March 12, 2008 20:55 ET

Seventh Consecutive Year of Solid Growth at Stella-Jones

- Sales grow by 20.5% in 2007 to $269.7 million - Net earnings increase by 23.3% to reach $25.7 million - Gross profit margin further improves - Solid financial position supported by strong cash flow generation

MONTREAL, QUEBEC--(Marketwire - March 12, 2008) - Stella-Jones Inc. (TSX:SJ) is pleased to announce financial results for its fiscal year ended December 31, 2007. Sales reached $269.7 million in 2007, an increase of $45.9 million, or 20.5%, over last year's sales of $223.9 million. This increase was largely due to the added sales from the Arlington, Washington facility, acquired on February 28, 2007, as well as a full-year's revenue contribution from the Carseland, Alberta facility acquired in July 2006. Organically, sales declined slightly owing to a negative impact of nearly $5.0 million from a stronger Canadian dollar, the Company's reporting currency, on U.S. dollar denominated sales and to the forest industry strike in southern British Columbia that began on July 20, 2007 and continued until October 21, 2007. The strike forced a three-month suspension of operations at the Company's New Westminster treating facility and at its pole peeling joint venture in Maple Ridge.

Through continuous operational efficiencies, tight control on operating expenses and improving acquisition synergies, gross profit further increased in 2007, both in dollar terms and as a percentage of sales. Gross profit amounted to $66.3 million, or 24.6% of sales, up sharply from $50.4 million, or 22.5% of sales in the year prior.

Stella-Jones completed 2007 with a 23.3% increase in net earnings to $25.7 million, or $2.03 per share, fully diluted, compared with net earnings of $20.8 million, or $1.76 per share, fully diluted, in 2006.

"We are pleased with our accomplishments in 2007, given the challenges caused by the temporary disruption of our operations in British Columbia and the impact of a stronger Canadian currency," said Brian McManus, President and CEO of Stella-Jones. "The Company reported its seventh consecutive year of solid growth by adhering to our business model, enhancing our core competencies, and expanding our capacity, both internally and by acquisition."

FOURTH QUARTER RESULTS

Sales for the fourth quarter of 2007 reached $48.4 million, down 2.2% from $49.5 million reported for the same period in 2006. This decline is essentially due to the $3.2 million negative impact of the strong Canadian currency on U.S. dollar denominated sales and to the last three weeks of the labour conflict in southern British Columbia.

Fourth quarter sales of utility poles reached $30.5 million, representing a 7.8% year-over-year increase in sales, with a $5.4 million contribution from the Arlington, Washington facility acquired earlier in the year offsetting the impact of a strong Canadian currency and the strike in British Columbia. Railway tie sales stood at $11.3 million, 19.5% lower than a year ago owing to unfavourable currency fluctuations and a temporary shortage of railcars at year-end. Industrial lumber sales declined by 9.9% to $3.7 million, while consumer lumber sales were essentially stable at $2.9 million.

Gross profit further improved in the final quarter of 2007, reaching $12.2 million, or 25.2% of sales, up from $11.4 million, or 23.0% of sales, in the corresponding period in 2006, an increase of 7.5%. Because of an $800,000 increase in selling and administrative expenses, mainly owed to higher stock-based compensation and a loss on foreign exchange of $500,000 greater than that of last year, net earnings for the period totalled $4.4 million, or $0.35 per share, fully diluted, compared with $5.1 million, or $0.41 per share, fully diluted, in the fourth quarter of 2006.

SOLID BALANCE SHEET SUPPORTED BY STRONG CASH FLOW GENERATION

Stella-Jones once again demonstrated its ability to generate a robust cash flow stream. For the year ended December 31, 2007, cash flow from operating activities before non-cash changes in working capital components reached $32.9 million, an increase of 22.7% over cash flow of $26.8 million last year. This strong cash flow generation enabled the Company to maintain a solid balance sheet, despite additional debt to finance the J.H. Baxter & Co. acquisition early in the year, with a ratio of average debt to operating earnings before amortization of capital assets of 1.64:1 as at December 31, 2007, virtually unchanged from a year earlier.

"We finished 2007 on a very solid financial footing", said George Labelle, Senior Vice-President and Chief Financial Officer. "Our total long-term debt to equity ratio of 0.37:1 is at a satisfactory level from which we can continue to pursue our planned capacity expansion, both internally and externally."

PROPOSED ACQUISITION

The definitive merger agreement with respect to the acquisition of The Burke-Parsons-Bowlby Corporation ("BPB") was entered into on March 11, 2008. The completion of the transaction, which is expected to close on April 1, 2008, is subject to BPB shareholders' approval and completion of satisfactory due diligence.

OUTLOOK

"The proposed acquisition of BPB would position Stella-Jones as a solid no. 2 player in the U.S. railway tie market. Our focus on operational efficiency and on leveraging growth opportunities should enable Stella-Jones to optimize the contribution from these assets in a reasonable time frame. While near term results will reflect the current strength of the Canadian dollar, management remains confident about the future, as the vast majority of our sales are for infrastructure maintenance and replacement purposes. Historically, these investments are not as susceptible to decline during economic downturns", concluded Mr. McManus.

ABOUT STELLA-JONES

Stella-Jones Inc. (TSX:SJ) is a leading North American producer and marketer of industrial treated wood products, specializing in the production of pressure treated railway ties as well as wood poles supplied to electrical utilities and telecommunications companies. Other principal products include marine and foundation pilings, construction timbers, highway guardrail posts and treated wood for bridges. The Company also provides treated consumer lumber products and customized services to lumber retailers and wholesalers for outdoor applications. The Company's common shares are listed on the Toronto Stock Exchange.

Visit our website: www.stella-jones.com

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, and general market trends or economic changes. As a result, readers are advised that actual results may differ from expected results.

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EXCHANGE LISTINGS

The Toronto Stock Exchange
Stock Symbol: SJ

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NOTICE

The interim unaudited consolidated financial statements of
Stella-Jones
Inc. for the fourth quarter ended December 31, 2007 have not
been reviewed
by the Company's external auditors.

(Signed)

George Labelle
Senior Vice-President and Chief Financial Officer

Montreal, Quebec
March 12, 2008

CONSOLIDATED BALANCE SHEETS

as at December 31, 2007 and December 31, 2006	2007 ($)	2006 ($)
ASSETS		
CURRENT ASSETS		
Accounts receivable	26,411,115	32,113,553
Derivative financial instruments	658,437	-
Inventories	142,873,928	117,441,115
Prepaid expenses	1,472,155	2,325,219
Income taxes receivable	783,677	-
Future income taxes	619,139	356,000
	172,818,451	152,235,887
CAPITAL ASSETS	70,264,386	59,925,656
DERIVATIVE FINANCIAL INSTRUMENTS	273,500	-
OTHER ASSETS	1,142,531	1,088,343
FUTURE INCOME TAXES	357,477	425,000

	244,856,345	213,674,886

LIABILITIES

CURRENT LIABILITIES		
Bank indebtedness	39,026,390	42,286,469
Accounts payable and accrued liabilities	21,855,626	22,299,399
Income taxes payable	-	2,964,247
Future income taxes	288,898	-
Current portion of long-term debt	4,408,949	3,797,096
Current portion of asset retirement obligations	750,888	922,929
	66,330,751	72,270,140
LONG-TERM DEBT	43,034,946	28,096,118
FUTURE INCOME TAXES	5,968,406	5,960,036
ASSET RETIREMENT OBLIGATIONS	467,219	414,635
EMPLOYEE FUTURE BENEFITS	1,298,029	1,112,177
	117,099,351	107,853,106

SHAREHOLDERS' EQUITY		
CAPITAL STOCK	46,023,360	45,473,435
CONTRIBUTED SURPLUS	4,045,122	2,416,650
RETAINED EARNINGS	80,744,909	58,004,374
ACCUMULATED OTHER COMPREHENSIVE LOSS	(3,056,397)	(72,679)
	127,756,994	105,821,780
	244,856,345	213,674,886

See accompanying Notes

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

as at December 31, 2007 and December 31, 2006	2007 (#)	2006 (#)

SHARE CAPITAL

Shares outstanding - beginning of year	12,298,015	10,880,840
Private placement	-	1,060,000
Stock option plan	37,785	161,370
Warrants exercised	-	190,000
Share purchase plan	5,288	5,805
Shares outstanding - end of year	12,341,088	12,298,015

	($)	($)
Shares outstanding - beginning of year	45,473,435	26,174,801
Private placement	-	18,020,000
Stock option plan	366,531	391,627
Warrants exercised	-	779,000
Share purchase plan	183,394	108,007
Shares outstanding - end of year	46,023,360	

45,473,435

CONTRIBUTED SURPLUS

Balance - beginning of year	2,416,650	53,499
Elimination of liability associated with stock-based compensation expense	-	2,262,000
Stock-based compensation	1,716,416	123,808
Exercise of stock options	(87,944)	(22,657)
Balance - end of year	4,045,122	2,416,650

RETAINED EARNINGS

Balance - beginning of year	58,004,374	38,781,497
Net earnings for the year	25,699,508	20,845,956
Dividends on common shares	(2,958,973)	(1,623,079)
Balance - end of year	80,744,909	58,004,374

ACCUMULATED OTHER COMPREHENSIVE LOSS		
Balance - beginning of year	(72,679)	(201,646)
Adoption of new accounting standards for financial instruments, net of taxes of $280,148	568,785	-
Adjusted opening balance	496,106	(201,646)
Other comprehensive loss	(3,552,503)	128,967
Balance - end of year	(3,056,397)	(72,679)
SHAREHOLDERS' EQUITY	127,756,994	105,821,780

See accompanying Notes

CONSOLIDATED STATEMENTS OF EARNINGS

	three months ended Dec. 31, 2007 ($) unaudited	three months ended Dec. 31, 2006 ($) unaudited	twelve months ended Dec. 31, 2007 ($)	twelve months ended Dec. 31, 2006 ($)
SALES	48,439,547	49,512,301	269,714,130	223,853,026
EXPENSES (INCOME)				
Cost of sales	36,217,919	38,145,121	203,425,674	173,489,937
Selling and administrative	2,784,175	1,976,854	15,858,578	12,488,487
Foreign exchange loss (gain)	696,388	217,149	1,471,914	(213,619)
Amortization of capital assets	1,182,250	905,588	4,940,013	3,363,474
Loss (gain) on disposal of capital assets	21,528	(51,149)	(42,329)	(77,932)
	40,902,260	41,193,563	225,653,850	189,050,347

OPERATING EARNINGS	7,537,287	8,318,738	44,060,280	34,802,679
INTEREST ON LONG-TERM DEBT	914,401	296,504	3,051,221	1,802,882
OTHER INTEREST	434,642	740,703	2,452,027	1,810,443
EARNINGS BEFORE INCOME TAXES	6,188,244	7,281,531	38,557,032	31,189,354
PROVISION FOR INCOME TAXES	1,748,474	2,157,586	12,857,524	10,343,398
NET EARNINGS FOR THE PERIOD	4,439,770	5,123,945	25,699,508	20,845,956
NET EARNINGS PER COMMON SHARE	0.36	0.42	2.09	1.81
DILUTED NET EARNINGS PER COMMON SHARE	0.35	0.41	2.03	1.76

See accompanying Notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

	three months ended Dec. 31,		twelve months ended Dec. 31,	
	2007	2006	2007	2006
	($)	($)	($)	($)
	unaudited	unaudited		
NET EARNINGS FOR THE PERIOD	4,439,770	5,123,945	25,699,508	20,845,956
Other comprehensive earnings (loss):				
Net change in unrealized losses on translating financial statements of self-sustaining foreign operation	(42,691)	550,153	(3,626,755)	128,967
Change in fair value of derivatives designated as cash flow hedges				

(net of income tax (recovery) of ($215,712) for the three month period ended December 31, 2007 and $8,753 for the twelve month period ended December 31, 2007)	(294,101)	-	74,252	-
	(336,792)	550,153	(3,552,503)	128,967
COMPREHENSIVE EARNINGS	4,102,978	5,674,098	22,147,005	20,974,923

See accompanying Notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

	three months ended Dec. 31,		twelve months ended Dec. 31,	
	2007	2006	2007	2006
	($)	($)	($)	($)
	unaudited	unaudited		

Cash flows from operating activities				
Net earnings for the period	4,439,770	5,123,945	25,699,508	20,845,956
Adjustments for				
Amortization of capital assets	1,182,250	720,417	4,940,013	3,363,474
Gain on disposal of capital assets	(10,390)	(51,149)	(42,329)	(77,932)
Employee future benefits	(21,048)	2,281	185,852	133,528
Stock-based compensation	310,571	83,447	1,716,416	2,338,808
Future income taxes	(365,090)	397,000	(149,090)	(163,000)
Other	(65,444)	389,322	587,944	398,516
	5,470,619	6,665,263	32,938,314	26,839,350
CHANGES IN NON-CASH WORKING CAPITAL COMPONENTS				
Decrease (increase) in				
Accounts receivable	15,765,647	9,854,317	8,365,492	(3,760,754)
Inventories	(12,832,620)	(16,810,972)	(21,580,704)	(13,492,844)
Prepaid expenses	(289,569)	(232,602)	904,078	(301,436)
Increase (decrease)				

in Accounts payable and accrued liabilities	1,565,953	(1,885,564)	206,781	572,470
Income taxes payable	(2,113,238)	223,509	(3,854,857)	705,671
	2,096,173	(8,851,312)	(15,959,210)	(16,276,893)
	7,566,792	(2,186,049)	16,979,104	10,562,457
Financing activities				
(Decrease) increase in bank indebtedness	(3,723,158)	6,177,618	(983,842)	16,278,771
Increase in long-term debt	-	391,727	13,332,146	13,393,582
Repayment of long-term debt	(1,287,094)	(6,697,701)	(3,721,973)	(6,697,701)
Increase (decrease) in asset retirement obligations	14,836	4,562,028	(119,457)	(835,934)
Proceeds from issuance of common shares	48,774	835,961	472,367	19,275,977
Dividends on common shares	(1,727,386)	(968,274)	(2,958,973)	(1,623,079)

	(6,674,028)	4,301,359	6,020,268	39,791,616
INVESTING ACTIVITIES				
Increase in other assets	(594,667)	(154,756)	(81,518)	(437,775)
Business acquisitions	(150,000)	(1,540,263)	(17,125,602)	(46,023,314)
Purchase of capital assets	(640,322)	(751,059)	(6,452,532)	(4,272,982)
Proceeds from disposal of capital assets	492,225	330,768	660,280	379,998
	(892,764)	(2,115,310)	(22,999,372)	(50,354,073)
NET CHANGE IN CASH AND CASH EQUIVALENTS - DURING THE PERIOD	-	-	-	-
CASH AND CASH EQUIVALENTS - BEGINNING AND END OF THE PERIOD	-	-	-	-

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SUPPLEMENTAL
 DISCLOSURE
  Interest paid     2,019,104      1,014,462      5,296,491
3,415,273
  Income taxes paid 3,904,801      2,285,305     16,636,241
10,533,807
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See accompanying Notes
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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The interim consolidated financial statements for the twelve months ended December 31, 2007 and 2006, are unaudited and include estimates and adjustments that the Management of Stella-Jones Inc. (the "Company") consider necessary for a fair presentation of the financial position, results of operations, comprehensive earnings and cash flows.

The interim consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") on a basis consistent with those followed in the annual consolidated financial statements of the Company for the year ended December 31, 2006, except for new accounting policies that were adopted January 1, 2007, as described below. However, they do not include all disclosures required under GAAP for annual financial statements and should be read in conjunction with the Company's latest audited year-end consolidated financial statements and notes.

Certain comparative figures have been reclassified in order to comply with the basis of presentation adopted in the current year.

Principles of consolidation

The unaudited interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Guelph Utility Pole Company Ltd., I.P.B.-W.P.I. International Inc., Stella-Jones Corporation ("SJ Corp") and since July 1, 2006, the consolidated accounts of Bell Pole Canada Inc. ("Bell Pole"), using the purchase method. The consolidated accounts of

Bell Pole 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.

Changes in accounting policies

The Canadian Institute of Chartered Accountants ("CICA") issued the following new accounting standards which were adopted by the Company effective January 1, 2007:

- Handbook Section 1506, "Accounting Changes", introduced new paragraphs prescribing criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. This Section is intended to enhance the relevance and reliability of an entity's financial statements, and the comparability of those financial statements over time and with the financial statements of other entities.

- Handbook Section 3855, "Financial Instruments - Recognition and Measurement", describes the standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial assets, except for those classified as held-to-maturity or loans and receivables, and derivative financial instruments must be measured at their fair value. All financial liabilities must be measured at their fair value if they are classified as held for trading purposes. If not, they are measured at their carrying value.

The Company has implemented the following classification:

Cash and cash equivalents are classified as assets held for trading and are measured at fair value.

Accounts receivable and notes receivable are classified as loans and receivables. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Company, the measured amount generally corresponds to original cost unless specified otherwise.

Bank indebtedness, accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Company, the measured amount generally corresponds to original cost unless specified otherwise.

Derivative financial instruments are carried at fair value in the consolidated balance sheet.

- Handbook Section 1530, "Comprehensive Income", describes how to report and disclose comprehensive income and its components. Comprehensive income is the change in equity of an enterprise during a period arising from transactions and other events and circumstances from non-owner sources. It includes items that would normally not be included in net income such as changes in the foreign currency translation adjustment relating to self-sustaining foreign operations and unrealized gains or losses on available for sale financial instruments.

- Handbook Section 3251, "Equity", replaces Section 3250, "Surplus", and describes the changes in how to report and disclose equity and changes in equity as a result of the new requirements of Section 1530, "Comprehensive Income".

- Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

- Handbook Section 3865, "Hedges", describes when hedge accounting is appropriate. Hedge accounting ensures that all gains, losses, revenues and expenses from the derivative and the item it hedges are recorded in the statement of earnings in the same period.

When the Company uses derivative financial instruments to manage its own exposures, it determines for each derivative financial instrument whether hedge accounting is appropriate. When appropriate, the Company formally documents the hedging relationship detailing, among other things, the type of hedge (either fair value or cash flow), the item being hedged, the risk management objective, the hedging strategy and the method to be used to measure its effectiveness. The derivative financial instrument must be highly effective in accomplishing the objective of offsetting the changes in the hedged item's fair value attributable to the risk being hedged both at inception and over the life of the hedge.

The Company enters into foreign exchange forward contracts to limit its exposure under contracted cash inflows and outflows of US dollars. The Company also enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its short-term and long-term debt. These contracts are treated as cash flow hedges for accounting purposes and are not held for trading or speculative purposes.

Effective derivative financial instruments, held for cash flow hedging purposes, are recognized at fair value and the changes in fair value related to the effective portion of the hedge are recognized in other comprehensive income. The changes in fair value related to the ineffective portion of the hedge are immediately recorded in the consolidated statement of earnings. The changes in fair value of forward exchange contracts and interest rate swaps recognized in other comprehensive income are reclassified in the consolidated statement of earnings under sales and interest on long-term debt respectively in the periods during which the cash flows constituting the hedged item affect income.

When the derivative instrument no longer qualifies as an effective hedge, or when the hedging instrument is sold or terminated prior to maturity, if applicable, hedge accounting is discontinued prospectively. Accumulated other comprehensive income related to forward exchange contract hedges and interest rate swaps that cease to be effective are reclassified in the consolidated statement of earnings under foreign exchange gain or loss and interest on long-term debt respectively in the periods during which the cash flows constituting the hedged item affect income. Furthermore, if the hedged item is sold or terminated prior to maturity, hedge accounting is discontinued, and the related accumulated other comprehensive income is then immediately reclassified in the consolidated statement of earnings.

The opening balance of accumulated other comprehensive loss as at January 1, 2007 was a loss of $72,679 which relates to cumulative translation adjustments of a self-sustaining foreign operation. The adoption of these new standards translated into the following changes on the opening balance with regards to cash flow hedges: a $568,785 increase in accumulated other comprehensive income, a $848,933 increase in short-term and long-term derivative financial instruments reported under assets and a $280,148 increase in future tax liabilities.

For the three-month period ended December 31, 2007, the Company recorded the following transactions with regards to cash flow hedges: a net decrease of $294,101 in accumulated other comprehensive income, a decrease of $509,812 in short-term and long-term derivative financial instruments reported under assets and a decrease of $215,712 in future income tax liabilities. During the period, a gain on foreign exchange forward contracts of $955,699 was reclassified from other comprehensive income to the consolidated statements of earnings.

For the twelve-month period ended December 31, 2007, the Company recorded the following transactions with regards to cash flow hedges: a net increase of $74,252 in accumulated other comprehensive income, an increase of $83,005 in short-term and long-term derivative financial instruments reported under assets and an increase of $8,753 in future income tax liabilities. During the period, a gain on foreign exchange forward contracts of $2,167,250 was reclassified from other comprehensive income to the consolidated statements of earnings.

Impact of accounting pronouncements not yet implemented

The CICA issued the following new accounting standards which will be adopted by the Company effective January 1, 2008:

- Handbook Section 3031, "Inventories", will replace Section 3030, "Inventories". The new section prescribes measurement of inventories at the lower of cost and net realizable value. It provides guidance on the determination of cost, prohibits use in the future of the last-in, first-out (LIFO) method, and requires reversal of previous write-downs when there is a subsequent increase in the value of inventories. It also requires greater disclosure regarding inventories and cost of sales, including accounting policies, carrying values and the amount of any inventory write downs.

- Handbook Section 3862, "Financial Instruments - Disclosures", describes the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This section and Section 3863, "Financial Instruments - Presentation" will replace Section 3861, "Financial Instruments - Disclosure and Presentation".

- Handbook Section 3863, "Financial Instruments - Presentation", establishes standards for presentation of financial instruments and non-financial derivatives. It carries forward the presentation related requirements of Section 3861, "Financial Instruments - Disclosure and Presentation".

- Handbook Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's objectives, policies and processes for managing capital.

The Company is presently assessing the impact of these new accounting standards on its consolidated financial statements.

The CICA issued the following accounting standards which will be adopted by the Company effective January 1, 2009:

- Handbook Section 3064, "Goodwill and Intangible Assets" which will replace Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". Section 1000, "Financial Statement Concepts" was amended according to Section 3064. This new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit oriented Companies.

The Company is presently assessing the impact of these new accounting standards on its consolidated financial statements.

In January 2006, the CICA adopted a strategic plan for the direction of accounting standards in Canada. Accounting standards for public companies in Canada are to converge with International Financial Reporting Standards by 2011. The Company continues to monitor and assess the impact of these convergence efforts.

NOTE 2 - EMPLOYEE FUTURE BENEFITS

For the three months ended December 31, 2007, the defined benefit cost recognized for employee future benefits was $170,701 (2006 - $104,736). For the twelve months ended December 31, 2007, the defined benefit cost recognized for employee future benefits was $360,601 (2006 - $251,774).

NOTE 3 - BUSINESS ACQUISITION

On February 28, 2007, the Company's wholly-owned US subsidiary, SJ Corp, acquired the assets of the wood utility pole business of J.H. Baxter & Co. ("Baxter"). Assets acquired included the Baxter production plant located in Arlington, Washington, its pole peeling facility in Juliaetta, Idaho as well as all inventories and accounts receivable relating to its wood pole business.

The acquisition has been accounted for using the purchase method and accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on management's estimate of their fair value as of the acquisition date. The results of operations of Baxter have been included in the interim consolidated financial statements from the acquisition date.

The following is a summary of the net assets acquired at fair values:

	$
Assets acquired	
Accounts receivable	3,792,494
Inventories	9,849,614
Prepaid expenses	143,523
Capital assets	11,494,230
	25,279,861
Liabilities assumed	
Obligation under capital lease	278,995
	25,000,866
Consideration	
Cash, including transaction costs of $386,528	16,975,602
Receivable from vendor	(168,749)
Long-term subordinated note payable to vendor	8,174,296
Reserve amount for transaction costs, included in accounts payable	19,717
	25,000,866

Financing for the transaction was provided by a subordinated vendor note of US$8.0 million (recognized at a fair value of US$7.0 million) as well as additional debt funding under existing and new bank facilities. The new bank facilities are comprised of an increase of US$5.0 million in the operating line of credit of SJ Corp as well as a new 5-year term loan of US$4.0 million, both arranged with its existing US banker.

NOTE 4 - SHARE INFORMATION

As at December 31, 2007, the capital stock issued and outstanding consisted of 12,341,088 common shares (12,298,015 as at December 31, 2006).

NOTE 5 - SEASONALITY

The Company's domestic 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 treatment sales also 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.

NOTE 6 - SUBSEQUENT EVENT

On January 7, 2008, the Company announced that it had entered into a letter of intent to acquire The Burke-Parsons-Bowlby Corporation ("BPB"). The acquisition is expected to be structured as a merger between a US-based wholly-owned subsidiary of the Company, and BPB. The letter of intent contemplates a purchase price of US$33.0 Million for the shares of BPB, to be paid through the conversion of each outstanding share of common stock of BPB into a right to receive approximately US$47.78 per share in cash, subject to adjustment in certain circumstances.

The acquisition is subject to customary conditions, including entry into a definitive merger agreement, approval of BPB shareholders and the completion of satisfactory due diligence. The definitive merger agreement was entered into by the Company and BPB on March 11, 2008. It is anticipated that the proposed transaction, if finalized, would close by April 1, 2008 with the right of the Company to extend the closing date by two 30-day increments. It is expected that financing for the transaction will be secured through existing and additional debt facilities.

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