AINSWORTH LUMBER CO. LTD.
Interim Consolidated Balance Sheets
(In thousands of Canadian dollars)
(Unaudited)

	March 31 2008	December 31 2007
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	$ 26,899	$ 69,627
Short-term investments	880	835
Accounts receivable, net of allowance for doubtful accounts of $22 (2007: $40)	21,508	21,537
Inventories (Note 5)	67,105	73,050
Prepaid expenses	7,252	11,113
Restricted cash	7,744	7,104
Current portion of future income tax assets	658	635
	132,046	183,901
Capital Assets, Net	829,528	830,102
Other Assets	24,767	22,887
Future Income Tax Assets	12,177	11,759
Goodwill	51,970	51,970
	$ 1,050,488	$ 1,100,619
LIABILITIES AND SHAREHOLDERS' (DEFICIENCY) EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 47,511	$ 38,790
Income taxes payable	2,248	2,607
Current portion of future income tax liabilities	18,713	23,682
Current portion of long-term debt	10,643	10,122
	79,115	75,201
Accrued Pension Benefit Liability	6,887	6,651
Reforestation Obligation	4,381	4,451
Long-term Debt	1,001,022	967,250
Future Income Tax Liabilities	34,259	34,327
	1,125,664	1,087,880
Going Concern (Note 1)		
Commitments and Guarantees (Note 6)		
Contingencies (Note 7)		
SHAREHOLDERS' (DEFICIENCY) EQUITY		
Capital Stock	55,827	55,827
(Deficit) Retained Earnings	(31,953)	62,698
Accumulated Other Comprehensive Loss	(99,050)	(105,786)
	(75,176)	12,739
	$ 1,050,488	$ 1,100,619

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

Approved by the Board:

Catherine Ainsworth
DIRECTOR

Allen Ainsworth
DIRECTOR

AINSWORTH LUMBER CO. LTD.

Interim Consolidated Statements of Operations

For the three months ended March 31

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

(Unaudited)

	2008	2007
Sales	**$ 88,508**	$ 135,035
Costs and Expenses		
Costs of products sold (exclusive of amortization)	**110,397**	140,270
Selling and administration	**6,655**	8,865
Amortization of capital assets	**11,221**	15,139
(Gain) loss on disposal of capital assets (Note 8)	**(2,750)**	261
Write-off of capital assets	**837**	-
Cost of class action lawsuit	**146**	1,251
	126,506	165,786
Operating Loss	**(37,998)**	(30,751)
Finance Expense		
Interest	**17,619**	19,043
Transaction costs (Note 9)	**3,454**	-
	21,073	19,043
Other Income	**1,120**	1,702
Foreign Exchange (Loss) Gain on Long-term Debt	**(36,081)**	9,434
Other Foreign Exchange Gain (Loss)	**3,659**	(2,019)
Realized Currency Translation Loss	**(1,465)**	(570)
Loss Before Income Taxes	**(91,838)**	(41,247)
Income Tax Recovery (Note 11)	**(3,655)**	(18,481)
Net Loss	**$ (88,183)**	$ (22,766)
Basic and diluted loss per common share	**$ (6.02)**	$ (1.55)
Weighted average number of common shares outstanding	**14,649,140**	14,649,140

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 Loss

For the three months ended March 31
(In thousands of Canadian dollars)
(Unaudited)

		2008		2007
Net Loss	**$**	**(88,183)**	$	(22,766)
Other Comprehensive Income (Loss)				
Unrealized gain (loss) on translation of self-sustaining foreign operations		**5,271**		(3,974)
Realized currency translation adjustments (reclassified to net loss)		**1,465**		570
		6,736		(3,404)
Comprehensive Loss	**$**	**(81,447)**	$	(26,170)

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

For the three months ended March 31
(In thousands of Canadian dollars)
(Unaudited)

		2008		2007
Capital Stock	**$**	**55,827**	$	55,827
(Deficit) Retained Earnings				
Beginning of period		**62,698**		279,153
Transitional adjustment on adoption of new accounting policy (Note 3)		**(6,468)**		-
Net loss		**(88,183)**		(22,766)
		(31,953)		256,387
Accumulated Other Comprehensive Loss on Translation of Self-Sustaining Foreign Operations				
Beginning of period		**(105,786)**		(56,722)
Net unrealized gain (loss) on translation of self-sustaining foreign operations in the period		**6,736**		(3,404)
		(99,050)		(60,126)
Total (Deficit) Retained Earnings and Accumulated Other Comprehensive Loss		**(131,003)**		196,261
Total Shareholders' (Deficiency) Equity	**$**	**(75,176)**	$	252,088

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
For the three months ended March 31

(In thousands of Canadian dollars)

(Unaudited)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**$ (88,183)**	$ (22,766)
Items not affecting cash		
Amortization of capital assets	**11,221**	15,139
Non-cash portion of interest expense	**334**	472
Foreign exchange loss (gain) on long-term debt	**36,081**	(9,434)
(Gain) loss on disposal of capital assets	**(2,750)**	261
Write-off of capital assets	**837**	-
Change in non-current reforestation obligation	**(70)**	1,119
Future income taxes	**(3,832)**	(19,938)
Realized currency translation adjustments	**1,465**	570
Change in non-cash operating working capital (Note 13)	**4,427**	(14,508)
Cash used in operating activities	**(40,470)**	(49,085)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of long-term debt	**-**	75
Repayment of long-term debt	**(2,047)**	(1,628)
Repayment of capital lease obligations	**(75)**	(81)
Cash used in financing activities	**(2,122)**	(1,634)
CASH FLOWS FROM INVESTING ACTIVITIES		
Short-term investments	**(45)**	35,029
Restricted cash	**(640)**	43,880
Additions to capital assets	**(3,206)**	(41,613)
Decrease in other assets	**371**	1,043
Proceeds on disposal of capital assets	**3,392**	603
Cash (used in) provided by investing activities	**(128)**	38,942
Effect of foreign exchange rate changes on cash and cash equivalents	**(8)**	(25)
NET CASH OUTFLOW	**(42,728)**	(11,802)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**69,627**	74,312
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 26,899**	$ 62,510
SUPPLEMENTAL INFORMATION		
Taxes paid	**$ 60**	$ 4,309
Interest paid	**$ 8,226**	$ 7,405

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

AINSWORTH LUMBER CO. LTD.
Notes to the Interim Consolidated Financial Statements
Three month periods ended March 31, 2008 and 2007
(Figures are in thousands of Canadian dollars unless indicated otherwise)
(Unaudited)

1. GOING CONCERN

The unaudited interim consolidated financial statements are presented in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") on the assumption that the Company continues as a going concern. The going concern basis of presentation assumes that the Company will continue operations for the foreseeable future and will be able to realize assets and discharge liabilities and commitments in the normal course of business. If the going concern assumption was not appropriate for these financial statements, adjustments would have to be made to the carrying value of assets and liabilities, reported revenues and expenses and balance sheet classifications.

There is reasonable doubt about the appropriateness of using the going concern assumption because of the Company's current liquidity position and forecasted operating cash flows and capital requirements for the next twelve months. The decline in demand for OSB in the U.S. residential housing market and the significant appreciation of the Canadian dollar against the U.S. dollar led to negative operating margins. In addition, under the Company's existing long-term and current indebtedness, over the remainder of 2008 the Company must provide for interest payments of approximately $62 million and principal payments of $8.5 million. Under these circumstances, the Company has significant liquidity risk (Note 16).

The Company is exploring strategic alternatives to improve capital structure and enhance liquidity, including refinancing debt, non-core asset sales and cost reduction initiatives. Such strategic alternatives may have a material impact on its current capital structure, lenders and shareholders. In addition, the existing indenture agreement allows for borrowing of up to $50 million, subject to meeting certain conditions.

2. BASIS OF PRESENTATION

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, 2007. The Company's accounting policies are in accordance with Canadian GAAP. These accounting policies are consistent with those outlined in the 2007 annual audited financial statements, except as noted in Note 3. 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.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2008 the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") for capital disclosures, inventories and financial instruments presentation and disclosure.

Section 1535 – Capital Disclosures
This section establishes standards for disclosures about an entity's capital and how it is managed. Under this standard, the Company is required to disclose qualitative information about its objectives, policies and processes for managing capital; to disclose quantitative data about what it regards as capital; and to disclose whether an entity has complied with any externally imposed capital requirements and, if not, the consequences of such non-compliance.

AINSWORTH LUMBER CO. LTD.
Notes to the Interim Consolidated Financial Statements
Three month periods ended March 31, 2008 and 2007
(Figures are in thousands of Canadian dollars unless indicated otherwise)
(Unaudited)

3. CHANGES IN ACCOUNTING POLICIES (Continued)

Section 3031 - Inventories
The Company has applied Section 3031 on a prospective basis, with opening inventory adjustments recorded against opening retained earnings. Under the new requirements, inventory must be valued at the lower of cost and net realizable value. Cost of panel products is defined as all costs that relate to bringing the inventory to its present location and condition under normal operating conditions and includes manufacturing costs, such as raw materials, labour and production overhead and amortization costs. Inventory cost is determined using the three month weighted average cost of production. Cost of logs is defined as all costs that relate to purchasing, harvesting and delivery of the logs to their present location, including labour, overhead and amortization. Materials, supplies and consumable spares are valued at the lower of cost and replacement cost, which approximates net realizable value, and are expensed when introduced into the production process. As at January 1, 2008, capital spares in the amount of $1.2 million have been reclassified to capital assets and are amortized over the estimated remaining life of the related mill. The adjustment to opening inventory and retained earnings on adoption of Section 3031 was $6.5 million, net of tax of $1.2 million.

Section 3862 – Financial Instruments – Disclosures
This section requires entities to provide disclosure of quantitative and qualitative information that enables users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks.

Section 3863 – Financial Instruments – Presentation
This section establishes standards for presentation of financial instruments and non-financial derivatives.

4. CASH AND CASH EQUIVALENTS

On March 26, 2008, as a result of liquidity falling below U.S.$75.0 million, under the terms of the U.S.$42.3 million equipment financing facility the Company received a prepayment notification from the lender requiring prepayment of interest for a period of twelve months. Cash and cash equivalents includes $2.6 million (December 31, 2007: $Nil) designated for this prepayment of interest, which was paid on April 2, 2008.

5. INVENTORIES

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

	March 31 2008	December 31 2007
Logs	**$ 15,008**	$ 21,124
Panel products	**18,270**	17,990
Materials, supplies and consumable spares	**33,827**	33,936
	$ 67,105	$ 73,050

5. INVENTORIES (Continued)

During the period ended March 31, 2008, log inventory write-downs of $7,502 and panel product inventory write-downs of $525 were recorded. Inventory write-downs may be reversed (to the extent of the original write-down) if circumstances change in subsequent periods.

The carrying amount of inventories pledged as security for loans was $61,701 as at March 31, 2008 (December 31, 2007: $73,050).

6. COMMITMENTS AND GUARANTEES

As part of the Grande Prairie expansion project, the Company has entered into agreements to purchase machinery, equipment, engineering and management support services totaling approximately $5,366 (December 31, 2007: $5,280). The terms of the contracts are varied and extend through 2009.

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.

7. CONTINGENCIES

In 2006, the Company, along with other North American OSB producers, was named as a defendant in several lawsuits which alleged violations of United States anti-trust laws in relation to the pricing and supply of OSB from mid-2002 to the present. In October 2007, the Company finalized a settlement agreement with the direct purchaser plaintiffs. Under the terms of the agreement, the Company paid $8.6 million (U.S.$8.6 million) into escrow to be distributed across the settlement class. In January 2008, the Company finalized a settlement agreement with the indirect purchaser plaintiffs. Under the terms of the agreement, the Company paid $1.3 million (U.S.$1.3 million) into escrow to be distributed across the settlement class. These settlement amounts, along with associated legal costs, were reflected in the Company's results as at December 31, 2007. The Company received preliminary court approval of these settlements in March 2008. The Company continues to believe the allegations against it in these claims are entirely without merit. The decision to enter into the settlement agreements was solely an attempt to avoid prolonged litigation.

In the normal course of its business activities, the Company is subject to a number of 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 March 31, 2008 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. GAIN ON DISPOSAL OF CAPITAL ASSETS

On March 26, 2008, the Company completed the sale of an unused finger-joint lumber facility for net proceeds of $3.4 million. The carrying value of the facility was $650 and was previously included in Corporate assets for the purposes of segmented disclosures.

AINSWORTH LUMBER CO. LTD.
Notes to the Interim Consolidated Financial Statements
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(Unaudited)

9. TRANSACTION COSTS

On February 15, 2008, the Company announced the commencement of an exchange offer for the Company's senior notes and a consent solicitation from holders of senior notes to certain amendments of the respective indentures governing such notes. On March 15, 2008, the Company announced that the exchange offer and consent solicitation had expired without any notes being exchanged thereunder. Transaction costs of $3,454 represent professional fees and filing fees associated with the exchange offer and consent solicitation.

10. PENSION EXPENSE

Pension expense related to the Company's defined benefit plans is $1,653 (2007: $1,839) and is estimated using assumptions consistent with those applied in the Company's annual audited financial statements. Amortization of past service cost and the net actuarial gain is calculated in a manner consistent with that disclosed in the annual audited financial statements and is not considered significant to disclose separately. The Company made contributions of $1,691 (2007: $Nil) for the period.

11. INCOME TAX RECOVERY

During the first quarter of 2008, the Company determined that, in light of poor OSB market conditions, continued operational losses and a bleak market outlook for 2008 and 2009, the future income tax benefit of certain Canadian tax loss carryforwards should be provided for. As a result, the Company is no longer recording the benefit of currently incurred Canadian tax losses. Since the fourth quarter of 2007, the Company is also not recording the benefit of currently incurred U.S. tax losses. During the quarter ended March 31, 2008, certain permanent differences, such as the non-taxable portion of the foreign exchange loss on our U.S. debt, and the expected reversal of certain future income tax assets at lower effected tax rates resulted in a tax recovery of $3.7 million.

12. RELATED PARTY TRANSACTIONS

During the quarter, the Company paid $42 (2007: $30) to a company owned by officers of the Company for rental charges relating to mobile forestry and transportation equipment. These transactions were conducted on normal commercial terms and prices.

13. CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended March 31	
	2008	2007
Accounts receivable	**$ (2,691)**	$ (6,435)
Inventories	**(2,335)**	(23,169)
Income taxes receivable/payable	**(356)**	(3,132)
Prepaid expenses	**1,395**	1,086
Accounts payable and accrued liabilities	**8,414**	17,142
	$ 4,427	$ (14,508)

AINSWORTH LUMBER CO. LTD.
Notes to the Interim Consolidated Financial Statements
Three month periods ended March 31, 2008 and 2007
(Figures are in thousands of Canadian dollars unless indicated otherwise)
(Unaudited)

14. SEGMENTED INFORMATION

	OSB	Plywood	Corporate	Consolidated
Three months ended March 31, 2008				
Sales to external customers	**$ 70,281**	**$ 18,227**	**$ -**	**$ 88,508**
Operating loss	**(31,599)**	**(238)**	**(6,161)**	**(37,998)**
Three months ended March 31, 2007				
Sales to external customers	$ 109,533	$ 25,502	$ -	$ 135,035
Operating loss	(19,121)	(563)	(11,067)	(30,751)

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

	Three months ended March 31	
	2008	2007
United States	**$ 62,815**	$ 102,671
Canada	**10,317**	16,803
Overseas	**15,376**	15,561
	$ 88,508	$ 135,035

Capital assets attributed to countries based on location are as follows:

	March 31 2008	December 31 2007
Canada	**$ 613,075**	$ 620,412
United States	**216,453**	209,690
	$ 829,528	$ 830,102

Goodwill of $51,970 (2007: $51,970) is attributable to the acquisition of Voyageur Panel Canada Limited which is located in Canada.

15. 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, 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.

16. 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, bank loans and a capital lease.

16. FINANCIAL INSTRUMENTS AND RISKS (Continued)

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 receivables and short-term investments. The Company's maximum exposure to credit risk related to receivables and short-term investments is the gross carrying amount of these assets net of any allowance for doubtful accounts or impairment loss as reflected in these interim financial statements. As at March 31, 2008, the amount of accounts receivable past due was nominal.

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.

To help reduce these risks the Company has certain committed borrowing facilities or other lines of credit. In addition, the Company continuously monitors and reviews both actual and forecasted cash flows. The ability of the Company to continue as a going concern is disclosed in Note 1 and is dependant upon the continuing support of its creditors and suppliers, obtaining additional financing or refinancing its capital structure and, ultimately, achieving profitable operations.

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.

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

16. FINANCIAL INSTRUMENTS AND RISKS (Continued)

Liquidity Risk (Continued)

	Less than 1 month	1 to 3 months	4 to 12 months	1 to 5 years
6.75% Senior Unsecured Notes	$ -	$ 11,086	$ 11,086	$ 88,690
7.25% Senior Unsecured Notes	-	10,233	10,233	359,048
LIBOR plus 3.75% Floating Rate Senior Unsecured Notes	-	2,537	7,610	173,087
LIBOR plus 4.00% Floating Rate Senior Unsecured Notes	-	1,287	3,862	20,596
Senior Secured Term Loan	493	1,002	4,515	23,971
Equipment loan	3,241	1,380	6,209	38,769
Deutsche Bank equipment loan	-	1,490	1,462	10,707
Capital lease obligations	83	166	745	3,973
Operating lease obligations	293	587	2,266	2,941
Accounts payable and accrued liabilities	31,113	713	4,077	-
Reforestation obligation	-	-	-	4,381
Purchase commitments	865	1,790	7,830	22,870
	$ 36,088	$ 32,270	$ 59,896	$ 749,034

Market Risk

Interest rate risk
Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest risk on its floating rate debt. Unfavourable changes in the applicable interest rates may result in an increase in interest expense. The Company manages its exposure to interest rate risk by maintaining a combination of floating rate debt and fixed rate debt. The Company does not use derivative instruments to reduce its exposure to interest rate risk.

At March 31, 2008, 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 increase/decrease by approximately $1.9 million on an annual basis (December 31, 2007: $1.2 million). Other comprehensive loss would decrease/increase by $Nil (December 31, 2007: $Nil). The increased sensitivity of after-tax net loss to interest rate changes in 2008 is due the Company's decision to stop recording the benefit of currently incurred tax losses.

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)

16. FINANCIAL INSTRUMENTS AND RISKS (Continued)

Market Risk (Continued)

Foreign currency risk also arises on translation of the net assets of the Company's self-sustaining U.S. subsidiary. This foreign currency translation risk exposure is partially offset by sales contracts and borrowings denominated in U.S. dollars. The U.S. dollar is the only foreign currency to which the Company has significant exposure. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

At March 31, 2008, 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 $8.6 million higher/lower on an annual basis (December 31, 2007: $5.3 million), and other comprehensive income would have been $Nil lower/higher (December 31, 2007: $Nil). The increased sensitivity of after-tax net loss to foreign currency rate changes in 2008 is due to the Company's decision to stop recording the benefit of currently incurred tax losses.

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 long-term debt, is estimated to approximate their carrying value at March 31, 2008 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:

	March 31, 2008		December 31, 2007	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Senior notes	**$ 835,399**	**$ 547,204**	$ 806,350	$ 534,164
Term loan	**105,357**	**105,357**	101,744	101,744
Equipment financing	**60,872**	**60,872**	59,510	59,510
Capital leases	**10,037**	**10,038**	9,768	9,768
	$ 1,011,665	**$ 723,471**	$ 977,372	$ 705,186

The term loan is secured by accounts receivable and inventory having a carrying value of $82,265. Equipment financing of U.S.$42,341 is secured by certain capital assets.

AINSWORTH LUMBER CO. LTD.
Notes to the Interim Consolidated Financial Statements
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(Figures are in thousands of Canadian dollars unless indicated otherwise)
(Unaudited)

17. SUBSEQUENT EVENT

On April 10, 2008, the Company finalized a settlement of a claim to a warranty holdback included in the purchase agreement relating to the Company's purchase of Voyageur Panel Ltd. in May 2004. Under the terms of the settlement agreement, the Company received cash proceeds of $2.9 million.