MANAGEMENT'S DISCUSSION & ANALYSIS

Three-month period ended March 31, 2013 compared with the three-month period ended March 31, 2012

The following Management's Discussion and Analysis ("MD&A") and the Company's condensed interim unaudited consolidated financial statements were approved by the Audit Committee and the Board of Directors on May 1, 2013. The MD&A provides a review of the significant developments and results of operations of the Company during the three-month period ended March 31, 2013 compared with the three-month period ended March 31, 2012. The MD&A should be read in conjunction with the Company's condensed interim unaudited consolidated financial statements for the periods ended March 31, 2013 and 2012 and the notes thereto, as well as the Company's annual consolidated financial statements and MD&A for the year ended December 31, 2012. The condensed interim unaudited consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and results are reported in Canadian dollars. All amounts in this MD&A are in Canadian dollars unless otherwise indicated.

The MD&A contains statements that are forward-looking in nature. Such statements involve known and unknown risks and uncertainties that may cause the actual results of the Company to be materially different from those expressed or implied by such forward-looking statements. Such items include, among others: general economic and business conditions, product selling prices, raw material and operating costs, changes in foreign currency rates and other factors referenced herein and in the Company's continuous disclosure filings. Unless required to do so under applicable securities legislation, the Company's management does not assume any obligation to update or revise forward-looking statements to reflect new information, future events or other changes.

Additional information, including the Company's annual information form, quarterly and annual reports, and supplementary information is available on SEDAR at www.sedar.com. Press releases and other information are also available in the Investor/Media Centre section of the Company's Web site at www.stella-jones.com.

OUR BUSINESS

Stella-Jones Inc. (TSX: SJ) 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. 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 operates twenty-three wood treating plants, ten pole peeling facilities, a coal tar distillery and a facility providing railway tie pickup and disposal services. These facilities are located in five Canadian provinces and fourteen American states and are complemented by an extensive distribution network across North America. As at March 31, 2013, the Company's workforce numbered approximately 1,380 employees.

Stella-Jones enjoys a number of key attributes which should further enhance the Company's strategic positioning and competitive advantage in the wood treating industry. Among these are the ability to service clients from multiple plants, a solid financial position that allows the Company to stockpile and air-season green wood for major long-term contracts, a long-standing stable source of wood supply, and a registration to produce and sell the wood preservative, creosote.

OUR MISSION

Stella-Jones' objective is to be the performance leader in the wood preserving industry and a model corporate citizen, exercising environmental responsibility and integrity.

Stella-Jones will achieve these goals by focusing on customer satisfaction, core products, key markets, innovative work practices and the optimal use of its resources.

Stella-Jones is committed to providing a safe, respectful and productive environment for its employees, where problem solving, initiative and high standards of performance are rewarded.

NON-IFRS FINANCIAL MEASURES

Operating income before depreciation of property, plant and equipment and amortization of intangible assets (also referred to as earnings before interest, taxes, depreciation and amortization ["EBITDA"]), 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.

Reconciliation of EBITDA and operating income to net income (thousands of dollars)	**Three-month periods ended**	
	March 31, 2013	**March 31, 2012**
Net income for the period	18,757	15,006
Plus:		
Provision for income taxes	8,183	7,044
Financial expenses	2,731	2,040
Operating income	29,671	24,090
Depreciation and amortization	4,204	2,418
EBITDA	33,875	26,508

FOREIGN EXCHANGE

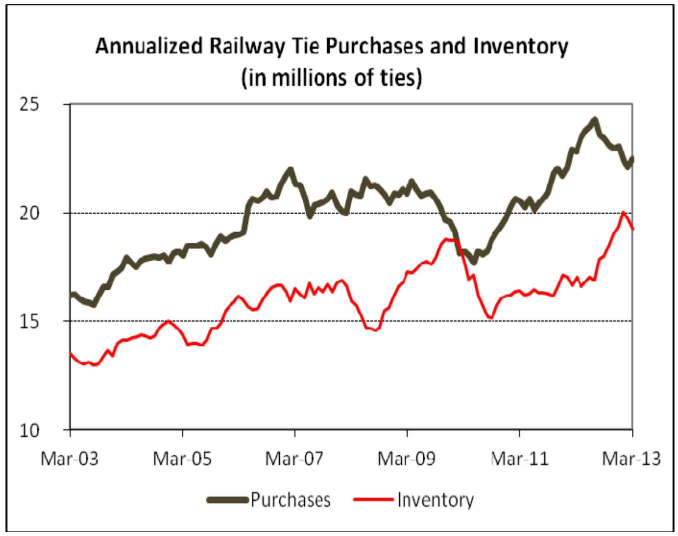
The table below shows exchange rates applicable to the periods ended March 31, 2013 and 2012. Average rates are used to translate sales and expenses for the periods mentioned, while closing rates translate assets and liabilities of foreign operations and monetary assets and liabilities of the Canadian operations.

Cdn$/US$	**2013**		**2012**	
	Average	**Closing**	**Average**	**Closing**
First Quarter	1.0079	1.0160	1.0031	0.9975

INDUSTRY OVERVIEW

Railway ties

As reported by the Railway Tie Association, railway tie purchases for the first three months of 2013 amounted to 5.6 million ties, resulting in industry purchases of 22.5 million ties for the 12-month period ended March 31, 2013. Meanwhile, industry inventory reached 19.3 million ties as at March 31, 2013. Accordingly, the inventory-to-sales ratio stood at 0.86:1, slightly above the previous ten-year average ratio of 0.81:1.



Source: Railway Tie Association

Total traffic on North American railroads increased by 1.3% in the first three months of 2013, according to data released by the Association of American Railroads. While the number of carloads decreased by 1.5%, essentially due to lower shipments of coal and grain, the volume of intermodal trailers and containers was up 5.0% from 2012 levels.

OPERATING RESULTS

Sales

Sales for the quarter ended March 31, 2013 totalled $217.0 million, an increase of $58.2 million, or 36.7%, over last year's sales for the same period of $158.8 million. The operating facilities acquired from McFarland Cascade Holdings, Inc. ("McFarland") on November 30, 2012 contributed sales of approximately $65.0 million, while the conversion effect from fluctuations in the value of the Canadian dollar, Stella-Jones' reporting currency, versus the U.S. dollar, had a positive impact of $0.5 million on the value of U.S. dollar denominated sales when compared with the previous year's first quarter.

Excluding these factors, sales decreased approximately $7.3 million, as a result of a slower start for rail related industrial products and more traditional seasonal demand patterns in the first quarter of 2013, compared with the same period last year when favourable weather in most regions of North America allowed for a greater number of projects requiring utility poles and residential lumber to be carried out during the winter season.

Sales by product category

Railway ties

Railway tie sales for the first quarter of 2013 amounted to $96.5 million, an increase of $0.5 million, or 0.5%, over sales of $96.0 million in the first quarter of 2012. These results reflect healthy market demand, although seasonal demand patterns proved more normal in the first quarter of 2013 compared with the same period a year earlier. Wood trimming operations began during the first quarter of 2013 at the new Cordele, Georgia facility and the Company expects wood treatment operations to start during the summer of 2013. Railway tie sales accounted for 44.5% of the Company's first-quarter sales.

Utility poles

Utility pole sales amounted to $90.8 million in the first quarter of 2013, up $47.3 million from sales of $43.5 million in the corresponding period in 2012. The increase is mainly attributable to utility pole sales of $50.7 million from the McFarland operations. Excluding the latter, the Company experienced a slight decrease in utility pole sales as a result of more traditional seasonal demand patterns in the first quarter of 2013, versus the first quarter of 2012. Utility pole sales accounted for 41.8% of the Company's total sales in the first quarter of 2013.

Industrial products

Industrial product sales reached $11.9 million in the first quarter of 2013, compared with $15.2 million in the first quarter of 2012. This variation mainly reflects a slower start in rail projects requiring industrial products compared to the first quarter of last year. Industrial products represented 5.5% of sales in the three-month period ended March 31, 2013.

Residential lumber

Sales in the residential lumber category totalled $17.9 million in the first quarter of 2013, up from $4.2 million a year earlier. The increase reflects additional residential lumber sales of $14.1 million from the McFarland operations. Excluding the latter, sales decreased slightly, primarily due to less favourable weather in Canada compared with the same period last year. Residential lumber accounted for 8.2% of Stella-Jones' sales in the first quarter of 2013.

Sales by destination

Sales in the United States amounted to $174.8 million, or 80.6% of sales, in the first quarter of 2013, representing an increase of $59.4 million, or 51.4%, over the corresponding period in 2012. The year-over-year increase is mainly attributable to a $62.1 million contribution from McFarland's U.S.-based operations. Sales of products exported directly to customers located in the United States from facilities located in Canada reached $1.2 million in the first quarter of 2013, compared with $2.2 million a year earlier, as the Company continues to optimize its asset base through plant specialization.

Meanwhile, sales in Canada in the first quarter of 2013 were $42.2 million, representing 19.4% of Stella-Jones' total sales, down 2.6% from the first quarter of 2012. The year-over-year sales variation reflects historical seasonal demand patterns in the first quarter of 2013 compared with the same period last year, partially offset by a $2.9 million contribution from McFarland's Canadian operations.

Cost of sales

Cost of sales, including depreciation of property, plant and equipment, as well as amortization of intangible assets, was $173.8 million, or 80.1% of sales, for the three-month period ended March 31, 2013. This compares with $125.3 million, or 78.9% of sales, in the three-month period ended March 31, 2012. The increase in absolute dollars essentially reflects the addition of the McFarland operations, while the increase as a percentage of sales mainly stems from lower margins at the McFarland facilities.

Reflecting the McFarland acquisition, depreciation and amortization charges reached $4.2 million for the three-month period ended March 31, 2013, up from $2.4 million in the corresponding period of 2012.

As a result, gross profit reached $43.2 million, or 19.9% of sales, in the first quarter of 2013, up from $33.5 million, or 21.1% of sales, in the first quarter of 2012.

Selling and administrative

Selling and administrative expenses for the first quarter of 2013 were $13.5 million, compared with expenses of $9.5 million in the first quarter of 2012. This $4.0 million increase is mainly attributable to the addition of the McFarland operations. As a percentage of sales, selling and administrative expenses were 6.2% of sales in the three-month period ended March 31, 2013, compared to 6.0% in the prior year.

Other losses (gains), net

Stella-Jones' other net losses of $75,000 for the three-month period ended March 31, 2013, were primarily with respect to foreign exchange. Last year's net gain of $60,000 was also primarily related to foreign exchange.

The Company's exposure to foreign exchange gains or losses from currency fluctuations is related to its sales and purchases in U.S. dollars by its Canadian-based operations and to U.S. dollar denominated long-term debt held by its Canadian companies. Stella-Jones U.S. Holding Corporation, the Company's wholly-owned U.S. subsidiary, is a foreign operation that has a different functional currency from that of the Company and foreign exchange gains and losses on translating its financial statements are deferred in shareholders' equity. The Company monitors its transactions in U.S. dollars generated by Canadian-based operations. Its basic hedging activity for economic purposes consists of entering into foreign exchange forward contracts for the sale of U.S. dollars and purchasing certain goods and services in U.S. dollars. The Company will also consider foreign exchange forward contracts for the purchase of U.S. dollars for significant purchases of goods and services that are not covered by natural hedges.

Financial expenses

Financial expenses for the first quarter of 2013 amounted to $2.7 million, up from $2.0 million in the first quarter of 2012. This increase in financial expenses is due to higher year-over-year borrowings related to the acquisition of McFarland.

Income before income taxes and income tax expense

Stella-Jones generated income before income taxes of $26.9 million, or 12.4% of sales, in the first quarter of 2013. This represents an increase of 22.2% over income before income taxes of $22.1 million, or 13.9% of sales, in the first quarter of 2012.

Stella-Jones' provision for income taxes totalled $8.2 million in the first quarter of 2013, representing an effective tax rate of 30.4%. In the first quarter of 2012, the income tax expense stood at $7.0 million, equivalent to an effective tax rate of 31.9%. The lower effective tax rate for 2013 is attributable to a deduction, for Canadian income tax purposes, of dividends received from a related party.

Net income

Net income for the three-month period ended March 31, 2013 reached $18.8 million, or $1.09 per share, fully diluted, compared with $15.0 million, or $0.94 per share, fully diluted, in the three-month period ended March 31, 2012. This represents a year-over-year increase in net income of 25.0%.

QUARTERLY RESULTS

The Company's sales follow a seasonal pattern, with railway tie, utility pole and industrial lumber shipments strongest in the second and third quarters to provide industrial end users with product for their summer maintenance projects. Residential lumber sales also follow a similar seasonal pattern. In the fall and winter seasons, there tends to be less activity; thus the first and fourth quarters are typically characterized by relatively lower sales levels.

The table below sets forth selected financial information for the Company's last nine quarters.

2013

For the quarters ended	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**	**Total**
(thousands of dollars, except per share data)	**$**	**$**	**$**	**$**	**$**
Sales	217,039				
Operating income before depreciation of property, plant and equipment and amortization of intangible assets [1]	33,875				
Operating income [1]	29,671				
Net income for the period	18,757				
Earnings per common share Basic Diluted	 1.09 1.09				

2012

For the quarters ended	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**	**Total**
(thousands of dollars, except per share data)	**$**	**$**	**$**	**$**	**$**
Sales	158,795	203,919	195,435	159,345	717,494
Operating income before depreciation of property, plant and equipment and amortization of intangible assets [1]	26,508	35,160	34,462	24,171	120,301
Operating income [1]	24,090	32,580	31,799	21,127	109,596
Net income for the period	15,006	20,835	20,683	16,546	73,070
Earnings per common share Basic Diluted	 0.94 0.94	 1.30 1.30	 1.29 1.29	 1.01 1.00	 4.54 4.53

2011

For the quarters ended	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**	**Total**
(thousands of dollars, except per share data)	**$**	**$**	**$**	**$**	**$**
Sales	130,485	180,331	181,812	147,520	640,148
Operating income before depreciation of property, plant and equipment and amortization of intangible assets [1]	16,593	29,696	27,670	22,724	96,683
Operating income [1]	14,418	27,582	25,569	20,399	87,968
Net income for the period	8,500	17,271	16,569	13,369	55,709
Earnings per common share Basic Diluted	 0.53 0.53	 1.08 1.08	 1.04 1.03	 0.84 0.83	 3.49 3.48

1 Operating income before depreciation of property, plant and equipment and amortization of intangible assets and operating income are financial measures not prescribed by IFRS and are not likely to be comparable to similar measures presented by other issuers. Management considers they represent useful information for comparison with other similar operations in our industry, as they present financial results related to industry practice, not affected by non-cash charges or capital structure. Operating income before depreciation of property, plant and equipment and amortization of intangible assets and operating income are readily reconcilable to net income presented in our IFRS financial statements, as there are no adjustments for unusual or non-recurring items.

Note: due to rounding, the sum of results for the quarters may differ slightly from the total shown for the full year.

STATEMENT OF FINANCIAL POSITION

Assets

As at March 31, 2013, total assets reached $995.2 million, up from $955.9 million as at December 31, 2012. This increase is mainly attributable to an increase in accounts receivables, as detailed below.

Current assets amounted to $565.3 million as at March 31, 2013 compared with $534.9 million as at December 31, 2012. This variation of $30.4 million is due to increases in the value of accounts receivable and inventories, partially offset by a decrease in cash.

The value of accounts receivables was $128.5 million as at March 31, 2013, compared with $89.6 million as at December 31, 2012. The variation is attributable to higher sales near the end of the period, as per normal seasonal demand patterns.

Inventories stood at $425.6 million as at March 31, 2013, up from $413.4 million as at December 31, 2012. This increase reflects the normal seasonal inventory build-up ahead of peak demand in the second and third quarters.

Because of the long periods required to air season wood, which can occasionally exceed nine months before a sale is concluded, inventories are a significant component of working capital. However, solid relationships and long-term contracts with customers enable the Company to better ascertain inventory requirements. The Company believes that its cash flow from operations and available credit facilities are adequate to meet its working capital requirements for the foreseeable future.

The value of property, plant and equipment stood at $195.1 million as at March 31, 2013, compared with $189.0 million as at December 31, 2012. This increase is essentially related to the purchase of property, plant and equipment ($5.8 million) exceeding depreciation ($1.9 million) for the period and to the effect of local currency translation on U.S.-based property, plant and equipment during the three-month period ended March 31, 2013.

The value of intangible assets and goodwill reached $92.4 million and $139.1 million, respectively, as at March 31, 2013. Intangible assets include customer relationships, the discounted value of the non-compete agreements, a creosote registration, cutting rights and standing timber. As at December 31, 2012, intangible assets and goodwill were $93.1 million and $135.8 million, respectively. The decrease in the value of intangible assets stems from an amortization charge of $2.3 million in the first three months of 2013, partially offset by the effect of local currency translation on U.S.-based intangible assets. The latter factor also explains the variation in the value of goodwill.

Liabilities

As at March 31, 2013, Stella-Jones' total liabilities stood at $505.0 million, up from $487.1 million as at December 31, 2012. This variation mainly reflects an increase in long-term debt partially offset by a decrease in current liabilities.

The value of current liabilities was $66.3 million as at March 31, 2013, versus $90.1 million as at December 31, 2012. The decrease is attributable to a $14.0 million reduction in bank indebtedness and to a $5.4 million decrease in the current portion of long-term debt.

The Company's long-term debt, including the current portion, was $382.6 million as at March 31, 2013, up from $349.6 million as at December 31, 2012. The increase essentially reflects higher working capital requirements. As at March 31, 2013, an amount of $346.9 million was drawn against the Company's committed revolving credit facility of $370.0 million. During the quarter, the syndicate of lenders agreed to increase the authorized amount under the committed revolving credit facility to $370.0 million from $350.0 million. The increase is justified by working capital needs and the acceleration of certain capacity enhancement initiatives required for anticipated sales growth.

Shareholders' equity

Shareholders' equity rose to $490.2 million as at March 31, 2013 compared with $468.8 million as at December 31, 2012. This increase is mainly attributable to net income of $18.8 million. Book value stood at $28.55 per common share as at March 31, 2013, up from $27.30 per share as at December 31, 2012.

LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth summarized cash flow components for the periods indicated:

Summary of cash flows	**Three-month Periods Ended**	
(thousands of dollars)	**March 31, 2013**	**March 31, 2012**
Operating activities	($20,197)	($1,758)
Financing activities	$12,017	$2,809
Investing activities	($5,820)	($1,051)
Net change in cash and cash equivalents during the period	($14,000)	$---
Cash and cash equivalents - beginning	$14,000	$---
Cash and cash equivalents - end	$---	$---

The Company's activities, acquisitions and purchases of property, plant and equipment are primarily financed by cash flows from operating activities, long-term debt and the issuance of common shares. The Company's committed revolving credit facility is made available for a five-year term and is thus considered long-term debt.

Cash flow from operating activities before changes in non-cash working capital components and interest and income tax paid was $34.3 million for the three-month period ended March 31, 2013, compared with $27.2 million for the same period in 2012. This increase mostly reflects a higher net income for the period.

Changes in non-cash working capital components reduced liquidity by $48.8 million in the first quarter of 2013, mainly due to increases of $37.5 million and $6.8 million, respectively, in accounts receivable and inventories. In the first quarter of 2012, changes in non-cash working capital components had used liquidity of $21.0 million. Interest and income tax paid further reduced liquidity by $3.1 million and $2.7 million, respectively, in the first quarter of 2013, versus $2.2 million and $5.7 million, respectively, a year earlier. As a result, cash flows used in operating activities were $20.2 million in the first quarter of 2013, versus $1.8 million in the first quarter of 2012.

Financing activities for the quarter ended March 31, 2013 provided funds of $12.0 million. This cash generation stems from a net increase of $26.2 million in long-term debt, partially offset by a reduction of $14.0 million in bank indebtedness. For the quarter ended March 31, 2012, financing activities provided liquidity of $2.8 million.

Investing activities used $5.8 million in liquidity during the first quarter of 2013. Purchases of property, plant and equipment, essentially for the addition of various equipment upgrades and expansion, required an investment of $5.8 million, including $2.8 million to continue the construction of a new treating facility in Cordele, Georgia. For the quarter ended March 31, 2012, cash flows from investing activities decreased liquidity by $1.1 million.

The following table details the maturities of the financial obligations as at March 31, 2013:

(in thousands of dollars)	Carrying Amount ($)	Contractual Cash flow ($)	Less than 1 year ($)	1 – 3 years ($)	4 – 5 years ($)	After 5 years ($)
Accounts payable and accrued liabilities	61,413	61,413	61,413	-	-	-
Long-term debt obligations	382,606	423,750	10,329	55,871	348,466	9,084
Net settled interest rate swaps	-	4,856	1,381	2,421	1,054	-
Minimum payments under operating lease obligations	-	50,070	10,839	14,100	8,007	17,124
Non-compete agreements	2,455	2,672	1,777	591	304	-
Total	446,474	542,761	85,739	72,983	357,831	26,208

SHARE AND STOCK OPTION INFORMATION

As at March 31, 2013, the capital stock issued and outstanding consisted of 17,169,860 common shares (17,168,425 as at December 31, 2012). The following table presents the outstanding capital stock activity for the three-month period ended March 31, 2013:

Number of shares (in '000s)	Three-month Period Ended March 31, 2013
Balance – Beginning of period	17,168
Stock option plan	-
Employee share purchase plans	2
Balance – End of period	17,170

As at May 1, 2013, the capital stock issued and outstanding consisted of 17,169,990 common shares.

As at March 31, 2013, the number of outstanding options to acquire common shares issued under the Company's Stock Option Plan was 130,100 (December 31, 2012 – 130,100) of which 99,700 (December 31, 2012 – 99,700) were exercisable. As at May 1, 2013, the number of outstanding options was 130,100, of which 99,700 were exercisable.

DIVIDENDS

On May 1, 2013, the Board of Directors approved a quarterly dividend of $0.20 per common share payable on June 28, 2013 to shareholders of record at the close of business on June 3, 2013.

The declaration, amount and date of any future dividends will continue to be considered by the Board of Directors of the Company based upon and subject to the Company's covenants in its loan documentation as well as its financial performance and cash requirements. There can be no assurance as to the amount or timing of such dividends in the future.

COMMITMENTS AND CONTINGENCIES

The commitments and contingencies susceptible to affect the Company in the future remain substantially unchanged from those included in the Company's annual MD&A contained in its 2012 Annual Report.

CURRENT ECONOMIC CONDITIONS

Operations

The Company's core railway tie and utility pole product categories are integral to the North American basic transportation and utility infrastructure. Such infrastructure needs to be regularly maintained which provides Stella-Jones with relatively steady demand for its core products. In periods of economic growth, the Company may also benefit from additional demand stemming from expansions to the railway and telecommunication networks.

Based on current market conditions, Management continues to expect business activity to remain healthy in 2013. In the railway tie market, increased freight volume on North American railroads results in further investments in the continental rail network, as operators constantly seek optimal line efficiency. In the utility pole market, demand is expected to hold, as regular maintenance projects provide a stable business flow for distribution poles, while the strength of the transmission pole market is more correlated to the timing of orders, mostly for special projects.

Liquidity

As at March 31, 2013, the Company is in full compliance with its debt covenants and contractual obligations. In addition, as at March 31, 2013, an amount of $346.9 million had been drawn against the Company's committed revolving credit facility of $370.0 million.

Accounts receivable increased during the first three months of 2013 as a result of higher sales near the end of the period as per normal seasonal demand patterns. Management considers that all recorded receivables are fully collectible as major customers, mainly Class 1 railroad operators and large-scale utility service providers, have good credit standing and limited history of default.

Inventories also increased during the first three months of 2013 due to the normal seasonal inventory build-up in anticipation of higher projected peak sales volumes in the second and third quarters. To ensure efficient treatment operations, given that air-dried wood reduces treatment cycles, inventory turnover has historically been relatively low. Nevertheless, Management continuously monitors the levels of inventory and market demand for its products. Production is adjusted accordingly to optimize efficiency and capacity utilization.

RISKS AND UNCERTAINTIES

The risk and uncertainty factors affecting the Company in the future remain substantially unchanged from those included in the Company's annual MD&A contained in its 2012 Annual Report.

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are described in Note 2 to the December 31, 2012 audited consolidated financial statements, except for those accounting policies adopted as of January 1, 2013 which are described in the Company's condensed interim unaudited consolidated financial statements for the periods ended March 31, 2013 and 2012.

The Company prepares its consolidated financial statements in conformity with IFRS which 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 dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. 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 financial statements of the period in which they become known.

Significant items subject to estimates and assumptions include the estimated useful life of assets, impairment of goodwill and impairment of long-lived assets.

DISCLOSURE CONTROLS AND PROCEDURES

The Company maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, accurate, reliable and timely. The disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that information required to be disclosed in the annual filings, interim filings or other reports filed under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to Management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

The President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer of the Company have evaluated, or caused the evaluation of, under their direct supervision, the design effectiveness of the Company's DC&P (as defined in Regulation 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings) as at March 31, 2013, and have concluded that such DC&P were designed effectively.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management has evaluated the design of its ICFR (as defined in Regulation 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings). The evaluation was based on the criteria established in the "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This evaluation was performed by the President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer of the Company with the assistance of other Company Management and staff to the extent deemed necessary. Based on this evaluation, the President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer concluded that the ICFR were appropriately designed, as at March 31, 2013.

In spite of its evaluation, Management does recognize that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

No changes were made to the design of ICFR during the period from January 1, 2013 to March 31, 2013 that have materially affected or are reasonably likely to materially affect the Company's ICFR.

LIMITATION ON SCOPE OF DESIGN OF DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Our assessment of and conclusion on the design of the Company's DC&P and ICFR as at March 31, 2013, did not include the controls or procedures of the operations of McFarland, which were acquired on November 30, 2012 and are included in the March 31, 2013 condensed interim unaudited consolidated financial statements. The Company has accordingly availed itself of provision 3.3(1)(b) of Regulation 52-109 which permits exclusion of this acquisition in the design and operating effectiveness assessment of its DC&P and ICFR for a maximum period of 365 days from the date of acquisition.

The following table summarizes the unaudited financial information for McFarland:

Three-month period ended March 31, 2013 (thousands of dollars)	**$**
Sales	65,029

As at March 31, 2013 (thousands of dollars)	**$**
Current assets	151,722
Non-current assets	135,459
Current liabilities	7,067
Non-current liabilities	11,803

OUTLOOK

Management expects demand for the Company's core products to remain healthy for the remainder of 2013. In the railway tie market, increased freight volume on North American railroads is resulting in further investments in the continental rail network, as operators constantly seek optimal line efficiency. In the utility pole market, demand is expected to hold, as regular maintenance projects provide a stable business flow for distribution poles, while the strength of the transmission pole market is more correlated to the timing of orders, mostly for special projects.

As one of the largest North American providers of industrial treated wood products, Stella-Jones will leverage the strength of its continental network to capture more of its existing clients' business in its core railway tie and utility pole markets, while diligently seeking new market opportunities. The Company will also remain focused on improving operating efficiencies throughout the organization. The integration of the McFarland operations is a key priority, and the Company believes it will benefit from greater market penetration, synergies and additional operating efficiencies from a larger network.

In the short-term, the Company will continue to focus on cash generation and to maintain a prudent use of leverage. The solid cash flow provided by operating activities will be used to reduce debt, invest in working capital, as well as in property, plant and equipment and in maintaining an optimal dividend policy to the benefit of shareholders.

Over the long-term, the Company's strategic vision, focused on continental expansion, remains intact. A solid financial position will allow Stella-Jones to continue to seek targets in its core markets that meet its stringent investment requirements, provide synergistic opportunities, and add value for shareholders.

May 1, 2013