts receivable	**$ 314**	$ 505
Inventories	**520**	1,190
Income taxes receivable	**623**	2,799
Prepaid expenses	**2,566**	843
	4,023	5,337
Capital Assets - Discontinued Operations	**4,241**	19,280
Capital Assets - Held for Sale	**4,079**	13,497
Other Assets - Discontinued Operations	**-**	242
	8,320	33,019
Total Assets Held for Disposal	**$ 12,343**	$ 38,356
LIABILITIES		
Current Liabilities of Discontinued Operations		
Accounts payable and accrued liabilities	**$ 1,469**	$ 8,933
Accrued Pension Benefit Liability	**2,260**	2,368
Total Liabilities Held for Disposal	**$ 3,729**	$ 11,301

5. OTHER LIABILITIES

	June 30 2009	December 31 2008
Reforestation obligation	**$ 1,956**	$ 2,512
Asset retirement obligation	**1,000**	1,000
	$ 2,956	$ 3,512

The Company identified an asset retirement obligation relating to future site remediation costs of a veneer facility located on leased property in Lillooet, British Columbia. These obligations will be payable at the termination of the lease in 2010.

6. COMMITMENTS AND GUARANTEES

The Company has long-term purchase contracts with annual minimum volume commitments. All contracts are at market prices and on normal business terms.

The Company is a party to contracts in which it agrees to indemnify third parties for product liabilities that arise out of or relate to sales contracts. The Company cannot estimate the potential amount of future payments under these agreements until events arise that would trigger the liability.

By agreement with the co-venturer of the jointly operated High Level, Alberta OSB facility, if the co-venturer does not pay its share of accounts payable and accrued liabilities, the Company may pay such amounts and recover them from the co-venturer's share of production. The co-venturer filed for CCAA protection in Ontario on June 25, 2009. At June 30, 2009, the co-venturer had met all of its obligations to the joint venture.

7. CONTINGENCIES

In the normal course of its business activities, the Company is subject to claims and legal actions that may be made by customers, suppliers and others. While the final outcome with respect to actions outstanding or pending as at June 30, 2009 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.

8. STOCK-BASED COMPENSATION

On May 13, 2009 the Company's shareholders approved the adoption of a stock option plan under which options to acquire a maximum of 9,000,000 common shares are issuable with terms of up to 10 years. The following options were granted subject to shareholder approval of the stock option plan:

- Effective on November 14, 2008, an aggregate of 1,002,222 options were granted to directors and the Chief Financial Officer of the Company at an exercise price of $1.74 per share and a ten year term. The options granted to the directors represent their equity-based compensation for 2008 and 2009, with 50% of the options vested in 2008 and 50% vesting in 2009.
- On January 6, 2009, an additional 250,000 options were granted to the Chief Executive Officer of the Company, representing equity-based compensation for 2009. The options, which vest over three years and expire in ten years, have an exercise price of $0.90.

Under Canadian GAAP, stock options granted under a plan that is subject to shareholder approval are not deemed to be granted until approval is obtained. Therefore, no compensation expense was recorded in 2008 or in the first quarter of 2009 in respect of stock-based compensation. The deemed grant date, which was used as the measurement date for the purpose of calculating the fair value of stock options using the Black-Scholes model, was May 13, 2009, the date shareholders approved the stock option plan.

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

8. STOCK-BASED COMPENSATION (Continued)

	Three months ended June 30		Six months ended June 30	
	2009 **The Company**	2008 The Predecessor	**2009** **The Company**	2008 The Predecessor
Compensation expense	**$ 711**	$ -	**$ 711**	$ -
Number of stock options granted	**1,252,222**		**1,252,222**	
Weighted average fair value per option granted	**$ 0.93**	$ -	**$ 0.93**	$ -
Aggregate fair value of options granted	**$ 1,165**	$ -	**$ 1,165**	$ -
Weighted average assumptions:				
Risk-free interest rate	**2.94%**	-	**2.94%**	-
Expected volatility	**40%**	-	**40%**	-
Dividend yield	**0%**	-	**0%**	-
Expected option life (years)	**9.36**	-	**9.36**	-

There were no stock options exercised during the period.

9. GAIN ON DISPOSAL OF CAPITAL ASSETS

In the second quarter of 2009, the Company completed the sale of a forest licence to harvest pine beetle killed timber in the Quesnel, British Columbia region. A gain of $450 thousand was recorded. The net book value of the license was classified as held for sale as at December 31, 2008.

During the first quarter of 2009, the Company recorded insurance claims receivable of $612 thousand to replace equipment damaged as a result of fire and an equipment malfunction.

10. LEGAL SETTLEMENT

During the second quarter of 2009, the Company settled a claim against Potlatch Corporation (“Potlatch”) for $6.7 million (U.S.$5.75 million) relating to the reimbursement of repair and related costs at the three Minnesota mills purchased from Potlatch in 2004. The proceeds of the settlement were received on July 2, 2009.

11. PENSION EXPENSE

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

	Three months ended June 30		Six months ended June 30	
	2009 **The Company**	2008 The Predecessor	**2009** **The Company**	2008 The Predecessor
Continuing Operations:				
Pension expense	**$ 428**	$ 802	**$ 856**	$ 1,604
Contributions	**869**	1,028	**1,949**	2,719
Discontinued Operations:				
Pension expense	**84**	852	**140**	1,703
Contributions	**-**	-	**1,928**	-

11. PENSION EXPENSE (Continued)

Upon permanent closure of the Minnesota mills, the Company may be required to make additional pension funding contributions of up to U.S.$0.7 million, unless the related plan is otherwise terminated. The Company made a contribution of $1.9 million (U.S.$1.5 million) in March 2009, which is expected to mitigate any future funding requirements associated with the closure of the Minnesota mills.

Effective May, 26, 2009, all new employees will be enrolled into a Canadian defined contribution plan.

12. INCOME TAXES

During the three and six month periods ended June 30, 2009, continued operational losses resulted in a future income tax recovery. Certain permanent differences, such as the non-taxable portion of the foreign exchange gain on our U.S. debt, and the expected reversal of certain future income tax assets and liabilities at lower effected tax rates also impacted the resulting income tax recovery.

In the second quarter of 2008 the Predecessor refiled certain Canadian tax returns in order to recover provincial taxes previously paid. This resulted in the use of approximately $70.7 million of Canadian tax losses for which a future tax benefit was previously recorded, and expiry of $15.6 million of investment tax credits. As a result the Predecessor recorded $7.8 million of income taxes recoverable and a provision for the realization of previously benefited future tax assets of $21.3 million. The income tax expense in the period resulted from the difference between the tax rate at which these losses were previously benefited and the tax rate at which they were realized.

13. EARNINGS (LOSS) PER SHARE

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted loss per share is based on the weighted average number of common shares and dilutive warrants 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.

Noteholder warrants were included in the computation of basic and diluted earnings per share because they are convertible to common shares at any time for no additional consideration. The shareholder warrants were not included in the computation of diluted loss per share because to do so would have been anti-dilutive for the periods presented.

At June 30, 2009 there were 1,002,222 (June 30, 2008: Nil) 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.

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

13. EARNINGS (LOSS) PER SHARE (Continued)

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
	The Company	The Predecessor	**The Company**	The Predecessor
Net income (loss) from continuing operations	**$ 19,535**	$ (33,493)	**$ (15,247)**	$ (111,204)
Net income (loss) from discontinued operations	**5,169**	(709)	**(14,286)**	(11,181)
Net income (loss)	**$ 24,704**	$ (34,202)	**$ (29,533)**	$ (122,385)
Weighted average common shares outstanding	**100,000,000**	14,649,140	**100,000,000**	14,649,140
Effect of dilutive stock options	**39,919**	-	**10,709**	-
	100,039,919	14,649,140	**100,010,709**	14,649,140
Basic earnings per share:				
Net income (loss) from continuing operations	**$ 0.20**	$ (2.29)	**$ (0.15)**	$ (7.59)
Net income (loss) from discontinued operations	**0.05**	(0.04)	**(0.14)**	(0.76)
Net income (loss)	**$ 0.25**	$ (2.33)	**$ (0.29)**	$ (8.35)
Diluted earnings per share:				
Net income (loss) from continuing operations	**$ 0.20**	$ (2.29)	**$ (0.15)**	$ (7.59)
Net income (loss) from discontinued operations	**0.05**	(0.04)	**(0.14)**	(0.76)
Net income (loss)	**$ 0.25**	$ (2.33)	**$ (0.29)**	$ (8.35)

14. CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
	The Company	The Predecessor	**The Company**	The Predecessor
Accounts receivable	**$ (5,585)**	$ (6,670)	**$ (6,745)**	$ (9,361)
Inventories	**22,858**	7,217	**10,517**	4,882
Income taxes receivable/payable	**2,174**	(7,094)	**1,505**	(7,450)
Prepaid expenses	**(2,907)**	(2,229)	**(2,779)**	(834)
Accounts payable and accrued liabilities	**(8,024)**	15,707	**(14,034)**	24,121
	$ 8,516	$ 6,931	**$ (11,536)**	$ 11,358

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

15. SEGMENTED INFORMATION

	OSB	Plywood	Corporate	Consolidated
The Company				
Three months ended June 30, 2009				
Sales to external customers	**$ 70,821**	**$ 10,173**	**$ -**	**$ 80,994**
Write-down of capital assets	**-**	**(8,219)**	**-**	**(8,219)**
Write-down of inventory	**-**	**(4,262)**	**-**	**(4,262)**
Net proceeds of claim	**-**	**-**	**6,463**	**6,463**
Operating (loss) earnings	**(6,407)**	**(13,718)**	**1,034**	**(19,091)**
The Predecessor				
Three months ended June 30, 2008				
Sales to external customers	$ 76,170	$ 20,993	$ -	$ 97,163
Net cost of claim	-	-	(489)	(489)
Operating earnings (loss)	10,656	(1,078)	(8,667)	911
The Company				
Six months ended June 30, 2009				
Sales to external customers	**$ 140,029**	**$ 21,960**	**$ -**	**$ 161,989**
Write-down of capital assets	**-**	**(8,219)**	**-**	**(8,219)**
Write-down of inventory	**-**	**(4,262)**	**-**	**(4,262)**
Net proceeds of claim	**-**	**-**	**4,435**	**4,435**
Operating loss	**(9,943)**	**(14,794)**	**(5,353)**	**(30,090)**
The Predecessor				
Six months ended June 30, 2008				
Sales to external customers	$ 131,707	$ 39,220	$ -	$ 170,927
Net cost of claim	-	-	(1,173)	(1,173)
Operating loss	(8,634)	(1,316)	(15,075)	(25,025)

Sales from continuing operations attributed to countries based on location of customer are as follows:

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
	The Company	The Predecessor	**The Company**	The Predecessor
United States	**$ 48,372**	$ 65,335	**$ 104,010**	$ 113,406
Canada	**24,359**	14,427	**38,961**	24,744
Overseas	**8,263**	17,401	**19,018**	32,777
	$ 80,994	$ 97,163	**$ 161,989**	$ 170,927

Capital assets attributed to countries based on location, including continuing and discontinued operations, are as follows:

	June 30 2009	December 31 2008
Canada	**$ 639,769**	$ 665,945
United States	**4,241**	19,280
	$ 644,010	$ 685,225

16. MANAGEMENT OF CAPITAL

The Company defines capital as working capital, long-term debt and equity, as reflected in these interim financial statements. The Company manages capital by adjusting the amount of dividends paid to shareholders, purchasing shares for cancellation pursuant to normal course 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 with the indentures' provisions, which govern capital components such as dividends, asset sales and debt incurrence.

17. FINANCIAL INSTRUMENTS AND RISKS

The Company undertakes transactions in a range of financial instruments including cash, short-term investments, trade and other receivables, trade and other payables and various forms of borrowings, including senior unsecured notes with an embedded derivative arising from call options, bank loans and a capital lease.

a) Financial Risks

The Company's activities result in exposure to a number of financial risks, including credit risk, liquidity risk and market risk. Management's policies for minimizing these risks are set out 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 accounts receivable 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 interim financial statements. As at June 30, 2009, the amount of accounts receivable past due was nominal. Accounts receivable of $0.7 million related to a long-lived asset held for sale (December 31, 2008: $2.7 million)

Credit risk associated with short-term investments is minimized by ensuring that commercial paper investments have the highest rating obtainable and that certificates of deposit are placed with well-capitalized financial institutions and other creditworthy counterparties. 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.

Liquidity Risk
Liquidity risk is the risk that the Company encounters difficulty in meeting its obligations associated with financial liabilities. 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 accounts payable, 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. At June 30, 2009, as a result of the global economic crisis, the terms and availability of debt and equity capital continue to be materially restricted. Should such conditions continue through to maturity of our senior notes in 2015 and should the Company require debt or equity financing, debt capital may not be available on acceptable terms, which may require management to explore strategic alternatives to improve its capital structure, enhance liquidity, refinance debt, sell non-core assets and reduce costs and expenditures.

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

17. FINANCIAL INSTRUMENTS AND RISKS (Continued)

The contractual maturity of the Company's liabilities, long-term debt and commitments 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 balance sheet.

	Less than 1 month	1 to 3 months	4 to 12 months	1 to 5 years
Senior Unsecured Notes	$ -	$ -	$ 26,167	$ 135,341
Senior Secured Term Loan	567	1,116	5,032	26,669
Equipment loan	891	1,775	7,875	29,177
Deutsche Bank equipment loan	-	-	2,302	8,847
Capital lease obligations	94	188	844	4,501
Operating lease obligations	643	495	1,530	636
Accounts payable and accrued liabilities (a)	19,658	328	1,527	-
Reforestation obligation	-	-	-	1,956
Asset retirement obligation	-	-	-	1,000
Purchase commitments	681	1,362	7,552	5,960
	$ 22,534	$ 5,264	$ 52,828	$ 214,086

(a) As at June 30, 2009, accounts payable and accrued liabilities of $1.5 million related to a long-lived asset held for sale (December 31, 2008: $2.5 million).

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 June 30, 2009, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's after-tax net loss would decrease/increase by approximately $0.5 million on an annual basis (December 31, 2008: $0.8 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 June 30, 2009 and December 31, 2008 was $Nil.

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.

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

17. FINANCIAL INSTRUMENTS AND RISKS (Continued)

At June 30, 2009, 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 $4.4 million higher/lower on an annual basis (December 31, 2008: $5.4 million). The decreased sensitivity of after-tax net loss to foreign currency rate changes in the first half of 2009 is due to an increase in the effective tax rate compared to December 31, 2008.

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.

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.

b) Fair Values

The fair value of financial instruments, with the exception of senior notes, is estimated to approximate their carrying value at June 30, 2009 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. 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:

	June 30, 2009		December 31, 2008	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Senior notes	**$ 433,631**	**$ 254,512**	$ 443,370	$ 281,765
Term loan	**119,367**	**119,367**	125,012	125,012
Equipment financing	**51,928**	**51,928**	59,470	59,470
Capital leases	**10,917**	**10,916**	11,629	11,629
	$ 615,843	**$ 436,723**	$ 639,481	$ 477,876

The term loan is secured by accounts receivable and inventory having a carrying value of $71.0 million. In the event that the accounts 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.$34.3 million is secured by certain capital assets.