Source: **Stella-Jones Inc.**

Contacts:

Éric Vachon, CPA, CA
Senior Vice-President and Chief Financial Officer
Tel.: (514) 940-3903
evachon@stella-jones.com

Martin Goulet, CFA
MaisonBrison Communications
Tel.: (514) 731-0000
martin@maisonbrison.com

STELLA-JONES REPORTS SOLID THIRD QUARTER RESULTS

- **Sales of $195.4 million, versus $181.8 million last year**
- **Operating income of $31.8 million, up 24.4% from $25.6 million in Q3 2011**
- **24.8% increase in net income to $20.7 million, compared with $16.6 million last year**
- **Diluted EPS of $1.29, versus $1.03 a year ago**

MONTREAL, QUEBEC – November 9, 2012 - Stella-Jones Inc. (TSX: SJ) today announced financial results for its third quarter ended September 30, 2012.

"Stella-Jones delivered a strong operating and financial performance in the third quarter. Our constant focus on optimizing efficiency continues to yield solid year-over-year improvements in net income and cash flow. Demand for our core products remains solid, as we leverage the strengths of our network and further expand our reach across the North American market for treated wood products," said Brian McManus, President and Chief Executive Officer of Stella-Jones.

Financial highlights (in thousands of Canadian dollars, except per share data)	**Quarters ended Sept. 30,**		**Nine months ended Sept. 30,**	
	2012	**2011**	**2012**	**2011**
Sales	**195,435**	181,812	**558,149**	492,628
Operating income	**31,799**	25,569	**88,469**	67,569
Net income for the period	**20,683**	16,569	**56,524**	42,340
Per share - basic ($)	**1.29**	1.04	**3.54**	2.66
Per share - diluted ($)	**1.29**	1.03	**3.52**	2.65
Cash flow from operations [1]	**35,291**	28,443	**98,434**	74,867
Weighted average shares outstanding (basic, in '000s)	**15,989**	15,950	**15,975**	15,943

[1] Before changes in non-cash working capital components and interest and income tax paid.

THIRD QUARTER RESULTS

Sales for the quarter ended September 30, 2012 totalled $195.4 million, an increase of $13.6 million, or 7.5%, over last year's sales of $181.8 million. The Russellville, Arkansas operating facility acquired from Thompson Industries, Inc. on December 7, 2011 ("Russellville Facility") contributed railway tie and industrial product sales of approximately $12.3 million, while the conversion effect from fluctuations in the value of the Canadian dollar, Stella-Jones' reporting currency, versus the U.S. dollar, increased the value of U.S. dollar denominated sales by about $4.1 million when compared with the previous year.

Railway tie sales amounted to $114.7 million, an increase of $22.3 million, or 24.2%, over sales of $92.3 million last year, reflecting solid market demand as well as a $12.2 million contribution from the Russellville Facility. Utility pole sales amounted to $53.1 million, down slightly from $55.5 million last year. The variation reflects the year-over-year timing difference in transmission pole orders for special projects, which had resulted in stronger sales in the third quarter of 2011. Meanwhile, sales of distribution poles held steady, reflecting regular demand for maintenance projects. Industrial product sales reached $15.4 million, compared with $23.3 million a year earlier, due to a reduction in the tie recycling business and lower demand for marine applications in Canada. Sales of residential lumber totalled $12.3 million, up 14.9% from $10.7 million a year earlier as a result of more favourable weather compared with the same period last year and stronger demand in Western Canada.

Operating income was $31.8 million or 16.3% of sales, up from $25.6 million or 14.1% of sales last year. The increase in monetary terms mainly reflects higher business activity and the addition of the Russellville Facility, while the increase as a percentage of sales is mainly due to a better absorption of fixed costs resulting from higher business activity and from greater efficiency throughout the Company's plant network.

Net income for the period increased 24.8% to $20.7 million or $1.29 per share, fully diluted, compared with $16.6 million or $1.03 per share, fully diluted, in the third quarter of 2011. Cash flow from operating activities before changes in non-cash working capital components and interest and income tax paid rose 24.1% to $35.3 million.

NINE-MONTH RESULTS

For the nine-month period ended September 30, 2012, sales amounted to $558.1 million, up 13.3% from $492.6 million a year earlier. The Russellville Facility contributed sales of $32.0 million, while the conversion effect from fluctuations in the value of the Canadian dollar, versus the U.S. dollar, increased the year-over-year value of U.S. dollar denominated sales by about $11.1 million.

Operating income reached $88.5 million or 15.9% of sales, compared with $67.6 million or 13.7% of sales last year. Net income for the period was $56.5 million or $3.52 per share, fully diluted, up 33.5% from $42.3 million or $2.65 per share, fully diluted, a year earlier. Cash flow from operating activities before changes in non-cash working capital components and interest and income tax paid rose 31.5% to $98.4 million.

FINANCIAL POSITION REMAINS HEALTHY

As at September 30, 2012, the Company's long-term debt, including the current portion, amounted to $184.8 million, down from $192.3 million three months earlier. The ratio of total debt, including short-term bank indebtedness, to total capitalization was 0.33:1 as at September 30, 2012, down from 0.35:1 three months earlier.

Working capital stood at $318.2 million as at September 30, 2012, up from $273.2 million at the beginning of the year. This variation mainly reflects an increase of $22.8 million in accounts receivable, as a result of strong sales growth in the first nine months of 2012, and a $25.7 million increase in inventories due to higher planned inventory levels of air-dried wood, both to improve future treating cycles and meet anticipated sales growth.

QUARTERLY DIVIDEND OF $0.16 PER SHARE

On November 8, 2012, the Board of Directors declared a quarterly dividend of $0.16 per common share payable on December 20, 2012 to shareholders of record as at the close of business on December 3, 2012.

OUTLOOK

"Driven by favourable fundamentals, we expect demand for our core products to remain solid in the last quarter of 2012 and in 2013. The proposed acquisition of McFarland Cascade Holdings, Inc. and the construction of a new railway tie facility in Cordele, Georgia will further enhance Stella-Jones' offerings in its core markets. These expansion initiatives will strengthen our position as a leading North American supplier of treated wood products, as well as create additional value for shareholders," concluded Mr. McManus.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on Friday, November 9, 2012, at 10:00 AM Eastern Time. Interested parties can join the call by dialling 647-427-7450 (Toronto or overseas) or 1-888-231-8191 (elsewhere in North America). Parties unable to call in at this time may access a tape recording of the meeting by calling 1-855-859-2056 and entering the passcode 35391409#. This tape recording will be available on November 9, 2012 as of 1:00 PM Eastern Time until 11:59 PM Eastern Time on Friday, November 16, 2012.

NON-IFRS FINANCIAL MEASURES

Operating income and cash flow from operations are financial measures not prescribed by IFRS and are not likely to be comparable to similar measures presented by other issuers. Management considers these measures to be useful information to assist knowledgeable investors in evaluating the cash generating capabilities of the Company.

ABOUT STELLA-JONES

Stella-Jones Inc. (TSX: SJ) is a leading producer and marketer of pressure treated wood products. The Company supplies North America's railroad operators with railway ties, timbers and recycling services; and the continent's electrical utilities and telecommunications companies with utility poles. Stella-Jones also provides industrial products and services for construction and marine applications, as well as residential lumber to retailers and wholesalers for outdoor applications. The Company's common shares are listed on the Toronto Stock Exchange.

Except for historical information provided herein, this press release may contain information and statements of a forward-looking nature concerning the future performance of the Company. These statements are based on suppositions and uncertainties as well as on management's best possible evaluation of future events. Such factors may include, without excluding other considerations, fluctuations in quarterly results, evolution in customer demand for the Company's products and services, the impact of price pressures exerted by competitors, the ability of the Company to raise the capital required for acquisitions, and general market trends or economic changes. As a result, readers are advised that actual results may differ from expected results.

-30-

HEAD OFFICE
3100 de la Côte-Vertu Blvd.
Suite 300
Saint-Laurent, Québec
H4R 2J8
Tel.: (514) 934-8666
Fax: (514) 934-5327

EXCHANGE LISTINGS
The Toronto Stock Exchange
Stock Symbol: SJ

TRANSFER AGENT AND REGISTRAR
Computershare Investor Services Inc.

INVESTOR RELATIONS
Éric Vachon
Senior Vice-President and
Chief Financial Officer
Tel.: (514) 940-3903
Fax: (514) 934-5327
evachon@stella-jones.com

NOTICE

The condensed interim unaudited consolidated financial statements of Stella-Jones Inc. for the third quarter ended September 30, 2012 have not been reviewed by the Company's external auditors.

(Signed)

Éric Vachon
Senior Vice-President and Chief Financial Officer

Montréal, Québec
November 9, 2012

Stella-Jones Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)
September 30, 2012 and 2011

Stella-Jones Inc.
Interim Consolidated Statements of Financial Position
(Unaudited)

(expressed in thousands of Canadian dollars)

	Note	As at September 30, 2012 $	As at December 31, 2011 $
Assets			
Current assets			
Accounts receivable		99,285	76,511
Derivative financial instruments		254	349
Inventories		269,304	243,590
Prepaid expenses		11,519	8,348
Income taxes receivable		2,058	1,721
		382,420	330,519
Non-current assets			
Property, plant and equipment		118,242	119,441
Intangible assets		64,184	71,062
Goodwill		89,972	91,720
Other assets		6,547	4,314
		661,365	617,056
Liabilities and Shareholders' Equity			
Current liabilities			
Bank indebtedness		3,457	2,585
Accounts payable and accrued liabilities		42,977	43,693
Derivative financial instruments		-	171
Current portion of long-term debt		8,586	1,465
Current portion of provisions and other long-term liabilities		9,180	9,418
		64,200	57,332
Non-current liabilities			
Long-term debt		176,176	178,629
Deferred income taxes		40,478	43,417
Provisions and other long-term liabilities		1,832	2,117
Employee future benefits		2,871	2,271
Derivative financial instruments		2,080	1,378
		287,637	285,144
Shareholders' equity			
Capital stock	4	132,323	131,272
Contributed surplus		1,203	1,342
Retained earnings		249,661	201,268
Accumulated other comprehensive loss		(9,459)	(1,970)
		373,728	331,912
		661,365	617,056

The accompanying notes are an integral part of these interim consolidated financial statements.

Stella-Jones Inc.
Interim Consolidated Statements of Change in Shareholders' Equity
(Unaudited)
For the nine-month periods ended September 30, 2012 and 2011

(expressed in thousands of Canadian dollars)

				Accumulated other comprehensive loss				
	Capital stock	Contributed surplus	Retained earnings	Foreign currency translation adjustment	Translation of long-term debts designated as net investment hedges	Unrecognized losses on cash flow hedges	Total	Total shareholders' equity
	$	$	$	$	$	$	$	$
Balance – January 1, 2012	131,272	1,342	201,268	(2,239)	1,046	(777)	(1,970)	331,912
Comprehensive income								
Net income for the period	-	-	56,524	-	-	-	-	56,524
Other comprehensive income (loss)	-	-	(780)	(10,569)	3,509	(429)	(7,489)	(8,269)
Comprehensive income for the period	-	-	55,744	(10,569)	3,509	(429)	(7,489)	48,255
Transactions with shareholders								
Dividends on common shares	-	-	(7,351)	-	-	-	-	(7,351)
Stock option plan	719	-	-	-	-	-	-	719
Exercise of stock options	-	(231)	-	-	-	-	-	(231)
Employee share purchase plans	332	-	-	-	-	-	-	332
Stock-based compensation	-	92	-	-	-	-	-	92
	1,051	(139)	(7,351)	-	-	-	-	(6,439)
Balance – September 30, 2012	132,323	1,203	249,661	(12,808)	4,555	(1,206)	(9,459)	373,728

The accompanying notes are an integral part of these interim consolidated financial statements.

Stella-Jones Inc.

Interim Consolidated Statements of Change in Shareholders' Equity…*continued*

(Unaudited)

For the nine-month periods ended September 30, 2012 and 2011

(expressed in thousands of Canadian dollars)

				Accumulated other comprehensive loss				
	Capital stock	Contributed surplus	Retained earnings	Foreign currency translation adjustment	Translation of long-term debts designated as net investment hedges	Unrecognized losses on cash flow hedges	Total	Total shareholders' equity
	$	$	$	$	$	$	$	$
Balance – January 1, 2011	130,229	1,376	155,636	(8,471)	2,243	(911)	(7,139)	280,102
Comprehensive income								
Net income for the period	-	-	42,340	-	-	-	-	42,340
Other comprehensive income (loss)	-	-	(1,736)	14,676	(3,699)	(160)	10,817	9,081
Comprehensive income for the period	-	-	40,604	14,676	(3,699)	(160)	10,817	51,421
Transactions with shareholders								
Dividends on common shares	-	-	(7,972)	-	-	-	-	(7,972)
Stock option plan	655	-	-	-	-	-	-	655
Exercise of stock options	-	(255)	-	-	-	-	-	(255)
Employee share purchase plans	281	-	-	-	-	-	-	281
Stock-based compensation	-	177	-	-	-	-	-	177
	936	(78)	(7,972)	-	-	-	-	(7,114)
Balance – September 30, 2011	131,165	1,298	188,268	6,205	(1,456)	(1,071)	3,678	324,409

The accompanying notes are an integral part of these interim consolidated financial statements.

Stella-Jones Inc.
Interim Consolidated Statements of Income
(Unaudited)

(expressed in thousands of Canadian dollars, except earnings per common share)

	Note	For the three-month periods ended September 30, 2012 $	2011 $	For the nine-month periods ended September 30, 2012 $	2011 $
Sales		195,435	181,812	558,149	492,628
Expenses (income)					
Cost of sales		152,629	144,186	439,483	398,082
Selling and administrative		11,356	10,884	29,894	26,080
Other losses (gains), net		(349)	1,173	303	897
		163,636	156,243	469,680	425,059
Operating income		31,799	25,569	88,469	67,569
Financial expenses					
Interest on long-term debt		1,807	1,592	5,935	4,865
Other interest		-	217	-	1,262
		1,807	1,809	5,935	6,127
Income before income taxes		29,992	23,760	82,534	61,442
Provision for (recovery of) income taxes					
Current		10,077	7,691	27,363	17,834
Deferred		(768)	(500)	(1,353)	1,268
		9,309	7,191	26,010	19,102
Net income for the period		20,683	16,569	56,524	42,340
Basic earnings per common share	4	1.29	1.04	3.54	2.66
Diluted earnings per common share	4	1.29	1.03	3.52	2.65

The accompanying notes are an integral part of these interim consolidated financial statements.

Stella-Jones Inc.
Interim Consolidated Statements of Comprehensive Income
(Unaudited)

(expressed in thousands of Canadian dollars)

	For the three-month periods ended September 30, 2012 $	2011 $	For the nine-month periods ended September 30, 2012 $	2011 $
Net income for the period	20,683	16,569	56,524	42,340
Other comprehensive income (loss)				
Net change in gains (losses) on translation of financial statements of foreign operations	(11,161)	22,498	(10,569)	14,676
Change in gains (losses) on translation of long-term debts designated as hedges of net investment in foreign operations	3,950	(7,042)	3,826	(3,996)
Income tax on change in gains (losses) on translation of long-term debts designated as hedges of net investment in foreign operations	(525)	707	(317)	297
Change in gains (losses) on fair value of derivatives designated as cash flow hedges	(98)	(459)	(626)	(239)
Income tax on change in gains (losses) on fair value of derivatives designated as cash flow hedges	24	138	197	79
Change in actuarial gains (losses) on post-retirement benefit obligations	(524)	(2,583)	(1,036)	(2,315)
Income tax on change in actuarial gains (losses) on post-retirement benefit obligations	131	646	256	579
	(8,203)	13,905	(8,269)	9,081
Comprehensive income	12,480	30,474	48,255	51,421

The accompanying notes are an integral part of these interim consolidated financial statements.

Stella-Jones Inc.
Interim Consolidated Statements of Cash Flows
(Unaudited)
For the nine-month periods ended September 30, 2012 and 2011

(expressed in thousands of Canadian dollars)

	2012	2011
	$	$
Cash flows provided by (used in)		
Operating activities		
Net income for the period	56,524	42,340
Adjustments for		
Depreciation of property, plant and equipment	3,837	3,382
Amortization of intangible assets	3,824	3,008
Interest accretion	569	1,037
Loss on disposal of property, plant and equipment	655	31
Employee future benefits	(436)	(616)
Stock-based compensation	92	177
Asset impairment reversal	-	(280)
Financial expenses	5,935	6,127
Income taxes	27,363	17,834
Deferred income taxes	(1,353)	1,268
Restricted stock units obligation	1,380	573
Other	44	(14)
	98,434	74,867
Changes in non-cash working capital components		
Accounts receivable	(24,759)	(42,796)
Inventories	(27,313)	(4,773)
Prepaid expenses	(3,479)	(6,744)
Income taxes receivable	(192)	(447)
Accounts payable and accrued liabilities	(1,173)	2,763
Asset retirement obligations	18	(620)
Provisions and other long-term liabilities	(1,684)	2,390
	(58,582)	(50,227)
Interest paid	(4,821)	(6,405)
Income tax paid	(27,601)	(16,912)
	7,430	1,323
Financing activities		
Increase (decrease) in bank indebtedness	873	(1,985)
Increase in deferred financing costs	-	(47)
Increase in long-term debt	11,277	89,582
Repayment of long-term debt	(1,708)	(79,288)
Non-competes payable	(941)	(905)
Dividend on common shares	(7,351)	(3,825)
Proceeds from issuance of common shares	820	681
	2,970	4,213
Investing activities		
Decrease (increase) in other assets	122	(27)
Business acquisition	(4,396)	-
Increase in intangible assets	(362)	(484)
Purchase of property, plant and equipment	(6,275)	(5,305)
Decrease in assets held for sale	402	188
Proceeds from disposal of property, plant and equipment	109	92
	(10,400)	(5,536)
Net change in cash and cash equivalents during the period	-	-
Cash and cash equivalents – Beginning of period	-	-
Cash and cash equivalents – End of period	-	-

The accompanying notes are an integral part of these interim consolidated financial statements.

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

1 Description of the business

Stella-Jones Inc. (the "Company") is a North American producer and marketer of industrial treated wood products, specializing in the production of railway ties and timbers as well as wood poles supplied to electrical utilities and telecommunication companies. The Company manufactures the wood preservative creosote and other coal tar-based products and provides the railroad industry with used tie pickup and disposal services. Switching, locomotive and railcar maintenance services are also offered, as is tie-derived boiler fuel. The Company also provides treated residential lumber products and customized services to lumber retailers and wholesalers for outdoor applications. Other treated wood products include marine and foundation pilings, construction timbers, highway guardrail posts and treated wood for bridges. The Company has treating and pole peeling facilities across Canada and the United States and sells its products mainly in these two countries. The Company's headquarters are located in Saint-Laurent, Quebec, Canada. The Company is incorporated under the *Canada Business Corporations Act*, and its common shares are listed on the Toronto Stock Exchange ("TSX") under the stock symbol SJ.

2 Significant accounting policies

Basis of presentation

The Company's condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*.

The same accounting policies, methods of computation and presentation have been followed in the preparation of these condensed interim consolidated financial statements as were applied in the annual consolidated financial statements for the year ended December 31, 2011.

These condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB.

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

Principles of consolidation

The condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The significant subsidiaries are the following: Guelph Utility Pole Company Ltd., I.P.B.-W.P.I. International Inc., 4552822 Canada Inc., 4552831 Canada Inc., Stella-Jones Canada Inc., Stella-Jones U.S. Holding Corporation ("SJ Holding"), Stella-Jones Corporation ("SJ Corp"), Stella-Jones U.S. Finance Corporation and Canadalux S.à.r.l. The following subsidiaries, SJ Holding, SJ Corp, Stella-Jones U.S. Finance Corporation and Canadalux S.à.r.l., are foreign operations that have a different functional currency from that of the Company.

The consolidated accounts of the Company include the accounts of a 50% interest in Kanaka Creek Pole Company Limited, a joint venture which is accounted for under the proportionate consolidation method of accounting.

3 Business acquistion

a) On July 3, 2012, the Company acquired certain assets of PLS Pole Yard, Inc. ("PLS), a provider of untreated wood poles operating a wood pole peeling yard located in Rochester, Washington. Total cash outlay associated with the acquisition was $4,396 (US$4,342), excluding acquisition costs of $241 (US$240), and was financed through existing credit facilities.

   The following fair value determination of the net assets acquired and liabilities assumed is preliminary and is based on management's best estimates and information known at the time of preparing these condensed interim consolidated financial statements. This fair value determination is expected to be completed within 12 months of the acquisition date and consequently, changes could occur mainly with respect to intangible assets and goodwill

   The following is a summary of the net assets acquired, the liabilities assumed and the consideration transferred at fair value as at the acquisition date. The original transaction was made in U.S. dollars and converted into Canadian dollars as at the acquisition date.

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

	$
Assets acquired	
Inventories	1,971
Property, plant and equipment	713
Customer relationships	659
Non-compete agreement	191
Fiber supply agreement	182
Non-deductible goodwill	1,053
	4,769
Liabilities assumed	
Non-compete agreement	191
Fiber supply agreement	182
Total net assets acquired and liabilities assumed	4,396
Consideration transferred	
Cash	4,396
Consideration transferred for shares	4,396

The Company's valuation of intangible assets has identified customer relationships, a non-compete agreement and a fiber supply agreement. The assigned useful life for customer relationships is 18 years and 6 months. The non-compete agreement and the fiber supply agreement are amortized over the terms of the agreements which are 5 and 2 years respectively. Goodwill is not amortized nor deductible for tax purposes, and represents the future economic value associated with raw material sourcing, acquired workforce and synergies with the Company's operations.

The newly acquired pole peeling assets have been integrated directly into the Company's existing operations and are now used for the Company's internal requirements. Accordingly, it is impracticable to provide the pro forma disclosures on post-acquisition sales and income before taxes for these assets as the Company does not maintain such discrete financial information.

b) On December 7, 2011, the Company completed the acquisition of 100% of the shares of Thompson Industries, Inc. ("Thompson"), a provider of treated wood products to the railroad industry. Thompson produced treated wood products, mainly railway ties and timbers, at a facility located in Russellville, Arkansas. Total cash outlay associated with the acquisition was approximately $29,015 (US$28,719), excluding acquisition costs of approximately $423 (US$414).

The following fair value determination of the net assets acquired and liabilities assumed is based on management's best estimates. During the third quarter of 2012, the Company made changes with regards to finished goods inventory fair value, customer relationships, customer backlog, goodwill, site remediation

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

provision and deferred income tax liabilities. Immediately following the acquisition, Thompson was merged with SJ Corp and the surviving corporation was SJ Corp. The results of operations of the acquiree have been included in the Company's consolidated financial statements from the acquisition date.

The following is a final summary of the net assets acquired, the liabilities assumed and the consideration transferred at fair value as at the acquisition date. The original transaction was made in U.S. dollars and converted into Canadian dollars as at the acquisition date.

Assets acquired	**$**
Non-cash working capital	11,051
Property, plant and equipment	9,452
Cash surrender value of life insurance	150
Customer relationships	12,154
Customer backlog	344
Non-deductible goodwill	16,261
	49,412
Liabilities assumed	
Accounts payable and accrued liabilities	2,835
Long-term debt	3,460
Site remediation provision	455
Deferred income tax liabilities	7,451
Total net assets acquired and liabilities assumed	35,211
Consideration transferred	
Cash	29,015
Unsecured note payable to vendor	5,322
Consideration payable	874
Consideration transferred for shares	35,211

The Company's valuation of intangible assets has identified customer relationships and customer backlog. The assigned useful lives for customer relationships are 25 years and 10 months for the customer backlog. Goodwill is not amortized nor deductible for tax purposes, and represents the future economic value associated with the increased railroad network access, acquired workforce and synergies with the Company's operations.

The Company financed the acquisition through existing credit facilities and an unsecured vendor note of $6,574 (US$6,507), bearing interest at 2.67% and repayable in equal installments over a 10-year period. The fair value of the vendor note was determined to be $5,322 (US$5,268) using an interest rate of 7.0%.

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

4 Capital stock

	2012	**2011**
Number of shares outstanding – Beginning of period*	15,955	15,923
Stock option plan*	29	22
Employee share purchase plans*	6	8
Number of shares outstanding – End of period*	15,990	15,953

* Number of shares is presented in thousands.

a) Capital stock consists of the following:

Authorized
An unlimited number of preferred shares issuable in series
An unlimited number of common shares

b) Earnings per share

The following table provides the reconciliation between basic earnings per common share and diluted earnings per common share:

	For the three-month periods ended September 30,		**For the nine-month periods ended September 30,**	
	2012	**2011**	**2012**	**2011**
Net income applicable to common shares	$20,683	$16,569	$56,524	$42,340
Weighted average number of common shares outstanding*	15,989	15,950	15,975	15,943
Effect of dilutive stock options*	74	60	65	60
Weighted average number of diluted common shares outstanding*	16,063	16,010	16,040	16,003
Basic earnings per common share **	$1.29	$1.04	$3.54	$2.66
Diluted earnings per common share **	$1.29	$1.03	$3.52	$2.65

* Number of shares is presented in thousands.

** Basic and diluted earnings per common share are presented in dollars per share.

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

5 Seasonality

The Company's operations follow a seasonal pattern, with pole, tie and industrial lumber shipments strongest in the second and third quarters to provide industrial end-users with product for their summer maintenance projects. Consumer lumber sales follow the same seasonal pattern. Inventory levels of railway ties and utility poles are typically highest in the first quarter in advance of the summer shipping season. The first and fourth quarters usually generate similar sales.

6 Segment information

The Company operates within one business segment: the production and sale of pressure treated wood and related services.

7 Subsequent events

- On November 2, 2012, the Company announced that it has signed a non-binding letter of intent to acquire the shares of McFarland Cascade Holdings, Inc. ("McFarland"), a provider of treated wood products based in the state of Washington.

  The letter of intent contemplates a total cash outlay of US$230,000, of which approximately US$150,000 will be paid to the shareholders of McFarland and approximately US$80,000 will be used to reimburse McFarland's debts with financial institutions. The transaction, if finalized, is expected to close in November 2012 and is subject to customary closing conditions, including entry into a definitive purchase agreement, customary approvals and satisfactory due diligence. The Company has already received U.S. antitrust clearance with regard to the proposed acquisition and plans to finance the transaction through a combination of term financing and equity.

  Founded in 1916, McFarland is one of North America's long-standing suppliers of utility poles, as well as crossarms, piling and crane mats. It is also a provider of treated lumber for outdoor home projects, including composite decking, railings and related accessories. It serves its customer base through four wood treating facilities located in Tacoma, Washington; Eugene, Oregon; Electric Mills, Mississippi; and Galloway, British Columbia; as well as through an extensive distribution network. McFarland's sales for its fiscal year ended December 31, 2011 were approximately US$255,000.

- On November 8, 2012, the Board of Directors approved a quarterly dividend of $0.16 per common share payable on December 20, 2012 to shareholders of record as at the close of business on December 3, 2012.

- On November 8, 2012, the Company announced that it has begun the construction of a new wood treating facility located in Cordele, Georgia. This new facility will be primarily devoted to the production of railway ties. As at September 30, 2012, the capital asset purchase commitments for the project were $5,335.