Source: **Stella-Jones Inc.**

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STELLA-JONES REPORTS FOURTH QUARTER AND YEAR-END RESULTS
Tenth consecutive year of record sales and net earnings

- **Sales of $561.0 million, up 36.5% from $411.1 million last year**
- **Gross profit of $103.6 million versus $76.7 million in 2009**
- **Net earnings of $34.4 million compared with $30.1 million last year, up 14.4%**
- **Significant debt reduction resulting from solid cash flow generation**

MONTREAL, QUEBEC – March 11, 2011 - Stella-Jones Inc. (TSX: SJ) today announced financial results for its fourth quarter and fiscal year ended December 31, 2010.

Financial highlights	**Quarters ended Dec. 31,**		**Years ended Dec. 31,**	
(in thousands of dollars, except per share data)	**2010**	**2009**	**2010**	**2009**
Sales	**133,071**	65,390	**561,046**	411,119
Gross profit	**27,240**	10,614	**103,618**	76,669
Cash flow from operations [1]	**15,296**	6,698	**50,092**	40,936
Net earnings for the period	**10,753**	3,041	**34,395**	30,069
Per share - basic ($)	**0.68**	0.24	**2.27**	2.38
Per share - diluted ($)	**0.67**	0.24	**2.26**	2.37
Weighted average shares outstanding (basic, in ‘000s)	**15,912**	12,682	**15,163**	12,638

[1] Before changes in non-cash working capital components.

2010 RESULTS

Sales reached $561.0 million, an increase of $149.9 million, or 36.5% over last year’s sales of $411.1 million. The acquisition of Tangent Rail Corporation (“Tangent”), effective April 1, 2010, contributed sales of approximately $120.5 million. Changes in the value of the Canadian dollar, Stella-Jones’ reporting currency, versus the U.S. dollar, decreased the value of U.S. dollar denominated sales by about $23.8 million when compared with the prior year. Adjusting for year-over-year currency fluctuations, sales excluding Tangent increased approximately 13.0%, reflecting higher railway tie sales in the United States and Canada as well as improved utility pole sales in Canada.

Railway tie sales for 2010 amounted to $283.2 million, an increase of 53.0% over 2009, reflecting tie sales of approximately $83.0 million from Tangent as well as increased market penetration. Excluding Tangent’s sales and adjusting for a negative foreign exchange effect of $16.5 million due to a lower average conversion rate on U.S. dollar denominated tie sales, year-over-year comparable railway tie sales increased $31.7 million. Utility pole sales amounted to $166.7 million in 2010, an increase of 11.4% over 2009, due to higher sales of distribution poles in both Canada and the United States stemming from solid maintenance demand and greater market penetration. Industrial product sales rose 81.7% to $81.4 million, an increase essentially attributable to Tangent’s coal tar distillation and used tie pickup and disposal operations. Finally, sales of residential lumber declined 5.6% to $29.8 million.

Gross profit was $103.6 million or 18.5% of sales, compared with $76.7 million or 18.6% of sales last year. The increase in gross profit dollars essentially reflects the contribution of the Tangent operations, partially offset by a lower average rate applied to convert gross profit from U.S. dollar denominated sales. The marginal reduction in gross profit as a percentage of sales mainly stems from a different product mix, more heavily weighted towards railway ties.

Net earnings for 2010 increased 14.4% to $34.4 million or $2.26 per share, fully diluted, compared with $30.1 million or $2.37 per share, fully diluted, in 2009. Cash flow from operating activities before changes in non-cash working capital components rose 22.4% to $50.1 million.

"Stella-Jones achieved its tenth consecutive year of sales and net earnings growth, as recessionary pressures eased in our core markets and we completed the largest acquisition in the Company's history," said Brian McManus, President and Chief Executive Officer of Stella-Jones. "Stella-Jones is now widely recognized as one of the largest suppliers of treated wood products on the continent. This has positioned the Company to pursue a larger share of the business of existing customers, and has strengthened our approach to new customers. As a full-service provider to the railway tie market, our competitive position has unquestionably improved, as the Company can confidently bid on larger and broader projects."

FOURTH-QUARTER RESULTS

Sales for the fourth quarter of 2010 reached $133.1 million, up from $65.4 million reported for the same period in 2009. This $67.7 million increase is attributable to a $37.1 million contribution from the Tangent operations, solid demand for the Company's core products and strong advanced deliveries of railway ties. The stronger year-over-year value of the Canadian dollar decreased the value of U.S. dollar denominated sales by approximately $2.1 million.

Railway tie sales amounted to $62.4 million, up from $22.1 million a year earlier. This increase reflects a $26.6 million contribution from the Tangent operations and stronger industry demand. Utility pole sales reached $48.7 million, compared with $31.1 million last year. This increase is for the most part attributable to higher sales of distribution and transmission poles in Canada. Industrial product sales amounted to $19.8 million, up from $10.1 million a year earlier, due essentially to a $10.6 million contribution from the Tangent operations. Finally, residential lumber sales rose 5.6% to $2.2 million.

Gross profit in the fourth quarter of 2010 totalled $27.2 million, or 20.5% of sales, compared with $10.6 million, or 16.2% of sales, in the corresponding period in 2009. While higher gross profit dollars essentially result from the contribution of the Tangent operations and the strong increase in organic sales, the increase in gross profit as a percentage of sales principally reflects higher volume and resulting efficiencies, overall cost savings and higher selling prices. Net earnings for the period totalled $10.8 million, or $0.67 per share, fully diluted, compared with $3.0 million, or $0.24 per share, fully diluted, in the fourth quarter of 2009. Cash flow from operating activities before changes in non-cash working capital components was $15.3 million, up from $6.7 million a year earlier.

SOLID BALANCE SHEET

As at December 31, 2010, the Company's long-term debt, including the current portion, amounted to $125.8 million, representing a ratio of total long-term debt to shareholders' equity of 0.45:1, down from 0.53:1 three months earlier and 0.48:1 at the end of 2009. In addition, a strong cash flow generation and improved working capital resulted in a $24.2 million decrease in short-term bank indebtedness, which stood at $31.9 million at the end of 2010.

"These factors enabled Stella-Jones to reduce its total debt by $44.1 million during the second half of 2010. Of note, the Company proceeded with the accelerated repayment of more than $15.0 million in various financial obligations during the fourth quarter," added George Labelle, Senior Vice-President and Chief Financial Officer.

SEMI-ANNUAL DIVIDEND OF $0.24 PER SHARE

The Board of Directors declared a semi-annual dividend of $0.24 per share on the outstanding common shares of Stella-Jones, payable on May 13, 2011 to shareholders of record at the close of business on April 1, 2011.

OUTLOOK

As global economic conditions continue to improve, Management expects demand for the Company's core products to further accelerate in the upcoming year. However, the strong deliveries in the latter part of the fourth quarter are expected to slightly soften first quarter results. In the railway tie market, increased freight volume on North American railroads should lead to greater investments in the continental rail network, as operators constantly seek optimal line efficiency. Meanwhile, demand is expected to steadily progress in utility poles, as regular maintenance projects provide a stable business flow for distribution poles, while the vigour of the transmission pole market is more correlated to the timing of orders, mostly for special projects.

"Leveraging the Tangent acquisition remains a priority in 2011 as we fully take advantage of synergies in our expanded network. The efficiencies we continue to implement should further contribute to margin improvement and shareholder value. While remaining committed to our traditional business, we will also continue to pursue our strategic vision in a methodical fashion. A solid financial position and growing cash flow are key attributes of our readiness to study acquisition opportunities in core markets, as Stella-Jones seeks to further its continental expansion and industry consolidation," concluded Mr. McManus.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on Friday, March 11, 2011, at 10:00 AM Eastern Time. Interested parties can join the call by dialing 416-644-3426 (Toronto or overseas) or 1-800-731-5319 (elsewhere in North America). 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 4404802#. This tape recording will be available on Friday, March 11, 2011 as of 12:00 PM Eastern Time until 11:59 PM Eastern Time on Friday, March 18, 2011.

NON-GAAP MEASURE

Cash flow from operations is a financial measure not prescribed by Canadian generally accepted accounting principles ("GAAP") and is not likely to be comparable to similar measures presented by other issuers. Management considers it 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.

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** 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 fourth quarter ended December 31, 2010 have not been reviewed by the Company’s external auditors.

(Signed)

George Labelle
Senior Vice-President and Chief Financial Officer

Montréal, Québec
March 11, 2011

CONSOLIDATED BALANCE SHEETS

(in thousands of dollars) *as at December 31, 2010 and December 31, 2009*	**Dec. 31, 2010 unaudited ($)**	**Dec. 31, 2009 ($)**
ASSETS		
CURRENT ASSETS		
Accounts receivable	56,315	30,160
Derivative financial instruments	---	2,196
Inventories	205,335	212,590
Prepaid expenses	4,517	3,223
Income taxes receivable	2,875	4,726
Future income taxes	3,206	1,683
	272,248	254,578
CAPITAL ASSETS (Notes 3 and 4)	113,956	96,885
INTANGIBLE ASSETS (Note 3)	54,986	7,580
GOODWILL (Note 3)	73,973	5,494
OTHER ASSETS	6,152	4,878
FUTURE INCOME TAXES	318	1,380
	521,633	370,795
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (Note 5)	31,923	56,119
Accounts payable and accrued liabilities	33,266	19,137
Customer deposits	1,431	2,344
Derivative financial instruments	44	31
Future income taxes	292	869
Current portion of long-term debt (Note 6)	10,459	4,746
Current portion of asset retirement obligations	1,475	315
Current portion of non-competes payable	959	920
	79,849	84,481
LONG-TERM DEBT (Note 6)	115,369	82,334
FUTURE INCOME TAXES	37,956	16,257
ASSET RETIREMENT OBLIGATIONS	719	932
EMPLOYEE FUTURE BENEFITS	2,063	1,716
DERIVATIVE FINANCIAL INSTRUMENTS	1,335	1,400
NON-COMPETES PAYABLE	2,526	3,682
OTHER LONG-TERM LIABILITY	431	15
	240,248	190,817
SHAREHOLDERS' EQUITY		
CAPITAL STOCK	130,229	52,019
CONTRIBUTED SURPLUS	1,136	777
RETAINED EARNINGS	158,934	130,580
ACCUMULATED OTHER COMPREHENSIVE LOSS	(8,914)	(3,398)
	281,385	179,978
	521,633	370,795

See accompanying Notes

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands of dollars, except where specified otherwise) *(unaudited)*	three months ended Dec. 31, 2010 (#)	2009 (#)	twelve months ended Dec. 31, 2010 (#)	2009 (#)
SHARE CAPITAL *(in thousands of shares)*				
Number of shares outstanding - beginning of period	15,903	12,681	12,684	12,565
Stock option plan	17	---	25	4
Exchange of subscription receipts for common shares (Note 3)	---	---	3,202	---
Stock option agreement	---	---	---	100
Share purchase plan	3	3	12	15
Number of shares outstanding – end of period	15,923	12,684	15,923	12,684
	($)	**($)**	**($)**	**($)**
Shares outstanding - beginning of period	130,105	51,918	52,019	49,910
Stock option plan	35	---	159	80
Exchange of subscription receipts for common shares (Note 3)	---	---	77,748	---
Stock option agreement	---	---	---	1,692
Share purchase plan	89	101	303	337
Shares outstanding – end of period	130,229	52,019	130,229	52,019
SUBSCRIPTION RECEIPTS				
Balance - beginning of period	---	---	---	---
Subscription receipts net of underwriting and legal fees	---	---	76,903	---
Future income taxes related to underwriting and legal fees	---	---	845	---
Exchange of subscription receipts for common shares (Note 3)	---	---	(77,748)	---
Balance - end of period	---	---	---	---
CONTRIBUTED SURPLUS				
Balance - beginning of period	1,042	697	777	1,905
Stock-based compensation	94	80	400	292
Exercise of stock options	---	---	(41)	(1,420)
Balance - end of period	1,136	777	1,136	777
RETAINED EARNINGS				
Balance - beginning of period	148,181	127,539	130,580	105,055
Net earnings for the period	10,753	3,041	34,395	30,069
Dividends on common shares	---	---	(6,041)	(4,544)
Balance end of period	158,934	130,580	158,934	130,580
ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME				
Balance - beginning of period	(3,595)	(2,674)	(3,398)	4,242
Other comprehensive loss	(5,319)	(724)	(5,516)	(7,640)
Balance – end of period	(8,914)	(3,398)	(8,914)	(3,398)
SHAREHOLDERS' EQUITY	281,385	179,978	281,385	179,978

See accompanying Notes

CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands of dollars, except per share data) *(unaudited)*	three months ended Dec. 31, 2010 ($)	three months ended Dec. 31, 2009 ($)	twelve months ended Dec. 31, 2010 ($)	twelve months ended Dec. 31, 2009 ($)
SALES	133,071	65,390	561,046	411,119
EXPENSES				
Cost of sales	105,831	54,776	457,428	334,450
Selling and administrative	5,094	3,225	29,608	20,293
Impairment of assets (Note 4)	420	833	2,950	833
Foreign exchange (gain) loss	(435)	(581)	44	(1,435)
Loss (gain) on derivative financial instruments	64	254	(19)	(2,196)
Amortization of capital and intangible assets	2,736	1,747	10,355	8,755
Loss on disposal of capital assets	64	32	36	151
	113,774	60,286	500,402	360,851
OPERATING EARNINGS	19,297	5,104	60,644	50,268
INTEREST ON LONG-TERM DEBT	2,439	1,244	8,914	6,451
OTHER INTEREST	375	606	1,651	2,025
EARNINGS BEFORE INCOME TAXES	16,483	3,254	50,079	41,792
PROVISION FOR INCOME TAXES	5,730	213	15,684	11,723
NET EARNINGS FOR THE PERIOD	10,753	3,041	34,395	30,069
BASIC NET EARNINGS PER COMMON SHARE (Note 7)	0.68	0.24	2.27	2.38
DILUTED NET EARNINGS PER COMMON SHARE (Note 7)	0.67	0.24	2.26	2.37

See accompanying Notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of dollars) *(unaudited)*	**three months ended Dec. 31, 2010 ($)**	**three months ended Dec. 31, 2009 ($)**	**twelve months ended Dec. 31, 2010 ($)**	**twelve months ended Dec. 31, 2009 ($)**
NET EARNINGS FOR THE PERIOD	10,753	3,041	34,395	30,069
Other comprehensive (loss) :				
Net change in unrealized gains or losses on translation of financial statements of self-sustaining foreign operations	(8,785)	(1,532)	(8,471)	(13,078)
Net change in unrealized gains or losses on translation of long-term debts designated as hedges of net investments in self-sustaining foreign operations	3,385	690	3,228	5,845
Income tax expense on change in unrealized gains or losses on translation of long-term debts designated as hedges of net investment in self-sustaining foreign operations	(348)	---	(348)	---
Change in gains (losses) on fair value of derivatives designated as cash flow hedges	477	170	(108)	(272)
Reclassification to net earnings of losses (gains) on cash flow hedges	160	---	160	(319)
Income tax (expense) recovery on change in fair value of cash flow hedges and cash flow hedges reclassified to net earnings	(208)	(52)	23	184
	(5,319)	(724)	(5,516)	(7,640)
COMPREHENSIVE INCOME	5,434	2,317	28,879	22,429

See accompanying Notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of dollars) *(unaudited)*	three months ended Dec. 31, 2010 ($)	three months ended Dec. 31, 2009 ($)	twelve months ended Dec. 31 2010 ($)	twelve months ended Dec. 31 2009 ($)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net earnings for the period	10,753	3,041	34,395	30,069
Adjustments for				
Amortization of capital assets	1,462	1,268	5,782	6,872
Amortization of intangible assets	1,274	479	4,573	1,883
Amortization of deferred financing costs	147	14	758	68
Change in fair value of debt	152	101	647	850
Loss on disposal of capital assets	64	32	36	151
Employee future benefits	(551)	(530)	(177)	(156)
Stock-based compensation	94	79	400	292
Loss (gain) on derivative financial instruments	590	254	2,196	(2,196)
Impairment of assets (Note 4)	420	833	2,950	833
Future income tax	1,112	800	(1,312)	1,880
Other	(221)	327	(156)	390
	15,296	6,698	50,092	40,936
CHANGES IN NON-CASH WORKING CAPITAL COMPONENTS				
Accounts receivable	26,173	22,802	(11,560)	9,652
Inventories	(17,840)	(3,074)	31,282	(1,819)
Prepaid expenses	(326)	1,236	(304)	2,335
Income taxes	(2,274)	(1,576)	3,481	(1,558)
Accounts payable and accrued liabilities	(3,775)	(14,949)	9,793	(8,777)
Customer deposits	(649)	1,024	(829)	(241)
Asset retirement obligations	(243)	202	(347)	(47)
	1,066	5,665	31,516	(455)
	16,362	12,363	81,608	40,481
CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES				
Increase (decrease) in bank indebtedness	6,850	(3,777)	(23,148)	(21,775)
Increase in deferred financing costs	(129)	---	(1,144)	---
Increase in long-term debt	---	---	66,027	---
Repayment of long-term debt (Note 3)	(17,700)	(5,105)	(103,932)	(9,041)
Proceeds from issuance of common shares	124	102	421	689
Proceeds from issuance of subscription receipts	---	---	76,903	---
Non-competes payable	(328)	(419)	(1,311)	(1,549)
Dividend on common shares	(3,180)	(2,281)	(6,041)	(4,544)
	(14,363)	(11,480)	7,775	(36,220)
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES				
Decrease in other assets	11	22	31	57
Business acquisition net of cash acquired (Note 3)	---	---	(83,565)	---
Purchase of capital assets	(2,036)	(926)	(6,079)	(4,811)
Assets held for sale	---	(47)	---	360
Proceeds from disposal of capital assets	26	68	230	133
	(1,999)	(883)	(89,383)	(4,261)
NET CHANGE IN CASH AND CASH EQUIVALENTS – DURING THE PERIOD	---	---	---	---
CASH AND CASH EQUIVALENTS – BEGINNING AND END OF THE PERIOD	---	---	---	---
SUPPLEMENTAL DISCLOSURE				
Interest paid	3,018	1,744	10,011	9,244
Income taxes paid	6,371	50	13,692	9,977

See accompanying Notes

NOTE 1 – DESCRIPTION OF THE BUSINESS

Stella-Jones Inc. (the "Company") is a North American producer and marketer of industrial pressure 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 is incorporated under the *Canada Business Corporations Act* and its common shares are listed on the Toronto Stock Exchange.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The unaudited interim consolidated financial statements for the twelve months ended December 31, 2010 and 2009, are unaudited and include estimates and adjustments that Management of the Company consider necessary for a fair presentation of the financial position, shareholders' equity, earnings, comprehensive income and cash flows.

The unaudited 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, 2009, except for new accounting policies that were adopted January 1, 2010, 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 which can be found on SEDAR at www.sedar.com.

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. The significant subsidiaries are as follows: Guelph Utility Pole Company Ltd., I.P.B.-W.P.I. International 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, Canadalux S.à r.l. and Tangent Rail Corporation ("Tangent"). SJ Holding, SJ Corp, Stella-Jones U.S. Finance Corporation, Canadalux S.à.r.l. and Tangent are considered self-sustaining foreign operations for accounting purposes. The consolidated accounts of Stella-Jones 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 under the Canadian Institute of Chartered Accountants Handbook, Section 3055. Following the close of business on December 31, 2010, Tangent was merged with SJ Corp. The surviving corporation was Tangent, which changed its name to Stella-Jones Corporation concurrently with the merger.

Revenue recognition

Revenue from the sale of products and services is recognized when persuasive evidence of an arrangement exists, products are shipped to customers or the services are rendered, the risks and rewards related to the ownership of the product are assumed by the customer, collection is considered reasonably assured and the sales price is fixed or determinable. Revenue is net of trade or volume discounts, returns and allowances and claims for damaged goods.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

The Company enters into service agreements where green tie procurement and tie treating services are offered separately. These services consist mainly of procuring, trimming, grading and treating railway ties for which revenue is recognized when the services are provided, based on contractual terms. Revenues for green tie procurement, trimming and grading services can be recognized either at the time of the green tie sale or when treating services are rendered. Storage and treating revenues are recognized at the time of treating or when the railway ties are shipped. Under certain agreements, the customer will supply the green ties and the Company will offer all of the other services. The Company capitalizes costs incurred to provide the service and reverses them to cost of goods sold when revenue is recognized.

The Company offers used tie pickup and disposal services. Revenue is recognized upon reaching certain points in the process of removal of the used ties from the customer's right of way.

The Company also operates timber licenses to harvest logs as part of a process to procure raw material for the processing and treatment of utility poles. Logs not meeting pole-quality standards are regularly harvested and sold to third parties. Proceeds from the sale of non-pole-quality logs are included in the cost of poles sold since the production of non-pole-quality logs are a by-product of the Company's pole raw material procurement operations.

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, 2010:

Handbook Section 1582, "Business Combinations" replaces Section 1581 of the same title. The new Section establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the International Financial Reporting Standard ("IFRS") 3 (Revised), "Business Combinations". The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The Company applied this new standard effective January 1, 2010 as early adoption is permitted. As a result of the application of this new accounting standard, previously capitalized transaction costs of approximately $328,000 were expensed in the current period. Effective January 1, 2010, expenses of a similar nature are recorded to results in the period they are occurred.

Handbook Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests", which together replace Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are equivalent to the corresponding provisions of International Accounting Standard 27 (Revised), "Consolidated and Separate Financial Statements". The Company applied these new standards effective January 1, 2010 as early adoption is permitted. The adoption of these new standards did not have any impact on the Company's consolidated financial statements.

Upcoming changes to accounting policies

The Company will cease to prepare its financial statements in accordance with Canadian GAAP as set out in Part V of the CICA Handbook – Accounting for the periods beginning on January 1, 2011, when it will start to apply as its primary basis of accounting IFRS as published by the International Accounting Standards Board and set out in Part 1 of the CICA Handbook – Accounting. Consequently, future accounting changes to Canadian GAAP are not discussed in these unaudited interim consolidated financial statements as they will normally never be applied by the Company.

(tabular information presented in thousands of dollars, unless otherwise noted)

NOTE 3 – BUSINESS ACQUISITION

On April 1, 2010, the Company completed the acquisition of 100% of the shares of Tangent, a provider of wood crosstie supply chain services to the railroad industry. Tangent served the railroad industry with treated wood products, mainly railway ties, through facilities located in Warrior, Alabama; Terre Haute and Winslow, Indiana; Alexandria, Louisiana and McAlisterville, Pennsylvania. The wood preservative, creosote, was produced at its distilleries in Terre Haute, Indiana and Memphis, Tennessee. Lifecycle solutions, consisting of used tie pickup and disposal, were carried out at three facilities in Alabama, Minnesota and North Carolina. This acquisition expands the Company's capabilities within the U.S. railway tie industry and provides the Company with creosote manufacturing operations.

Total cash outlay associated with the acquisition was approximately $172.7 million (US$170.0 million), including cash on hand of $6.8 million (US$6.7 million) and excluding acquisition costs of approximately $2.0 million (US$2.0 million). This amount includes $90.4 million (US$89.0 million) paid to Tangent's shareholders, $81.3 million (US$80.1 million) used to reimburse Tangent's debts with financial institutions and $1.0 million (US$0.9 million) to pay accrued interest on these debts.

The acquisition has been accounted for using the acquisition 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 at the acquisition date. During the fourth quarter, the Company adjusted the value of certain assets as well as goodwill, future income tax liabilities and accrued liabilities. The results of operations of Tangent have been included in the Company's unaudited consolidated financial statements from the acquisition date.

The following is a summary of the net assets acquired at fair value as at the acquisition date. The original transaction was made in US dollars and converted into Canadian dollars as at the acquisition date.

	$
Assets acquired	
Non-cash working capital	48,603
Capital assets	22,734
Customer relationships	20,905
Customer backlog	670
Creosote registration	31,723
Non-deductible goodwill	70,239
Future income tax assets	615
	195,489
Liabilities assumed	
Accounts payable and accrued liabilities	5,290
Long-term debt	81,340
Site remediation obligation	1,311
Future income tax liabilities	23,983
Total consideration	83,565
Consideration	
Cash	172,694
Payment of accrued interest	(956)
Payment of long-term debt	(81,340)
Cash on hand	(6,833)
Purchase consideration for shares	83,565

The Company's valuation of intangible assets identified customer relationships, a creosote registration and customer backlog. The assigned useful lives for customer relationships are between six to ten years and three months for the customer backlog. The creosote registration is not subject to amortization as the Company considers it to have an indefinite useful life.

(tabular information presented in thousands of dollars, unless otherwise noted)

NOTE 3 – BUSINESS ACQUISITION (cont'd.)

Goodwill value is determined as the excess of the total consideration over the estimated fair value of tangible and intangible assets acquired as well as liabilities assumed. Goodwill is not amortized, not 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 following table presents a roll forward of the intangible assets and goodwill net book value balances from January 1, 2009 to December 31, 2010:

	Customer Relationships $	Non-compete Agreements $	Creosote Registration $	Total Intangible Assets $	Goodwill $
At January 1, 2009					
Cost	5,335	6,930	---	12,265	6,367
Accumulated amortization	(626)	(866)	---	(1,492)	---
Net book amount	4,709	6,064	---	10,773	6,367
Year ended December 31, 2009					
Opening net book balance	4,709	6,064	---	10,773	6,367
Amortization	(790)	(1,093)	---	(1,883)	---
Exchange differences	(575)	(735)	---	(1,310)	(873)
Closing net book amount	3,344	4,236	---	7,580	5,494
At December 31, 2009					
Cost	4,603	5,980	---	10,583	5,494
Accumulated amortization	(1,259)	(1,744)	---	(3,003)	---
Net book amount	3,344	4,236	---	7,580	5,494
Year ended December 31, 2010					
Opening net book balance	3,344	4,236	---	7,580	5,494
Addition of Tangent customer relationships	20,905	---	---	20,905	---
Addition of Tangent customer backlog	670	---	---	670	---
Addition of Tangent creosote registration	---	---	31,723	31,723	---
Addition of Tangent goodwill	---	---	---	---	70,239
Amortization	(3,586)	(986)	---	(4,572)	---
Exchange differences	(473)	(185)	(662)	(1,320)	(1,760)
Closing net book amount	20,860	3,065	31,061	54,986	73,973
At December 31, 2010					
Cost	25,482	5,659	31,061	62,202	73,973
Accumulated amortization	(4,622)	(2,594)	---	(7,216)	---
Net book amount	20,860	3,065	31,061	54,986	73,973

Financing for the transaction was secured through an $80,050,000 private placement of subscription receipts which successfully closed on March 15, 2010, as well as through the issuance to the Solidarity Fund QFL of a $25,395,000 (US$25,000,000) unsecured, subordinated and non-convertible debenture, the addition of a $40,632,000 (US$40,000,000) syndicated bank term facility which successfully closed on March 24, 2010, and the increase of existing operating debt facilities. More details on financing facilities can be found in Notes 5 and 6. Underwriting and legal fees related to the private placement of subscription receipts amounted to $3,147,000 generating net proceeds of $76,903,000. The subscription receipts were exchanged as at the close of business, April 1, 2010, for common shares in the share capital of the Company on the basis of one common share per subscription receipt. Holders of subscription receipts were not required to take any action in order to receive the common shares to which they were entitled. As the subscription receipts were sold on a private placement basis, these common shares were subject to regulatory restrictions on resale until July 16, 2010.

NOTE 3 – BUSINESS ACQUISITION (cont'd.)

Tangent's sales and earnings before taxes in the nine-month period ended December 31, 2010 were $120,456,000 and $8,923,000, respectively. On a pro forma basis, Management's estimate of sales and earnings before taxes of the combined operations of the Company and Tangent, for the twelve-month period ended December 31, 2010, would have been approximately $601,360,000 and $54,924,000, respectively, had the Tangent acquisition occurred as of January 1, 2010. To arrive at the pro forma estimates, Management has considered the financing structure resulting from the acquisition as well as other adjustments related to the acquisition.

NOTE 4 – IMPAIRMENT OF ASSETS

Pursuant to the Tangent acquisition, the Company has increased its production capacity and has consolidated the production of its railway tie requirements. As a result, the Spencer, West Virginia plant will be producing lower annual volumes going forward. This Management decision has triggered the requirement to test the Spencer plant's long-lived assets for recoverability which concluded in a $1,733,000 impairment expense which was recorded in the second quarter earnings.

The Company holds certain assets for sale valued at $3,318,000 which are presented as part of other assets on the balance sheet. These assets represent buildings that the Company ownes in Ripley, West Virginia, as well as a plant in Stanton, Kentucky. During the year, Management decided to reduce the value of these assets to better reflect market value. This adjustment resulted in an impairment of $420,000 and $1,217,000 for the three and twelve month period ended December 31, 2010 respectively.

NOTE 5 – BANK INDEBTEDNESS

On March 24, 2010, the Company entered into an agreement to amend and restate, without novation, its existing revolving credit facilities. The separate Canadian and U.S. revolving bank lines have been replaced by a single demand revolving facility to be made available to the Company by a syndicate of bank lenders. The amended facilities consist of Tranche A, a maximum demand operating loan of $50,000,000 made available to the Company (December 31, 2009 - $50,000,000) and Tranche B, a maximum demand operating loan of US$75,000,000 (December 31, 2009 – US$45,000,000) made available to SJ Holding. Borrowings may be obtained by the Company under Tranche A in the form of Canadian prime rate loans, Canadian Bankers' Acceptances ("BA's"), U.S. base rate loans, LIBOR loans in U.S. dollars and letters of credit up to a maximum of $5,000,000 of the facility. Borrowings may be obtained by SJ Holding under Tranche B in the form of U.S. base rate loans, LIBOR loans in U.S. dollars and letters of credit. The interest rate margin with respect to Canadian prime rate loans and U.S. base rate loans is 0.75% and with respect to BA's, LIBOR loans and fees for letters of credit, the interest rate margin is 2.0%. The minimum borrowing base consisting of 75% in value of acceptable receivables and 50% in value of acceptable inventories with a maximum of $80,000,000, was $114,462,000 of which $30,293,000 was used under Tranche A and Tranche B as at December 31, 2010.

As collateral for this demand revolving credit facility, the bank lenders hold a first ranking charge on the inventory and accounts receivable of the Company and a second ranking security interest on certain capital assets of the Company. The demand revolving facility is subject to financial and non-financial covenants which the Company was in compliance with as at December 31, 2010.

(tabular information presented in thousands of dollars, unless otherwise noted)

NOTE 6 – LONG-TERM DEBT

As part of the financing of the Tangent acquisition , the Company entered into new long-term debt agreements for which details are as follows:

- US$25,000,000 unsecured, subordinated and non-convertible debenture bearing interest at 9.75%, repayable in a single installment on April 1, 2015. Starting April 1, 2013, the Company may repay the debenture in full or in part in advance with a 1.0% penalty. This debenture was designated as a hedge of net investment in a self-sustaining foreign operation.
- US$40,000,000 syndicated bank term loan bearing interest at the bank's U.S. base rate plus 1.5%, or LIBOR rate plus 3.0%, at the Company's option. Repayment will be made in 19 consecutive quarterly principal repayments of US$1,425,000 starting July 1, 2010 and a balloon repayment of US$12,925,000 constituting the twentieth and final payment of the residual capital balance on April 1, 2015. In December 2010, the Company made a voluntary US$3,000,000 repayment on the term loan principal. The repayment schedule was modified to reduce the balloon repayment to US$9,925,000. This term loan was designated as a hedge of net investment in a self-sustaining foreign operation.

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 twelve-month periods ended December 31:

	three months ended Dec. 31,		twelve months ended Dec. 31,	
	2010	**2009**	**2010**	**2009**
Net earnings applicable to common shares*	$10,753	$3,041	$34,395	$30,069
Weighted average number of common shares outstanding*	15,912	12,682	15,163	12,638
Effect of dilutive stock options*	45	25	41	66
Weighted average number of diluted common shares outstanding*	15,957	12,707	15,204	12,704
Basic net earnings per common share**	$0.68	$0.24	$2.27	$2.38
Diluted net earnings per common share**	$0.67	$0.24	$2.26	$2.37

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

** *Basic and diluted earnings per share are presented as dollars per share.*

NOTE 8 – 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. Residential lumber 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 9 – SEGMENT INFORMATION

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