Source: **Stella-Jones Inc.**

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Stella-Jones Reports Second Quarter Results

Recent Acquisition Drives Revenue and Earnings Growth

- **Q2 sales grow 45.6% to $123.1 million**
- **Net earnings of $10.0 million compared with $8.1 million last year**
- **Diluted EPS of $0.80, versus $0.64 last year**
- **Semi-annual dividend increased 12.5% to $0.18 per share**

MONTREAL, QUEBEC – August 14, 2008 - Stella-Jones Inc. (TSX: SJ) is pleased to announce financial results for its second quarter and six-month period ended June 30, 2008. The Company reported strong growth in sales and net earnings driven by the contribution of The Burke-Parsons-Bowlby Corporation ("BPB"), acquired on April 1, 2008.

SECOND-QUARTER RESULTS

Sales reached $123.1 million, an increase of $38.6 million, or 45.6% over last year's second quarter sales of $84.5 million. The contribution from BPB amounted to approximately $32.8 million, while organically, sales increased by almost 7.0%. The appreciation of the Canadian dollar, Stella-Jones' reporting currency, reduced the value of U.S. dollar denominated sales by approximately $2.8 million when compared with the same period last year.

The BPB acquisition helped push railway tie sales to $65.7 million, an increase of $34.0 million that also reflects brisk industry demand and increased supply capability following the expansion of the Bangor, Wisconsin facility, which added a treating cylinder in May 2007. A 3.1% growth in utility pole sales to $37.0 million resulted from solid demand for distribution poles as well as from installations that had been delayed in the first quarter. This recovery was offset, however, by lower sales of transmission poles and a lower conversion rate on U.S. utility pole sales. Sales in the consumer lumber category totalled $13.0 million, up 4.0% from last year, while sales of industrial lumber increased 67.6% to $7.4 million as a result of BPB's ancillary product sales.

"We are pleased with our second-quarter results, as BPB's contribution met our expectations," said Brian McManus, President and Chief Executive Officer of Stella-Jones. "Demand in our core markets remains solid, particularly in railway ties, but the transmission pole market was again relatively soft, although activity is expected to be more robust in the second half of the year."

Gross profit in the second quarter of 2008 reached $25.3 million, or 20.6% of sales, compared with $20.3 million, or 24.0% of sales in the same period in 2007. Net earnings were $10.0 million, or $0.80 per share, fully diluted, in the second quarter ended June 30, 2008 compared with $8.1 million, or $0.64 per share, fully diluted, in the corresponding period in 2007.

"As expected, reduced gross profit as a percentage of sales reflected lower margins at BPB, but also a different product mix than a year ago as well as higher preservative and transportation costs caused by rapidly increasing crude oil prices," said George Labelle, Senior Vice-President and Chief Financial Officer. "Our priority remains the integration and optimization of BPB by attaining synergies and sharing best practices among our various North American operations."

SIX-MONTH RESULTS

Sales totalled $189.3 million, an increase of $42.8 million, or 29.2% over the first six months of 2007. In addition to BPB's three-month contribution in 2008, higher sales reflect the contribution of the acquisition of the Arlington, Washington facility for the full period, versus only four months in 2007. Gross profit reached $39.0 million, or 20.6% of sales, up from $36.2 million, or 24.7% of sales, a year earlier. Net earnings were $15.4 million, or $1.21 per share, fully diluted, compared with $14.2 million, or $1.12 per share, fully diluted, last year.

SOLID BALANCE SHEET DESPITE ADDITIONAL DEBT TO FINANCE BPB

As at June 30, 2008, the Company's long-term debt, including the current portion, amounted to $94.8 million, an increase in excess of $47.4 million over borrowings of $47.4 million at the beginning of the year, primarily attributable to the BPB acquisition. As a result, Stella-Jones' ratio of total long-term debt, including the current portion, to shareholders' equity, stood at 0.66:1 on June 30, 2008, compared with 0.37:1 six months earlier.

SEMI-ANNUAL DIVIDEND INCREASED TO $0.18 PER SHARE

The Board of Directors declared a semi-annual dividend of $0.18 per share on the outstanding common shares of Stella-Jones, payable on October 10, 2008 to shareholders of record at the close of business on September 5, 2008. This represents a 12.5% increase over the previous semi-annual dividend.

OUTLOOK

"The acquisition of BPB represents a major step forward in our evolution as a large-scale North American producer of pressure treated wood components for the transportation and utility industries. Our broad footprint gives us the treating capacity, sources of supply and purchasing power to respond to increased demands in all product categories. Strong fundamentals in our core railway tie and utility pole markets should foster organic growth by enabling us to capture more of our existing clients' business and expand our customer base. While strategic acquisitions that meet our stringent criteria and provide synergistic opportunities will remain an integral part of the Company's growth plan, our primary near-term focus will be integrating and optimizing the BPB operations to bring margins close to a level comparable to the remainder of our operations within 18 months," concluded Mr. McManus.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on Thursday, August 14, 2008, at 10:00 AM Eastern Time. Interested parties can join the call by dialing 1-800-588-4942. Parties unable to call in at this time may access a tape recording of the meeting by calling 1-877-289-8525 and entering the passcode 21279535# on your phone. This tape recording will be available on Thursday, August 14, 2008 as of 12:00 PM Eastern Time until 11:59 PM Eastern Time on Thursday, August 28, 2008.

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 and timbers 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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HEAD OFFICE	EXCHANGE LISTINGS	INVESTOR RELATIONS
3100 de la Côte-Vertu Blvd. Suite 300 Saint-Laurent, Québec H4R 2J8 Tel.: (514) 934-8666 Fax: (514) 934-5327	The Toronto Stock Exchange Stock Symbol (TSX): SJ TRANSFER AGENT AND REGISTRAR Computershare Investor Services Inc.	George Labelle Senior Vice-President and Chief Financial Officer Tel.: (514) 934-8665 Fax: (514) 934-5327 glabelle@stella-jones.com

NOTICE

The interim unaudited consolidated financial statements of Stella-Jones Inc. for the second quarter ended June 30, 2008 have not been reviewed by the Company's external auditors.

(Signed)

George Labelle
Senior Vice-President and Chief Financial Officer

Montréal, Québec
August 14, 2008

CONSOLIDATED BALANCE SHEETS
(in thousands of dollars)
as at June 30, 2008 and December 31, 2007

	June 30, 2008 unaudited ($)	December 31, 2007 ($)
ASSETS		
CURRENT ASSETS		
Accounts receivable	66,694	26,411
Derivative financial instruments (Note 10)	232	658
Inventories	168,681	142,874
Prepaid expenses	2,222	1,472
Income taxes receivable	---	784
Future income taxes	1,970	619
	239,799	172,818
CAPITAL ASSETS	96,122	70,264
DERIVATIVE FINANCIAL INSTRUMENTS (Note 10)	65	274
INTANGIBLE ASSETS (Note 3)	8,790	---
GOODWILL (Note 3)	5,306	---
OTHER ASSETS (Note 4)	1,623	1,143
FUTURE INCOME TAXES	357	357
	352,062	244,856
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (Note 5)	62,908	39,026
Accounts payable and accrued liabilities	29,608	21,856
Income taxes payable	405	---
Future income taxes	92	289
Current portion of long-term debt (Note 6)	4,975	4,409
Current portion of asset retirement obligations	1,003	751
Current portion of non-compete payable	519	---
	99,510	66,331
LONG-TERM DEBT (Note 6)	89,795	43,035
FUTURE INCOME TAXES	13,024	5,968
ASSET RETIREMENT OBLIGATIONS	451	467
EMPLOYEE FUTURE BENEFITS	1,430	1,298
NON-COMPETE PAYABLE	5,030	---
	209,240	117,099
SHAREHOLDERS' EQUITY		
CAPITAL STOCK	49,754	46,023
CONTRIBUTED SURPLUS	1,766	4,045
RETAINED EARNINGS	94,139	80,745
ACCUMULATED OTHER COMPREHENSIVE LOSS	(2,837)	(3,056)
	142,822	127,757
	352,062	244,856

See accompanying Notes

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands of dollars, except where specified otherwise)

Unaudited	three months ended June 30, 2008 (#)	three months ended June 30, 2007 (#)	six months ended June 30, 2008 (#)	six months ended June 30, 2007 (#)
SHARE CAPITAL				
Shares outstanding – beginning of period	12,351,646	12,315,873	12,341,088	12,298,015
Stock option plan	3,785	10,000	12,785	26,285
Stock option agreement	200,000	---	200,000	---
Share purchase plan	1,746	1,096	3,304	2,669
Shares outstanding – end of period	12,557,177	12,326,969	12,557,177	12,326,969
	($)	**($)**	**($)**	**($)**
Shares outstanding – beginning of period	46,271	45,572	46,023	45,473
Stock option plan	44	145	243	202
Stock option agreement	3,384	---	3,384	---
Share purchase plan	55	45	104	87
Shares outstanding – end of period	49,754	45,762	49,754	45,762
CONTRIBUTED SURPLUS				
Balance - beginning of period	4,380	2,788	4,045	2,417
Stock-based compensation	186	508	588	879
Exercise of stock options	(2,800)	---	(2,867)	---
Balance – end of period	1,766	3,296	1,766	3,296
RETAINED EARNINGS				
Balance - beginning of period	86,068	64,102	80,745	58,004
Net earnings for the period	10,047	8,078	15,370	14,176
Dividends on common shares	(1,976)	(1,232)	(1,976)	(1,232)
Balance – end of period	94,139	70,948	94,139	70,948
ACCUMULATED OTHER COMPREHENSIVE LOSS				
Balance - beginning of period	(2,514)	461	(3,056)	(73)
Adoption of new accounting standards for financial instruments, net of taxes of $280	---	---	---	569
Other comprehensive (loss) gain	(323)	(1,412)	219	(1,447)
Balance – end of period	(2,837)	(951)	(2,837)	(951)
SHAREHOLDERS' EQUITY	142,822	119,055	142,822	119,055

See accompanying Notes

CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands of dollars, except per share data)

Unaudited	three months ended June 30, 2008 ($)	three months ended June 30, 2007 ($)	six months ended June 30, 2008 ($)	six months ended June 30, 2007 ($)
SALES	123,081	84,510	189,263	146,459
EXPENSES (INCOME)				
Cost of sales (Note 8)	97,777	64,207	150,305	110,265
Selling and administrative	6,106	5,166	8,762	8,699
Foreign exchange (gain) loss	(192)	417	(161)	485
Amortization of capital and intangible assets	1,795	1,300	3,176	2,367
Gain on disposal of capital assets	(4)	(4)	(34)	(16)
	105,482	71,086	162,048	121,800
OPERATING EARNINGS	17,599	13,424	27,215	24,659
INTEREST ON LONG-TERM DEBT	1,553	768	2,509	1,405
OTHER INTEREST	727	655	1,177	1,404
EARNINGS BEFORE INCOME TAXES	15,319	12,001	23,529	21,850
PROVISION FOR INCOME TAXES	5,272	3,923	8,159	7,674
NET EARNINGS FOR THE PERIOD	10,047	8,078	15,370	14,176
NET EARNINGS PER COMMON SHARE (Note 7)	0.81	0.66	1.24	1.15
DILUTED NET EARNINGS PER COMMON SHARE (Note 7)	0.80	0.64	1.21	1.12

See accompanying Notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

(in thousands of dollars)

Unaudited	three months ended June 30, 2008 ($)	three months ended June 30, 2007 ($)	six months ended June 30, 2008 ($)	six months ended June 30, 2007 ($)
NET EARNINGS FOR THE PERIOD	10,047	8,078	15,370	14,176
Other comprehensive earnings:				
Net change in unrealized losses on translating financial statements of self-sustaining foreign operation	(252)	(1,708)	657	(1,892)
Change in fair value of derivatives designated as cash flow hedges	116	1,158	(153)	1,379
Gain on cash flow hedges reclassed to sales	(287)	(691)	(482)	(691)
Corresponding income tax recovery (expense)	100	(171)	197	(243)
	(323)	(1,412)	219	(1,447)
COMPREHENSIVE EARNINGS	9,724	6,666	15,589	12,728

See accompanying Notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of dollars)	three months ended June 30,		six months ended June 30,	
Unaudited	**2008 ($)**	**2007 ($)**	**2008 ($)**	**2007 ($)**
CASH FLOWS FROM OPERATING ACTIVITIES				
Net earnings for the period	10,047	8,079	15,370	14,176
Adjustments for				
Amortization of capital assets	1,425	1,300	2,806	2,367
Amortization of intangible assets	370	---	370	---
Amortization of defered financing charges	21	---	21	---
Change in fair value of debt	350	---	350	---
Gain on disposal of capital assets	(4)	(4)	(34)	(16)
Employee future benefits	66	63	132	126
Stock-based compensation	186	508	588	879
Other	(23)	54	(39)	38
	12,438	10,000	19,564	17,570
CHANGES IN NON-CASH WORKING CAPITAL COMPONENTS				
Decrease (increase) in:				
Accounts receivable	(11,286)	(10,339)	(24,624)	(14,270)
Inventories	4,658	2.423	4,247	(5,054)
Prepaid expenses	73	186	(567)	(453)
Income taxes receivable	809	---	---	---
Increase (decrease) in:				
Accounts payable and accrued liabilities	2,014	(3,766)	(4,732)	(2,670)
Income taxes payable	1,188	(273)	1,188	(858)
Asset retirement obligations	(141)	51	236	177
	(2,685)	(11,718)	(24,252)	(23,128)
	9,753	(1,718)	(4,688)	(5,558)
FINANCING ACTIVITIES				
(Decrease) increase in bank indebtedness	(6,260)	4,796	9,506	17,834
Increase in long-term debt	45,309	484	45,630	10,906
Repayment of long-term debt	(6,871)	(800)	(8,083)	(1,372)
Proceeds from issuance of common shares	682	189	863	288
Non-compete payable	(315)	---	(315)	---
Dividend on common shares	(1,976)	(1,232)	(1,976)	(1,232)
	30,569	3,437	45,625	26,424
INVESTING ACTIVITIES				
Decrease in other assets	22	113	51	122
Business acquisition	(38,038)	(39)	(38,038)	(16,976)
Purchase of capital assets	(2,310)	(1,873)	(2,984)	(4,157)
Proceeds from disposal of capital assets	4	80	34	145
	(40,322)	(1,719)	(40,937)	(20,866)
NET CHANGE IN CASH AND CASH EQUIVALENTS – DURING THE PERIOD	---	---	---	---
CASH AND CASH EQUIVALENTS – BEGINNING AND END OF THE PERIOD	---	---	---	---
SUPPLEMENTAL DISCLOSURE				
Interest paid	1,702	1,782	3,138	2,865
Income taxes paid	3,120	4,213	6,548	8,600

See accompanying Notes

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The interim consolidated financial statements for the six months ended June 30, 2008 and 2007, 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, shareholders' equity, earnings, comprehensive earnings and cash flows.

The interim consolidated financial statements are reported in Canadian dollars and 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, 2007, except for new accounting policies that were adopted January 1, 2008, 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, its wholly-owned Canadian subsidiaries, Guelph Utility Pole Company Ltd., I.P.B.-W.P.I. International Inc., Bell Pole Canada Inc. and its wholly-owned U.S. subsidiaries, Stella-Jones U.S. Holding Corporation, Stella-Jones Corporation, The Burke-Parsons-Bowlby Corporation, and Stella-Jones U.S. Finance Corporation. The consolidated accounts of Bell Pole Canada Inc. 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 CICA issued the following new accounting standards which were adopted by the Company effective January 1, 2008:

- Handbook Section 3031, "Inventories", replaces 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. The adoption of this new standard did not have any material impact on our financial results.

- Handbook Section 3862, "Financial Instruments – Disclosures", Handbook Section 3863, "Financial Instruments – Presentation" and Handbook Section 1535, "Capital Disclosures" establish standards for disclosing information about an entities financial instruments and capital. These Sections relate to disclosure and presentation only and did not have an impact on the interim consolidated financial statements. Notes 10 and 11 provide the required information.

NOTE 1 (cont'd.)

Impact of accounting pronouncements not yet implemented

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" 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.

NOTE 2 – BUSINESS ACQUISITION

On April 1, 2008, the Company completed the acquisition of The Burke-Parsons-Bowlby Corporation ("BPB") through a merger with a wholly-owned U.S. subsidiary of the Company, and BPB. BPB produces pressure treated wood products, primarily for the railroad industry. This acquisition included five treating plants located in DuBois, Pennsylvania; Goshen, Virginia; Spencer, West Virginia; and Stanton and Fulton, Kentucky.

Total consideration for the acquisition was approximately $44.0 million (US$43.0 million), including estimated acquisition costs of approximately $1.1 million (US$1.1 million), and cash on hand of $0.1 million (US$0.1 million). This amount includes $33.7 million (US$33.0 million) paid to BPB stockholders through the conversion of each outstanding share of common stock of BPB into the right to receive US$47.78 per share in cash, $3.5 million (US$3.4 million) representing an additional payment equal to BPB's audited net income for its fiscal year ended March 31, 2008, less any distributions to shareholders during that period and other post-closing adjustments, as well as an additional discounted amount of $5.7 million (US$5.6 million) to be paid in equal quarterly instalments over a six-year period with respect to non-compete agreements entered into with certain previous BPB executives.

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 following fair value allocation is preliminary and is based on Management's best estimates and information known at the time of preparing these interim unaudited consolidated financial statements. The purchase price allocation is expected to be completed by December 31, 2008 and consequently, changes could occur mainly with respect to acquisition costs, intangible assets, goodwill and future income taxes. The results of operations of BPB have been included in the interim consolidated financial statements from the acquisition date.

NOTE 2 (cont'd.)

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

(in thousands of dollars)	**($)**
Assets acquired	
Non cash working capital	41,600
Capital assets	25,764
Customer relationships	3,453
Non-compete agreements	5,732
Goodwill	5,316
Future income tax assets	1,353
	83,218
Liabilities assumed	
Notes payable to banks	(14,007)
Accounts payable and accrued liabilities	(6,858)
Long-term debt	(9,206)
Interest-bearing employee deposits	(2,134)
Future income tax liabilities	(7,061)
Total consideration	43,952
Consideration	
Cash, financed by debt	33,716
Purchase price adjustment paid in cash	3,478
Non-compete agreements payable	5,732
Cash on hand	(97)
Acquisition costs (including a payable of $182)	1,123
Total consideration	43,952

The BPB acquisition was financed through additional borrowings of approximately $40.9 million (US$40.0 million), including the issuance of a $25.5 million (US$25.0 million) unsecured and nonconvertible debenture to the *Fonds de solidarité des travailleurs du Québec (F.T.Q.)*, a $10.2 million (US$10.0 million) revolving term loan from a Canadian bank and a draw-down on an existing operating margin of $5.1 million (US$5.0 million). Details on the financing are available in Note 5 on Bank Indebtedness and Note 6 on Long-Term Debt.

NOTE 3 – GOODWILL AND INTANGIBLE ASSETS

The Company has recognized goodwill and intangible assets as part of the purchase price allocation of the BPB acquisition. Upon recognition of these assets, the Company adopted the following accounting policies.

Goodwill is not amortized and will be subject to an annual impairment test, or more frequently if events or changes in circumstances indicate that it might be impaired. Testing for impairment is accomplished mainly by determining whether the fair value of a reporting unit, based upon discounted estimated cash flows, exceeds the net carrying amount of that reporting unit as of the assessment date. If the fair value is greater than the net carrying amount, no impairment is necessary. In the event that the net carrying amount exceeds the sum of the discounted estimated cash flows, a second test must be performed whereby the fair value of the reporting unit's goodwill must be estimated to determine if it is less than its net carrying amount. Fair value of goodwill is estimated in the same way as goodwill was determined at the date of the acquisition in a business combination, that is, the excess of the fair value of the reporting unit over the fair value of the identifiable net assets of the reporting unit.

NOTE 3 (cont'd.)

Intangible assets are initially accounted for at fair value which subsequently becomes the cost. The presentation in the consolidated balance sheets is at cost less accumulated amortization and the related amortization expense is included under amortization in the consolidated statements of earnings. For the three-month period ended June 30, 2008, the amortization expense for customer relationships and the non-compete agreements was $136,111 and $234,300 respectively. Amortization is calculated on a straight-line basis over the useful life of the intangible assets as follows:

Customer relationships	3 to 10 years
Non-compete agreements	6 years

NOTE 4 – OTHER ASSETS

(in thousands of dollars)	June 30, 2008	December 31, 2007
	($)	($)
Notes receivable	333	360
Accrued benefit asset	782	782
Assets held for resale	508	---
	1,623	1,142

Notes receivable comprise a home relocation mortgage of $221,447 bearing interest at a variable rate per year prescribed by the Canada Revenue Agency and supplier loans with balances of $111,844.

The accrued benefit asset arises from the Bell Pole Canada Inc. pension funds, which is measured for accounting purposes as at December 31 of each year.

The Company has decided to sell an office building and underlying land which were acquired from BPB. These assets are recorded at their fair value. They are considered redundant as a new office is being constructed on newly acquired land.

NOTE 5 – BANK INDEBTEDNESS

(in thousands of dollars)	June 30, 2008	December 31, 2007
	($)	($)
Demand operating loan arranged with a Canadian bank (Note 5 (a))	33,672	21,494
Demand operating loan arranged with a U.S. bank (Note 5 (b))	26,354	14,817
Proportionate share of Kanaka Creek Pole Company Limited demand operating loan (Note 5 (c))	2,882	2,715
Total bank indebtedness	62,908	39,026

NOTE 5 – (cont'd.)

(a) The Company has available a credit facility arranged with a Canadian bank, renewable annually, comprised of a maximum demand operating loan of $50,000,000 (December 31, 2007 - $50,000,000) of which $17,120,862 was available as at June 30, 2008. The credit facility also includes a term loan facility of $6,900,000, a bid and performance bond guarantee facility of up to a maximum of $5,000,000, a $5,027,706 capital lease facility, a demand revolving line of credit in the amount of $5,963,000 for the purchase of forward exchange contracts with an aggregate nominal value of $25,100,000, and an interest rate swap facility for up to the full amount outstanding under the term loans.

The operating loan bears interest at the bank's prime rate, the bank's U.S. base rate or LIBOR plus 1.50%. As collateral, the bank holds moveable hypothecs and general security agreements over the universality of the Company's Canadian assets, creating a first charge over all of the Company's Canadian current assets of $141,327,193 and a second ranking charge over all of the Canadian capital assets of $50,816,970, subject to prior loans approved by the Canadian bankers. The bank also holds a first ranking security under Section 427 of the *Bank Act* over the Company's Canadian inventories.

(b) The U.S. subsidiaries have available a credit facility arranged with a U.S. bank, renewable annually, comprised of a maximum demand operating loan of US$40,000,000 (December 31, 2007 – US$20,000,000) of which US$15,055,540 was available as at June 30, 2008. On April 1, 2008, the demand operating loan was increased to US$40,000,000 to ensure that the Company had sufficient credit facilities to support the additional working capital arising from the BPB acquisition. The operating line of credit bears interest at the bank's prime rate minus 1.75% or LIBOR plus 1.00% (previously U.S. prime rate minus 1.25% or LIBOR plus 1.00%).

As collateral for the U.S. demand operating loan, the U.S. bank holds a first security interest in all assets of the U.S. subsidiaries, except for certain equipment, having a net book value of US$112,774,491 as at June 30, 2008. The bank also has a second security interest on certain equipment of the U.S. subsidiaries having a netbook value of US$34,187,364 as at June 30, 2008. There is no recourse to the Canadian parent company in the event of default by the U.S. subsidiaries. The Canadian parent company has signed an inventory repurchase agreement with the U.S. bank whereby the parent company has agreed to purchase any or all inventory of the U.S. subsidiaries, at book value, upon an event of default by the U.S. subsidiaries if requested by the U.S. bank.

(c) The Company includes in its consolidated financial statements its 50% proportionate share of Kanaka Creek Pole Company Limited, which has a credit facility with a Canadian bank comprised of a $7,000,000 demand operating loan. The demand operating loan bears interest at the bank's prime rate, bank's U.S. base rate, LIBOR plus 1.13% or bankers' acceptance plus 1.13%. One half of the indebtedness, up to a maximum of $5,000,000, has been guaranteed by Bell Pole Canada Inc. and the Company. The Company has also provided an Environmental Indemnity Agreement to the bank with respect to the Maple Ridge property, the site of Kanaka Creek Pole Company Limited's operations, with liability limited to one half of the monies which become due and owing to the bank under such indemnity.

NOTE 6 – LONG-TERM DEBT

(in thousands of dollars)	June 30, 2008 ($)	December 31, 2007 ($)
Long-term debt		
Term loans with a Canadian bank (Note 6 (a))	4,311	4,768
Revolving term loan with a Canadian bank (Note 6 (b))	21,784	11,588
Term loans with a U.S. bank (Note 6 (c))	10,197	3,886
Unsecured and non-convertible debenture (Note 6 (d))	10,000	10,000
Unsecured and non-convertible debenture (Note 6 (e))	4,333	4,333
Unsecured and non-convertible debenture (Note 6 (f))	25,492	---
Promissory note (Note 6 (g))	765	743
Promissory note (Note 6 (h))	953	992
Subordinated note (Note 6 (i))	6,888	6,981
Bond (Note 6 (j))	4,952	---
Promissory note (Note 6 (k))	457	---
Promissory note (Note 6 (l))	365	---
Mortgage loans (Note 6 (m))	4,480	3,930
Obligations under capital leases (Note 6 (n))	374	223
	95,351	47,444
Deferred financing charges	(581)	---
Total long-term debt	94,770	47,444
Less: current portion of long-term debt	5,045	4,409
Less: current portion of deferred financing charges	(70)	---
Long-term debt	89,795	43,035

(a) The Company has available three term loans of $2,300,000, $2,700,000 and $1,900,000 arranged with a Canadian bank.

Amounts owing under the $2,300,000 term loan are repayable in 19 equal consecutive principal repayments of $82,143 on each three-month anniversary of the date upon which the initial advance was made (December 28, 2005), and a balloon repayment of $739,286 constituting the 20th and final payment of the residual capital balance on December 28, 2010. Subsequent to an interest rate swap agreement, the loan bears interest at a fixed rate of 5.81% over the term of the loan.

Amounts owing under the $2,700,000 term loan are repayable in 19 equal consecutive principal repayments of $96,429 on each three-month anniversary of the date upon which the initial advance was made (February 1, 2006), and a balloon repayment of $867,857 constituting the 20th and final payment of the residual capital balance on February 1, 2011. Subsequent to an interest rate swap agreement, the loan bears interest at a fixed rate of 5.85% over the term of the loan.

Amounts owing under the $1,900,000 term loan are repayable in 19 equal consecutive principal repayments of $100,000 on each three-month anniversary of the date upon which the initial advance was made (December 19, 2005) and shall, in any event, be repaid in full by September 30, 2010. The loan bears interest at a fixed rate of 5.93% over the term of the loan.

(b) As part of the financing for the BPB acquisition, the Company entered into a new two-year revolving term loan with a Canadian bank comprised of a Canadian dollar loan of $11,587,500 and a new U.S. dollar loan of US$10,000,000 as well as an amount not exceeding US$5,000,000 to purchase foreign currency exchange contracts. The new revolving term loan facility matures February 14, 2010. (Previously a two-year revolving term loan comprised of a Canadian dollar loan of $11,587,500 and an amount not exceeding US$5,000,000 to purchase foreign currency exchange contracts. This revolving term loan facility was to have matured February 28, 2009).

NOTE 6 – (cont'd.)

For loans in Canadian dollars, the credit facility bears interest at the bank's prime rate plus 0.25% or bankers' acceptance rate plus 1.40% and for loans in U.S. dollars, the credit facility bears interest at the bank's prime rate plus 0.25% or LIBOR plus 1.40%. Previously the revolving term loan did not offer financing conditions for U.S. dollar loans. As collateral, the bank holds moveable hypothecs and general security agreements over all of the Company's Canadian capital assets of $50,816,970 and a second ranking charge over all of the Canadian current assets of $141,327,193. Amounts owing under the revolving term loan are payable at maturity which can be extended each year for one additional year, upon the Company's request and subject to the bank's approval. Starting January 2008, the credit facility will be increased by the equivalent amount of the capital payments of the term facilities provided by the credit facility in Note 6 (a) to a maximum of $27,500,000.

(c) As part of the financing of the BPB acquisition, the Company's U.S. subsidiaries entered into a US$10,000,000 term loan agreement with a U.S. bank. A portion of the proceeds of the loan were used to repay existing term loans in Stella-Jones Corporation of US$1,100,000 and US$4,000,000 with the balance applied against outstanding bank indebtedness in the U.S. subsidiaries. The new term loan is repayable in 84 consecutive monthly instalments of US$119,048. Half of the loan bears interest at the one-month LIBOR rate plus 1.50% and the other half of the loan is subject to an interest rate swap fixing the rate at 5.80% over the term of the loan.

As collateral, the bank has a first priority security interest on certain equipment the Company's U.S. subsidiaries having a net book value of US$34,187,364 as at June 30, 2008. The bank also has a second priority security interest in the accounts receivable and inventory of the Company's U.S. subsidiaries having a book value of US$112,774,491 as at June 30, 2008.

(d) Unsecured and non-convertible debenture bearing interest at 7.72%, repayable beginning July 1, 2011 in five consecutive annual principal repayments of $1,000,000 and a last payment of $5,000,000 on July 1, 2016.

(e) Unsecured and non-convertible debenture bearing interest at 7.0%, repayable after December 31, 2006 in five consecutive annual principal repayments of $333,333 and a last payment of $3,000,000 on December 21, 2012.

(f) Unsecured and non-convertible debenture bearing interest at 7.89%, repayable in five consecutive annual principal repayments of US$2,500,000 starting on April 1, 2013 and a last payment of US$12,500,000 on April 1, 2018. This loan was arranged as part of the financing of the BPB acquisition.

(g) Stella-Jones Corporation borrowed US$750,000 from the Company's majority shareholder, Stella Jones International S.A., by way of a subordinated promissory note. The note is for a term of six years, bears interest at LIBOR plus 4.5% and is repayable in full on the 6th annual anniversary of the date of disbursement or August 3, 2011. The note is unsecured and subordinated in right of payment to the prior payment in full of the U.S. subsidiaries loans to all of its secured lenders.

(h) As part of a previous acquisition, Stella-Jones Corporation assumed an unsecured note payable. The imputed interest rate of the note is 8.0% and is payable in quarterly instalments of US$52,891 including interest through October 2013.

(i) Pursuant to the business acquisition of February 28, 2007, Stella-Jones Corporation issued a note payable to J.H. Baxter & Co. The note is subordinated to existing lenders and bears interest at 5.0%. The note is repayable, in 5 annual principal repayments of US$500,000 with a final payment of US$5,500,000 on the 6th anniversary date. The note was recorded at a fair value of $6,981,288 using an interest rate of 8.0%. The difference between the face value and the fair value of the note is being accreted on an effective yield basis over its term.

NOTE 6 – (cont'd.)

(j) Pursuant to the BPB acquisition, the Company assumed a bond issue in favour of the County of Fulton, Kentucky (The Burke-Parsons-Bowlby Project), series 2006, repayable in annual principal repayments of US$200,000 starting on July 2008 through July 2011, US$300,000 starting July 2012 through July 2019 and $US400,000 starting July 2020 through July 2026. The bond bears interest at 2.38% and is secured by substantially all assets of the Company's Fulton, Kentucky facility which have a net book value of US$7,029,033 as at June 30, 2008. The bond was recorded in the interim consolidated financial statements at a fair value of US$4,835,379 using an interest rate of 6.50%. The difference between the face value and the fair value of the bond is being accreted on an effective yield basis over its term.

In order to provide the security for the timely payment of the principal and interest due on the Bonds, the Company entered into an irrevocable letter of credit with the bank that is also the trustee for the Series 2006 Bond Indenture, at an annual fee of 1.0% of the outstanding loan balance. The letter of credit expires on August 15, 2009.

(k) Pursuant to the BPB acquisition, the Company assumed a note payable to the Hickman-Fulton Rural Electric Cooperative Corporation, bearing interest at a fixed rate of 3.0% and repayable in 84 equal monthly instalments of principal and interest of approximately US$6,604 starting January 15, 2008. The note is secured by a US$500,000 irrevocable letter of credit issued by a regional financial institution and expires December 17, 2017. The note was recorded in the interim consolidated financial statements at a fair value of US$462,344 using an interest rate of 5.55%. The difference between the face value and the fair value of the note is being accreted on an effective yield basis over its term.

(l) Pursuant to the BPB acquisition, the Company assumed a note payable to Hickman-Fulton Rural Electric Cooperative Corporation, bearing no interest and repayable in 108 equal monthly instalments of US$4,167 starting January 1, 2009. The note is secured by a US$450,000 irrevocable letter of credit issued by a regional financial institution and expiring December 18, 2017. The note was recorded in the interim consolidated financial statements at a fair value of US$354,217 using an interest rate of 6.0%. The difference between the face value and the fair value of the note is being accreted on an effective yield basis over its term.

(m) The mortgage loans bear interest at a weighted average rate of 6.3% as at June 30, 2008 (December 31, 2007 – 7.2%) and certain specific capital assets with a net book value of $7,825,369 (December 31, 2007 - $6,880,152) have been pledged as collateral. Mortgage loans include loans denominated in U.S. dollars for an amount of US$3,766,934 (December 31, 2007 – US$2,970,328). The loans are repayable in monthly instalments of $78,242 including interest and mature at various dates to December 2016.

(n) The repayment requirements on the long-term debt during the next five years and thereafter are as follows:

(in thousands of dollars)	**Obligations under capital leases**			**Long-term debt**	**Total**
Years	**Minimum Payments ($)**	**Interest ($)**	**Principal ($)**	**Principal ($)**	**Principal Repayments ($)**
Year 1	100	21	79	5,239	5,318
Year 2	80	16	64	4,694	4,758
Year 3	83	10	73	6,736	6,809
Year 4	15	9	6	5,404	5,410
Year 5	158	6	152	14,363	14,515
Thereafter	-	-	-	60,545	60,545
	436	62	374	96,981	97,355
Fair value adjustment	-	-	-	(2,004)	(2,004)
	436	62	374	94,977	95,351

NOTE 7 – EARNINGS PER SHARE

The following table provides the reconciliation between net earnings per common share and diluted net earnings per common share for the three-month and six-month periods ended June 30:

	three months ended June 30,		six months ended June 30,	
	2008	**2007**	**2008**	**2007**
Net earnings applicable to common shares*	$10,047	$8,078	$15,370	$14,176
Weighted average number of common shares outstanding*	12,459	12,310	12,403	12,319
Effect of dilutive stock options*	163	352	299	377
Weighted average number of diluted common shares outstanding*	12,622	12,662	12,702	12,696
Net earnings per common share	$0.81	$0.66	$1.24	$1.15
Diluted net earnings per common share	$0.80	$0.64	$1.21	$1.12

* *Net earnings are presented in thousands of dollars and share information is presented in thousands.*

NOTE 8 – COST OF SALES

For the three-month periods ending June 30, 2008 and 2007, cost of sales includes an inventory cost of $84,947,043 and $57,380,319 respectively. For the six-month periods ending June 30, 2008 and 2007, cost of sales includes an inventory cost of $131,949,258 and $98,573,887 respectively.

NOTE 9 – EMPLOYEE FUTURE BENEFITS

The recognized cost for employee future benefits was as follows:

(in thousands of dollars)	three months ended June 30,		six months ended June 30,	
	2008 ($)	**2007 ($)**	**2008 ($)**	**2007 ($)**
Post retirement benefit program	66	63	132	126
Defined benefit pension plans	38	32	76	64
Contributions to multi-employer plans	73	61	151	137
Contributions to group registered retirement savings plans.	253	125	462	275

NOTE 10 – FINANCIAL INSTRUMENTS

Effective January 1, 2008, the Company has adopted the requirements of CICA Handbook Section 3862, "Financial Instruments – Disclosures". This section requires disclosures to enable the users to evaluate the significance of financial instruments for the entity's financial position and performance, and the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

This note provides disclosures about financial instruments, fair values, as well as credit, liquidity and market risks associated with financial instruments.

NOTE 10 – (cont'd.)

Financial instruments, carrying values and fair values

The Company has determined that the fair value of its short-term financial assets and liabilities approximates their respective carrying amounts as at the balance sheet dates because of the short-term maturity of those instruments. The fair values of the long-term receivables and interest-bearing financial liabilities also approximate their respective carrying amounts. The fair value of forward foreign exchange contracts and swap agreements has been recorded using mark to market information as supplied by a financial institution.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management believes that the credit risk of accounts receivable is limited due to the following reasons:

- Geographically, there is no concentration of credit risk.
- The Company deals primarily with utility and telecommunication companies, and other major corporations.
- Historically, trade receivables outstanding for more than 90 days are under 2.0%.

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, where available, and credit references from other suppliers. Purchase limits are established for each customer, which represents the maximum open amount without requiring additional approval from Management. A monthly review of the accounts receivable aging is performed by Management for each selling location. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis. As at June 30, the details of the allowance for doubtful accounts are as follows:

(in thousands of dollars)	**three months ended June 30,**		**six months ended June 30,**	
	2008 ($)	**2007 ($)**	**2008 ($)**	**2007 ($)**
Balance – beginning of period	251	74	230	33
Provision adjustment	137	31	158	72
Balance – end of period	388	105	388	105

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, on a long-term basis, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient credit facilities to support working capital, meet expected operational expenses and service financial obligations. Inventories are a significant component of working capital because of the long periods required to air-season wood, which can occasionally exceed nine months before a sale is made. Details regarding the Company's operating lines of credit can be found in Note 5:

NOTE 10 – (cont'd.)

The Company monitors all financial liabilities and ensures it will have sufficient liquidity to meet these future payments. The following table details these obligations as at June 30, 2008:

(in thousands of dollars)	Less than 1 year ($)	1 – 3 years ($)	4 – 5 years ($)	After 5 years ($)	Total ($)
Long-term debt obligations	5,239	11,430	19,767	60,545	96,981
Capital lease obligations	79	137	158	---	374
Non-compete agreements	1,275	2,550	2,550	954	7,329
	6,593	14,117	22,475	61,499	104,684

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Currency risk

The Company's exposure to foreign exchange gains or losses from currency fluctuations is related to its sales and purchases in U.S. dollars by its Canadian-based operations and to its U.S. dollar denominated long-term debt held by its Canadian companies. The Company's wholly-owned U.S. subsidiaries are self-sustaining foreign operations and unrealized foreign exchange gains and losses on translating their financial statements are recorded in accumulated other comprehensive loss in shareholders' equity. The Company monitors its transactions in U.S. dollars generated by Canadian-based operations. Its basic hedging activity consists of entering into forward exchange contracts for the sale of U.S. dollars and purchasing certain goods and services in U.S. dollars. The Company will also consider forward exchange contracts for the purchase of U.S. dollars for significant purchases of goods and services that are not covered by natural hedges.

The following table summarizes the Company's derivative financial instruments relating to the sale of foreign currencies through forward foreign exchange contracts as at June 30, 2008:

(in thousands of dollars) Foreign Currency Contracts	Notional Amount $US	Average Exchange Rate	Maturity Year	Notional Equivalent $CDN	Fair Value $CDN
Sell $US/Buy $CDN	950	1.1563	Dec. 2008	1,098	127
Sell $US/Buy $CDN	1,800	1.1494	Dec. 2009	2,069	218
	2,750	1.1518		3,167	345

The following table provides information on the impact of a 10.0% strengthening of the U.S. dollar against the Canadian dollar on net earnings and comprehensive earnings for the three and six month periods ended June 30, 2008. For a 10.0% weakening of the U.S. dollar against the Canadian dollar, there would be an equal and opposite impact on net earnings and comprehensive earnings.

(in thousands of dollars)	three months ended June 30, 2008	six months ended June 30, 2008
Net earnings	325	832
Comprehensive earnings	4,385	6,010

NOTE 10 – (cont'd.)

Interest rate risk

As at June 30, 2008, the Company had limited exposure to interest rate risk on long-term debt as 94.3% of the Company's long-term debt is at a fixed rate up to February 2010. After this date, 73.0% of the Company's long-term debt is at a fixed rate up to maturity.

The Company enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its short-term and long-term debt. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. The Company designates its interest rate hedge agreements as hedges of the underlying debt. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swaps.

The following table summarizes the Company's derivative financial instruments relating to interest rate swaps as at June 30, 2008:

(in thousands of dollars)	**Notional Amount ($)**	**Fixed Rate Paid %**	**Maturing Date**	**Notional Equivalent $CDN**
Interest rate swap - CDN	2,300	5.81	Dec. 2010	2,300
Interest rate swap - CDN	2,700	5.85	Feb. 2011	2,700
Interest rate swap - US	5,000	5.80	July 2015	5,099

The fair value of the interest rate swap agreements based on cash settlement requirements as of June 30, 2008 is a loss of $47,325.

NOTE 11 – CAPITAL DISCLOSURES

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions, while at the same time taking a conservative approach towards financial leverage and management of financial risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and acquire or sell assets to improve its financial performance and flexibility.

The Company's capital is composed of long-term debt and shareholders' equity which includes capital stock.

(in thousands of dollars, except ratios)	**June 30, 2008 ($)**	**December 31, 2007 ($)**
Long-term debt, including current portion	94,770	47,444
Shareholders' equity	142,822	127,757
Total capital	237,592	175,201
Long-term debt to equity ratio	0.66:1	0.37:1

The Company's primary uses of capital are to finance increases in non-cash working capital and capital expenditures for capacity expansion as well as acquisitions. The Company currently funds these requirements out of its internally-generated cash flows and operating lines of credit. However, future corporate acquisitions may require new sources of financing.

NOTE 11 – (cont'd.)

The primary measure used by the Company to monitor its financial leverage is the long-term debt to equity ratio, which it aims to maintain within a range of 0.30:1 to 0.75:1. The long-term debt to equity ratio is defined as the long-term debt including the current portion divided by shareholders' equity. As at June 30, 2008 the long-term debt to equity ratio was 0.66:1.

The Company is subject to certain covenants on its credit facilities. The covenants include a working capital ratio, debt to tangible net worth ratio, a minimum fixed charge coverage ratio and a minimum requirement for earnings before interest, taxes and amortization. The Company monitors the ratios on a monthly basis. The ratios are also reviewed by the Company's Audit Committee and Board of Directors on a quarterly basis. Other than the covenants required for the credit facilities, the Company is not subject to any externally imposed capital requirements.

NOTE 12 – 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 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 13 – SEGMENT INFORMATION

The Company operates within one dominant business segment, the production and sale of pressure-treated wood.