Source: **Stella-Jones Inc.**

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STELLA-JONES REPORTS FIRST QUARTER RESULTS
Annual and Special meeting of shareholders later this morning

- **Sales of $130.5 million, up 31.3% from $99.4 million last year**
- **Operating income of $14.4 million, versus $10.5 million in Q1 2010**
- **Net income up 46.9% to $8.5 million, compared with $5.8 million last year**

MONTREAL, QUEBEC – June 2, 2011 - Stella-Jones Inc. (TSX: SJ) today announced financial results for its first quarter ended March 31, 2011. These results are the first presented by the Company following the adoption, on January 1, 2011, of International Financial Reporting Standards ("IFRS"). Results for the prior year have been restated.

Financial highlights	**Quarters ended March 31,**	
(in thousands of Canadian dollars, except per share data)	**2011**	**2010**
Sales	**130,485**	99,360
Operating income	**14,418**	10,474
Net income for the period	**8,500**	5,788
Per share - basic ($)	**0.53**	0.46
Per share - diluted ($)	**0.53**	0.45
Cash flow from operations [1]	**17,564**	12,823
Weighted average shares outstanding (basic, in '000s)	**15,932**	12,688

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

FIRST-QUARTER RESULTS
Sales reached $130.5 million, an increase of $31.1 million, or 31.3% over last year's first-quarter sales of $99.4 million. The operating facilities acquired from Tangent Rail Corporation ("Tangent") on April 1, 2010, contributed sales of approximately $37.7 million. The conversion effect from fluctuations 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 $3.4 million when compared with the previous year. Organically, sales decreased approximately 3.0%, primarily reflecting lower sales of industrial products and residential lumber.

Railway tie sales for the first quarter of 2011 amounted to $76.5 million, an increase of 58.7% over last year, reflecting tie sales of approximately $29.5 million from the Tangent operations as well as increased market demand. Excluding Tangent's sales and adjusting for a negative foreign exchange effect of $2.5 million due to a lower average conversion rate on U.S. dollar denominated tie sales, year-over-year comparable railway tie sales increased $1.3 million. Utility pole sales amounted to $35.7 million, down 2.3% from a year ago. This slight decrease was mostly due to the negative conversion effect of U.S. dollar denominated sales. Excluding this factor, sales declined only $137,000. Industrial product sales rose 49.6% to $15.1 million, an increase entirely attributable to Tangent's coal tar distillation and used tie pickup and disposal operations. Sales of residential lumber declined 29.8% to $3.2 million, primarily as a result of less favourable weather compared with last year.

Operating income was $14.4 million or 11.0% of sales, compared with $10.5 million or 10.5% of sales last year. The increase in absolute dollars essentially reflects the contribution of the Tangent operations while the increase in operating income as a percentage of sales results from further efficiency gains.

Net income for the period increased 46.9% to $8.5 million or $0.53 per share, fully diluted, compared with $5.8 million or $0.45 per share, fully diluted, in 2010. Cash flow from operating activities before changes in non-cash working capital components and interest and income tax paid rose 37.0% to $17.6 million.

"Stella-Jones reported solid first quarter results, as demand held in our core product categories and we further implemented efficiency measures throughout our network," said Brian McManus, President and Chief Executive Officer. "The year-over-year performance is even more satisfactory as it followed strong advanced deliveries of railway ties in the fourth quarter, whereas reverse conditions had stimulated last year's first-quarter deliveries. Meanwhile, demand for transmission poles remained driven by special projects. However, demand for ancillary products was partially affected by severe winter weather in our main markets."

SOLID FINANCIAL POSITION AND LONG-TERM DEBT REDUCTION

As at March 31, 2011, the Company's long-term debt, including the current portion, amounted to $118.7 million, down from $125.8 million as at December 31, 2010. The ratio of total long-term debt to shareholders' equity was 0.42:1 as at March 31, 2011, down from 0.45:1 three months earlier.

"A strong cash flow generation enabled Stella-Jones to further reduce its debt. Subsequent to the end of the quarter, on April 1, 2011, we proceeded with the accelerated repayment of a capital amount of US$15.0 million on a debenture of US$25.0 million. Moreover, as a clear sign of confidence in regards to our business strategy, Stella-Jones' lenders reduced the interest rate applicable to the remaining capital balance of this debenture and on another debenture of US$25.0 million," added George Labelle, Senior Vice-President and Chief Financial Officer.

OUTLOOK

"We expect railway tie demand to grow in 2011. In response to an improving global economy, freight volumes are rising in North America. As a result, operators seeking optimal line efficiency are investing in their continental rail networks. Meanwhile, demand for utility poles is expected to remain solid. While the integration of Tangent's operations will allow us to achieve further efficiency gains and synergies, we should also uncover growth opportunities in core markets. Our healthy cash flow and strong financial position constitute a solid foundation, as we methodically pursue continental expansion and industry consolidation," concluded Mr. McManus.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on Thursday, June 2, 2011, at 1:30 PM Eastern Time. Interested parties can join the call by dialling 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 4437448#. This tape recording will be available on Thursday, June 2, 2011 as of 4:00 PM Eastern Time until 11:59 PM Eastern Time on Thursday, June 9, 2011.

NON-IFRS FINANCIAL MEASURES

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

ABOUT STELLA-JONES

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

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

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EXCHANGE LISTINGS
The Toronto Stock Exchange
Stock Symbol: SJ

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NOTICE

The condensed interim unaudited consolidated financial statements of Stella-Jones Inc. for the first quarter ended March 31, 2011 have not been reviewed by the Company’s external auditors.

(Signed)

George Labelle
Senior Vice-President and Chief Financial Officer

Montréal, Québec
June 2, 2011

Stella-Jones Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)
March 31, 2011 and 2010

Stella-Jones Inc.

Interim Consolidated Statement of Financial Position
(Unaudited)

(expressed in thousands of Canadian dollars)

	Note	As at March 31, 2011 $	As at December 31, 2010 $	As at January 1, 2010 $
Assets				
Current assets				
Accounts receivable		74,052	56,315	30,160
Derivative financial instruments		-	-	2,196
Inventories		223,488	205,335	212,590
Prepaid expenses		8,528	4,517	3,223
Income taxes receivable		3,887	2,875	4,726
		309,955	269,042	252,895
Non-current assets				
Property, plant and equipment	6	103,380	104,763	87,684
Intangible assets	7	61,747	64,179	16,781
Goodwill	7	72,114	73,973	5,494
Other assets	8	5,247	5,331	5,185
Deferred income taxes		2,929	3,670	3,209
		555,372	520,958	371,248
Liabilities and Shareholders' Equity				
Current liabilities				
Bank indebtedness		66,180	31,923	56,119
Accounts payable and accrued liabilities		40,047	32,470	21,512
Current portion of long-term debt		8,145	10,459	4,746
Current portion of provisions and other long-term liabilities	9	4,069	4,705	1,235
		118,441	79,557	83,612
Non-current liabilities				
Long-term debt		110,561	115,369	82,334
Deferred income taxes		37,913	38,355	17,493
Provisions and other long-term liabilities	9	3,668	3,668	4,629
Employee future benefits		2,634	2,572	2,257
Derivative financial instruments		1,130	1,335	1,400
		274,347	240,856	191,725
Shareholders' equity				
Capital stock	10	130,653	130,229	52,019
Contributed surplus		1,306	1,376	1,112
Retained earnings		160,512	155,636	128,015
Accumulated other comprehensive loss		(11,446)	(7,139)	(1,623)
		281,025	280,102	179,523
		555,372	520,958	371,248

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

Stella-Jones Inc.

Interim Consolidated Statement of Change in Shareholders' Equity
(Unaudited)
For the three-month periods ended March 31, 2011 and 2010

(expressed in thousands of Canadian dollars)

				Accumulated other comprehensive loss				
	Capital stock $	**Contributed surplus $**	**Retained earnings $**	**Foreign currency translation adjustment $**	**Translation of long-term debts designated as net investment hedges $**	**Unrecognized loss on cash flow hedges $**	**Total $**	**Total equity $**
Balance – January 1, 2011	130,229	1,376	155,636	(8,469)	2,243	(913)	(7,139)	280,102
Comprehensive income								
Net income for the period	-	-	8,500	-	-	-	-	8,500
Other comprehensive income	-	-	201	(6,451)	1,979	165	(4,307)	(4,106)
Comprehensive income for the period	-	-	8,701	(6,451)	1,979	165	(4,307)	4,394
Transaction with shareholders								
Dividends on common shares	-	-	(3,825)	-	-	-	-	(3,825)
Stock option plan	340	-	-	-	-	-	-	340
Exercise of stock options	-	(112)	-	-	-	-	-	(112)
Employee share purchase plans	84	-	-	-	-	-	-	84
Stock-based compensation	-	42	-	-	-	-	-	42
	424	(70)	(3,825)	-	-	-	-	(3,471)
Balance – March 31, 2011	130,653	1,306	160,512	(14,920)	4,222	(748)	(11,446)	281,025

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

Stella-Jones Inc.

Interim Consolidated Statement of Change in Shareholders' Equity . . . *continued*
(Unaudited)
For the three-month periods ended March 31, 2011 and 2010

(expressed in thousands of Canadian dollars)

	Capital stock $	Subscription receipts $	Contributed surplus $	Retained earnings $	Accumulated other comprehensive loss: Foreign currency translation adjustment $	Translation of long-term debts designated as net investment hedges $	Unrecognized loss on cash flow hedges $	Total $	Total equity $
Balance – January 1, 2010	52,019	-	1,112	128,015	-	(637)	(986)	(1,623)	179,523
Comprehensive income									
Net income for the period	-	-	-	5,788	-	-	-	-	5,788
Other comprehensive income	-	-	-	(189)	(2,764)	1,345	(53)	(1,472)	(1,661)
Comprehensive income for the period	-	-	-	5,599	(2,764)	1,345	(53)	(1,472)	4,127
Transaction with shareholders									
Dividends on common shares	-	-	-	(2,284)	-	-	-	-	(2,284)
Subscription receipts net of underwriting and legal fees	-	76,893	-	-	-	-	-	-	76,893
Future income taxes related to underwriting and legal fees	-	840	-	-	-	-	-	-	840
Stock option plan	80	-	-	-	-	-	-	-	80
Exercise of stock options	-	-	(27)	-	-	-	-	-	(27)
Employee share purchase plans	63	-	-	-	-	-	-	-	63
Stock-based compensation	-	-	77	-	-	-	-	-	77
	143	77,733	50	(2,284)	-	-	-	-	75,642
Balance – March 31, 2010	52,162	77,733	1,162	131,330	(2,764)	708	(1,039)	(3,095)	259,292

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

Stella-Jones Inc.

Interim Consolidated Statement of Income

(Unaudited)

For the three-month periods ended March 31, 2011 and 2010

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

	2011 $	2010 $
Sales	130,485	99,360
Expenses (income)		
Cost of sales	109,599	82,963
Selling and administrative	6,974	5,915
Other losses (gains), net	(506)	8
	116,067	88,886
Operating income	14,418	10,474
Financial expenses		
Interest on long-term debt	1,956	1,484
Other interest	369	322
	2,325	1,806
Income before income taxes	12,093	8,668
Provision for income taxes		
Current	3,025	2,454
Deferred	568	426
	3,593	2,880
Net income for the period	8,500	5,788
Basic earnings per common share	0.53	0.46
Diluted earnings per common share	0.53	0.45

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

Stella-Jones Inc.

Interim Consolidated Statement of Comprehensive Income
(Unaudited)
For the three-month periods ended March 31, 2011 and 2010

(expressed in thousands of Canadian dollars)

	2011 $	2010 $
Net income for the period	8,500	5,788
Other comprehensive income (loss)		
Net change in unrealized losses on translation of financial statements of foreign operations	(6,451)	(2,764)
Change in unrealized gains and losses on translation of long-term debts designated as hedges of net investment in foreign operations (net of income tax of $(310); 2010 – nil)	1,979	1,345
Change in losses on fair value of derivatives designated as cash flow hedges (net of income tax of $(62); 2010 – $24)	165	(53)
Actuarial gain (loss) on post-retirement benefit obligations (net of income tax of $(67); 2010 – $63)	201	(189)
	(4,106)	(1,661)
Comprehensive income	4,394	4,127

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

Stella-Jones Inc.

Interim Consolidated Statement of Cash Flows
(Unaudited)
For the three-month periods ended March 31, 2011 and 2010

(expressed in thousands of Canadian dollars)

	2011 $	2010 $
Cash flows provided by (used in)		
Operating activities		
Net income for the period	8,500	5,788
Adjustments for		
Depreciation of property, plant and equipment	1,323	1,105
Amortization of intangible assets	1,229	662
Interest accretion	260	520
Gain on disposal of property, plant and equipment	-	(31)
Employee future benefits	124	197
Stock-based compensation	42	77
Loss on derivative financial instruments	-	15
Financial expenses	2,325	1,806
Income taxes	3,025	2,454
Deferred income taxes	568	426
Restricted stock units obligation	182	86
Other	(14)	(282)
	17,564	12,823
Changes in non-cash working capital components		
Accounts receivable	(18,537)	(22,816)
Inventories	(20,940)	12,533
Prepaid expenses	(4,156)	(90)
Income taxes receivable	44	524
Accounts payable and accrued liabilities	4,067	6,947
Asset retirement obligations	(428)	14
	(39,950)	(2,888)
Interest paid	(2,103)	(2,050)
Income tax paid	(4,163)	963
	(28,652)	8,848
Financing activities		
Increase (decrease) in bank indebtedness	34,759	(5,309)
Increase in deferred financing costs	-	(778)
Increase in long-term debt	-	66,027
Repayment of long-term debt	(4,498)	(1,451)
Non-competes payable	(309)	(330)
Proceeds from issuance of common shares	312	116
Proceeds from issuance of subscription receipts	-	76,893
	30,264	135,168
Investing activities		
Decrease (increase) in other assets	(40)	5
Increase in intangible assets	(159)	(392)
Purchase of property, plant and equipment	(1,413)	(793)
Proceeds from disposal of property, plant and equipment	-	84
Increase in restricted cash	-	(142,920)
	(1,612)	(144,016)
Net change in cash and cash equivalents during the period	-	-
Cash and cash equivalents – Beginning of period	-	-
Cash and cash equivalents – End of period	-	-

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

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

1 Description of the business

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

2 Significant accounting policies

Basis of presentation and adoption of IFRS

The Company prepares its interim consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") and to require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these interim consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*, and IFRS 1, *First-time Adoption of IFRS*. Subject to certain transition elections disclosed in note 4, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position as at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company's reported consolidated statements of financial position, income, comprehensive income and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010.

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of June 1, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on changeover to IFRS.

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

These interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements (prepared in accordance with Canadian GAAP) for the year ended December 31, 2010. Note 5 discloses IFRS information for the year ended December 31, 2010 not provided in the 2010 annual financial statements.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention.

Principles of consolidation

i) Subsidiaries

The 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., 4552822 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 foreign operations that have a different functional currency from that of the Company.

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.

The subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Company. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of income. Intercompany transactions, balances and unrealized gains on transactions between companies are eliminated. Unrealized losses are also eliminated. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

ii) Joint venture

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.

A joint venture entity is an entity in which the Company holds a long-term interest and shares joint control over the strategic, financial and operating decisions with one or more other venturers under a contractual arrangement.

Foreign currency translation

i) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

ii) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Revenue and expenses denominated in a foreign currency are translated by applying the monthly average exchange rates. Monetary assets and liabilities denominated in foreign currency are translated at the rate in effect at the statement of financial position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency are recognized in the consolidated statement of income within other losses (gains), net, except for qualifying cash flow hedges which are recognized in other comprehensive income and deferred in accumulated other comprehensive loss in shareholders' equity.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in the consolidated statement of income, except for differences arising on the retranslation of available-for-sale (equity) investments and foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment, which are recognized in other comprehensive income.

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at cost remain translated into the functional currency at historical exchange rates.

iii) Foreign operations

The financial statements of entities that have a functional currency different from that of the Company are translated using the rate in effect at the statement of financial position date for assets and liabilities, and the average exchange rates during the year for revenues and expenses. Adjustments arising from this translation are recorded in accumulated other comprehensive loss in shareholders' equity.

iv) Hedge of net investments in foreign operations

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of net investment in foreign operations are recognized in other comprehensive income to the extent that the hedge is effective, and are presented within equity. To the extent that the hedge is ineffective, such differences are recognized in the consolidated statement of income. When the hedged part of a net investment (the subsidiary) is disposed of, the relevant amount in equity is transferred to the consolidated statement of income as part of the profit or loss on disposal.

Revenue recognition

Revenue from the sale of products and services is recognized when the entity has transferred to the buyer the significant risks and rewards of ownership of the good, the entity does not retain either continuing managerial involvement to the degree usually associated with ownership or effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, and the costs incurred or to be incurred in respect of the sale can be measured reliably. Revenue is net of trade or volume discounts, returns and allowances and claims for damaged goods.

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. 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 the 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.

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

The Company also operates timber licences 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.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances and short-term liquid investments with maturities of three months or less.

Accounts receivable

Accounts receivable are amounts due from customers from the sale of products or services rendered in the ordinary course of business. Accounts receivable are classified as current assets if payment is due within one year or less. Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost, less provision for doubtful accounts.

Inventories

Inventories of raw materials are valued at the lower of weighted average cost and net realizable value. Finished goods are valued at the lower of weighted average cost and net realizable value and include the cost of raw materials, direct labour and manufacturing overhead expenses. Net realizable value is the estimated selling price less cost necessary to make the sales.

Property, plant and equipment

Property, plant and equipment are recorded at cost, including borrowing costs incurred during the construction period, less accumulated depreciation. The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts, and depreciates separately each such part. Depreciation is calculated on a straight-line basis using rates based on the estimated useful lives of the assets.

	Useful life
Buildings	20 to 60 years
Production equipment	5 to 60 years
Anti-pollution equipment	10 to 60 years
Rolling stock	3 to 15 years
Office equipment	2 to 10 years

Roads are recorded at cost less accumulated depreciation, which is provided on the basis of timber volumes harvested. Depreciation amounts are charged to operations based on a pro rata calculation of timber volumes harvested over the estimated volumes to be harvested in the licensed area served by the road, and are applied against the historical cost.

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

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the consolidated statement of income in the period in which they are incurred. (see note 4(d))

Intangible assets

Intangible assets with finite useful lives are recorded at cost and are amortized over their useful lives. Intangible assets with indefinite useful lives are recorded at cost and are not amortized. The amortization method and estimate of the useful life of an intangible asset are reviewed on an annual basis:

	Method	**Useful life**
Customer relationships	Straight-line	3 to 10 years
Non-compete agreements	Straight-line	6 years
Creosote registration	-	Indefinite

Standing timber costs are recorded at cost less accumulated amortization, which is provided on the basis of timber volumes harvested. In Canada, the Company has perpetual cutting rights where planning and site preparation costs for specific geographical areas are capitalized until the harvest process can begin. Amortization amounts are charged to operations based on a pro rata calculation of timber volumes harvested over the estimated volumes to be harvested in the specific area.

Cutting rights are recorded at cost less accumulated amortization, which is provided on the basis of timber volumes harvested. Amortization amounts are charged to operations based on a pro rata calculation of timber volumes harvested over the estimated volumes to be harvested during a 40-year period, and are applied against the historical cost.

The creosote registration is subject to an annual impairment test or more frequently if events or changes in circumstances indicate that it might be impaired.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

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

Impairment

Impairments are recorded when the recoverable amounts of assets are less than their carrying amounts. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Impairment losses are evaluated for potential reversals when events or changes in circumstances warrant such consideration.

Non-financial assets

The carrying values of non-financial assets with finite lives, such as property, plant and equipment and intangible assets with finite useful lives, are assessed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Long-lived assets that are not amortized are subject to an annual impairment test. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill

The carrying value of goodwill is tested annually for impairment. Goodwill is allocated to CGUs for the purpose of impairment testing based on the level at which management monitors it, which is not higher than that of an operating segment. The allocation is made to those CGUs that are expected to benefit from the synergies of the combination.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

The Company leases certain property, plant and equipment. Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each finance lease payment is allocated between the liability and finance consolidated charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in long-term debt. The interest element of the finance cost is charged to the consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less cost to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

Provisions

Provisions for reforestation, site remediation and other provisions are recognized when the Company has a legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation. If some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recorded in the consolidated statement of financial position as a separate asset, but only if it is virtually certain that reimbursement will be received.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as other interest expense.

The Company considers the current portion of provision to be an obligation whose settlement is expected to occur within the next 12 months.

Reforestation obligations

The *Forest Act* (British Columbia) and the *Forests Act* (Alberta) require the industry to assume the costs of reforestation on certain harvest licences. Accordingly, the Company records its best estimate, which is the fair value of the cost of reforestation in the period in which the timber is harvested, with the fair value of the liability determined with reference to the present value of the estimated future cash flows. Reforestation costs are included in the costs of current production.

Site remediation obligations

Site remediation obligations relate to the discounted present value of estimated future expenditures associated with the obligations of restoring the environmental integrity of certain properties. The Company reviews estimates of future site remediation expenditures on an ongoing basis and records any revisions, along with the accretion expense on existing obligations, in selling and administration expense in the consolidated statement of income.

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

At each reporting date, the liability is remeasured for changes in discount rates and in the estimate of the amount, timing and cost of the work to be carried out.

Income taxes

The tax expense comprises current and deferred tax. Tax is recognized in the consolidated statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly to shareholders' equity.

Current tax

The current income tax charge is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax assets and liabilities are presented as non-current.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

Tax on income in interim periods is accrued using the tax rate that would be applicable for the expected annual income.

Employee future benefits

Other post-retirement benefit programs

The cost of future benefits earned by employees is established by actuarial calculations using the projected benefit method pro-rated on years of service based on management's best estimate of economic and demographic assumptions.

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

The Company provides post-retirement healthcare benefits to certain retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are attributed from the date when service by the employee first leads to benefits under the plan until the date when further service by the employee will lead to no material amount of further benefits. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Defined benefit pension plan

The Company accrues obligations and related costs under defined benefit pension plans, net of plan assets. The cost of pensions earned by employees is actuarially determined using the projected unit credit method and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and discount rates on obligations. For the purpose of calculating the expected return on plan assets, those assets are valued at fair market value. Past service costs from plan amendments are recognized in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Stock-based compensation and other stock-based payments

The Company operates a number of equity-settled and cash-settled share-based compensation plans under which it receives services from employees as consideration for equity instruments of the Company or cash payments.

Equity-settled plan

The Company accounts for stock options granted to employees using the fair value method. Under this method, compensation expense for stock options granted is measured at fair value at the grant date using the Black-Scholes valuation model and is charged to operations over the vesting period of the options granted, with a corresponding credit to contributed surplus. For grants of share-based awards with graded vesting, each tranche is considered a separate grant with a different vesting date and fair value. Any consideration paid on the exercise of stock options is credited to capital stock together with any related stock-based compensation expense included in contributed surplus.

Cash-settled plan

The Company has restricted stock units. The Company measures the liability incurred at fair value by applying an option pricing model. Until the liability is settled, the fair value of that liability is remeasured at each reporting date, with changes in fair value recognized as the awards vest.

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

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

i) Financial assets and financial liabilities at fair value through profit or loss: A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. Derivatives are also included in this category unless they are designated as hedges. Interest rate swaps are the only derivative financial instruments held by the company and are designated as cash flow hedges (see (v) below).

   Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of income. Gains and losses arising from changes in fair value are presented in the consolidated statement of income within other gains and losses in the period in which they arise. Financial assets and financial liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond 12 months of statement of financial position date, which is classified as non-current.

ii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories.

   Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Available-for-sale investments are classified as non-current, unless the investment matures within 12 months, or management expects to dispose of them within 12 months.

   Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the consolidated statement of income as part of interest income. Dividends on available-for-sale equity instruments are recognized in the consolidated statement of income as part of other gains and losses when the Company’s right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the consolidated statement of income and are included in other gains and losses.

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

iii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise trade receivables and cash and cash equivalents, and are included in current assets due to their short-term nature.

Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

iv) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade payables, bank indebteness and long-term debt. Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. Bank indebteness and long-term debt are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

v) Derivative financial instruments: The Company uses derivatives in the form of interest rate swaps to manage risks related to its variable rate debt. All derivatives classified as held-for-trading are included in the consolidated statement of financial position, are classified as current or non-current based on the contractual terms specific to the instrument with gains and losses on remeasurement recorded in income. All derivatives qualifying for hedge accounting are included in the consolidated statement of financial position, are classified as current or non-current based in the contractual terms specific to the instruments with gains and losses on remeasurement included in other comprehensive income.

Hedging transactions

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

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

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

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

The Company designated a portion of its US dollar-denominated long-term debt as a hedge of its net investment in foreign operations. For such debt designated as a hedge of the net investment in foreign operations, exchange gains and losses are recognized in accumulated other comprehensive income.

Earnings per share

Basic earnings per share is calculated by dividing the net income (loss) for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated using the treasury stock method. Under this method, earnings per share data are computed as if the options were exercised at the beginning of the year (or at the time of issuance, if later) and as if the funds obtained from exercise were used to purchase common shares of the Company at the average market price during the period.

3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to estimates and assumptions include the estimated useful life of assets, impairment of goodwill and impairment of long-lived assets. It is possible that actual results could differ from those estimates, and such differences could be material. Estimates are reviewed periodically and, as adjustments become necessary, they are reported in the consolidated statement of income in the period in which they become known.

Estimated impairment of goodwill

The Company performs annual goodwill impairment tests. The recoverable amounts of the CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates. See note 5 for further details.

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

Estimated impairment of long-lived assets

Property, plant and equipment and intangible assets with finite useful lives (referred to as “long-lived assets”) are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable through future operations. This is accomplished by determining whether the carrying amount exceeds its recoverable amount at the assessment date. The recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. Estimates of future cash flows are based on judgment and could change. There is measurement uncertainty since adverse changes in one or a combination of the Company’s key assumptions or change in use of such operations could require a significant change in the carrying amount of the assets tested for impairment.

Impact of accounting pronouncements not yet implemented

IFRS 9, *Financial Instruments*, was issued in November 2009. It addresses the classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are recognized either at fair value through profit and loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent they do not clearly represent a return on investment, are recognized though profit and loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive loss indefinitely. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of this standard or determined whether to early adopt it.

In May 2011, the International Accounting Standards Board (“IASB”) issued the following standards which have not yet been adopted by the Company: IFRS 10, *Consolidated Financial Statements*; IFRS 11, *Joint Arrangements*; IFRS 12, *Disclosure of Interests in Other Entities*; IAS 27, *Separate Financial Statements*; IFRS 13, *Fair Value Measurement*; and amended IAS 28, *Investments in Associates and Joint Ventures*. Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new standards.

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, *Consolidation – Special Purpose Entities*, and parts of IAS 27, *Consolidated and Separate Financial Statements*.

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

IFRS 11 – Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures,* and SIC-13, *Jointly Controlled Entities – Non-monetary Contributions by Venturers*.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 – Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards

In addition, there have been amendments to existing standards, including IAS 27, *Separate Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

4 Adoption of IFRS

The interim consolidated financial statements for the period ended March 31, 2011 are the Company's first financial statements prepared under IFRS. For all accounting periods prior to this, the Company prepared its financial statements under Canadian GAAP Part V. In accordance with IFRS 1, certain disclosures relating to the transition to IFRS are provided in this note. These disclosures are prepared under IFRS as set out in the basis of presentation in note 2.

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

IFRS 1 requires that comparative financial information be provided. The date at which the Company began applying IFRS, January 1, 2010, is recognized as the "Transition Date". IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first-time adopters.

Initial elections upon adoption

IFRS 1 optional exemptions

a) **Business combinations** – IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3, *Business Combinations*, retrospectively to business combinations that occurred before the Transition Date. The Company has taken advantage of this election.

b) **Employee future benefits** – IFRS 1 indicates that a first-time adopter may elect to recognize all cumulative gains or losses deferred under Canadian GAAP in opening retained earnings at the Transition Date. The Company has taken advantage of this election.

c) **Cumulative translation adjustment** – IFRS 1 allows a first-time adopter to be exempt from the requirements of IAS 21, *The Effects of Changes in Foreign Exchange Rates*, for cumulative translation differences that existed at the Transition Date. It permits cumulative translation differences to be reset to zero at the Transition Date. The Company has chosen to apply this election and has eliminated the cumulative translation difference and adjusted retained earnings by the same amount at the Transition Date.

d) **Borrowing costs** – IFRS 1 allows an entity to adopt IAS 23, *Borrowing Costs*, prospectively and to capitalize borrowing costs to projects for which the capitalization commencement date is after the Transition Date. The Company has taken advantage of this election.

e) **Leases –** The exemption provided in IFRS 1 from the full retrospective application of International Financial Reporting Interpretations Committee Interpretation 4 ("IFRIC 4"), *Determining Whether an Arrangement Contains a Lease*, has been applied to determine whether an arrangement existing as of January 1, 2010 contains a lease based on the facts and circumstances existing at that date.

f) **Share-based payments** – IFRS 1 allows a first-time adopter not to apply IFRS 2, *Share-based Payments*, to all equity instruments of share-based payments that had vested at the Transition Date and not to apply IFRS 2 for all cash-settled share-based payments that had been settled before the Transition Date. The Company has elected not to take advantage of this exemption and to apply IFRS 2 to all stock options.

g) **Asset retirement obligation** – The Company applied the requirements of IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, which retrospectively requires specified changes, in decommissioning, restoration or similar liabilities to be added to or deducted from the cost of the asset to which it relates and the adjusted depreciable amount of the asset to then be depreciated prospectively over its remaining useful life. The Company elected not to comply with the requirements of IFRIC 1 for changes that occurred in such liabilities before the Transition Date.

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

IFRS 1 mandatory exceptions

h) **Hedge accounting** – Hedge accounting can only be applied prospectively from the Transition Date to transactions that satisfy the hedge accounting criteria in IAS 39, *Financial Instruments: Recognition and Measurement*, at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively. As a result, only hedging relationships that satisfied the hedge accounting criteria as at the Transition Date are reflected as hedges in the Company's results under IFRS.

i) **Estimates** – In accordance with IFRS 1, an entity's estimates under IFRS at the Transition Date must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's estimates as at January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

Impact of transition to IFRS

IFRS 1 requires an entity to reconcile equity and comprehensive income for periods prior to January 1, 2011. The following represents the reconciliations from Canadian GAAP to IFRS for the consolidated statement of financial position as at January 1, 2010, March 31, 2010, and December 31, 2010, and the consolidated statement of income and comprehensive income for the three-month period ended March 31, 2010 and the year ended December 31, 2010.

Reconciliations of total operating, investing, and financing cash flows are not provided, as the changes to these cash flows are not material.

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

Reconciliation of consolidated statement of financial position

		As at December 31, 2010			As at March 31, 2010			As at January 1, 2010		
	Note	CA GAAP $	Adj. $	IFRS $	CA GAAP $	Adj. $	IFRS $	CA GAAP $	Adj. $	IFRS $
Assets										
Current assets										
Accounts receivable		56,315	-	56,315	52,149	-	52,149	30,160	-	30,160
Derivative financial instruments		-	-	-	2,181	-	2,181	2,196	-	2,196
Inventories		205,335	-	205,335	197,886	-	197,886	212,590	-	212,590
Prepaid expenses		4,517	-	4,517	3,009	-	3,009	3,223	-	3,223
Income taxes receivable		2,875	-	2,875	806	-	806	4,726	-	4,726
Deferred income taxes	a	3,206	(3,206)	-	1,345	(1,345)	-	1,683	(1,683)	-
Restricted cash		-	-	-	142,920	-	142,920	-	-	-
		272,248	(3,206)	269,042	400,296	(1,345)	398,951	254,578	(1,683)	252,895
Non-current assets										
Property, plant and equipment	b,c	113,956	(9,193)	104,763	95,266	(9,363)	85,903	96,885	(9,201)	87,684
Intangible assets	b,c	54,986	9,193	64,179	6,911	9,363	16,274	7,580	9,201	16,781
Goodwill		73,973	-	73,973	5,310	-	5,310	5,494	-	5,494
Other assets	d,e,f	6,152	(821)	5,331	4,662	55	4,717	4,878	307	5,185
Deferred income taxes	a,m	318	3,352	3,670	2,119	1,491	3,610	1,380	1,829	3,209
		521,633	(675)	520,958	514,564	201	514,765	370,795	453	371,248
Liabilities and Shareholders' Equity										
Current liabilities										
Bank indebtedness		31,923	-	31,923	49,861	-	49,861	56,119	-	56,119
Accounts payable and accrued liabilities	o	34,741	(2,271)	32,470	30,077	-	30,077	21,512	-	21,512
Deferred income taxes	a	292	(292)	-	869	(869)	-	869	(869)	-
Current portion of long-term debt		10,459	-	10,459	9,592	-	9,592	4,746	-	4,746
Current portion of provisions	o	2,434	2,271	4,705	1,419	-	1,419	1,235	-	1,235
		79,849	(292)	79,557	91,818	(869)	90,949	84,481	(869)	83,612
Non-current liabilities										
Long-term debt		115,369	-	115,369	139,440	-	139,440	82,334	-	82,334
Deferred income taxes	a,n	37,956	399	38,355	15,927	1,173	17,100	16,257	1,236	17,493
Provisions	k	3,676	(8)	3,668	4,127	51	4,178	4,629	-	4,629
Employee future benefits	g,h,i	2,063	509	2,572	1,778	541	2,319	1,716	541	2,257
Derivative financial instruments		1,335	-	1,335	1,487	-	1,487	1,400	-	1,400
		240,248	608	240,856	254,577	896	255,473	190,817	908	191,725
Shareholders' equity										
Capital stock		130,229	-	130,229	52,162	-	52,162	52,019	-	52,019
Subscription receipts		-	-	-	77,733	-	77,733	-	-	-
Contributed surplus	j	1,136	240	1,376	852	310	1,162	777	335	1,112
Retained earnings	q	158,934	(3,298)	155,636	134,110	(2,780)	131,330	130,580	(2,565)	128,015
Accumulated other comprehensive loss	l,r	(8,914)	1,775	(7,139)	(4,870)	1,775	(3,095)	(3,398)	1,775	(1,623)
		281,385	(1,283)	280,102	259,987	(695)	259,292	179,978	(455)	179,523
		521,633	(675)	520,958	514,564	201	514,765	370,795	453	371,248

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

Reconciliation of net income

	Note	For the year ended December 31, 2010 CA GAAP $	Adj. $	IFRS $	For the three-month period ended March 31, 2010 CA GAAP $	Adj. $	IFRS $
Sales		561,046	-	561,046	99,360	-	99,360
Expenses (income)							
Cost of sales	p	457,428	10,355	467,783	81,197	1,766	82,963
Selling and administrative	f,i,j,k	32,594	(46)	32,548	5,889	26	5,915
Other losses (gains), net		25	-	25	8	-	8
Depreciation of property, plant and equipment and amortization of intangible assets	p	10,355	(10,355)	-	1,766	(1,766)	-
		500,402	(46)	500,356	88,860	26	88,886
Operating income		60,644	46	60,690	10,500	(26)	10,474
Financial expenses							
Interest on long-term debt		8,914	-	8,914	1,484	-	1,484
Other interest		1,651	-	1,651	322	-	322
		10,565	-	10,565	1,806	-	1,806
Income before income taxes		50,079	46	50,125	8,694	(26)	8,668
Provision for (recovery of) income taxes							
Current		16,996	-	16,996	2,454	-	2,454
Deferred		(1,312)	-	(1,312)	426	-	426
		15,684	-	15,684	2,880	-	2,880
Net income for the period		34,395	46	34,441	5,814	(26)	5,788
Basic earnings per common share		2.27		2.27	0.46		0.46
Diluted earnings per common share		2.26		2.26	0.46		0.45

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

Reconciliation of comprehensive income

		For the year ended December 31, 2010			For the three-month period ended March 31, 2010		
	Note	**CA GAAP $**	**Adj. $**	**IFRS $**	**CA GAAP $**	**Adj. $**	**IFRS $**
Net income for the period	f,i,j,k	34,395	46	34,441	5,814	(26)	5,788
Other comprehensive income (loss)							
Net change in unrealized losses on translation of financial statements of foreign operations		(8,471)	-	(8,471)	(2,764)	-	(2,764)
Change in unrealized gains on translation of long-term debts designated as hedges of net investment in foreign operations (net of income tax of $(348); March 2010 – nil)		2,880	-	2,880	1,345	-	1,345
Change in losses on fair value of derivatives designated as cash flow hedges (net of income tax of $23; March 2010 – $24)		(85)	-	(85)	(53)	-	(53)
Actuarial loss on post-retirement benefit obligations (net of income tax of $260; March 2010 – $63)	e,h,n	-	(779)	(779)	-	(189)	(189)
Reclassification to net income of gains on cash flow hedges		160	-	160	-	-	-
		(5,516)	(779)	(6,295)	(1,472)	(189)	(1,661)
Comprehensive income		28,879	(733)	28,146	4,342	(215)	4,127

a) Under IFRS, it is not appropriate to classify deferred income tax balances as current, irrespective of the classification of the assets or liabilities to which the deferred income tax relates or the expected timing of reversal. Under Canadian GAAP, deferred income tax relating to current assets or current liabilities must be classified as current. Accordingly, a current deferred income tax asset of $1,683 reported under Canadian GAAP as at January 1, 2010 ($1,345 as at March 31, 2010; $3,206 as at December 31, 2010) has been reclassified as a non-current deferred income tax asset under IFRS. As at January 1, 2010, a current deferred income tax liability of $869 reported under Canadian GAAP ($869 as at March 31, 2010; $292 as at December 31, 2010) has been reclassified as a non-current deferred income tax liability under IFRS.

b) The Company currently holds cutting rights. Under Canadian GAAP, the Company classified them as property, plant and equipment.

   Under IFRS, cutting rights can be accounted for as operating leases, intangible assets or agricultural assets, depending on the nature of the contracts. The Company has concluded that under IFRS the cutting rights should be classified as intangible assets and treated as such under IAS 38, *Intangible Assets*. Accordingly, as at January 1, 2010, $6,150 ($6,352 as at March 31, 2010; $6,314 as at December 31, 2010) has been reclassified from property, plant and equipment to intangible assets.

c) The Company currently holds standing timber. Under Canadian GAAP, the Company classified them as property, plant and equipment. The Company has analyzed the nature of the standing timber and concluded that under IFRS those assets are classified as intangible assets and are subject to IAS 38. Accordingly, as at January 1, 2010, $3,051 ($3,011 as at March 31, 2010; $2,879 as at December 31, 2010) has been reclassified from property, plant and equipment to intangible assets.

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

d) As mentioned earlier in IFRS 1 optional exemptions, the Company has elected to take advantage of the exemption related to employee future benefits and recognize all its pension plan cumulative actuarial gains or losses through consolidated retained earnings at the Transition Date. As a result, the carrying value of the accrued benefit asset has been increased by $307 as at January 1, 2010.

e) As described under significant accounting policies in note 2, actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Under Canadian GAAP, the Company applied the corridor method of accounting for such gains and losses. Under this method, gains and losses are recognized only if they exceed specified thresholds. The impact of the change of method is a decrease of $699 in the carrying value of the accrued benefit asset as at December 31, 2010 in order to recognize the loss of $1,006 for the year (increase of $55 as at March 31, 2010 in order to recognize the loss of $252 in other comprehensive income for the period). No actuarial gains or losses were recognized under Canadian GAAP using the corridor method.

f) The expense recognized for the pension plans under IFRS differs from the expense recognized under Canadian GAAP. As at December 31, 2010, the impact of that change related to past service costs results in a decrease of the carrying value of the accrued benefit asset of $122.

g) As mentioned earlier in IFRS 1 optional exemptions, the Company has elected to take advantage of the exemption related to employee future benefits and to recognize all its post-retirement benefits cumulative actuarial losses through consolidated retained earnings at the Transition Date. As a result, the carrying value of the net liability for employee future benefits has been increased by $990 as at January 1, 2010.

h) As described under significant accounting policies in note 2, actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

The impact of the change of method is an increase in the net liability for employee future benefits obligation of $1,023 as at December 31, 2010 in order to recognize the actuarial loss of $33 in other comprehensive income for the year. No actuarial gains or losses were recognized under Canadian GAAP using the corridor method.

i) IAS 19, *Employee Benefits*, indicates that benefits should be attributed from the date that first leads to benefits under the plan to the date that future service leads to no material amount of further benefits. In the Company’s case, the attribution period for non-unionized employees would be the last 10 years of service for full eligibility for the benefits.

Under Canadian GAAP, the benefits are attributed from the date of hiring. The impact of the change as at January 1, 2010 is a reduction of $449 in the carrying value of the net liability for employee future benefits obligation ($449 as at March 31, 2010; $514 as at December 31, 2010).

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

j) Under IFRS, for grants of share-based awards with graded vesting, each tranche is considered a separate grant with a different vesting date and fair value.

Under Canadian GAAP, the fair value of stock-based awards with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight-line basis over the vesting period. As a result of that change, contributed surplus has been increased and retained earnings reduced by $335 as at January 1, 2010. In 2010, that change reduced contributed surplus and increased income by $25 as at March 31, 2010, and $95 as at December 31, 2010.

k) The Company has restricted stock units (“RSU”) granted on December 18, 2009. Under Canadian GAAP, a liability is accrued based on the intrinsic value of the award with changes recognized in the consolidated statement of income each period.

Under IFRS, an entity must measure the liability incurred at fair value by applying an option pricing model. Until the liability is settled, the fair value of that liability is remeasured at each reporting date, with changes in fair value recognized as the awards vest. Starting January 1, 2010, the Company used the Black-Scholes valuation model to measure the liability related to its RSU. No adjustment was recorded as at January 1, 2010. As at March 31, 2010, the long-term liability was increased and income reduced by $51. As at December 31, 2010, the long-term liability was reduced and income increased by $8.

l) As mentioned earlier in IFRS 1 optional exemptions, the Company has elected to reset the cumulative translation adjustment account, which includes gains and losses arising from the translation of foreign operations, to zero at the Transition Date. Accumulated other comprehensive loss has been increased and retained earnings reduced by $1,775.

m) Deferred income tax assets have been adjusted as follows:

	Note	**As at December 31, 2010 $**	**As at March 31, 2010 $**	**As at January 1, 2010 $**
Deferred income tax assets				
Employee future benefits – attribution period	i	146	146	146
Reclassification from short-term deferred income tax assets	a	3,206	1,345	1,683
		3,352	1,491	1,829

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

n) Deferred income tax liabilities have been adjusted as follows:

	Note	As at December 31, 2010 $	As at March 31, 2010 $	As at January 1, 2010 $
Deferred income tax liabilities				
Employee future benefits – actuarial losses	d, e, g, h	107	304	367
Reclassification from short-term deferred income tax liabilities	a	292	869	869
		399	1,173	1,236

o) An amount of $2,271 has been reclassified as at December 31, 2010 from accounts payable and accrued liabilities to current portion of provisions. This reclassification has been made based on the nature of the liability.

p) Depreciation and amortization have been reclassified into cost of sales to comply with the presentation under IFRS.

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

q) The following is a summary of transition adjustments to retained earnings from Canadian GAAP to IFRS:

	Note	As at December 31, 2010 $	As at March 31, 2010 $	As at January 1, 2010 $
Retained earnings as reported under Canadian GAAP		158,934	134,110	130,580
IFRS adjustments increase (decrease):				
Employee future benefits – actuarial gains – pension plan	d	307	307	307
Employee future benefits – actuarial loss – post-retirement plan	g	(990)	(990)	(990)
Employee future benefits – attribution period – post-retirement plan	i	514	449	449
Employee future benefits – year expense – pension plan	f	(122)	-	-
Amortization of employee stock options	j	(240)	(310)	(335)
Amortization of restricted stock units	k	8	(51)	-
Employee future benefits – actuarial loss – pension plan	e	(1,006)	(252)	-
Deferred income tax – actuarial loss – pension plan	n	252	63	-
Employee future benefits –actuarial loss – post-retirement plan	h	(33)	-	-
Deferred income tax – actuarial loss – post-retirement plan	n	8	-	-
Cumulative translation adjustment	l	(1,775)	(1,775)	(1,775)
Deferred income tax	m,n	(221)	(221)	(221)
		(3,298)	(2,780)	(2,565)
Retained earnings as reported under IFRS		155,636	131,330	128,015

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

r) The following is a summary of transition adjustments to accumulated other comprehensive loss from Canadian GAAP to IFRS:

	Note	As at December 31, 2010 $	As at March 31, 2010 $	As at January 1, 2010 $
Accumulated other comprehensive loss as reported under Canadian GAAP		(8,914)	(4,870)	(3,398)
IFRS adjustments increase (decrease):				
Cumulative translation adjustment	l	1,775	1,775	1,775
Accumulated other comprehensive loss as reported under IFRS		(7,139)	(3,095)	(1,623)

5 Additional IFRS information for the year ended December 31, 2010

Expenses by nature

	$
Raw materials and consumables used	385,436
Salaries, wages and benefits	44,967
Depreciation and amortization	10,355
Other expenses incurred in manufacturing process	17,199
Freight	25,068
Other expenses	17,331
	500,356

Employee benefit expenses

	$
Salaries, wages and benefits	42,371
Share options granted to directors and employees	400
Pension costs	811
Group registered retirement savings plans	1,385
	44,967

Employee benefit expenses are included in cost of sales and selling and administrative expenses.

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

Other losses (gains), net

	$
Gain on derivative financial instruments	(19)
Foreign exchange loss	44
	25

Goodwill

The Company tests at least annually whether goodwill suffered any impairment, in accordance with the accounting policy stated in note 2. Key assumptions upon which management based its determinations of the recoverable amount for the goodwill in 2010 include growth rates of up to 2.0% with an after-tax discount rate of 11.0%. Observable market prices for inputs and outputs are used, if available.

	As at December 31, 2010 $	As at March 31, 2010 $	As at January 1, 2010 $
USA	73,973	5,310	5,494

Key management compensation

Key management includes directors (executive and non-executive) and certain senior management. The compensation paid or payable to key management for employee services is as follows:

	$
Salaries, compensation and benefits	2,255
Share-based payments	171
	2,426

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

6 Property, plant and equipment

	Land $	Roads $	Buildings $	Production and anti-pollution equipment $	Rolling stock $	Office equipment $	Total $
As at January 1, 2010							
Cost	6,498	2,617	22,497	83,167	6,467	1,984	123,230
Accumulated depreciation	-	(853)	(4,712)	(26,863)	(2,178)	(940)	(35,546)
Net book value	6,498	1,764	17,785	56,304	4,289	1,044	87,684
For the year ended December 31, 2010							
Opening net book value	6,498	1,764	17,785	56,304	4,289	1,044	87,684
Acquisition of subsidiary	1,582	-	4,013	13,439	3,612	88	22,734
Additions	-	340	879	3,594	40	681	5,534
Disposals	-	-	-	-	(264)	-	(264)
Depreciation	-	(318)	(654)	(2,489)	(980)	(410)	(4,851)
Transfer to assets held for sale	(314)	-	(1,412)	-	-	-	(1,726)
Impairments	-	-	-	(1,394)	(339)	-	(1,733)
Exchange differences	(152)	-	(565)	(1,653)	(234)	(11)	(2,615)
Closing net book value	7,614	1,786	20,046	67,801	6,124	1,392	104,763
As at December 31, 2010							
Cost	7,614	2,957	25,284	96,691	8,856	2,722	144,124
Accumulated depreciation and impairment	-	(1,171)	(5,238)	(28,890)	(2,732)	(1,330)	(39,361)
Net book value	7,614	1,786	20,046	67,801	6,124	1,392	104,763
For the three-month period ended March 31, 2011							
Opening net book value	7,614	1,786	20,046	67,801	6,124	1,392	104,763
Additions	-	33	306	970	-	104	1,413
Depreciation	-	(152)	(164)	(704)	(225)	(78)	(1,323)
Exchange differences	(90)	-	(304)	(929)	(146)	(4)	(1,473)
Closing net book value	7,524	1,667	19,884	67,138	5,753	1,414	103,380
As at March 31, 2011							
Cost	7,524	3,045	25,253	96,610	8,658	2,811	143,901
Accumulated depreciation and impairment	-	(1,378)	(5,369)	(29,472)	(2,905)	(1,397)	(40,521)
Net book value	7,524	1,667	19,884	67,138	5,753	1,414	103,380

7 Intangible assets and goodwill

The acquisition cost of the intangible assets, which include customer relationships, non-compete agreements, cutting rights, standing timber and a creosote registration, was initially evaluated at fair value, which subsequently became the cost. The presentation in the consolidated statement of financial position is at cost less accumulated amortization and the related amortization expense is included in cost of sales in the consolidated statement of income.

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

Customer relationships comprise long-term agreements with certain customers and ongoing business relationships. The acquisition cost was established based on future benefits associated with these relationships. Intangible assets associated with long-term customer agreements are amortized over the terms of the agreements, which range between three and ten years. Intangible assets associated with ongoing business relationships are amortized over ten years.

The acquisition cost of the non-compete agreements was established based on the discounted value of future payments using a discount rate of 10.2%. For cash flow purposes, this has been treated as a non-cash transaction. The intangible asset associated with the non-compete agreements is amortized on a straight-line basis over the terms of the agreements, which are six years.

As part of the Tangent acquisition, the Company recognized value to a creosote registration. This intangible asset has an indefinite useful life and is therefore not amortized. The creosote registration was initially evaluated at fair value, which subsequently became the cost.

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

The net book value of these intangible assets was as follows:

	Intangible assets						
	Customer relationships $	**Non-compete agreements $**	**Creosote registration $**	**Cutting rights $**	**Standing timber $**	**Total $**	**Goodwill $**
As at January 1, 2010							
Cost	4,603	5,980	-	6,505	4,717	21,805	5,494
Accumulated amortization	(1,259)	(1,744)	-	(355)	(1,666)	(5,024)	-
Net book value	3,344	4,236	-	6,150	3,051	16,781	5,494
For the year ended December 31, 2010							
Opening net book value	3,344	4,236	-	6,150	3,051	16,781	5,494
Additions	-	-	-	287	635	922	-
Addition of Tangent customer relationships	21,575	-	-	-	-	21,575	-
Addition of Tangent creosote registration	-	-	31,723	-	-	31,723	-
Addition of Tangent goodwill	-	-	-	-	-	-	70,239
Amortization	(3,586)	(986)	-	(123)	(807)	(5,502)	-
Exchange differences	(473)	(185)	(662)	-	-	(1,320)	(1,760)
Closing net book value	20,860	3,065	31,061	6,314	2,879	64,179	73,973
As at December 31, 2010							
Cost	25,482	5,659	31,061	6,792	5,352	74,346	73,973
Accumulated amortization	(4,622)	(2,594)	-	(478)	(2,473)	(10,167)	-
Net book value	20,860	3,065	31,061	6,314	2,879	64,179	73,973
For the three-month period ended March 31, 2011							
Opening net book value	20,860	3,065	31,061	6,314	2,879	64,179	73,973
Additions	-	-	-	-	159	159	-
Amortization	(795)	(234)	-	(45)	(155)	(1,229)	-
Exchange differences	(510)	(72)	(780)	-	-	(1,362)	(1,859)
Closing net book value	19,555	2,759	30,281	6,269	2,883	61,747	72,114
As at March 31, 2011							
Cost	24,200	5,517	30,281	6,792	5,511	72,301	72,114
Accumulated amortization	(4,645)	(2,758)	-	(523)	(2,628)	(10,554)	-
Net book value	19,555	2,759	30,281	6,269	2,883	61,747	72,114

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

8 Other assets

	As at March 31, 2011 $	As at December 31, 2010 $	As at January 1, 2010 $
Advances against third party cutting rights	246	246	300
Notes receivable	331	290	267
Accrued benefit asset	1,324	1,119	1,723
Assets held for sale	3,252	3,318	2,895
Other	94	358	-
	5,247	5,331	5,185

9 Provisions and other long-term liabilities

	Provisions				Other long-term liabilities			
	Reforestation $	Site remediation $	Others $	Total $	RSU $	Non-competes payable $	Total $	Grand total $
Balance as at January 1, 2010	1,159	88	-	1,247	15	4,602	4,617	5,864
Period provisions charged to income:								
Additional provision	209	1,311	2,375	3,895	408	-	408	4,303
Provisions used	(283)	(290)	-	(573)	-	(1,300)	(1,300)	(1,873)
Interest accretion	-	-	-	-	-	389	389	389
Exchange differences	-	-	(104)	(104)	-	(206)	(206)	(310)
Balance as at December 31, 2010	1,085	1,109	2,271	4,465	423	3,485	3,908	8,373
Period provisions charged to income:								
Additional provision	135	-	-	135	182	-	182	317
Provisions used	(5)	(560)	-	(565)	-	(309)	(309)	(874)
Interest accretion	-	-	-	-	-	80	80	80
Exchange differences	-	(17)	(57)	(74)	-	(85)	(85)	(159)
Balance as at March 31, 2011	1,215	532	2,214	3,961	605	3,171	3,776	7,737

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

Analysis of provisions and other long-term liabilities

	As at March 31, 2011 $	**As at December 31, 2010 $**	**As at January 1, 2010 $**
Current			
Provisions	3,111	3,746	315
Other long-term liabilities	958	959	920
Total current	4,069	4,705	1,235
Non-current			
Provisions	850	719	932
Other long-term liabilities	2,818	2,949	3,697
Total non-current	3,668	3,668	4,629
	7,737	8,373	5,864

Provisions

Reforestation

Stella-Jones Canada Inc. has asset retirement obligations relating to reforestation and site remediation that have been estimated using a pre-tax rate that reflects current market assessment of the time value of money and the risk specific to the obligation of 6.6% (2010 – 6.6%) to approximate the present value of future expenditures.

Reforestation obligations represent discounted cash flow estimates of future silviculture costs relating to logged areas that are the Company's responsibility to reforest.

Site remediation

Site remediation obligations represent discounted cash flow estimates relating to future environmental remediation costs of former treating sites.

As part of the Tangent acquisition, the Company acquired a lease on April 1, 2010 for land on which certain operations are located. Under the lease, the Company is required to return the land to its original condition. In 2010, the Company decided to close the Terre Haute facility in Indiana. In order to restore the site to its original condition, remediation work was required, for which a provision of $1,311 was recorded in 2010.

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

Other long-term liabilities

Restricted stock units

On December 18, 2009, certain key executives of the Company were granted RSU as part of a long-term incentive plan. This plan had been approved by the Company's Board of Directors on December 10, 2009. The number of RSU initially granted was based on a percentage of the executive's salary, divided by the average trading price of the Company's common shares on the TSX for the five days immediately preceding the grant date. In the case of the President, the number of RSU initially granted was a fixed number recommended by the Remuneration Committee. Additional RSU may be issued annually on the anniversary date of the initial grant conditional upon the Company attaining a minimum 12.5% return on capital employed.

The number of additional RSU to be issued on the anniversary dates will be calculated in the same manner as the initial grant. No RSU have been granted in 2011, and the provision as at March 31, 2011 is valued at $605 ($423 as at December 31, 2010).

The RSU are full-value phantom shares payable in cash on the third anniversary of their date of grant, provided the executive is still employed by the Company. The amount to be paid is determined by multiplying the number of RSU by the six-month average trading price of the Company's common shares on the TSX immediately preceding the anniversary.

Non-competes payable

As part of a previous acquisition, the Company entered into non-compete agreements for which an intangible asset was recorded (note 8). The payable portion of the non-compete agreements was fair valued at a rate of 10.17%.

10 Capital stock

	As at March 31, 2011	**As at March 31, 2010**
Number of shares outstanding – Beginning of period	15,923	12,684
Stock option plan	14	4
Employee share purchase plans	2	3
Number of shares outstanding – End of period	15,939	12,691

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

a) Capital stock consists of the following:

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

b) Earnings per share

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

	As at March 31, 2011	**As at March 31, 2010**
Net income applicable to common shares	$8,500	$5,788
Weighted average number of common shares outstanding*	15,932	12,688
Effect of dilutive stock options	62	55
Weighted average number of diluted common shares outstanding*	15,994	12,743
Basic earnings per common share**	$0.53	$0.46
Diluted earnings per common share**	$0.53	$0.45

* Number of shares is presented in thousands.

** Basic and diluted earnings per share are presented in dollar per share.

11 Subsequent events

On April 1, 2011, the Company entered into an agreement to amend and restate a US$25,000 unsecured and non-convertible debenture and repaid US$15,000 of the capital amount. The amended debenture bears interest at 7.27% (previously 7.89%) and is repayable in a single instalment of US$10,000 on April 1, 2016 (previously, annual principal repayments of US$2,500 starting on April 1, 2011 and a final payment of US$12,500 on April 1, 2018). No advance repayment will be permitted under the amended agreement. The amended debenture was designated as a hedge of net investment in foreign operations.

On April 1, 2011, the Company entered into an agreement to amend and restate a US$25,000 unsecured, subordinated and non-convertible debenture. The amended debenture bears interest at 7.27% (previously 9.75%) and is repayable in a single instalment of US$25,000 on April 1, 2016 (previously, a single instalment of US$25,000 on April 1, 2015). No advance repayment will be permitted under the amended agreement. The amended debenture was designated as a hedge of net investment in foreign operations.

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

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 sales follow the same seasonal pattern. Inventory levels of railway ties and utility poles are typically highest in the first quarter in advance of the summer shipping season. The first and fourth quarters usually generate similar sales.

13 Segment information

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